

FISCAL YEAR ENDED:

12 / 31 / 15

ANNUAL REPORT CHECKLIST

PROVIDER(S): Oakmont Senior Living LLC / Capriana Operations LLC

CCRC(S): Capriana at la Floresta Village

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CONTACT PERSON: Keith Fitzsimons

CONTINUING CARE
CONTRACTS BRANCH

TELEPHONE NO.: (707) 535.3200

EMAIL: keith.fitzsimons@oakmontmg.ca

A complete annual report must consist of 3 copies of all of the following:

- Annual Report Checklist.
- Annual Provider Fee in the amount of: \$ 3,762
 - If applicable, late fee in the amount of: \$ _____
- Certification by the provider's *Chief Executive Officer* that:
 - The reports are correct to the best of his/her knowledge.
 - Each continuing care contract form in use or offered to new residents has been approved by the Department.
 - The provider is maintaining the required *liquid* reserves and, when applicable, the required refund reserve.
- Evidence of the provider's fidelity bond, as required by H&SC section 1789.8.
- Provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.
- Provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon.
- Provider's "Continuing Care Retirement Community Disclosure Statement" and Form 7-1 "Report on CCRC Monthly Service Fees" for *each* community.
- Provider's Refund Reserve Calculation(s) – Form 9-1 and/or Form 9-2, if applicable.

The Key Indicators Report is required to be submitted within 30 days of the due date of the submission of the annual report, but may be submitted at the same time as the annual report.

April 30, 2016

Allison Nakatomi
Continuing Care Contracts Branch
Department of Social Services
744 P Street
MS 8-3-90
Sacramento, CA 95814

Re: Oakmont Senior Living LLC / Capriana

Enclosed, please find the following, along with the annual Continuing Care Providers Fee Fund payment:

- 3 copies of:
 - Annual Report Checklist
 - Form 1-1 / Form 1-2
 - Certification of Managing Member
 - Evidence of Insurance
 - Annual Audited Financial Statement
 - Audited Reserve Reports
 - Form 7-1 as well as copies of renewal increase letters
 - Refund reserve Calculations (account balance confirmed is Audited Reserve Reports)
- 4 copies of:
 - Disclosure Statement

As always, please do not hesitate to let me know if you have any questions or need further information.

Sincerely,



Keith Fitzsimons
Chief Financial Officer

**FORM 1-1
RESIDENT POPULATION**

<u>Line</u>	<u>Continuing Care Residents</u>	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	91
[2]	Number at end of fiscal year	90
[3]	Total Lines 1 and 2	181
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	90.5
All Residents		
[6]	Number at beginning of fiscal year	142
[7]	Number at end of fiscal year	149
[8]	Total Lines 6 and 7	291
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	145.5
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	0.62

**FORM 1-2
ANNUAL PROVIDER FEE**

<u>Line</u>		<u>TOTAL</u>
[1]	Total Operating Expenses (including depreciation and debt service - interest only)	\$6,094,800
[a]	Depreciation	\$47,300
[b]	Debt Service (Interest Only)	\$0
[2]	Subtotal (add Line 1a and 1b)	\$47,300
[3]	Subtract Line 2 from Line 1 and enter result.	\$6,047,500
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	62%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	\$3,761,503
[6]	Total Amount Due (multiply Line 5 by .001)	x .001 \$3,762

PROVIDER Oakmont Senior Living LLC / Capriana Operations LLC
COMMUNITY Capriana at la Floresta Village

Reconciliation of Form 1-2 for 2015

Fountaingrove Lodge

Note to Form 1-2 reconciling total Operating Expense

Total Operating Expenses Per Consolidated Statement	8,633,900
Less: Facility Lease	<u>(2,539,100)</u>
Form 1-2, Line 1	<u><u>6,094,800</u></u>

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CONTINUING CARE
CONTRACTS BRANCH

April 30, 2016

Continuing Care Contracts Branch
California Department of Social Services

To Whom It May Concern:

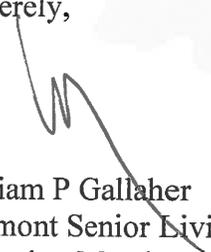
I, William P Gallaher, certify that the annual audit, reports and any amendments thereto submitted for December 31, 2015 for Oakmont Senior Living LLC / Capriana are true and correct to the best of my knowledge.

Oakmont Senior Living / Capriana continuing care contract form in use or offered to new residents has been approved by the Department of Social Services.

Oakmont Senior Living / Capriana are maintaining the required liquid reserve.

Oakmont Senior Living / Capriana do not offer refundable Contracts.

Sincerely,



William P Gallaher
Oakmont Senior Living / Capriana
Managing Member

CERTIFICATE OF LIABILITY INSURANCE

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER Propel Insurance Tacoma Commercial Insurance 1201 Pacific Ave, Suite 1000 Tacoma, WA 98402	CONTACT NAME: Janette Ladley
	PHONE (A/C, No, Ext): 253.310.4012 FAX (A/C, No): 866.577.1326 E-MAIL ADDRESS: Janette.ladley@propelinsurance.com
INSURED Oakmont Management Group LLC 9240 Old Redwood Hwy., Suite 200 Windsor, CA 95492	INSURER(S) AFFORDING COVERAGE NAIC #
	INSURER A : Underwriters At Lloyd's London 15792
	INSURER B : Church Mutual Insurance Company 18767
	INSURER C :
	INSURER D :
	INSURER E :

COVERAGES CERTIFICATE NUMBER: REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSR	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	GENERAL LIABILITY			SBLTCA0139115 Retro Date: \$1mm/\$3mm	05/01/2015	05/01/2016	EACH OCCURRENCE \$1,000,000
	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY						DAMAGE TO RENTED PREMISES (Ea occurrence) \$100,000
	<input checked="" type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> OCCUR						MED EXP (Any one person) \$5,000
	<input checked="" type="checkbox"/> Ded: \$25,000						PERSONAL & ADV INJURY \$1,000,000
	<input checked="" type="checkbox"/> Professional Liab						GENERAL AGGREGATE \$3,000,000
	GEN'L AGGREGATE LIMIT APPLIES PER:						PRODUCTS - COMP/OP AGG \$1,000,000
	<input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input checked="" type="checkbox"/> LOC						Policy Agg \$10,000,000
B	AUTOMOBILE LIABILITY			030258809787097	05/01/2015	05/01/2016	COMBINED SINGLE LIMIT (Ea accident) \$1,000,000
	<input checked="" type="checkbox"/> ANY AUTO						BODILY INJURY (Per person) \$
	<input checked="" type="checkbox"/> ALL OWNED AUTOS	<input checked="" type="checkbox"/> SCHEDULED AUTOS					BODILY INJURY (Per accident) \$
	<input checked="" type="checkbox"/> HIRED AUTOS	<input checked="" type="checkbox"/> NON-OWNED AUTOS					PROPERTY DAMAGE (Per accident) \$
	<input checked="" type="checkbox"/> \$1,000 Comp	<input checked="" type="checkbox"/> \$1,000 Coil					\$
A	UMBRELLA LIAB			SBLTCAX0131615 Retro Date:	05/01/2015	05/01/2016	EACH OCCURRENCE \$10,000,000
	<input checked="" type="checkbox"/> EXCESS LIAB	<input checked="" type="checkbox"/> CLAIMS-MADE					AGGREGATE \$10,000,000
	DED <input checked="" type="checkbox"/> RETENTION \$25,000						\$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY						WC STATUTORY LIMITS OTH-ER
	ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH)						E.L. EACH ACCIDENT \$
	If yes, describe under DESCRIPTION OF OPERATIONS below		N/A				E.L. DISEASE - EA EMPLOYEE \$
							E.L. DISEASE - POLICY LIMIT \$

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)

RE Named Insureds and locations:

Segovia Operations, LLC
 Segovia of Palm Desert, LLC
 39905 Via Scena, Palm Desert, CA 92260
 (See Attached Descriptions)

CERTIFICATE HOLDER CANCELLATION

Evidence of Insurance	SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.
	AUTHORIZED REPRESENTATIVE 

DESCRIPTIONS (Continued from Page 1)

Varena, LLC

Varena at Fountaingrove, LLC

1401 Fountaingrove Pkwy., Santa Rosa, CA 95403

Varena Assisted Living, LLC

Varena at Fountaingrove, LLC

Varena Care Center, LP

dba: Villa Capri at Fountaingrove

1397 Fountaingrove Pkwy., Santa Rosa, CA 95403

La Floresta, LLC

Capriana at La Floresta Village, LLC

Capriana Operatins, LLC

460 S. La Floresta Drive, Brea, CA 92823

OSL Santa Rosa Fountaingrove, LLC

Fountaingrove Lodge, LLC

4178-4210 Thomas Lake Harris Dr., Santa Rosa, CA 95403

Cardinal Point at Mariner Square, LLC

OakmontSL of Alameda, LP

2431 Mariner Square Dr., Alameda, CA 94501

Report of Independent Auditors and
Consolidated Financial Statements with
Consolidating Information

**Oakmont Senior Living LLC and
Subsidiaries**

December 31, 2015 and 2014

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REPORT OF INDEPENDENT AUDITORS

To the Members
Oakmont Senior Living LLC and Subsidiaries

Report on Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Oakmont Senior Living LLC (a California limited liability company) and Subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of operations, changes in members' deficit and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Oakmont Senior Living LLC and Subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Consolidating Information

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements of Oakmont Senior Living LLC and Subsidiaries taken as a whole. The 2015 consolidating information presented on pages 15 through 18 is presented for purposes of additional analysis and is not a required part of the basic 2015 consolidated financial statements. Such consolidating information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the 2015 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2015 consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2015 consolidating information is fairly stated in all material respects in relation to the 2015 consolidated financial statements as a whole.

