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CONTINUING CARE
CONTRACTS BRANCH

ANNUAL REPORT
CHECKLIST
for
FISCAL YEAR ENDED:
12/31/2013

PROVIDER: CC-La Jolla, Inc. and CCW La Jolla, LLC

FACILITY(IES): Vi at La Jolla Village

CONTACT PERSON: Stephanie Fields

TELEPHONE NO.: (312) 803-8520

✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓

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

✓ This cover sheet.

✓ Annual Provider Fee in the amount of: $ 27,514.08

  ✓ 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 reserve* and refund reserve, if applicable.

✓ Evidence of the provider's fidelity bond.

✓ The provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.

✓ The provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon.

✓ The provider's "Continuing Care Retirement Community Disclosure Statement" for **each** community. (4 copies total)

The Key Indicators Report is required to be submitted within 30 days of the due date of the submission of the annual report. (4 copies total)

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	507
[2]	Number at end of fiscal year	529
[3]	Total Lines 1 and 2	1,036
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x.50
[5]	Mean number of continuing care residents	518
	All Residents	
[6]	Number at beginning of fiscal year	542
[7]	Number at end of fiscal year	552
[8]	Total Lines 6 and 7	1,094
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x.50
[10]	Mean number of all residents	547
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of all residents (Line 10) and enter the result (round to two decimal places).	0.95

FORM 1-2
ANNUAL PROVIDER FEE

Line			TOTAL
[1]	Total Operating Expenses (including depreciation and debt service-interest only)		39,939,288
	[a] Depreciation	10,977,097	
	[b] Debt Service (Interest Only)	0	
[2]	Subtotal (add Line 1 a and 1b)		10,977,097
[3]	Subtract Line 2 from Line 1 and enter result.		28,962,191
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)		0.95
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)		27,514,081
			x.001
[6]	Total Amount Due (multiply Line 5 by.001)		27,514.08

PROVIDER: CC – La Jolla, Inc. and CCW La Jolla, LLC
COMMUNITY: Vi at La Jolla Village (previously Classic Residence by Hyatt at La Jolla Village)

Form 1-1 and Form 1-2

California Department of Social Services
Application for Certificate of Authority

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CERTIFICATION

The undersigned certifies that the Annual Report for the fiscal year ended 12/31/2013 is correct to the best of his knowledge, that each continuing care contract form in use or offered to new residents has been approved by the Department, and the provider is maintaining the required liquid reserve and refund reserve.

Dated: April 21, 2014

CCW LaJolla, L.L.C., a Delaware limited liability company
By: CC-LaJolla, Inc., a Delaware corporation
Its: Managing Member

By: Randal J. Richardson
Randal J. Richardson, President

CC-LaJolla, Inc., a Delaware corporation

By: Randal J. Richardson
Randal J. Richardson, President

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CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY) 01/02/2014

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).

RECEIVED APR 30 2014 CONTINUING CARE CONTRACTS BRANCH

PRODUCER
Willis of Illinois, Inc.
c/o 26 Century Blvd.
P.O. Box 305191
Nashville, TN 372305191 USA

CONTACT NAME:
PHONE (A/C, No, Ext): 1-877-945-7378 FAX (A/C, No): 1-888-467-2378
E-MAIL ADDRESS: certificates@willis.com

INSURER(S) AFFORDING COVERAGE	NAIC #
INSURER A : Lloyd's	B7874
INSURER B : Columbia Casualty Company	31127
INSURER C :	
INSURER D :	
INSURER E :	
INSURER F :	

INSURED
CCW La Jolla, L.L.C.
8515 Costa Verde Drive
San Diego, CA 92122

COVERAGES CERTIFICATE NUMBER: W149060 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 X COMMERCIAL GENERAL LIABILITY X CLAIMS-MADE ☐ OCCUR SIR: $50,000 per claim GEN'L AGGREGATE LIMIT APPLIES PER: ☐ POLICY ☐ PRO-JECT X LOC			SB-LTCA-01286-13	12/31/2013	12/31/2014	EACH OCCURRENCE	$ 1,000,000
							DAMAGE TO RENTED PREMISES (Ea occurrence)	$ 100,000
							MED EXP (Any one person)	$ 10,000
							PERSONAL & ADV INJURY	$ 1,000,000
							GENERAL AGGREGATE	$ 3,000,000
							PRODUCTS - COMP/OP AGG	$ 1,000,000
							Policy Limit	$ 10,000,000
	AUTOMOBILE LIABILITY ☐ ANY AUTO ☐ ALL OWNED AUTOS ☐ SCHEDULED AUTOS ☐ HIRED AUTOS ☐ NON-OWNED AUTOS						COMBINED SINGLE LIMIT (Ea accident)	$
							BODILY INJURY (Per person)	$
							BODILY INJURY (Per accident)	$
							PROPERTY DAMAGE (Per accident)	$
								$
A	☐ UMBRELLA LIAB ☐ OCCUR X EXCESS LIAB X CLAIMS-MADE DED RETENTION $			SB-LTCAX-01265-13	12/31/2013	12/31/2014	EACH OCCURRENCE	$ 5,000,000
							AGGREGATE	$ 5,000,000
								$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY Y/N ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? ☐ (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	N/A					WC STATU-TORY LIMITS / OTH-ER	
							E.L. EACH ACCIDENT	$
							E.L. DISEASE - EA EMPLOYEE	$
							E.L. DISEASE - POLICY LIMIT	$
A	Professional Liability SIR: $50,000 per claim			SB-LTCA-01286-13	12/31/2013	12/31/2014	Each Claim - $1,000,000 Each Location Aggregate - $3,000,000 Policy Aggregate - See GL Section	

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

CERTIFICATE HOLDER

California Department of Social Services
Attn.: Ms. Linda Smith
744 P. Stet
Sacramento, CA 95814

CANCELLATION

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

Andrea Paris

SR ID:2078079 BATCH:Batch #: 19544

AGENCY CUSTOMER ID: ____________

LOC #: ____________

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ADDITIONAL REMARKS SCHEDULE

AGENCY Willis of Illinois, Inc.	NAMED INSURED CCW La Jolla, L.L.C. 8515 Costa Verde Drive San Diego, CA 92122
POLICY NUMBER See Page 1	
CARRIER See Page 1 / NAIC CODE See Page 1	EFFECTIVE DATE: See Page 1

ADDITIONAL REMARKS

THIS ADDITIONAL REMARKS FORM IS A SCHEDULE TO ACORD FORM,

FORM NUMBER: 25 FORM TITLE: Certificate of Liability Insurance

INSURER AFFORDING COVERAGE: Columbia Casualty Company NAIC#: 31127
POLICY NUMBER: 4034814088 EFF DATE: 12/31/2013 EXP DATE: 12/31/2014

TYPE OF INSURANCE: Excess Umbrella
LIMITS:
$25,000,000 Each Occurrence
$25,000,000 Aggregate

INSURER AFFORDING COVERAGE: Lloyd's NAIC#: B7874
POLICY NUMBER: PD1300298 EFF DATE: 12/31/2013 EXP DATE: 12/31/2014

TYPE OF INSURANCE: Excess Umbrella
LIMITS:
$9,000,000 Each Occurrence
$9,000,000 Aggregate

INSURER AFFORDING COVERAGE: Lloyd's NAIC#: B7874
POLICY NUMBER: PD1300297 EFF DATE: 12/31/2013 EXP DATE: 12/31/2014

TYPE OF INSURANCE: Excess Umbrella
LIMITS:
$10,000,000 Each Occurrence
$10,000,000 Aggregate

Re: Vi at LaJolla Village, Tower 2, 8515 Costa Verde Drive, San Diego, CA 92122

2078079 Batch #: 19544 W149060

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CERTIFICATE OF PROPERTY INSURANCE

DATE (MM/DD/YYYY): 12/27/2013

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CONTINUING CARE CONTRACTS BRANCH

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.

If this certificate is being prepared for a party who has an insurable interest in the property, do not use this form. Use ACORD 27 or ACORD 28.