Mose Adams LLP

Santa Rosa, California
April 27, 2016

CONSOLIDATED FINANCIAL STATEMENTS

OAKMONT SENIOR LIVING LLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents	\$ 51,877,200	\$ 49,179,200
Restricted cash	20,441,100	27,326,300
Assets held by trustee	605,000	378,700
Accounts receivable and other assets, net	852,300	2,918,200
Due from related parties	37,928,100	40,884,700
Investment in real estate		
Buildings and improvements	109,347,500	108,981,200
Land	8,108,400	8,108,400
Furniture, fixtures, and equipment	7,856,500	7,570,500
Accumulated depreciation	<u>(36,380,200)</u>	<u>(32,302,200)</u>
Total investments in real estate, net	<u>88,932,200</u>	<u>92,357,900</u>
Total assets	<u>\$ 200,635,900</u>	<u>\$ 213,045,000</u>
LIABILITIES AND MEMBERS' DEFICIT		
Accounts payable and accrued liabilities	\$ 7,557,100	\$ 7,998,900
Deferred revenue	473,900	463,100
Due to related parties	-	40,500
Deferred rent	8,545,400	8,749,800
Entrance fees subject to refund	179,287,100	172,177,600
Entrance fees non-refundable, net	27,989,000	24,763,200
Debt obligations, net of unamortized debt issuance costs	<u>75,631,800</u>	<u>73,307,200</u>
Total liabilities	<u>299,484,300</u>	<u>287,500,300</u>
MEMBERS' DEFICIT		
Noncontrolling interest	(18,578,500)	(10,798,600)
Controlling interest	<u>(80,269,900)</u>	<u>(63,656,700)</u>
Total members' deficit	<u>(98,848,400)</u>	<u>(74,455,300)</u>
Total liabilities and members' deficit	<u>\$ 200,635,900</u>	<u>\$ 213,045,000</u>

See accompanying notes.

OAKMONT SENIOR LIVING LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
Years Ended December 31, 2015 and 2014

	2015	2014
REVENUE		
Continuing care contracts	\$ 29,515,500	\$ 27,182,300
Non-continuing care contracts	12,933,500	10,638,900
Total revenue	42,449,000	37,821,200
OPERATING EXPENSES		
Continuing care contracts operating expenses	25,674,600	25,695,100
Non-continuing care contracts operating expenses	5,080,200	4,538,600
Management fees - related party	1,767,000	1,672,500
General and administrative	1,396,800	1,482,800
Letter of credit fees	1,035,500	1,611,700
Depreciation	4,078,700	4,616,400
Facility lease	7,271,100	7,650,900
Total operating expenses	46,303,900	47,268,000
LOSS FROM CONTINUING OPERATIONS	(3,854,900)	(9,446,800)
OTHER INCOME (EXPENSE)		
Interest income	137,600	287,700
Amortization of debt issuance costs	(1,170,600)	(419,700)
Interest expense	(1,070,700)	(179,200)
Miscellaneous	289,500	565,700
NET LOSS, before allocation to noncontrolling interest	(5,669,100)	(9,192,300)
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST	2,116,600	542,000
NET LOSS ATTRIBUTABLE TO CONTROLLING INTEREST	\$ (3,552,500)	\$ (8,650,300)

See accompanying notes.

OAKMONT SENIOR LIVING LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' DEFICIT
Years Ended December 31, 2015 and 2014

	<u>Noncontrolling Interest</u>	<u>Controlling Interest</u>	<u>Total</u>
BALANCE, December 31, 2013	\$ (9,270,800)	\$ (75,015,600)	\$ (84,286,400)
Distribution of deconsolidated entities	-	616,100	616,100
Member contributions	-	150,660,100	150,660,100
Member distributions	(985,800)	(131,267,000)	(132,252,800)
Net income (loss)	(542,000)	(8,650,300)	(9,192,300)
BALANCE, December 31, 2014	(10,798,600)	(63,656,700)	(74,455,300)
Member contributions	-	151,384,700	151,384,700
Member distributions	(4,057,700)	(166,051,000)	(170,108,700)
Transfer of interest	(1,605,600)	1,605,600	-
Net loss	(2,116,600)	(3,552,500)	(5,669,100)
BALANCE, December 31, 2015	<u>\$ (18,578,500)</u>	<u>\$ (80,269,900)</u>	<u>\$ (98,848,400)</u>

See accompanying notes.

OAKMONT SENIOR LIVING LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from continuing care contracts	\$ 27,551,200	\$ 21,585,800
Cash received from entrance fees	39,803,700	30,696,700
Cash received from non-continuing care contracts - Cardinal Point	309,400	152,500
Cash received from non-continuing care contracts - Segovia	1,768,500	1,866,600
Cash received from non-continuing care contracts - Capriana	3,339,400	2,029,200
Cash received from non-continuing care contracts - Fountaingrove Lodge	2,310,000	1,354,000
Cash received from non-continuing care contracts - all other	5,769,400	5,531,700
Cash received from (paid to) affiliates, net	2,916,100	(8,828,900)
Cash paid to employees and suppliers	(32,942,300)	(27,826,000)
Cash paid for management fees	(1,767,000)	(1,672,500)
Cash paid for letter of credit fees	(1,035,500)	(1,611,700)
Cash paid for facility lease	(7,475,500)	(4,969,500)
Interest received	137,600	287,700
Interest paid	(1,070,700)	(191,400)
Miscellaneous receipts	289,500	565,700
Net cash from operating activities	39,903,800	18,969,900
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in real estate	(653,000)	(566,300)
Net cash from investing activities	(653,000)	(566,300)
CASH FLOWS FROM FINANCING ACTIVITIES		
Refunds of entrance fees	(21,661,600)	(20,859,900)
Proceeds from debt obligations	58,340,000	1,950,000
Payments on debt obligations	(56,327,200)	(3,898,000)
Change in restricted cash	2,678,800	(1,246,700)
Controlling interest distributions	(166,051,000)	(131,267,000)
Noncontrolling interest distributions	(4,057,700)	(985,800)
Controlling interest contributions	151,384,700	150,660,100
Deferred financing related costs	(858,800)	(159,600)
Net cash from financing activities	(36,552,800)	(5,806,900)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,698,000	12,596,700
CASH INCLUDED IN DISTRIBUTION OF DECONSOLIDATED ENTITIES	-	(1,443,200)
CASH AND CASH EQUIVALENTS, beginning of year	49,179,200	38,025,700
CASH AND CASH EQUIVALENTS, end of year	\$ 51,877,200	\$ 49,179,200

See accompanying notes.

OAKMONT SENIOR LIVING LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
RECONCILIATION OF NET LOSS TO NET CASH		
FROM OPERATING EXPENSES		
Net loss	\$ (5,669,100)	\$ (9,192,300)
Adjustments to reconcile net loss to net cash from operating activities:		
Depreciation	4,078,700	4,616,400
Amortization of debt issuance costs	1,170,600	419,700
Amortization of entrance fees non-refundable	(3,697,200)	(4,097,600)
Changes in:		
Restricted cash	3,980,100	(11,773,500)
Accounts receivable and other assets	2,065,900	(2,086,600)
Due from related parties	2,948,300	42,974,600
Accounts payable and accrued liabilities	(441,800)	4,169,800
Accrued interest	-	(12,200)
Deferred revenue	10,800	113,800
Due to related parties	(32,200)	(51,803,500)
Deferred rent	(204,400)	2,681,400
Entrance fees	35,694,100	42,959,900
Net cash from operating activities	<u>\$ 39,903,800</u>	<u>\$ 18,969,900</u>
SUPPLEMENTAL CASH-FLOW INFORMATION		
Noncash investing and financing activities:		
Transfer of land to related party	\$ -	\$ 2,368,400
Distribution of members' deficit in Varenna Care Center		
Debt issuance costs	-	17,600
Investment in real estate, net	-	(37,200)
Debt obligations	-	(2,039,700)
Members' deficit	-	616,100

See accompanying notes.

OAKMONT SENIOR LIVING LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of operations – Oakmont Senior Living LLC (the Company) was formed on November 1, 2000, as a California limited liability company. The Company's purpose is to develop, construct, operate, lease, and own apartments, independent living, assisted living, and continuing care retirement communities. The Company operates retirement facilities it owns or leases located in Alameda, Santa Rosa, Palm Desert, and Brea, California.

Basis of accounting and principles of consolidation – The consolidated financial statements are presented on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP) and include the accounts of the Company and the following entities:

Oakmont SL of Alameda LP	Varena Assisted Living LLC
Varena at Fountaingrove LLC	Varena Care Center LP [Distributed to members December 31, 2014]
Varena LLC	Segovia Operations LLC
Varena Apartments LLC	Fountaingrove Lodge LLC
Cardinal Point at Mariner Square LLC	Capriana Operations LLC
Cardinal Point Social Club LLC	OSL of Alameda LLC

All significant transactions between these entities have been eliminated.

On December 31, 2014, the Company distributed its partnership interest in Varena Care Center LP proportionately to the individual members of the Company. In conjunction with the change to the ownership structure, the Company determined that it no longer controlled this entity and it was deconsolidated effective December 31, 2014.

The Company adopted accounting standards that address consolidation by business enterprises of variable interest entities (VIEs). The Company has considered its agreements and business activities with related parties in order to determine whether any of the relationships would qualify as VIEs and whether the Company would be deemed to be the primary beneficiary and be required to consolidate the activities of these VIEs in the Company's consolidated financial statements.

The Company has identified certain related entities with common ownership as VIE's and has concluded that it is not the primary beneficiary in accordance with GAAP, primarily due to the fact that the Company does not have a direct ownership and ultimately the members of such entities control and support the activities that most significantly impact operations. Each of these entities has been financed either through capital contributions or related-party debt, some of which was provided by the Company (see Note 3). The Company has no contractual obligation to support the operations of these entities; however, it may voluntarily elect to provide additional direct or indirect support based on each business' objectives and cash-flow needs.

The power to direct the activities of these entities was evaluated in making this determination and the Company concluded that the members of the entities, and not the Company, hold this decision-making power. Further, it was concluded that the members of the entities have the obligation to absorb potential losses and the right to receive the benefits derived from the entities. The Company does not believe they are exposed to any future losses from the relationship with these entities.

OAKMONT SENIOR LIVING LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The summarized financial information for unconsolidated VIE's at December 31, is as follows:

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash	\$ 3,190,200	\$ -
Due from related parties	6,157,300	5,620,200
Investments	-	375,000
Investment in real estate		
Building and improvements	26,169,300	35,195,700
CIP	6,515,300	-
Land	14,768,000	10,649,700
Furniture, fixtures, and equipment	4,020,300	2,937,800
Accumulated depreciation	<u>(1,648,700)</u>	<u>(621,800)</u>
Total investments in real estate, net	<u>49,824,200</u>	<u>48,161,400</u>
Other assets	<u>2,210,800</u>	<u>2,868,800</u>
Total assets	<u>\$ 61,382,500</u>	<u>\$ 57,025,400</u>
LIABILITIES AND MEMBERS' EQUITY (DEFICIT)		
Due to related parties	\$ 36,200	\$ 5,321,000
Debt obligations	55,294,100	58,447,600
Deferred rent	2,400	45,300
Other liabilities	<u>5,634,000</u>	<u>3,707,900</u>
Total liabilities	60,966,700	67,521,800
Members' equity (deficit)	<u>415,800</u>	<u>(10,496,400)</u>
Total liabilities and members' equity (deficit)	<u>\$ 61,382,500</u>	<u>\$ 57,025,400</u>

Use of estimates – The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of risk – Financial instruments potentially subjecting the Company to concentrations of credit risk consist primarily of demand deposits and other cash accounts (including restricted amounts) that may be in excess of Federal Deposit Insurance Corporation insured limits, and accounts receivable.

Cash and cash equivalents – The Company considers all highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

Restricted cash – Restricted cash consists of collections for entrance fee deposits, operating expense impound accounts required by the Company's lenders, and restricted cash accounts used as collateral as required by one of the Company's lenders.

Accounts receivable and other assets – Accounts receivable and other assets consist of trade receivables, receivables from tenants, deposits, and prepaid expenses. Accounts receivable consists of payments owed from residents for services rendered, which does not represent concentrated credit risks to the Company. Management regularly monitors and adjusts its reserves and allowances related to these receivables. Accounts deemed to be uncollectible are written-off only after all reasonable collection efforts are exhausted. At December 31, 2015 and 2014, accounts receivable is presented net of an allowance of \$0 and \$21,300, respectively.

OAKMONT SENIOR LIVING LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Investments in real estate – Investments in real estate are recorded at the lesser of cost or estimated fair-market value, if impaired, and include interest and property taxes capitalized on long-term construction projects during the construction period, as well as other costs directly related to the development and construction of facilities. Maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

Buildings and improvements	30 - 40 years
Furniture, fixtures, and equipment	3 - 10 years

The Company reviews its investments in real estate whenever events or changes in circumstances indicate that the cost basis of such assets may not be recoverable. If the cost basis of an investment in real estate is greater than the projected future undiscounted net cash flows (before interest) from that property, an impairment loss is recognized. Impairment losses are calculated as the difference between the property's cost basis and its estimated fair value. No such impairment losses have been recognized to date. An investment in real estate held for sale is carried at the lower of its carrying amount or estimated fair value, less costs to sell. The Company considers an investment in real estate held for sale when the property is being actively marketed for sale, and expects it to sell within one year. There were no properties held for sale at December 31, 2015 and 2014.

Deferred rent – Deferred rent consists of the difference between the amount recognized as rent expense and the amount of rent paid due to step increases in the lease agreement.

Revenue recognition – Resident fee revenue, presented as continuing care and non-continuing care contracts, is recorded when services are rendered and consist of fees for basic housing, support services, and fees associated with additional services, such as personalized health and assisted living care. Residency agreements are generally for a term of 30 days to one year, with resident fees billed monthly in advance. Revenues for certain care services provided are also charged in advance. Additional ancillary charges are billed monthly in arrears. As of December 31, 2015 and 2014, approximately \$473,900 and \$463,100, respectively, was recorded in deferred revenue related to fees paid by applicants prior to occupancy.

Residents pay an entrance fee to occupy a unit and pay monthly fees for housing, food, and services. The Company has residency agreements that require the resident to pay an upfront entrance fee prior to joining the community that is 100% refundable within 90 days of occupancy. After the initial 90 days of occupancy, the entrance fees are a combination of refundable and nonrefundable in accordance with the terms of the contracts. The nonrefundable portion of the entrance fee is recorded as an entrance fee nonrefundable liability and amortized over the estimated stay of the resident based on an actuarial valuation. The refundable portion of a resident's entrance fee is refundable upon the resale of the unit and is recorded as a liability on the consolidated balance sheets.

Certain contracts require the refundable portion of the entrance fee to be refunded only upon resale of the unit (contingently refundable). Upon resale, the Company may receive re-occupancy proceeds in the form of additional contingently refundable fees, refundable fees, or nonrefundable fees.

Entrance fees nonrefundable, amortized over the estimated stay of the resident, were \$27,989,000 and \$24,763,200 at December 31, 2015 and 2014, respectively. Entrance fees subject to refund at December 31, 2015 and 2014, were \$179,287,100 and \$172,177,600, respectively. It is management's expectation that future refunds will not have a significant effect on the consolidated financial statements.

Revenue recognized from amortization of entrance fees nonrefundable totaled \$3,697,200 and \$4,097,600 for the years ended December 31, 2015 and 2014, respectively.

The Company's operations also include leasing apartment units. Rental income is recognized on a straight-line basis over the lives of the related leases when collectability is reasonably assured. The lease terms are generally for periods of one year or less. Differences between the rental revenue recognized and amounts due under the respective lease agreements with terms in excess of one year are recorded as deferred rent receivable. Ongoing credit evaluations are performed and an allowance for potential credit losses is provided against the portion of accounts receivable that is estimated to be uncollectible.

Advertising – The Company expenses its advertising costs as they are incurred. Advertising expenses amounted to \$898,100 and \$1,145,200 for the years ended December 31, 2015 and 2014, respectively.

Income taxes – The Company is taxed as a partnership for federal and state purposes. As a partnership, all federal and state income tax liability flows through to the Company's members. No provision for income taxes is included in the accompanying consolidated financial statements.

OAKMONT SENIOR LIVING LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company follows the accounting standard related to accounting for uncertain tax positions. The standard prescribes a recognition threshold and measurement process for accounting for uncertain tax positions and also provides guidance on various related matters, such as derecognition, interest, penalties, and disclosures required. The Company does not have any entity level uncertain tax positions. The Company files income tax returns in the U.S. federal jurisdiction and the State of California. The Company is subject to examination by U.S. federal income tax authorities. The Company recognizes interest and penalties related to income tax matters in operating expenses.

Obligation to provide future services – If the present value of estimated future cash outflows to provide services to residents exceeds the present value of estimated future cash inflows from residents, a liability is recognized. The Company has determined that no accrual for the obligation to provide future services and use of facilities to current residents was required at December 31, 2015 and 2014. The discount rate used to calculate the obligation to provide future services is 5%.