PRODUCER
Willis of Illinois, Inc.
c/o 26 Century Blvd.
P.O. Box 305191
Nashville, TN 372305191

CONTACT NAME:
PHONE (A/C, No, Ext): 1-877-945-7378 FAX (A/C, No): 1-888-467-2378
E-MAIL ADDRESS: certificates@willis.com
PRODUCER CUSTOMER ID:

INSURER(S) AFFORDING COVERAGE	NAIC #
INSURER A : Federal Insurance Company	20281
INSURER B :	
INSURER C :	
INSURER D :	
INSURER E :	
INSURER F :	

INSURED
CCW La Jolla, L.L.C.
8515 Costa Verde Drive
San Diego, CA 92122

COVERAGES **CERTIFICATE NUMBER:** W134793 **REVISION NUMBER:**

LOCATION OF PREMISES / DESCRIPTION OF PROPERTY (Attach ACORD 101, Additional Remarks Schedule, if more space is required)

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	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YYYY)	POLICY EXPIRATION DATE (MM/DD/YYYY)	COVERED PROPERTY	LIMITS
	☐ PROPERTY				☐ BUILDING	$
	CAUSES OF LOSS / DEDUCTIBLES				☐ PERSONAL PROPERTY	$
	☐ BASIC / BUILDING				☐ BUSINESS INCOME	$
	☐ BROAD / CONTENTS				☐ EXTRA EXPENSE	$
	☐ SPECIAL				☐ RENTAL VALUE	$
	☐ EARTHQUAKE				☐ BLANKET BUILDING	$
	☐ WIND				☐ BLANKET PERS PROP	$
	☐ FLOOD				☐ BLANKET BLDG & PP	$
					☐	$
					☐	$
	☐ INLAND MARINE	TYPE OF POLICY			☐	$
	CAUSES OF LOSS				☐	$
	☐ NAMED PERILS	POLICY NUMBER			☐	$
	☐				☐	$
A	☒ CRIME	8197-6307	12/31/2013	12/31/2014	☒ Employee Theft	$ 10,000,000
	TYPE OF POLICY: Crime				☒ Forgery	$ 7,000,000
					☒ Retention	$ 50,000
	☐ BOILER & MACHINERY / EQUIPMENT BREAKDOWN				☐	$
					☐	$
					☐	$
					☐	$

SPECIAL CONDITIONS / OTHER COVERAGES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)

CERTIFICATE HOLDER

California Department of Social Services
Attn. Ms. Linda Smith
744 P. Street
Sacramento, CA 95814

CANCELLATION

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

Andrea Paris

SR ID:2014482 BATCH:Batch #: 18944

ACORD®

CERTIFICATE OF PROPERTY INSURANCE

DATE (MM/DD/YYYY): 01/09/2014

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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.

If this certificate is being prepared for a party who has an insurable interest in the property, do not use this form. Use ACORD 27 or ACORD 28.

PRODUCER
Willis of Illinois, Inc.
c/o 26 Century Blvd.
P.O. Box 305191
Nashville, TN 372305191 USA

CONTACT NAME:
PHONE (A/C, No, Ext): 1-877-945-7378 | FAX (A/C, No): 1-888-467-2378
E-MAIL ADDRESS: certificates@willis.com
PRODUCER CUSTOMER ID:

INSURER(S) AFFORDING COVERAGE	NAIC #
INSURER A : Starr Surplus Lines Insurance Company	13604
INSURER B :	
INSURER C :	
INSURER D :	
INSURER E :	
INSURER F :	

INSURED
CCW La Jolla, L.L.C.
8515 Costa Verde Drive
San Diego, CA 92122

COVERAGES

CERTIFICATE NUMBER: W170298 REVISION NUMBER:

LOCATION OF PREMISES / DESCRIPTION OF PROPERTY (Attach ACORD 101, Additional Remarks Schedule, if more space is required)
Vi at La Jolla Village, 8515 Costa Verde Blvd., San Diego, CA 92122

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		POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YYYY)	POLICY EXPIRATION DATE (MM/DD/YYYY)	COVERED PROPERTY	LIMITS
	X PROPERTY					X BUILDING	$ See Below
	CAUSES OF LOSS	DEDUCTIBLES				X PERSONAL PROPERTY	$ See Below
	BASIC	BUILDING 50,000				X BUSINESS INCOME	$ See Below
	BROAD	CONTENTS 50,000				X EXTRA EXPENSE	$ See Below
	X SPECIAL					X RENTAL VALUE	$ See Below
A	X EARTHQUAKE	See Attached	SLSTPTY10620113	12/31/2013	12/31/2014	BLANKET BUILDING	$
	X WIND	See Attached				BLANKET PERS PROP	$
	X FLOOD	See Attached				BLANKET BLDG & PP	$
						X Loss Limit (Blanke	$ 350,000,000
							$
	INLAND MARINE		TYPE OF POLICY				$
	CAUSES OF LOSS						$
	NAMED PERILS		POLICY NUMBER				$
							$
	CRIME						$
	TYPE OF POLICY						$
							$
	BOILER & MACHINERY / EQUIPMENT BREAKDOWN						$
							$
							$
							$

SPECIAL CONDITIONS / OTHER COVERAGES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)
Replacement Cost Valuation; Agreed Amount; No Coinsurance

CERTIFICATE HOLDER

California Department of Social Services
Attn.: Ms. Linda Smith
744 P. Steet
Sacramento, CA 95814

CANCELLATION

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
Andrea Paris

SR ID:2023356 BATCH:Batch #: 21146

Supplement to Acord 24 – Certificate of Property Insurance
Supplement to Acord 28 – Evidence of Commercial Property Insurance

Insured: CC-Development Group, Inc.

Policy Period: 12/31/13 – 12/31/14

Issuing Companies

Layer	Insurer	Policy Number	Limit
Primary ($25,000,000)	Allied World Assurance Company, Ltd.	P006392/007	4,500,000
	Axis Surplus Insurance Company	ECF771021-13	2,250,000
	Lloyd's Syndicates 318, 623, 1414, 2001, 2003, 2623, 2987, 3000, 5000	B080112090U13	9,187,500
	Chubb Custom Insurance Company	44681329-02	833,332
	General Security Indemnity Co. of Arizona	T0234451300988	833,332
	Ironshore Specialty Insurance Company	001227002	1,562,500
	Landmark American Insurance Company	LHD384986	1,250,000
	Lexington Insurance Company	012944691	2,500,000
	National Fire & Marine Insurance Company	42-PRP-000099-01	1,250,000
	Star Surplus Lines Insurance Company	SLSTPTY10620113	833,336
1st Excess Layer (55mm xs 25mm)	Alterra Excess & Surplus Insurance Company	MKLS12XP000369	5,000,000
	Arch Specialty Insurance Company	PRP0036632-04	7,112,000
	Chubb Custom Insurance Company	44681329-02	1,833,331
	General Security Indemnity Co. of Arizona	T0234451300988	1,833,331
	Ironshore Specialty Insurance Company	001227002	3,437,500
	Lexington Insurance Company	012944691	5,500,000
	Liberty Mutual Fire Insurance Company	MQ2-L9L-439626-033	5,155,500
	Lloyd's London Syndicate 2987	PD-10018-00	2,500,000
	Lloyd's Syndicates 1861 & 2015	B080115732U13	2,750,000
	Maxum Indemnity Company	MSP 6020993-02	4,295,000
	National Fire & Marine Insurance Company	42-PRP-000099-01	2,750,000
	Star Surplus Lines Insurance Company	SLSTPTY10620113	1,833,338
	Westport Insurance Corporation	31-3-76771	11,000,000
2nd Excess Layer (170mm xs 80mm)	AXIS Surplus Insurance Company	ECF764473-13	22,500,000
	Homeland Insurance Company of New York	795001089	26,500,000
	Landmark American Insurance Company	LHD384987	38,500,000
	Lloyd's London Syndicate 2987	PD-10018-00	22,500,000
	Lloyd's Syndicates 2001 & 2003	B080115732U13	17,500,000
	National Fire & Marine Insurance Company	42-PRP-000099-01	8,500,000
	Westport Insurance Corporation	31-3-76771	34,000,000
3rd Excess Layer (100mm xs 250mm)	Mitsui Sumitomo Insurance Company of America	EXP7000111	100,000,000
Excess CA EQ (10mm xs 50mm)	Everest Indemnity Insurance Company	8400001668-131	10,000,000
Excess CA EQ (10mm xs 60mm)	Scottsdale Insurance Company	AJS0000009	10,000,000
Excess CA EQ (10mm xs 70mm)	Aspen Insurance UK Limited	NSAUK0479	4,500,000
	International Insurance Company of Hannover Ltd.	IHNS0064	1,000,000
	Shelter Reinsurance Company	SHR0819	4,500,000

Key Sublimits/Modifications (per occurrence, unless otherwise indicated)

Flood – FEMA 100 Year Flood Zones (occurrence / aggregate)........ $30,000,000
Flood – All Other Locations (occurrence / aggregate)........ $200,000,000
Earth Movement – Alaska, Hawaii, Puerto Rico (occurrence / aggregate) $50,000,000
Earth Movement- California (occurrence/aggregate........ $80,000,000
Earth Movement – Critical New Madrid Areas (occurrence / aggregate) $50,000,000
Earth Movement – Critical Pacific Northwest Areas (occurrence / aggregate)........ $50,000,000
Earth Movement – All Other Locations (occurrence / aggregate) $200,000,000
Named Storm – FL, HI, PR, US VI and First Tier Areas in all other states $80,000,000
Debris Removal $25,000,000
Extended Period of Indemnity........365 days
Extra Expense........ $50,000,000
Mold - ensuing loss only (occurrence/aggregate) $2,500,000

Supplement to Acord 24 – Certificate of Property Insurance
Supplement to Acord 28 – Evidence of Commercial Property Insurance

Insured: CC-Development Group, Inc.

Policy Period: 12/31/13 – 12/31/14

Special Deductibles

- Earth Movement – AK, CA, HI, PR -- 5% of the actual values at the time of loss subject to a minimum of $250,000 per occurrence
- Earth Movement – Critical New Madrid Areas and Critical Pacific Northwest areas – 2% of the actual values at the time of loss subject to a minimum of $100,000 per occurrence
- Earth Movement – All Other Locations - $100,000
- Flood – FEMA 100 Year Flood Zones – 5% of the actual values at the time of loss subject to a minimum of $1,000,000 per occurrence
- Flood – All Other Locations– $100,000 per occurrence
- Named Windstorm – South Carolina - 3% of the actual values at the time of loss subject to a minimum of $250,000 per occurrence
- Named Windstorm – FL, HI, PR, US VI and First Tier Areas in all other states (except SC) 5% of the actual values at the time of loss subject to a minimum of $250,000 per occurrence

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APR 30 2014
CONTINUING CARE
CONTRACTS BRANCH

CC-LA JOLLA, INC. AND SUBSIDIARY

Consolidated Financial Statements and Supplementary Schedules

December 31, 2013 and 2012

(With Independent Auditors' Report Thereon)

CC-LA JOLLA, INC. AND SUBSIDIARY

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KPMG LLP
Aon Center
Suite 5500
200 East Randolph Drive
Chicago, IL 60601-6436

Independent Auditors' Report

The Shareholder
CC-La Jolla, Inc.:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of CC-La Jolla, Inc. and subsidiary (the Company), which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of operations, changes in shareholder's equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' 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 audit 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 auditors' 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 entity'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 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 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 CC-La Jolla, Inc. and subsidiary as of December 31, 2013 and 2012, and the results of their operations and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

KPMG

Other Matters

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included in Form 5-1 through Form 5-5 is presented for purposes of additional analysis and for compliance with the requirements of the California Health and Safety Code Section 1792 and is not a required part of the consolidated financial statements. Such 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 information has been subjected to the auditing procedures applied in the audits of the 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 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 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

April 24, 2014

CC-LA JOLLA, INC. AND SUBSIDIARY

Consolidated Balance Sheets

December 31, 2013 and 2012

Assets		2013	2012
Current assets:			
Cash and cash equivalents	$	7,488,775	4,966,055
Current portion of assets limited as to use		237,722	159,986
Resident accounts receivable, net of allowance for doubtful accounts of approximately $316,900 in 2013 and $184,400 in 2012		811,989	807,116
Deposits and other		294,234	267,370
Total current assets		8,832,720	6,200,527
Assets limited as to use, net of amounts required for current liabilities		2,604,661	3,166,682
Property and equipment:			
Land		8,288,908	8,288,908
Building and improvements		190,150,452	189,714,166
Furniture, fixtures, and equipment		27,212,551	24,680,107
Construction in progress		1,213.975	510,898
		226,865,886	223,194,079
Less accumulated depreciation		89,660,400	79,560,596
Property and equipment, net		137,205,486	143,633,483
Long-term accounts receivable – master trust		25,319,570	26,269,032
Cost to acquire initial continuing care contracts, net		5,735,961	6,613,254
Deferred tax asset		10,993,224	10,222,217
Goodwill		5,984,168	5,984,168
Total assets	$	196,675,790	202,089,363
Liabilities and Shareholder's Equity			
Current liabilities:			
Accounts payable	$	1,735,684	1,065,336
Accrued expenses		1,909,452	2,030,221
Prepaid resident service revenue		175,283	109,077
Due to affiliates		558,412	908,571
Current portion of refunds payable		7,365,197	3,338,731
Resident deposits		237,722	159,986
Total current liabilities		11,981,750	7,611,922
Repayable entrance fees		71,832,342	69,275,472
Deferred revenue from nonrepayable entrance fees		60,142,136	55,321,788
Master trust loan		36,153,523	39,106,597
Total liabilities		180,109,751	171,315,779
Shareholder's equity:			
Common stock, no par value. Authorized, issued, and outstanding, 100 shares		1,000	1,000
Additional paid-in capital		106,931,198	118,191,201
Accumulated deficit		(90,366,159)	(87,418,617)
Total shareholder's equity		16,566,039	30,773,584
Total liabilities and shareholder's equity	$	196,675,790	202,089,363

See accompanying notes to consolidated financial statements.

CC-LA JOLLA, INC. AND SUBSIDIARY

Consolidated Statements of Operations

Years ended December 31, 2013 and 2012

		2013	2012
Revenue:			
Net resident service revenue:			
Net resident service revenue before bad debt	$	27,200,124	24,976,582
Provision for doubtful accounts		151,836	63,011
Net resident service revenue		27,048,288	24,913,571
Amortization of entrance fees		9,081,975	8,590,313
Investment income (loss)		(1,195)	7,334
Other income		92,108	85,022
Total revenue		36,221,176	33,596,240
Expenses:			
Food and beverage		3,391,392	3,198,268
Dining room		1,506,750	1,382,990
Laundry		298,273	272,138
Housekeeping		1,296,823	1,235,713
Resident services		2,273,079	2,158,654
Resident care		5,933,135	6,183,642
Repairs and maintenance		1,785,747	1,529,347
Utilities		2,055,541	1,913,634
Sales and marketing		1,253,791	1,159,679
Total operating expenses		19,794,531	19,034,065
Management fees		1,633,650	1,515,124
Property taxes		2,380,225	2,219,128
Depreciation and amortization		10,977,097	11,642,959
Administration		4,233,975	3,244,738
Insurance		920,247	1,118,364
Interest expense		—	145,256
Total expenses		39,939,725	38,919,634
Loss before income tax benefit		(3,718,549)	(5,323,394)
Income tax benefit		1,477,419	2,038,257
Net loss	$	(2,241,130)	(3,285,137)

See accompanying notes to consolidated financial statements.

CC-LA JOLLA, INC. AND SUBSIDIARY

Consolidated Statements of Changes in Stockholder's Deficit

Years ended December 31, 2013 and 2012

	Common stock Number	Common stock Assigned value	Additional paid-in capital	Accumulated deficit	Total stockholder's equity
Balance at December 31, 2011	100	$ 1,000	120,716,857	(81,657,542)	39,060,315
Capital distributions	—	—	(2,525,656)	—	(2,525,656)
Net loss	—	—	—	(3,285,137)	(3,285,137)
Tax adjustment	—	—	—	(2,475,938)	(2,475,938)
Balance at December 31, 2012	100	1,000	118,191,201	(87,418,617)	30,773,584
Capital distributions	—	—	(11,260,003)	—	(11,260,003)
Net loss	—	—	—	(2,241,130)	(2,241,130)
Tax adjustment	—	—	—	(706,412)	(706,412)
Balance at December 31, 2013	100	$ 1,000	106,931,198	(90,366,159)	16,566,039

See accompanying notes to consolidated financial statements.