Statutory cash reserve requirements – The Company is subject to statutory cash reserve requirements. At December 31, 2015 and 2014, the Company's reserves were in excess of such requirements by \$12,361,800 and \$34,049,300, respectively, as calculated in accordance with the Continuing Care Contract Statutes of the California Health and Safety Code.

Recent accounting pronouncements – In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*. ASU No. 2014-09 outlines a single comprehensive model for entities to use in accounting for revenues arising from contracts with customers. ASU No. 2014-09 is effective for annual periods beginning on or after December 15, 2017, and early adoption is not permitted. On July 9, 2015, the FASB approved a one-year deferral of the effective date of ASU 2014-09. The Company is in the process of evaluating the impact of the guidance on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), which provides a new model for accounting by lessees, whereby the rights and obligations under substantially all leases, existing and new, would be capitalized and recorded on the consolidated balance sheet. For lessors, however, the accounting remains largely unchanged and the distinction between operating and finance leases is retained. The ASU is effective for financial statements issued for fiscal years beginning on or after January 1, 2019. The Company is currently evaluating the impact of the new standard and has not yet determined if it will have a material impact on its consolidated financial statements.

Change in accounting principle – In April 2015, the FASB issued ASU No. 2015-03 - *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. ASU 2015-03 amends current presentation guidance by requiring that debt issuance costs related to a recognized debt liability be presented in the consolidated balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. Prior to the issuance of ASU 2015-03, debt issuance costs were required to be presented as an asset in the consolidated balance sheet. The Company has adopted the provisions of ASU 2015-03 as of January 1, 2015, and prior year amounts have been reclassified to conform to current year presentation. The adoption of this ASU and change in accounting principle had no effect on net results of operations or members' deficit for the year ended and as of December 31, 2014. In the prior year, unamortized debt issuance costs were presented as an asset on the consolidated balance sheet as debt issuance costs, net of \$1,634,200. Debt obligations were \$74,941,400. In the current year, the unamortized debt issuance costs for the years ended December 31, 2015 and 2014, are presented as a direct deduction from the carrying amount of the debt obligations.

Debt issuance costs – Debt issuance costs are stated at cost and consist of fees incurred in connection with the debt obligations. These costs are amortized on a straight-line basis over the term of the associated indebtedness, which approximates the effective interest method. In accordance with the ASU 2015-03, the unamortized cost is classified as a reduction to the debt obligations. The Company incurred amortization expense related to debt issuance costs of \$1,170,600 and \$419,700 for the years ended December 31, 2015 and 2014, respectively.

Subsequent events – Subsequent events are events or transactions that occur after the consolidated balance sheet date, but before the consolidated financial statements are issued. The Company recognizes, in the consolidated financial statements, the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated balance sheet, including the estimates inherent in the process of preparing the consolidated financial statements. The Company's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated balance sheet, but arose after the consolidated balance sheet date and before the consolidated financial statements were available to be issued.

The Company has evaluated subsequent events through April 27, 2016, which is the date the consolidated financial statements were available to be issued, in accordance with the Company's policy related to disclosures of subsequent events.

OAKMONT SENIOR LIVING LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – DEBT OBLIGATIONS

The following is a listing of debt obligations that were outstanding at December 31:

	2015	2014
Loan payable to a financial institution with monthly payments of \$287,000, bearing interest at 4.25%. The loan matures in August 2025, and is guaranteed by a member. The payments are secured in part by a pledge of reserve funds and the mortgaged property.	\$ 58,030,600	\$ -
Varena LLC Taxable Variable Rate Demand Senior Living Facility Revenue Bonds (Varena at Fountaingrove Project); 2011 Series A; bearing interest at a variable rate (0.13% at December 31, 2014, respectively) payable monthly; maturing December 2051; these bonds are secured by letters of credit maturing on December 2021; guaranteed by a member and spouse of Oakmont Senior Living LLC. The bond was paid in full during 2015.	-	56,000,000
Loan payable to a financial institution; monthly payments for the first 60 months of \$8,500 bearing interest at 4.24%; monthly payments of \$9,000 for the following 59 months bearing interest at the weekly average yield of U.S. Treasury Securities adjusted to a constant maturity of 5 years, as made available by the federal reserve board, (1.76% at 12/31/15) plus a margin of 3%; one final payment of outstanding principal and interest at maturity in July 2024; guaranteed by a member of Oakmont Senior Living LLC; subject to certain financial covenants. The Company was in compliance at December 31, 2015 and 2014.	1,923,500	1,941,400
California Statewide Communities Development Authority tax-exempt variable Multifamily Housing Revenue Bonds; Oakmont of Alameda Series 2003WW; bearing interest at a variable rate (0.02% and 0.14% at December 31, 2015 and 2014) payable monthly; maturing December 2036; secured by letters of credit; guaranteed by a member and spouse of the Company.	12,680,000	12,680,000
California Statewide Communities Development Authority Variable Rate Demand Multifamily Housing Revenue Bonds; Oakmont of Alameda Taxable 2013 Series CC-T; bearing interest at a variable rate (0.39% and 0.16% at December 31, 2015 and 2014) payable every June and December; maturing December 2036; secured by letters of credit; guaranteed by a member and spouse of the Company.	4,320,000	4,320,000
	76,954,100	74,941,400
Less unamortized debt issuance costs	(1,322,300)	(1,634,200)
	\$ 75,631,800	\$ 73,307,200

The bonds are payable from and secured solely by the revenues pledged under the bond indenture agreements, including amounts drawn under bank letters of credit to pay the principal, purchase price, and interest on the bonds. The letter of credit for the bonds for Alameda expires in November 2023.

All long-term debt obligations are secured by deeds of trust on the investment in real estate. Interest costs, including amortization of debt issuance costs, incurred totaled \$2,441,300 and \$598,900 in 2015 and 2014, respectively.

The loan agreements contain general affirmative and negative covenants that include provisions for the upkeep of the properties, maintenance, insurance, compliance with laws, and financial reporting requirements. Many agreements include restrictions on certain transactions and changes in capital structure. Management believes the Company is in compliance with these covenants.

OAKMONT SENIOR LIVING LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Future minimum principal payments due under the debt obligations subsequent to December 31, 2015, are as follows:

Year Ending December 31.

2015	\$	976,600
2016		1,026,600
2017		1,071,700
2018		1,118,100
2019		1,159,600
Thereafter		71,601,500
	\$	<u>76,954,100</u>

NOTE 3- RELATED-PARTY TRANSACTIONS

As of December 31, 2015 and 2014, the Company had amounts due from related parties of \$35,032,800 and \$36,155,400, respectively. As of December 31, 2015 and 2014, the Company had amounts due to related parties of \$0 and \$40,500, respectively. These balances are noninterest bearing and are due on demand.

The Company entered into a note receivable agreement with an affiliated company and is charging interest at a rate of 6%. The note is payable on demand. The note receivable balance was \$2,895,300 and \$4,729,300 as of December 31, 2015 and 2014, respectively, and is included in due from related parties in the consolidated balance sheets. During 2015 and 2014, the Company recorded interest income of \$122,400 and \$396,200, respectively, on this note, which is included in interest income in the consolidated statements of operations. There was no interest income receivable at December 31, 2015 and 2014.

The Company's majority member has a controlling financial interest in a financial institution. As of December 31, 2015 and 2014, the Company had cash deposits with this financial institution of \$42,614,400 and \$36,155,600, respectively. For the years ended December 31, 2015 and 2014, the Company paid interest of \$0 and \$21,100, respectively, to this financial institution.

Pursuant to asset and property management agreements between the Company and an unconsolidated affiliate, the Company is obligated to pay monthly management fees. Management fees of \$1,767,000 and \$1,672,500 were paid to the unconsolidated affiliate during the years ended December 31, 2015 and 2014, respectively.

NOTE 4 - MEMBERS' DEFICIT

The liability of each member of Oakmont Senior Living LLC is limited to the amount of his or her required capital contribution. The Company will cease to exist on January 30, 2051, unless it is dissolved at an earlier date in accordance with the operating agreement.

Effective January 1, 2015, the majority member of the Company transferred 10% and 2% ownership in Capriana Operations LLC and Fountaingrove Lodge LLC, respectively, to related individuals. The transfer of the basis is reflected in the accompanying statements of changes in members' deficit.

NOTE 5 - EMPLOYEE BENEFIT PLAN

The Company sponsors a 401(k) defined contribution retirement plan for all full-time employees with at least 12 months of continuous service and who have reached the age of 21 years. The plan is qualified under Section 401(k) of the Internal Revenue Code, so that contributions to the plan by the Company are not taxable until distributed to employees. The Company matches up to 3% of each participating employee's annual salary at its discretion, and such employer contributions are vested immediately. There were employer contributions of \$17,900 and \$9,600 to the plan for the years ended December 31, 2015 and 2014, respectively.

OAKMONT SENIOR LIVING LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 – COMMITMENTS

The Company operates assisted living facilities under long-term noncancelable operating leases with initial lease terms of 15 years, renewal options of 15 to 30 years, and expiration dates through October 2028. Operating lease rent expense is recorded on the straight-line basis and amounted to \$7,271,100 and \$7,650,900 for the years ended December 31, 2015 and 2014, respectively. The adjustment to straight-line the lease expense resulted in deferred rent liability of \$8,545,400 and \$8,749,800 as of December 31, 2015 and 2014, respectively.