CC-LA JOLLA, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

Years ended December 31, 2013 and 2012

		2013	2012
Cash flows from operating activities:			
Cash received from residents	$	27,218,113	24,805,043
Proceeds from nonrepayable entrance fees		13,374,936	13,913,002
Interest received (paid)		(1,195)	7,334
Cash paid to suppliers and employees		(24,776,197)	(22,953,808)
Cash paid for management fees and commissions		(1,633,650)	(1,515,124)
Cash paid for real estate taxes		(2,380,225)	(2,219,128)
Net cash provided by operating activities		11,801,782	12,037,319
Cash flows from investing activities:			
Additions to property and equipment		(3,671,807)	(1,919,538)
Net change in resident deposits		77,736	7,956
Net change in assets limited as to use		484,285	(612,651)
Net cash used in investing activities		(3,109,786)	(2,524,233)
Cash flows from financing activities:			
Distributions to Parent, net		(11,260,003)	(6,315,501)
Proceeds from repayable entrance fees		6,824,704	3,819,542
Repayments of repayable entrance fees		(1,290,751)	(3,328,645)
Refunds to master trust loan		(443,226)	(1,821,473)
Net cash used in financing activities		(6,169,276)	(7,646,077)
Net increase in cash and cash equivalents		2,522,720	1,867,009
Cash and cash equivalents at beginning of year		4,966,055	3,099,046
Cash and cash equivalents at end of year	$	7,488,775	4,966,055
Reconciliation of net loss to net cash provided by operating activities:			
Net loss	$	(2,241,130)	(3,285,137)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Proceeds from nonrepayable entrance fees		13,374,936	13,913,002
Depreciation and amortization		10,977,097	11,642,959
Amortization of entrance fees		(9,081,975)	(8,590,313)
Utilization of repayable entrance fees in lieu of monthly fees		16,384	(50,762)
Income tax adjustment		(706,412)	(2,475,938)
Provision for doubtful accounts		151,836	63,011
Contribution from Parent in lieu of interest payments		—	145,256
Changes in assets and liabilities:			
Accounts receivable		(156,709)	(309,998)
Deposits and other		(26,864)	102,255
Accounts payable		670,348	205,080
Accrued expenses		(120,769)	(65,941)
Prepaid resident service revenue		66,206	104,199
Due to affiliates		(350,159)	201,965
Deferred tax asset		(771,007)	437,681
Net cash provided by operating activities	$	11,801,782	12,037,319
Noncash financing activity:			
Contribution by Parent in lieu of principal payment on note payable	$	—	3,644,589

See accompanying notes to consolidated financial statements.

(1) Purpose and Organization

The accompanying consolidated financial statements include the accounts of CC-La Jolla, Inc. (La Jolla) and its consolidated subsidiary, CCW La Jolla, L.L.C. (the L.L.C.). La Jolla is the sole corporate member of the L.L.C. La Jolla and the L.L.C. are collectively referred to herein as CC-La Jolla, Inc. (Company), a wholly owned subsidiary of CC-Development Group, Inc. (Parent).

The L.L.C. was formed in 1998 for the purpose of owning, developing, and operating a senior living community containing 403 independent living apartments, 36 assisted living units, 19 memory support units, and a 60-bed healthcare center located in La Jolla, California. The community was acquired under a Joint Plan of Reorganization from La Jolla Village Tower – 500, a Chapter 11 bankrupt partnership.

All significant intercompany balances and transactions have been eliminated in consolidation.

(2) Summary of Significant Accounting Policies

(a) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

(b) Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid instruments with original maturities of three months or less, excluding amounts limited as to use.

(c) Fair Value Measurements

The Company applies the provisions of Accounting Standards Update (ASU) 2010-06, *Improving Disclosure, about Fair Value Measurements* (ASU 2010-06). ASU 2010-06 amends Accounting Standards Codification (ASC) Subtopic 820-10, *Fair Value Measurements-Overall*, to provide additional disclosure requirements for transfers into and out of Levels 1 and 2 and for activity in Level 3 and to clarify other existing disclosure requirements.

ASC Subtopic 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Subtopic 820-10 also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

ASC Subtopic 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 are observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

In estimating the fair value of its financial instruments, the Company determined the carrying amounts reported in the consolidated balance sheets for cash and cash equivalents and assets limited as to use approximate fair value because of the short maturities of these instruments and are considered Level 1 investments within the fair value hierarchy.

(d) Assets Limited as to Use

Assets limited as to use include restricted resident deposits and assets set aside by the Company for capital improvements, and assets held in escrow under state statutes. Restricted resident deposits represent good faith deposits. Good faith deposits are received by the Company from prospective residents who are interested in occupying one of the community units. Good faith deposits do not earn interest on behalf of the prospective residents. Assets limited as to use for capital improvements represent funds designated by the Company for acquisition of property and equipment, which may be used at the discretion of the Company. Assets held in escrow under state statutes represent funds designated to establish certain entrance fee repayments as required by the state of California. The amounts held in escrow under this requirement include cash and cash equivalents of $155,765 and investments in the real estate of the community of $363,451, which represents 70% of the total reserve of $519,216. The historical cost method was utilized to value the real estate for purposes of ensuring it falls within the allowable investment allocation under the state statutes. Assets limited as to use are invested in money market funds or liquid securities with maturities of 90 days or less when purchased and are considered cash equivalents.

Assets limited as to use are reported in the accompanying consolidated balance sheets as follows:

		2013	2012
Current portion of assets limited as to use – resident deposits	$	237,722	159,986
Assets limited as to use – by Company for capital improvements	$	2,448,896	3,031,908
Assets limited as to use – by State for entrance fee repayments		155,765	134,774
Assets limited as to use, net of amounts required for current liabilities	$	2,604,661	3,166,682

(e) Property and Equipment

Property and equipment are stated at cost. Depreciation is calculated on the straight-line method over the estimated useful lives of depreciable assets ranging from 4 to 40 years. Construction in progress at December 31, 2013 relates to costs associated with common area renovations that will be placed in service during 2014. No significant contractual commitments exist related to these renovations as of December 31, 2013.

(f) Impairment of Long-Lived Assets

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. If the Company intended to dispose of its assets, they would be reported at the lower of the carrying amount or fair value less estimable costs to sell, and would no longer be depreciated. The Company does not believe that there are any factors or circumstances indicating impairment of its long-lived assets as of December 31, 2013 or 2012.

(g) Long-Term Accounts Receivable – Master Trust

Long-term accounts receivable represent the earned portion of nonrepayable entrance fees due from a trustee pursuant to the Master Trust Agreement (note 4). Upon termination of resident contracts, such amounts are offset against amounts due under the Master Trust Agreement.

(h) Costs of Acquiring Initial Continuing Care Contracts

Costs of acquiring initial continuing care contracts (the Costs) consist principally of marketing and advertising costs incurred directly in relation to the initial acquisition of continuing care contracts. In accordance with ASC Subtopic 720-35, *Other Expenses – Advertising Costs*, the Company capitalizes costs incurred in connection with direct response advertising whose primary purpose is to secure deposits from residents who are shown to have responded specifically to the advertising. Such

(Continued)

advertising costs include newspaper, magazine, television, radio, brochures, and other costs. The Costs are being amortized using the straight-line method over the expected stay at the community of the first resident group, beginning in the first period in which revenues associated with the Costs are earned. Upon occupancy of the first resident group, additional Costs are expensed as incurred. The Costs are shown net of accumulated amortization of $4,791,553 and $3,914,260 as of December 31, 2013 and 2012, respectively.

(i) Goodwill

Goodwill represents the excess of the fair value of the Company, as determined through an independent valuation at the time of the formation of the Company, over the fair value of tangible assets contributed to the Company by its members. Goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but instead tested for impairment at least annually in accordance with the provisions of ASC Subtopic 350-20, *Intangibles–Goodwill and Other*.

In connection with this evaluation, the Company was required to determine the fair value of the acquired reporting entity including goodwill and intangible assets, and compare it to the carrying value of the assets. If the goodwill is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the assets exceeds the fair value of the assets. The fair value of the acquired reporting entity exceeded its carrying amount and the Company was not required to recognize an impairment loss during the years ended December 31, 2013 and 2012.

(j) Obligation to Provide Future Services

The Company annually calculates the present value of the estimated net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of unearned revenue from entrance fees. If the present value of the net costs of future services and the use of facilities exceeds the unearned revenue from entrance fees, a liability is recorded (obligation to provide future services and the use of facilities) with the corresponding charge to income. The obligation is discounted at 5.5%, based on the expected long-term rate of return. The present value of the net cost of future services and the use of facilities was less than the deferred revenue from entrance fees at both December 31, 2013 and 2012, and accordingly, no future service obligation has been recognized in the accompanying consolidated balance sheets.

(k) Repayable Entrance Fees

Residents enter into a residency agreement with the Company that requires the payment of a onetime entrance fee. Upon termination of the residency agreement, residents are entitled to a repayment of the portion of the entrance fee that has not been earned by the Company, payable upon the sooner of reoccupancy of the unit or 10 years after the unit is made available. The Company earns 2% of the fee per month up to varying amounts of 100%, 60%, 58%, 20%, or 18%, dependent on the resident contract. The Company amortizes the nonrepayable portion of the entrance fee over the estimated life of the residents. Through July 31, 2005, entrance fees were remitted to a trustee pursuant to the Master Trust Agreement (note 4). Beginning August 1, 2005, entrance fees were remitted directly to the Company. The Company has recorded the repayable portion of the entrance fees (remitted directly to the Company) separately from the nonrepayable portion within the accompanying consolidated balance sheets. If all contracts terminated on December 31, 2013, the repayable portion of the entrance fees due to all residents would be $105,286,752 of which $95,622,106 relates to residents who remitted their entrance fees directly to the Company and $9,664,646 relates to residents who remitted their entrance fees to the Master Trust.

(l) Net Resident Service Revenue

Resident revenue related to independent living units, assisted living units, memory support units, and non-Medicare skilled care units is recognized on a fee-for-service basis in the month in which occupancy and services are provided. Net resident service revenue related to Medicare skilled care units is reported at the estimated net realizable amounts from residents and third-party payors.

(m) Income Taxes

The Company is included in the consolidated income tax return of its Parent. The Company uses the separate return method of determining its provision for income taxes. The consolidated financial statements reflect the provision for income taxes as if the Company were a separate taxpayer and a stand-alone enterprise. Accordingly, the consolidated financial statements may reflect tax attributes that may not exist in the Parent's consolidated income tax return. A valuation allowance on deferred tax assets is assessed using the sources of future taxable income available only to the Company.

Deferred income taxes are recognized for the tax consequences of "temporary differences" by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. The effect on deferred income taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company accounts for tax positions in accordance with ASC Topic 740, *Income Taxes*. ASC Topic 740 clarifies the accounting for uncertainty in tax positions and also provides guidance on when the tax positions are recognized in an entity's financial statements and how the values of these positions are determined. The Company does not have any liabilities recognized for uncertain tax positions.

(n) Subsequent Events

In connection with the preparation of the consolidated financial statements and in accordance with ASC Topic 855, *Subsequent Events*, the Company evaluated subsequent events after the balance sheet date of December 31, 2013 through April 24, 2014, which was the date the consolidated financial statements were available to be issued.

(3) Concentration of Credit Risk

The Company grants credit to its self-pay residents as well as those that are insured under third-party payor agreements. The mix of receivables from patients and third-party payors as of December 31, 2013 and 2012 is as follows:

	2013	2012
Medicare	50%	58%
Self-pay and commercial insurance	50	42
	100%	100%

(4) Master Trust Agreement

Through July 31, 2005, upon entrance into a residency agreement, residents also entered into a Master Trust Agreement with an independent trustee. Upon execution of the agreements, resident deposits were due to the trustee. The trustee entered into a loan agreement with the Company dated June 29, 2000. The terms of the loan agreement allow the Company to borrow up to $100,000,000 on a demand basis evidenced by a promissory note in the amount of $100,000,000. The loan bears no interest, and becomes due and payable on June 29, 2050. The promissory note is secured by a deed of trust covering the real property of the Company.

Once entrance fees were deposited with the trustee of the Master Trust and then loaned to the Company, the funds were used primarily for original acquisition indebtedness, capital acquisitions, operating deficits, and cash distributions to members. Repayments to residents are paid directly out of the trust. Repayments of $443,226 and $1,821,473 during the years ended December 31, 2013 and 2012, respectively, were made to residents by the trustee. The source of the repayments is provided by new resident entrance fee proceeds. In the event the trust has no liquid assets to make repayments, the Company is obligated to fund the trust.

The Master Trust Agreement with each resident is for 100% of the resident's entrance fee. Upon termination of the residency agreement, the repayable portion of the entrance fee, ranging from 0% to 82%, is due to the resident, and the earned portion of nonrepayable entrance fees is due to the Company. The Company is entitled to 2% of the entrance fee per month up to the maximum of 100%, dependent on the contract provisions (note 2).

(5) Transactions with Related Parties

On April 28, 1999, the Company borrowed $4,500,000 from the Parent to fund the purchase of the community. The note bore interest at a rate of 8% annually with principal and interest payments of $99,216 due quarterly. During 2012, the note was paid in full. During 2012, $3,789,845 was contributed from the member in lieu of principal and interest payments.

The Company entered into a management agreement dated April 28, 1998 between the Company and Classic Residence Management Limited Partnership (Classic), an affiliate of La Jolla, whereby Classic manages the operations of the Company. On October 26, 2005, the management agreement was amended to include management of the operations of a second independent living tower. The agreement is for a term of 25 years and requires the Company to pay an annual management fee equal to 6% of annual resident service revenue excluding certain items as defined in the management agreement. The Company incurred management fee expense of $1,633,650 and $1,515,124 for the years ended December 31, 2013 and 2012, respectively.

Classic also contracts with third parties on behalf of the Company to provide property, health, liability, and workers' compensation insurance and various marketing and other services. Classic advances the funds to third parties and is reimbursed by the Company. Reimbursement to Classic for such advances amounted to $4,064,016 and $3,123,912 for the years ended December 31, 2013 and 2012, respectively. There is no interest associated with these advances. Amounts due to Classic totaled $558,290 and $908,571 at December 31, 2013 and 2012, respectively, and are reported as due to affiliates in the accompanying consolidated balance sheets.

(6) Defined Contribution Plan

The employees of the Company participate in a savings plan (the Plan) administered by Classic. The Plan is qualified under Section 401(k) of the Internal Revenue Code for all full-time employees who are 21 years of age with six months of service. The Plan allows eligible employees to defer up to 25% of their income on a pretax basis through contributions to the Plan. In accordance with the provisions of the Plan, for every dollar up to 4% of a participant's salary, the Company matches each participant's contribution in an amount equal to 100% of the participant's deferral. For every dollar in excess of 4% of a participant's salary and limited to 6% of a participant's salary, the Company matches each participant's contribution in an amount equal to 50% of the participant's deferral. For the years ended December 31, 2013 and 2012, the Company recorded matching contribution expense of $221,210 and $160,262, respectively. For the year ended December 31, 2012, contributions were funded subsequent to year-end. Effective January 1, 2013, contributions are funded on a current basis.

(7) Income Taxes

The operating results of the Company are included in the Parent's consolidated federal income tax return. The Company is party to a tax sharing agreement that provides that, among other things, the Company shall not be entitled to any reimbursement for utilization of its tax attributes in the consolidated federal income tax return of the Parent. The tax sharing agreement also provides that the Company shall not be entitled to any reimbursement for utilization of its tax attributes in the various combined state income tax returns of the Parent and its subsidiaries.

The Company is required to pay the Parent for any tax liability that may arise from its operations, computed on a separate return basis. For the years ended December 31, 2013 and 2012, the Company sustained losses for federal and state income tax purposes. Accordingly, the current tax benefit attributable to the Company in the Parent company's income tax returns, as required pursuant to the provision of ASC Topic 740, has been eliminated through an adjustment to shareholder's equity.

The income tax benefit for the years ended December 31, 2013 and 2012 comprises the following:

		2013	2012
Current:			
U.S. federal	$	(601,622)	(2,108,652)
State		(104,790)	(367,286)
Total current		(706,412)	(2,475,938)
Deferred:			
U.S. federal		(662,279)	375,959
State		(108,728)	61,722
Total deferred		(771,007)	437,681
Income tax benefit	$	(1,477,419)	(2,038,257)

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and deferred tax liabilities at December 31, 2013 and 2012 are as follows:

		2013	2012
Deferred tax assets:			
Accrued vacation	$	260,387	231,630
Accrued bonus and other		317,328	161,844
Deferred revenue from nonrepayable entrance fees		15,288,583	15,272,964
Total gross deferred tax assets		15,866,298	15,666,438
Less valuation allowance		—	—
Total net deferred tax assets		15,866,298	15,666,438
Deferred tax liabilities:			
Depreciation		(97,590)	(374,684)
Amortization of goodwill		(2,438,309)	(2,374,901)
Costs to acquire initial continuing care contracts		(2,337,175)	(2,694,636)
Total deferred tax liabilities		(4,873,074)	(5,444,221)
Net deferred tax assets	$	10,993,224	10,222,217

As of December 31, 2013 and 2012, no valuation allowance is considered necessary as management believes that it is more likely than not that the results of future operations will generate sufficient taxable income to realize deferred tax assets.

(Continued)

Income tax benefit attributable to income was $1,477,419 and $2,038,257 for the years ended December 31, 2013 and 2012, respectively, and differed from the amounts computed by applying the U.S. federal income tax rate of 35% to pretax income from continuing operations as a result of the following:

		2013	2012
Computed "expected" tax benefit	$	1,301,492	1,863,188
Change in income taxes resulting from:			
State and local income taxes, net of federal income tax expense		176,841	177,013
Other, net		(914)	(1,944)
	$	1,477,419	2,038,257

(8) Commitments and Contingencies

(a) State Regulatory Requirements

The Company is subject to regulatory requirements as set forth by the Department of Social Services in the state of California. Such requirements set forth the establishment of a restricted cash escrow account for resident deposits until execution of the residency agreement (note 2) and the submission of schedules detailing the availability of debt service and operating expense reserves.