Future minimum lease payments under these operating lease agreements in effect as of December 31, 2015, are as follows:

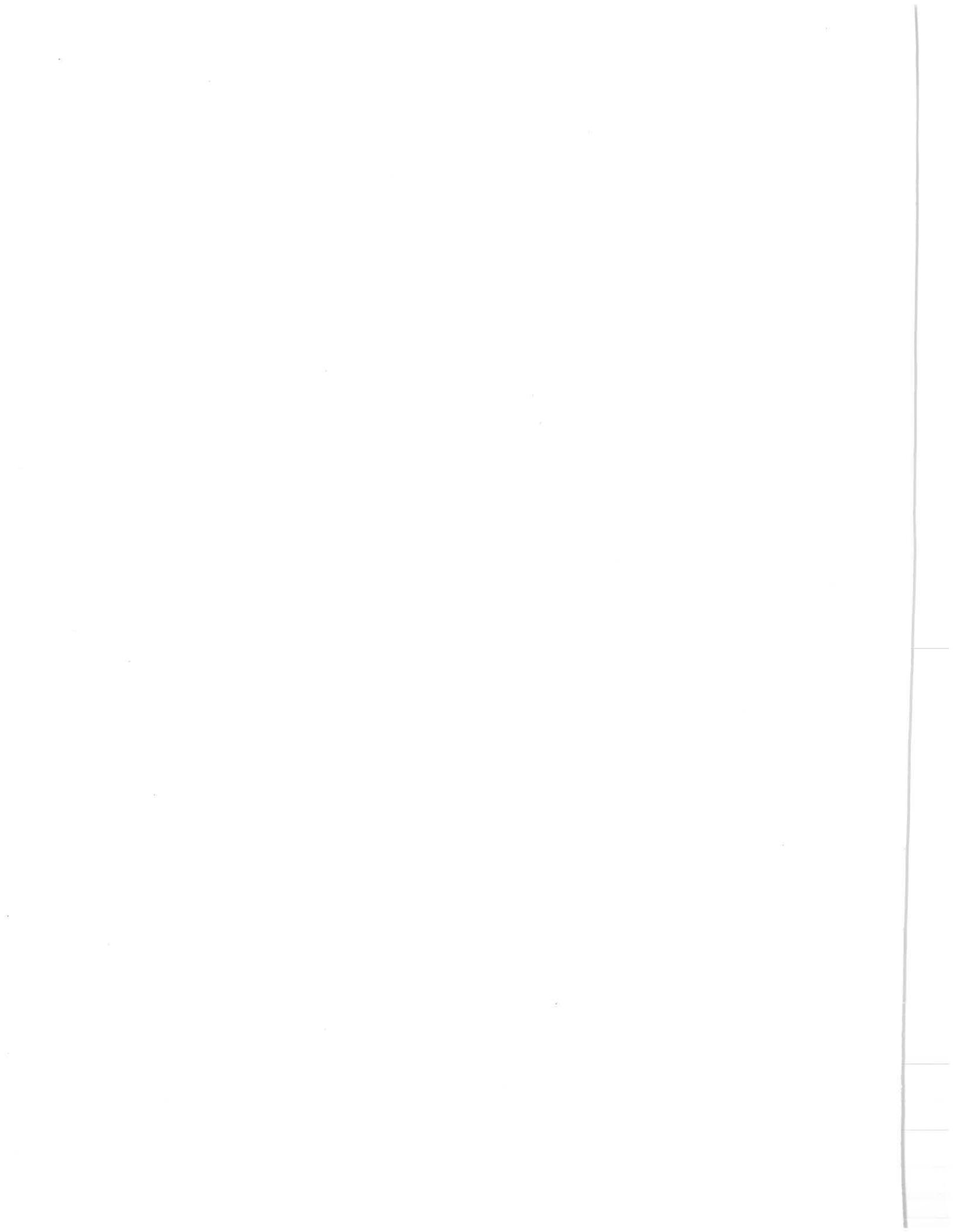
Year Ending December 31,

2016	\$	7,686,700
2017		7,782,700
2018		7,880,100
2019		7,978,800
2020		8,079,000
Thereafter		<u>57,442,600</u>
	<u>\$</u>	<u>96,849,900</u>

NOTE 7 – CONTINGENCIES

Environmental matters – The Company is not aware of any environmental liability with respect to the properties that would have a material adverse effect on the Company's business, consolidated assets, or consolidated results of operations. There can be no assurance that such a material environmental liability does not exist. The existence of any such material environmental liability could have an adverse effect on the Company's consolidated results of operations.

Litigation – The Company may be involved, from time-to-time, in legal actions relating to the ownership and operations of its properties. In management's opinion, the liabilities, if any, that may ultimately result from such legal actions are not expected to have a material adverse effect on the consolidated financial position, results of operations, or cash flows of the Company.



CONSOLIDATING INFORMATION

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	All Other Entities	Varena at Fountaingrove LLC	Varena Assisted Living LLC	Varena Apartments LLC	Varena I
ASSETS					
Cash and cash equivalents	\$ 12,050,600	\$ 3,600	\$ 619,700	\$ 39,600	\$ 12,535
Restricted cash	427,200	-	-	-	3,250
Assets held by trustee	605,000	-	-	-	-
Accounts receivable and other assets, net	79,600	-	46,400	8,200	218
Due from related parties	37,918,000	-	-	-	-
Investments in subsidiaries	(34,291,600)	(27,808,100)	-	-	-
Investment in real estate					
Buildings and improvements	16,231,300	-	132,500	5,300,500	86,154
Land	4,272,400	-	-	71,000	3,765
Furniture, fixtures, and equipment	1,252,500	-	1,122,000	51,500	4,631
Accumulated depreciation	(6,416,600)	-	(1,120,200)	(1,557,100)	(26,404)
Total investments in real estate, net	15,339,600	-	134,300	3,865,900	68,146
Total assets	<u>\$ 32,128,400</u>	<u>\$ (27,804,500)</u>	<u>\$ 800,400</u>	<u>\$ 3,913,700</u>	<u>\$ 84,151</u>
LIABILITIES AND MEMBERS' EQUITY (DEFICIT)					
Accounts payable and accrued liabilities	\$ 276,800	\$ -	\$ 432,200	\$ 18,500	\$ 1,479
Deferred revenue	-	-	-	19,400	-
Due to related parties	-	-	-	-	-
Deferred rent	-	-	726,100	-	-
Entrance fees subject to refund	-	-	-	-	87,257
Entrance fees non-refundable, net	-	-	-	-	11,502
Debt obligations, net of unamortized debt issuance costs	16,510,300	-	-	1,913,900	57,207
Total liabilities	<u>16,787,100</u>	<u>-</u>	<u>1,158,300</u>	<u>1,951,800</u>	<u>157,445</u>
MEMBERS' EQUITY (DEFICIT)					
Noncontrolling interest	1,087,400	(4,787,900)	(387,000)	(178,500)	(4,513)
Controlling interest	14,253,900	(23,016,600)	29,100	2,140,400	(68,780)
Total members' equity (deficit)	<u>15,341,300</u>	<u>(27,804,500)</u>	<u>(357,900)</u>	<u>1,961,900</u>	<u>(73,294)</u>
Total liabilities and members' equity (deficit)	<u>\$ 32,128,400</u>	<u>\$ (27,804,500)</u>	<u>\$ 800,400</u>	<u>\$ 3,913,700</u>	<u>\$ 84,151</u>

	All Other Entities	Varena at Fountaingrove LLC	Varena Assisted Living LLC	Varena Apartments LLC	V
REVENUE					
Continuing care contracts	\$ -	\$ -	\$ -	\$ -	\$ 1
Non-continuing care contracts	-	-	4,945,400	260,800	
Rent revenue	1,349,800	-	-	-	
Total revenue	1,349,800	-	4,945,400	260,800	1
OPERATING EXPENSES					
Continuing care contracts operating expenses	-	-	-	-	
Non-continuing care contracts operating expenses	-	-	3,283,600	3,000	
Management fees	108,300	30,000	197,800	5,200	
General and administrative	285,300	9,200	135,800	82,800	
Letter of credit fees	354,700	-	-	-	
Depreciation	528,200	-	25,700	176,800	
Facility lease	-	-	2,075,200	-	
Total operating expenses	1,276,500	39,200	5,718,100	267,800	1
INCOME (LOSS) FROM CONTINUING OPERATIONS	73,300	(39,200)	(772,700)	(7,000)	
OTHER INCOME (EXPENSE)					
Interest income	123,100	-	-	-	
Amortization of debt issuance costs	(45,500)	-	-	(2,800)	
Interest expense	(11,900)	-	-	(84,500)	
Miscellaneous	287,100	-	-	-	
NET INCOME (LOSS), before allocation to noncontrolling interest	426,100	(39,200)	(772,700)	(94,300)	
NET (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST	(245,700)	5,000	98,900	12,100	
NET INCOME (LOSS) ATTRIBUTABLE TO CONTROLLING INTEREST	\$ 180,400	\$ (34,200)	\$ (673,800)	\$ (82,200)	\$ (