(b) Federal Regulatory Compliance

The laws and regulations governing the Medicare programs are extremely complex and subject to interpretation, making compliance an ongoing challenge for long-term care organizations. Recently the federal government has increased its enforcement activity, including audits and investigations related to billing practices, clinical documentation, and related matters. The Company maintains a compliance program designed to educate employees and to detect and correct possible violations.

(c) Internal Revenue Service Audit

The Company is currently undergoing an audit by Internal Revenue Service (IRS) for its tax years ended December 31, 2012, 2011, 2010, 2009, 2008, and 2007. Management anticipates the audits will be resolved without material adverse effect on the Company's financial position, results of operations, or cash flows.

CC-LA JOLLA, INC. AND SUBSIDIARY

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		$ —	—	—	—
2		—	—	—	—
3		—	—	—	—
4		—	—	—	—
5		—	—	—	—
6		—	—	—	—
7		—	—	—	—
8		—	—	—	—
			$ —	—	—
					(Transfer this amount to Form 5-3, line 1)

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

PROVIDER: CC-La Jolla, Inc. and CCW La Jolla, L.L.C.

COMMUNITY: Vi at La Jolla Village

See accompanying independent auditors' report on supplementary information.

CC-LA JOLLA, INC. AND SUBSIDIARY

Form 5-2

Long-Term Debt Incurred During Fiscal Year
(Including Balloon Debt)

Long-term debt obligation	(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)*(d))
1		$ —	—	—	—
2		—	—	—	—
3		—	—	—	—
4		—	—	—	—
5		—	—	—	—
6		—	—	—	—
7		—	—	—	—
8		—	—	—	—
		$ —	—	—	—
					(Transfer this amount to Form 5-3, line 2)

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

PROVIDER: CC-La Jolla, Inc. and CCW La Jolla, L.L.C.

COMMUNITY: Vi at La Jolla Village

See accompanying independent auditors' report on supplementary information.

CC-LA JOLLA, INC. AND SUBSIDIARY

Form 5-3

Calculation of Long-Term Debt Reserve Amount

Line		Total
1	Total from Form 5-1 bottom of Column (e)	$ —
2	Total from Form 5-2 bottom of Column (e)	—
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	—
4	Total amount required for long-term debt reserve	$ —

PROVIDER: CC-La Jolla, Inc. and CCW La Jolla, L.L.C.

COMMUNITY: Vi at La Jolla Village

See accompanying independent auditors' report on supplementary information.

CC-LA JOLLA, INC. AND SUBSIDIARY

Form 5-4

Calculation of Net Operating Expenses

Line		Amounts	Total
1	Total operating expenses from financial statements		$ 39,939,725
2	Deductions:		
	a Interest paid on long-term debt (see instructions)	$ —	
	b Credit enhancement premiums paid for long-term debt (see instructions)	—	
	c Depreciation	10,099,804	
	d Amortization	877,293	
	e Revenues received during fiscal year for services to residents who did not have a continuing care contract	6,257,157	
	f Extraordinary expenses approved by the Department	—	
3	Total deductions		17,234,254
4	Net operating expenses		22,705,471
5	Divide Line 4 by 365 and enter the result		62,207
6	**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount		$ 4,665,525

Form 5-4 line 2e reconciliation	
Cash received per audited financials	$ 27,218,113
Cash received from residents with CCRC contracts	20,960,956
Cash per Form 5-4 line 2e	$ 6,257,157

PROVIDER: CC-La Jolla, Inc. and CCW La Jolla, L.L.C.

COMMUNITY: Vi at La Jolla Village

See accompanying independent auditors' report on supplementary information.

CCW LA JOLLA, L.L.C.

Form 5-5

Annual Reserve Certification

Provider Name: CC-La Jolla, Inc. and CCW La Jolla, L.L.C.

Fiscal Year Ended: December 31, 2013

We have reviewed our debt service reserve and operating expense reserve requirements as of and for the fiscal year ended December 31, 2013 and are in compliance with those requirements.

Our liquid reserve requirements are computed using the audited financial statements for the fiscal years as follows:

			Amount
(1)	Debt service reserve amount	$	—
(2)	Operating expense reserve amount		4,665,450
(3)	Total liquid reserve amount	$	4,665,450

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

	Qualifying asset description			Amount (market value at end of quarter) Debt service reserve		Operating reserve
(4)	Cash and cash equivalents		$	—		7,488,775
(5)	Investment securities			—		2,448,896
(6)	Equity securities			—		—
(7)	Unused available lines of credit			—		—
(8)	Unused available letters of credit			—		—
(9)	Debt service reserve			—		—
(10)	Other (describe qualifying asset)			—		—
	Total amount of qualifying assets listed for liquid reserve:	(11)		—	(12)	9,937,671
	Total amount required	(13)		—	(14)	4,665,450
	Surplus (deficiency)	(15)	$	—	(16)	5,272,221

Signature:

[signature] Date 4/28/14

(Authorized representative) VP, Treasurer

(Title)

See accompanying independent auditors' report on supplementary information.

CCW LA JOLLA, L.L.C.

Financial Statements and Supplementary Schedules

December 31, 2013 and 2012

(With Independent Auditors' Report Thereon)

CCW LA JOLLA, L.L.C.

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KPMG

KPMG LLP
Aon Center
Suite 5500
200 East Randolph Drive
Chicago, IL 60601-6436

Independent Auditors' Report

The Members
CCW La Jolla, L.L.C.:

Report on the Financial Statements

We have audited the accompanying financial statements of CCW La Jolla, L.L.C. (the Company), which comprise the balance sheets as of December 31, 2013 and 2012, and the related statements of operations, changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' judgment, including the assessment of the risks of material misstatement 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 financial position of CCW La Jolla, L.L.C. as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

KPMG

Other Matters

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included in Form 5-1 through Form 5-5 is presented for purposes of additional analysis and for compliance with the requirements of the California Health and Safety Code Section 1792 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

KPMG LLP

April 24, 2014

CCW LA JOLLA, L.L.C.

Balance Sheets

December 31, 2013 and 2012

Assets	**2013**	**2012**
Current assets:		
Cash and cash equivalents	$ 7,488,775	4,966,055
Current portion of assets limited as to use	237,722	159,986
Resident accounts receivable, net of allowance for doubtful accounts of $316,900 in 2013 and $184,400 in 2012	811,989	807,116
Deposits and other	294,234	267,370
Total current assets	8,832,720	6,200,527
Assets limited as to use, net of amounts required for current liabilities	2,604,661	3,166,682
Property and equipment:		
Land	8,288,908	8,288,908
Building and improvements	190,150,452	189,714,166
Furniture, fixtures, and equipment	27,212,551	24,680,107
Construction in progress	1,213,975	510,898
	226,865,886	223,194,079
Less accumulated depreciation	89,660,400	79,560,596
Property and equipment, net	137,205,486	143,633,483
Long-term accounts receivable – master trust	25,319,570	26,269,032
Cost to acquire initial continuing care contracts, net	5,735,961	6,613,254
Goodwill	5,984,168	5,984,168
Total assets	$ 185,682,566	191,867,146
Liabilities and Members' Equity		
Current liabilities:		
Accounts payable	$ 1,735,684	1,065,336
Accrued expenses	1,909,452	2,030,221
Prepaid resident service revenue	175,283	109,077
Due to affiliates	558,290	908,570
Current portion of refunds payable	7,365,197	3,338,731
Resident deposits	237,722	159,986
Total current liabilities	11,981,628	7,611,921
Repayable entrance fees	71,832,342	69,275,472
Deferred revenue from nonrepayable entrance fees	60,142,136	55,321,788
Master trust loan	36,153,523	39,106,597
Total liabilities	180,109,629	171,315,778
Members' equity:		
Contributed capital	91,950,584	103,210,903
Accumulated deficit	(86,377,647)	(82,659,535)
Total members' equity	5,572,937	20,551,368
Total liabilities and members' equity	$ 185,682,566	191,867,146

See accompanying notes to financial statements.

CCW LA JOLLA, L.L.C.