	All Other Entities	Varenna at Fountaingrove LLC	Varenna Assisted Living LLC and Subsidiary	Varenna Apartments LLC	Vare
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from continuing care contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Cash received from entrance fees	-	-	-	-	1
Cash received from non-continuing care contracts - Cardinal Point	-	-	-	-	-
Cash received from non-continuing care contracts - Segovia	-	-	-	-	-
Cash received from non-continuing care contracts - Capriana	-	-	-	-	-
Cash received from non-continuing care contracts - Fountaingrove Lo	-	-	-	-	-
Cash received from non-continuing care contracts - all other	538,700	-	4,970,600	260,100	-
Cash received from rent revenue	1,349,800	-	-	-	-
Cash received from (paid to) affiliates, net	2,958,100	-	-	-	-
Cash paid to employees and suppliers	(1,229,200)	(11,400)	(3,224,600)	(74,300)	(7)
Cash paid for management fees	(108,300)	(30,000)	(197,800)	(5,200)	-
Cash paid for letter of credit fees	(354,700)	-	-	-	-
Cash paid for facility lease	-	-	(1,894,200)	-	-
Interest received	123,100	-	-	-	-
Interest paid	(11,900)	-	-	(84,500)	-
Miscellaneous receipts	287,100	-	-	-	-
Net cash from operating activities	<u>3,552,700</u>	<u>(41,400)</u>	<u>(346,000)</u>	<u>96,100</u>	<u>13</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in real estate	(6,600)	-	(49,600)	(10,400)	-
Receipts from investment in subsidiary	13,402,500	2,211,100	-	-	-
Net cash from investing activities	<u>13,395,900</u>	<u>2,211,100</u>	<u>(49,600)</u>	<u>(10,400)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Refunds of entrance fees	-	-	-	-	(10)
Proceeds from debt obligations	-	-	-	-	58
Payments on debt obligations	-	-	-	(17,800)	(56)
Change in restricted cash	-	-	-	-	2
Controlling interest distributions	(166,051,000)	(32,318,400)	(1,138,400)	(100,100)	(18)
Noncontrolling interest distributions	(4,057,700)	-	-	-	-
Controlling interest contributions	151,384,700	30,147,200	1,888,300	-	15
Debt issuance costs	-	-	-	-	-
Net cash from financing activities	<u>(18,724,000)</u>	<u>(2,171,200)</u>	<u>749,900</u>	<u>(117,900)</u>	<u>(9)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(1,775,400)</u>	<u>(1,500)</u>	<u>354,300</u>	<u>(32,200)</u>	<u>3</u>
CASH AND CASH EQUIVALENTS, beginning of year	<u>13,826,000</u>	<u>5,100</u>	<u>265,400</u>	<u>71,800</u>	<u>8</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 12,050,600</u>	<u>\$ 3,600</u>	<u>\$ 619,700</u>	<u>\$ 39,600</u>	<u>\$ 12</u>

	All Other Entities	Varena at Fountaingrove LLC	Varena Assisted Living LLC and Subsidiary	Varena Apartments LLC	Varena
RECONCILIATION OF NET LOSS TO NET CASH					
FROM OPERATING EXPENSES					
Net income (loss)	\$ 426,100	\$ (39,200)	\$ (772,700)	\$ (94,300)	\$ (2
Adjustments to reconcile net income (loss) to net cash from operating activities:					
Depreciation	528,200	-	25,700	176,800	3
Amortization of debt issuance costs	45,500	-	-	2,800	1
Amortization of entrance fees non-refundable	-	-	-	-	(1
Changes in:					
Restricted cash	(129,500)	-	-	-	
Accounts receivable and other assets	(51,000)	-	20,900	(2,400)	
Due from related parties	2,958,100	-	-	-	
Accounts payable and accrued liabilities	(224,700)	(2,200)	199,100	12,600	(
Deferred revenue	-	-	-	600	
Due to related parties	-	-	-	-	
Deferred rent	-	-	181,000	-	
Entrance fees	-	-	-	-	13,
Net cash from operating activities	<u>\$ 3,552,700</u>	<u>\$ (41,400)</u>	<u>\$ (346,000)</u>	<u>\$ 96,100</u>	<u>\$ 13,</u>

Report of Independent Auditors and
Continuing Care Liquid Reserve Schedules

Capriana Operations LLC

As of and for the Year Ended December 31, 2015

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CONTRACTS BRANCH**REPORT OF INDEPENDENT AUDITORS**

To the Members
Capriana Operations LLC

Report on Financial Statements

We have audited the accompanying financial statements of Capriana Operations LLC (the Company), which comprise the continuing care liquid reserve schedules, Form 5-1 through Form 5-5 as of and for the year ended December 31, 2015.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the liquid reserve requirements of California Health and Safety Code Section 1792. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the continuing care reserve of Capriana Operations LLC as of and for the year ended December 31, 2015, in conformity with the liquid reserve requirements of California Health and Safety Code Section 1792.

MOSS ADAMS_{LLP}

Basis of Accounting

We draw attention to the basis of accounting used to prepare the financial statements. The financial statements are prepared on the basis of the liquid reserve requirements of California Health and Safety Code Section 1792, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of California Health and Safety Code Section 1792. Our opinion is not modified with respect to this matter.

Restriction on Use

Our report is intended solely for the information and use of the members, management of the Company, and the California Department of Social Services and is not intended to be, and should not be, used by anyone other than these specified parties.

Moss Adams LLP

Santa Rosa, California
April 27, 2016

CONTINUING CARE LIQUID RESERVE SCHEDULES

FORM 5-1
LONG-TERM DEBT INCURRED
IN A PRIOR FISCAL YEAR
(Including Balloon Debt)

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b) + (c) + (d))
1	11/15/13	\$0	\$11,900	\$354,700	\$366,600
2					\$0
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
		TOTAL:	\$11,900	\$354,700	\$366,600

(Transfer this amount to Form 5-3, Line 1)

NOTE: For column (b), do not include voluntary payments made to pay down principal.

PROVIDER: Oakmont Senior Living LLC

**FORM 5-2
LONG-TERM DEBT INCURRED
DURING FISCAL YEAR
(Including Balloon Debt)**

	(a) Date Incurred	(b) Total Interest Paid During Fiscal Year	(c) Amount of Most Recent Payment on the Debt	(d) Number of Payments over next 12 months	(e) Reserve Requirement (see instruction 5) (columns (c) x (d))
Long-Term Debt Obligation					
1					\$0
2					\$0
3					\$0
4					\$0
5					\$0
6					\$0
7					\$0
8					\$0
TOTAL:		\$0	\$0	0	\$0

*(Transfer this amount to
Form 5-3, Line 2)*

NOTE: For column (b), do not include voluntary payments made to pay down principal.

PROVIDER: Oakmont Senior Living LLC

FORM 5-3

CALCULATION OF LONG-TERM DEBT RESERVE AMOUNT

Line	TOTAL
1	\$366,600
2	\$0
3	\$5,195,900
4	\$5,562,500

TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:

PROVIDER: Oakmont Senior Living LLC

**FORM 5-4
CALCULATION OF NET OPERATING EXPENSES**

Line	Amounts	TOTAL
1	Total operating expenses from financial statements	\$6,094,800
2	Deductions:	
a.	Interest paid on long-term debt (see instructions)	\$0
b.	Credit enhancement premiums paid for long-term debt (see instructions)	\$0
c.	Depreciation	\$47,300
d.	Amortization	\$0
e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	\$3,339,400
f.	Extraordinary expenses approved by the Department	\$0
3	Total Deductions	\$3,386,700
4	Net Operating Expenses	\$2,708,100
5	Divide Line 4 by 365 and enter the result.	\$7,419
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.	\$556,459

PROVIDER: Oakmont Senior Living LLC
COMMUNITY: Capriana

**FORM 5-5
ANNUAL RESERVE CERTIFICATION**

Provider Name: Oakmont Senior Living LLC *Keprins*
 Fiscal Year Ended: December 31, 2015

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended December 31, 2015 and are in compliance with those requirements.

Our liquid reserve requirements, computed using the audited financial statements for the fiscal year December 31, 2015 are as follows:

	<u>Amount</u>
[1] Debt Service Reserve Amount	<u>\$5,562,500</u>
[2] Operating Expense Reserve Amount	<u>\$556,459</u>
[3] Total Liquid Reserve Amount:	<u>\$6,118,959</u>

Qualifying assets sufficient to fulfill the above requirements are held as follows:

<u>Qualifying Asset Description</u>	<u>Amount (market value at end of quarter)</u>	
	<u>Debt Service Reserve</u>	<u>Operating Reserve</u>
[4] Cash and Cash Equivalents	<u>\$6,000,000</u>	<u>\$2,000,000</u>
[5] Investment Securities		
[6] Equity Securities		
[7] Unused/Available Lines of Credit		
[8] Unused/Available Letters of Credit		
[9] Debt Service Reserve		(not applicable)
[10] Other:		
<u>(describe qualifying asset)</u>		
Total Amount of Qualifying Assets Listed for Reserve Obligation: [11]	<u>\$6,000,000 [12]</u>	<u>\$2,000,000</u>
Reserve Obligation Amount: [13]	<u>\$5,562,500 [14]</u>	<u>\$556,459</u>
Surplus/(Deficiency): [15]	<u>\$437,500 [16]</u>	<u>\$1,443,541</u>

Signature:

WPG
 (Authorized Representative)
William P Gallaher, Manager
 (Title)

Date: 4/2/16

DSS - Reserve Report - Part of Form 5-5
 Description of Reserves under SB 1212
 Capriana

Audited Cash and Cash Equivalents	\$ 51,877,200	
Less: Qualifying assets with Varena at Fountaingrove LLC	(13,198,500)	
Available Qualifying Assets after Varena cash deducted	38,678,700	
Less: Qualifying assets to satisfy Oakmont Debt Service Reserve	(6,000,000)	
Available Qualifying Assets after Oakmont Debt Service Deduction	32,678,700	
Less: Qualifying assets for Capriana Operating Reserve	(2,000,000)	
Less: Qualifying assets for Fountaingrove Lodge Operating Reserve	(2,000,000)	
Less: Qualifying assets for Segovia	(2,000,000)	
Less: Qualifying assets for Cardinal Point	(2,000,000)	
Total Excess Qualifying Assets	\$ 24,678,700	

All Cash and Equivalents. No Investments or equities or lines of credit listed.

Please note that there is no restricted cash or equivalents included in the \$51,877,200- listed for the liquid reserve requirement.

<u>Per Capita Cost of Operations (Capriana)</u>		<u>Per Capita Cost of Operations (Segovia)</u>	
Operating Expenses per form 5-4 #1	\$ 6,094,800	Operating Expenses per form 5-4 #1	\$ 6,076,000
Mean # of all Residents from form 1-1 #10	160.5	Mean # of all Residents from form 1-1 #10	143
Per Capita Costs of Operations	\$ 37,974	Per Capita Costs of Operations	\$ 42,490
<u>Per Capita Cost of Operations (Cardinal Point)</u>		<u>Per Capita Cost of Operations (Fountaingrove Lodge)</u>	
Operating Expenses per form 5-4 #1	\$ 4,006,500	Operating Expenses per form 5-4 #1	\$ 5,804,900
Mean # of all Residents from form 1-1 #10	98.5	Mean # of all Residents from form 1-1 #10	84
Per Capita Costs of Operations	\$ 40,675	Per Capita Costs of Operations	\$ 69,106

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

	<u>RESIDENTIAL LIVING</u>	<u>ASSISTED LIVING</u>	<u>SKILLED NURSING</u>
[1] Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	\$2,601 - \$6,036	\$2,879 - \$5,820	N/A
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	3.0%	3.0%	N/A

Check here if monthly service fees at this community were not increased during the reporting period. (If you checked this box, please skip down to the bottom of this form and specify the names of the provider and community.)

[3] Indicate the date the fee increase was implemented: Anniversary Date
(If more than 1 increase was implemented, indicate the dates for each increase.)

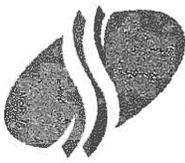
[4] Check each of the appropriate boxes:

- Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.
- All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.
- At least 30 days prior to the increase in monthly service fees, the designated representative of the provider convened a meeting that all residents were invited to attend.
- At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.
- The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.
- The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

[5] On an attached page, provide a concise explanation for the increase in monthly service fees including the amount of the increase.

PROVIDER: Oakmont Senior Living LLC / Capriana Operations LLC

COMMUNITY: Capriana



SUMMIT STATE BANK

WWW.SUMMITSTATEBANK.COM

Corporate Office 500 Bicentennial Way, P.O. Box 6168, Santa Rosa, CA 95406 707-568-6000
 Bicentennial 500 Bicentennial Way, Santa Rosa, CA 95403 707-568-6100
 Healdsburg 1001 Vine Street, Healdsburg, CA 95448 707-433-5959
 Montgomery Village 2300 Midway Drive, Santa Rosa, CA 95405 707-568-4975
 Petaluma 100 Petaluma Blvd. South, Suite A, Petaluma, CA 94952 707-283-1120
 Rohnert Park 10 Raley's Towne Centre, Rohnert Park, CA 94928 707-568-4955

239 CAPRIANA OPERATIONS LLC
 220 CONCOURSE BLVD
 SANTA ROSA CA 95403

Account Number: 700038367
 Date 12/31/15

PRIVACY NOTICE

Federal law requires us to tell you how we collect, share, and protect your personal information. Our privacy policy has not changed and you may review our policy and practices with respect to your personal information at www.summitstatebank.com/PrivacyNotice.pdf or we will mail you a free copy upon request if you call us at (707) 568-6000.

ENTERPRISE CHECKING

CAPRIANA OPERATIONS LLC

Acct 700038367

Beginning Balance	10/27/15		.00
Deposits / Misc Credits	1	1,904,294.83	
Withdrawals / Misc Debits	1		10.00
** Ending Balance	12/31/15	1,904,284.83	**
Service Charge			.00
Minimum Balance		1,904,284	

Deposits and Other Credits



Date	Deposits	Activity Description
12/22	1,904,294.83	WIRE IN CAPRIANA OPERATIONS LLC

Miscellaneous Debits

Date	Withdrawals	Activity Description
12/22	10.00	Incoming Wire Fee

Daily Balance Summary

Date	Balance	Date	Balance	Date	Balance
12/22	1,904,284.83				



SSB-DP 70.47-0713 rev

DEFINING COMMUNITY BANKING AT ITS BEST

**Continuing Care Retirement Community
Disclosure Statement
General Information**

Date Prepared: 4/30/16

FACILITY NAME: Capriana
 ADDRESS: 460 S. La Floresta Drive, Brea, Ca ZIP CODE: 92823 PHONE: 714-312-3783
 PROVIDER NAME: Oakmont Senior Living / Capriana FACILITY OPERATOR: Capriana Operations, LLC
 RELATED FACILITIES: n/a RELIGIOUS AFFILIATION: n/a
 YEAR OPENED: 2013 # OF ACRES: 5.4 SINGLE MULTI-
 STORY STORY OTHER: _____ MILES TO SHOPPING CTR: <2
 MILES TO HOSPITAL: <3

NUMBER OF UNITS:

RESIDENTIAL LIVING	HEALTH CARE
APARTMENTS — STUDIO: _____	ASSISTED LIVING: <u>48</u>
APARTMENTS — 1 BDRM: <u>15</u>	SKILLED NURSING: _____
APARTMENTS — 2 BDRM: <u>52</u>	SPECIAL CARE: _____
COTTAGES/HOUSES: <u>4</u>	DESCRIPTION: > _____
RLU OCCUPANCY (%) AT YEAR END: <u>97.5</u>	> _____

TYPE OF OWNERSHIP: NOT-FOR-PROFIT FOR-PROFIT ACCREDITED?: YES NO BY: _____

FORM OF CONTRACT: CONTINUING CARE LIFE CARE ENTRANCE FEE FEE FOR SERVICE
 (Check all that apply) ASSIGNMENT OF ASSETS EQUITY MEMBERSHIP RENTAL

REFUND PROVISIONS: (Check all that apply) 90% 75% 50% FULLY AMORTIZED OTHER: 0% / 100%

RANGE OF ENTRANCE FEES: \$ 89,000 - \$ 850,000 LONG-TERM CARE INSURANCE REQUIRED? YES NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: n/a

ENTRY REQUIREMENTS: MIN. AGE: 60 PRIOR PROFESSION: n/a OTHER: Physician's Report

RESIDENT REPRESENTATIVE(S) TO THE BOARD (briefly describe their involvement): > Janice Dorsey

> Each rep is invited to scheduled Board Mtgs, and can convey any concerns at any time to the sole managing member or through the management team at the community.

FACILITY SERVICES AND AMENITIES

<u>COMMON AREA AMENITIES</u>	<u>AVAILABLE</u>	<u>FEE FOR SERVICE</u>	<u>SERVICES AVAILABLE</u>	<u>INCLUDED IN FEE</u>	<u>FOR EXTRA CHARGE</u>
BEAUTY/BARBER SHOP	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	HOUSEKEEPING (<u>4-5</u> TIMES/MONTH)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BILLIARD ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MEALS (<u>1-3</u> /DAY)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BOWLING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CARD ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
CHAPEL	<input type="checkbox"/>	<input type="checkbox"/>	24-HOUR EMERGENCY RESPONSE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
COFFEE SHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ACTIVITIES PROGRAM	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CRAFT ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ALL UTILITIES EXCEPT PHONE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
EXERCISE ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	APARTMENT MAINTENANCE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
GOLF COURSE ACCESS	<input type="checkbox"/>	<input type="checkbox"/>	CABLE TV	<input checked="" type="checkbox"/>	<input type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
PUTTING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SHUFFLEBOARD	<input type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
SPA	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NURSING/WELLNESS CLINIC	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SWIMMING POOL-INDOOR	<input type="checkbox"/>	<input type="checkbox"/>	PERSONAL HOME CARE	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input checked="" type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PERSONAL	<input checked="" type="checkbox"/>	<input type="checkbox"/>
TENNIS COURT	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
WORKSHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	OTHER _____	<input type="checkbox"/>	<input type="checkbox"/>
OTHER <u>Theater / Ballroom</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>			

All providers are required by Health and Safety Code section 1789.1 to provide this report to prospective residents before executing a deposit agreement or continuing care contract, or receiving any payment. Many communities are part of multi-facility operations which may influence financial reporting. Consumers are encouraged to ask questions of the continuing care retirement community that they are considering and to seek advice from professional advisors.