Statements of Operations

Years ended December 31, 2013 and 2012

		2013	2012
Revenue:			
Net resident service revenue:			
Net resident service revenue before bad debt	$	27,200,124	24,976,582
Provision for doubtful accounts		151,836	63,011
Net resident service revenue		27,048,288	24,913,571
Amortization of entrance fees		9,081,975	8,590,313
Investment income (loss)		(1,195)	7,334
Other income		92,108	85,022
Total revenue		36,221,176	33,596,240
Expenses:			
Food and beverage		3,391,392	3,198,268
Dining room		1,506,750	1,382,990
Laundry		298,273	272,138
Housekeeping		1,296,823	1,235,713
Resident services		2,273,079	2,158,654
Resident care		5,933,135	6,183,642
Repairs and maintenance		1,785,747	1,529,347
Utilities		2,055,541	1,913,634
Sales and marketing		1,253,791	1,159,679
Total operating expenses		19,794,531	19,034,065
Management fees		1,633,650	1,515,124
Property taxes		2,380,225	2,219,128
Depreciation and amortization		10,977,097	11,642,959
Administration		4,233,538	3,244,332
Insurance		920,247	1,118,364
Interest expense		—	145,256
Total expenses		39,939,288	38,919,228
Net loss	$	(3,718,112)	(5,322,988)

See accompanying notes to financial statements.

CCW LA JOLLA, L.L.C.

Statements of Changes in Members' Equity

Years ended December 31, 2013 and 2012

		Contributed capital	Accumulated deficit	Total members' equity
Balance at December 31, 2011	$	105,737,079	(77,336,547)	28,400,532
Distributions to member		(2,526,176)	—	(2,526,176)
Net loss		—	(5,322,988)	(5,322,988)
Balance at December 31, 2012		103,210,903	(82,659,535)	20,551,368
Distributions to member		(11,260,319)	—	(11,260,319)
Net loss		—	(3,718,112)	(3,718,112)
Balance at December 31, 2013	$	91,950,584	(86,377,647)	5,572,937

See accompanying notes to financial statements.

CCW LA JOLLA, L.L.C.

Statements of Cash Flows

Years ended December 31, 2013 and 2012

		2013	2012
Cash flows from operating activities:			
Cash received from residents	$	27,218,113	24,805,043
Proceeds from nonrepayable entrance fees		13,374,936	13,913,002
Interest received (paid)		(1,195)	7,334
Cash paid to suppliers and employees		(24,775,881)	(22,953,288)
Cash paid for management fees and commissions		(1,633,650)	(1,515,124)
Cash paid for real estate taxes		(2,380,225)	(2,219,128)
Net cash provided by operating activities		11,802,098	12,037,839
Cash flows from investing activities:			
Additions to property and equipment		(3,671,807)	(1,919,538)
Net change in resident deposits		77,736	7,956
Net change in assets limited as to use		484,285	(612,651)
Net cash used in investing activities		(3,109,786)	(2,524,233)
Cash flows from financing activities:			
Distributions to managing member, net		(11,260,319)	(6,316,021)
Proceeds from repayable entrance fees		6,824,704	3,819,542
Repayments of repayable entrance fees		(1,290,751)	(3,328,645)
Repayments to master trust		(443,226)	(1,821,473)
Net cash used in financing activities		(6,169,592)	(7,646,597)
Net increase in cash and cash equivalents		2,522,720	1,867,009
Cash and cash equivalents at beginning of year		4,966,055	3,099,046
Cash and cash equivalents at end of year	$	7,488,775	4,966,055
Reconciliation of net loss to net cash provided by operating activities:			
Net loss	$	(3,718,112)	(5,322,988)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Proceeds from nonrepayable entrance fees		13,374,936	13,913,002
Depreciation and amortization		10,977,097	11,642,959
Amortization of entrance fees		(9,081,975)	(8,590,313)
Utilization of repayable entrance fees in lieu of monthly fees		16,384	(50,762)
Provision for doubtful accounts		151,836	63,011
Contribution from member in lieu of interest payments		—	145,256
Changes in assets and liabilities:			
Accounts receivable		(156,709)	(309,998)
Deposits and other		(26,864)	102,255
Accounts payable		670,348	205,080
Accrued expenses		(120,769)	(65,940)
Prepaid resident service revenue		66,206	104,199
Due to affiliates		(350,280)	202,078
Net cash provided by operating activities	$	11,802,098	12,037,839
Noncash financing activity:			
Contribution by member in lieu of principal payment on note payable	$	—	3,644,589

See accompanying notes to financial statements.

(1) Purpose and Organization

CCW La Jolla, L.L.C. (the Company) is a Delaware limited liability company whose sole corporate member is CC-La Jolla, Inc., a Delaware corporation. CC-La Jolla, Inc. is a wholly owned subsidiary of CC-Development Group, Inc. (Parent). The Company was formed in 1998 for the purpose of owning, developing, and operating a senior living community containing 403 independent living apartments, 36 assisted living units, 19 memory support units, and a 60-bed healthcare center located in La Jolla, California. The community was acquired under a Joint Plan of Reorganization from La Jolla Village Tower – 500, a Chapter 11 bankrupt partnership.

(2) Summary of Significant Accounting Policies

(a) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(b) Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid instruments with original maturities of three months or less, excluding amounts limited as to use.

(c) Fair Value Measurements

The Company applies the provisions of Accounting Standards Update (ASU) 2010-06, *Improving Disclosure about Fair Value Measurements* (ASU 2010-06). ASU 2010-06 amends Accounting Standards Codification (ASC) Subtopic 820-10, *Fair Value Measurements and Disclosures*, to provide additional disclosure requirements for transfers into and out of Levels 1 and 2 and for activity in Level 3 and to clarify other existing disclosure requirements.

ASC Subtopic 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Subtopic 820-10 also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

ASC Subtopic 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

> Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
>
> Level 2 are observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or

can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

In estimating the fair value of its financial instruments, the Company determined the carrying amounts reported in the balance sheets for cash and cash equivalents and assets limited as to use approximate fair value because of the short maturities of these instruments and are considered Level 1 investments within the fair value hierarchy.

(d) Assets Limited as to Use

Assets limited as to use include restricted resident deposits, assets set aside by the Company for capital improvements, and assets held in escrow under state statutes. Restricted resident deposits represent good faith deposits. Good faith deposits are received by the Company from prospective residents who are interested in occupying one of the community units. Good faith deposits do not earn interest on behalf of the prospective residents. Assets limited as to use for capital improvements represent funds designated by the Company for acquisition of property and equipment, which may be used at the discretion of the Company. Assets held in escrow under state statutes represent funds designated to establish certain entrance fee repayments as required by the state of California. The amounts held in escrow under this requirement include cash and cash equivalents of $155,765 and investments in the real estate of the community of $363,451, which represents 70% of the total reserve of $519,216. The historical cost method was utilized to value the real estate for purposes of ensuring it falls within the allowable investment allocation under the state statutes. Assets limited as to use are invested in money market funds or liquid securities with maturities of 90 days or less when purchased and are considered cash equivalents.

Assets limited as to use are reported in the accompanying balance sheets as follows:

		2013	2012
Current portion of assets limited as to use – resident deposits	$	237,722	159,986
Assets limited as to use – by Company for capital improvements	$	2,448,896	3,031,908
Assets limited as to use – by State for entrance fee repayments		155,765	134,774
Assets limited as to use, net of amounts required for current liabilities	$	2,604,661	3,166,682

(e) Property and Equipment

Property and equipment are stated at cost. Depreciation is calculated on the straight-line method over the estimated useful lives of depreciable assets ranging from 4 to 40 years. Construction in progress at December 31, 2013 related to costs associated with renovations that will be placed in service during 2014. No significant contractual commitments exist related to these renovations as of December 31, 2013.

(f) Impairment of Long-lived Assets

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. If the Company intended to dispose of its assets, they would be reported at the lower of the carrying amount or fair value less estimable costs to sell, and would no longer be depreciated. The Company does not believe that there are any factors or circumstances indicating impairment of its long-lived assets as of December 31, 2013 or 2012.

(g) Long-term Accounts Receivable – Master Trust

Long-term accounts receivable represent the earned portion of nonrepayable entrance fees due from residents pursuant to the Master Trust Agreement (note 4). Upon termination of resident contracts, such amounts are offset against amounts due under the Master Trust Agreement.

(h) Costs of Acquiring Initial Continuing Care Contracts

Costs of acquiring initial continuing care contracts (the Costs) consist principally of marketing and advertising costs incurred directly in relation to the initial acquisition of continuing care contracts. In accordance with ASC Subtopic 720-35, *Advertising Costs*, the Company capitalizes costs incurred in connection with direct response advertising whose primary purpose is to secure deposits from residents who are shown to have responded specifically to the advertising. Such advertising costs include newspaper, magazine, television, radio, brochures, and other costs. The Costs are being amortized using the straight-line method over the expected stay at the community of the first resident group, beginning in the first period in which revenues associated with the Costs are earned. Upon occupancy of the first resident group, additional costs are expensed as incurred. The Costs are shown net of accumulated amortization of $4,791,553 and $3,914,260 as of December 31, 2013 and 2012, respectively.