PROVIDER NAME: Oakmont Senior Living / Capriana

OTHER CCRCs

LOCATION (City, State)

PHONE (with area code)

Cardinal Point At Mariner Square

Alameda, Ca

510-337-1033

Varenna At Fountaingrove

Santa Rosa, Ca

707-526-1226

Segovia Of Palm Desert

Palm Desert, Ca

760-610-0349

Capriana

Brea, Ca

714-312-3783

Fountaingrove Lodge

Santa Rosa, Ca

707-576-1101

MULTI-LEVEL RETIREMENT COMMUNITIES

LOCATION (City, State)

PHONE (with area code)

FREE-STANDING SKILLED NURSING

LOCATION (City, State)

PHONE (with area code)

SUBSIDIZED SENIOR HOUSING

LOCATION (City, State)

PHONE (with area code)

NOTE: PLEASE INDICATE IF THE FACILITY IS A LIFE CARE FACILITY.

PROVIDER NAME: Oakmont Senior Living / Capriana

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME				
(Excluding amortization of entrance fee income)	\$32,555,700	\$36,148,100	\$33,723,600	\$38,751,800
LESS OPERATING EXPENSES				
(Excluding depreciation, amortization, and interest)	\$33,207,300	\$39,804,800	\$42,651,600	\$42,225,200
NET INCOME FROM OPERATIONS	(\$651,600)	(\$3,656,700)	(\$8,928,000)	(\$3,473,400)
LESS INTEREST EXPENSE	(\$638,700)	(\$764,800)	(\$179,200)	(\$1,070,700)
PLUS CONTRIBUTIONS	\$72,981,600	\$163,932,200	\$150,660,100	\$151,384,600
PLUS NON-OPERATING INCOME (EXPENSES)				
(excluding extraordinary items)	\$22,276,600	\$351,200	\$853,400	\$427,400
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	\$93,967,900	\$159,861,900	\$142,406,300	\$147,267,900
NET CASH FLOW FROM ENTRANCE FEES				
(Total Deposits Less Refunds)	\$8,116,200	\$25,667,000	\$9,836,800	\$18,142,100

DESCRIPTION OF SECURED DEBT *(as of most recent fiscal year end)*

<u>LENDER</u>	<u>OUTSTANDING BALANCE</u>	<u>INTEREST RATE</u>	<u>DATE OF ORIGINATION</u>	<u>DATE OF MATURITY</u>	<u>AMORTIZATION PERIOD</u>
See Attached					

FINANCIAL RATIOS (see next page for ratio formulas)

	<u>2013 CCAC Medians 50th Percentile (optional)</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
DEBT TO ASSET RATIO		.4	.31	0.377
OPERATING RATIO		1.12	1.26	1.090
DEBT SERVICE COVERAGE RATIO		3.87	.43	1.58
DAYS CASH ON HAND RATIO		353	421	448

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	<u>2012</u>	<u>%</u>	<u>2013</u>	<u>%</u>	<u>2014</u>	<u>%</u>	<u>2015</u>
STUDIO			\$3,995	3.0	\$4,115	3.0	\$4,238
ONE BEDROOM			\$4,535	3.0	\$4,671	3.0	\$4,811
TWO BEDROOM			\$4,795	3.0	\$4,939	3.0	\$5,087
COTTAGE/HOUSE			\$6,170	3.0	\$6,355	3.0	\$6,546
ASSISTED LIVING							
SKILLED NURSING							
SPECIAL CARE							

COMMENTS FROM PROVIDER: >

> _____
 > _____
 > _____

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

$$\frac{\text{Long-Term Debt, less Current Portion}}{\text{Total Assets}}$$

OPERATING RATIO

$$\frac{\begin{array}{l} \text{Total Operating Expenses} \\ - \text{ Depreciation Expense} \\ - \text{ Amortization Expense} \end{array}}{\text{Total Operating Revenues} - \text{ Amortization of Deferred Revenue}}$$

DEBT SERVICE COVERAGE RATIO

$$\frac{\begin{array}{l} \text{Total Excess of Revenues over Expenses} \\ + \text{ Interest, Depreciation, and Amortization Expenses} \\ \text{Amortization of Deferred Revenue} + \text{ Net Proceeds from Entrance Fees} \end{array}}{\text{Annual Debt Service}}$$

DAYS CASH ON HAND RATIO

$$\frac{\begin{array}{l} \text{Unrestricted Current Cash \& Investments} \\ + \text{ Unrestricted Non-Current Cash \& Investments} \end{array}}{(\text{Operating Expenses} - \text{Depreciation} - \text{Amortization})/365}$$

NOTE: These formulas are also used by the Continuing Care Accreditation Commission. For each formula, that organization also publishes annual median figures for certain continuing care retirement communities.

DESCRIPTION OF PROVIDERS CONSOLIDATED SECURED DEBT AS OF MOST RECENT FISCAL YEAR END

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
Freddie Mac / Greystone Servicing Corp	\$ 58,030,600	4.25	Aug-15	Aug-25	10 Years
Summit State Bank	\$ 1,923,500	4.24	Jun-14	Jun-24	10 Years
East West Bank / CSCDA (Bonds)	\$ 12,680,000	0.02	Nov-13	Dec-36	23 Years
East West Bank / CSCDA (Bonds)	\$ 4,320,000	0.39	Nov-13	Dec-36	23 Years

KEY INDICATORS REPORT

Date Prepared: 5/10/2016

Joseph G Lin, Chief Financial Officer

Please attach an explanatory memo that summarizes significant trends or variances in the key operational indicators.

RECEIVED
MAY 16 2016
CONTRACTS BRANCH

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020E	Trend Indicator
OPERATIONAL STATISTICS												
1. Average Annual Occupancy by Site (%)			See attached schedule									
MARGIN (PROFITABILITY) INDICATORS												
2. Net Operating Margin (%)	27.00%	28.00%	24.00%	23.00%	10.00%	21.00%	25.00%	30.00%	35.00%	40.00%	45.00%	↑
3. Net Operating Margin - Adjusted (%)	47.00%	55.00%	39.00%	55.00%	31.00%	46.00%	30.00%	30.00%	30.00%	30.00%	30.00%	↓
LIQUIDITY INDICATORS												
4. Unrestricted Cash and Investments (\$000)	\$36,367	\$36,884	\$33,578	\$38,026	\$49,179	\$51,877	\$52,000	\$54,000	\$54,000	\$55,000	\$55,000	↑
5. Days Cash on Hand (Unrestricted)	262	250	369	353	421	448	400	400	400	400	400	↑
CAPITAL STRUCTURE INDICATORS												
6. Deferred Revenue from Entrance Fees (\$000)	\$120,738	\$130,037	\$129,747	\$178,938	\$196,941	\$207,276	\$215,000	\$220,000	\$225,000	\$230,000	\$235,000	N/A
7. Net Annual E/F proceeds (\$000)	\$15,129	\$27,557	\$7,303	\$25,667	\$9,837	\$18,142	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	N/A
8. Unrestricted Net Assets (\$000)	\$218,606	\$208,543	\$210,831	\$178,606	\$187,353	\$180,195	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	N/A
9. Annual Capital Asset Expenditure (\$000)	\$1,936	\$1,309	\$947	\$17,111	\$1,839	\$652	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	N/A
10. Annual Debt Service Coverage Revenue Basis (x)	-1.16	-2.62	26.32	-3.85	-45.06	-2.85	1.00	1.00	1.00	1.00	1.00	↑
11. Annual Debt Service Coverage (x)	3.17	5.19	36.2	25.17	9.83	14.1	4	4	4	4	4	↑
12. Annual Debt Service/Revenue (%)	4.00%	2.00%	1.00%	0.00%	0.00%	1.00%	3.00%	3.00%	3.00%	3.00%	3.00%	↓
13. Average Annual Effective Interest Rate (%)	2.00%	2.00%	1.00%	1.00%	0.00%	1.00%	2.00%	2.00%	2.00%	2.00%	2.00%	↓
14. Unrestricted Cash & Investments/ Long-Term Debt (%)	27.00%	26.00%	23.00%	49.00%	66.00%	69.00%	70.00%	70.00%	70.00%	70.00%	70.00%	↑
15. Average Age of Facility (years)	3.51	4.49	5.29	4.18	7	8.92	9	9.5	9.5	9.5	9.5	↓