(i) Goodwill

Goodwill represents the excess of the fair value of the Company, as determined through an independent valuation at the time of the formation of the Company, over the fair value of tangible assets contributed to the Company by its members. Goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but instead tested for impairment at least annually in accordance with the provisions of ASC Subtopic 350-20, *Goodwill.*

In connection with this evaluation, the Company was required to determine the fair value of the acquired reporting entity, including goodwill and intangible assets, and compare it to the carrying value of the assets. If the goodwill is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the assets exceeds the fair value of the assets. The fair value of the acquired reporting entity exceeded its carrying amount and the Company was not required to recognize an impairment loss during the years ended December 31, 2013 and 2012.

(j) Obligation to Provide Future Services

The Company annually calculates the present value of the estimated net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of unearned revenue from entrance fees. If the present value of the net costs of future services and the use of facilities exceeds the unearned revenue from entrance fees, a liability is recorded (obligation to provide future services and the use of facilities) with the corresponding charge to income. The obligation is discounted at 5.5%, based on the expected long-term rate of return. The present value of the net cost of future services and the use of facilities was less than the deferred revenue from entrance fees at December 31, 2013 and 2012, and accordingly, no future service obligation has been recognized in the accompanying balance sheets.

(k) Repayable Entrance Fees

Residents enter into a residency agreement with the Company that requires the payment of a one-time entrance fee. Upon termination of the residency agreement, residents are entitled to a repayment of the portion of the entrance fee that has not been earned by the Company, payable upon the sooner of reoccupancy of the unit or 10 years after the unit is made available. The Company earns 2% of the fee per month up to varying amounts of 100%, 60%, 58%, 20%, or 18%, dependent on the resident contract. The Company amortizes the nonrepayable portion of the entrance fee over the estimated life of the residents. Through July 31, 2005, entrance fees were remitted to a trustee pursuant to the Master Trust Agreement (note 4). Beginning August 1, 2005, entrance fees were remitted directly to the Company. The Company has recorded the repayable portion of the entrance fees (remitted directly to the Company) separately from the nonrepayable portion within the accompanying balance sheets. If all contracts terminated on December 31, 2013, the repayable portion of the entrance fees due to all residents would be $105,286,752 of which $95,622,106 relates to residents who remitted their entrance fees directly to the Company and $9,664,646 relates to residents who remitted their entrance fees to the Master Trust.

(l) Net Resident Service Revenue

Resident revenue related to independent living units, assisted living units, memory support units, and non-Medicare skilled care units is recognized on a fee-for-service basis in the month in which occupancy and services are provided. Net resident service revenue related to Medicare skilled care units is reported at the estimated net realizable amounts from residents and third-party payors.

(m) Income Taxes

The financial statements of the Company do not reflect a provision or benefit for income taxes as the members have elected to recognize their proportionate share of the Company's income or loss in their individual tax returns.

The Company accounts for tax positions in accordance with ASC Topic 740, *Accounting for Uncertainty in Income Taxes*. ASC Topic 740 clarifies the accounting for uncertainty in tax positions and also provides guidance on when the tax positions are recognized in an entity's financial statements and how the values of these positions are determined. The Company does not have any liabilities recognized for uncertain tax positions.

(n) Subsequent Events

In connection with the preparation of the financial statements and in accordance with ASC Topic 855, *Subsequent Events*, the Company evaluated subsequent events after the balance sheet date of December 31, 2013 through April 24, 2014, which was the date the financial statements were available to be issued.

(3) Concentration of Credit Risk

The Company grants credit to its self-pay residents as well as those that are insured under third-party payor agreements. The mix of receivables from patients and third-party payors as of December 31, 2013 and 2012 is as follows:

	2013	2012
Medicare	50%	58%
Self-pay and commercial insurance	50	42
	100%	100%

(4) Master Trust Agreement

Through July 31, 2005, upon entrance into a residency agreement, residents also entered into a Master Trust Agreement with an independent trustee. Upon execution of the agreements, resident deposits were due to the trustee. The trustee entered into a loan agreement with the Company dated June 29, 2000. The terms of the loan agreement allow the Company to borrow up to $100,000,000 on a demand basis evidenced by a promissory note in the amount of $100,000,000. The loan bears no interest, and becomes due and payable on June 29, 2050. The promissory note is secured by a deed of trust covering the real property of the Company.

Once entrance fees were deposited with the trustee of the master trust and then loaned to the Company, the funds were used primarily for original acquisition indebtedness, capital acquisitions, operating deficits, and cash distributions to members. Repayments to residents are paid directly out of the trust. Repayments of $443,226 and $1,821,473 during the years ended December 31, 2013 and 2012, respectively, were made to residents by the trustee. The source of the repayments is provided by new resident entrance fee proceeds. In the event the trust has no liquid assets to make repayments, the Company is obligated to fund the trust.

The Master Trust Agreement with each resident is for 100% of the resident's entrance fee. Upon termination of the residency agreement, the repayable portion of the entrance fee, ranging from 0% to 82%, is due to the resident, and the earned portion of nonrepayable entrance fees is due to the Company. The Company is entitled to 2% of the entrance fee per month up to the maximum of 100%, dependent on the contract provisions (note 2).

(5) Transactions with Related Parties

On April 28, 1999, the Company borrowed $4,500,000 from the Parent to fund the purchase of the community. The note bore interest at a rate of 8% annually with principal and interest payments of $99,216 due quarterly. During 2012, the note was paid in full. During 2012, $3,789,845 was contributed from the member in lieu of principal and interest payments.

The Company entered into a management agreement dated April 28, 1998 between the Company and Classic Residence Management Limited Partnership (Classic), an affiliate of CC-La Jolla, Inc., whereby Classic manages the operations of the Company. On October 26, 2005, the management agreement was amended to include management of the operations of a second independent living tower. The agreement is for a term of 25 years and requires the Company to pay an annual management fee equal to 6% of annual resident service revenue excluding certain items as defined in the management agreement. The Company incurred management fee expense of $1,633,650 and $1,515,124 for the years ended December 31, 2013 and 2012, respectively.

Classic also contracts with third parties on behalf of the Company to provide property, health, liability, and workers' compensation insurance and various marketing and other services. Classic advances the funds to third parties and is reimbursed by the Company. Reimbursement to Classic for such advances amounted to $4,064,016 and $3,123,912 for the years ended December 31, 2013 and 2012, respectively. There is no interest associated with these advances. Amounts due to Classic totaled $558,290 and $908,570 at December 31, 2013 and 2012, respectively, and are reported as due to affiliates in the accompanying balance sheets.

(6) Defined Contribution Plan

The employees of the Company participate in a savings plan (the Plan) administered by Classic. The Plan is qualified under Section 401(k) of the Internal Revenue Code for all full-time employees who are 21 years of age with six months of service. The Plan allows eligible employees to defer up to 25% of their income on a pretax basis through contributions to the Plan. In accordance with the provisions of the Plan for every dollar up to 4% of a participant's salary, the Company matches each participant's contribution in an amount equal to 100% of the participant's deferral. For every dollar in excess of 4% of a participant's salary and limited to 6% of a participant's salary, the Company matches each participant's contribution in an amount equal to 50% of the participant's deferral. For the years ended December 31, 2013 and 2012, the Company recorded matching contribution expense of $221,210 and $160,262, respectively. For the year ended December 31, 2012, contributions were funded subsequent to year-end. Effective January 1, 2013, contributions are funded on a current basis.

(7) Commitments and Contingencies

(a) State Regulatory Requirements

The Company is subject to regulatory requirements as set forth by the Department of Social Services in the state of California. Such requirements set forth the establishment of a restricted cash escrow account for resident deposits until execution of the residency agreement (note 2) and the submission of schedules detailing the availability of debt service and operating expense reserves.

(b) Federal Regulatory Compliance

The laws and regulations governing the Medicare programs are extremely complex and subject to interpretation, making compliance an ongoing challenge for long-term care organizations. Recently the federal government has increased its enforcement activity, including audits and investigations related to billing practices, clinical documentation, and related matters. The Company maintains a compliance program designed to educate employees and to detect and correct possible violations.

CCW LA JOLLA, L.L.C.

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		$ —	—	—	—
2		—	—	—	—
3		—	—	—	—
4		—	—	—	—
5		—	—	—	—
6		—	—	—	—
7		—	—	—	—
8		—	—	—	—
			$ —	—	—

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

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

PROVIDER: CC-La Jolla, Inc. and CCW La Jolla, L.L.C.

COMMUNITY: Vi at La Jolla Village

See accompanying independent auditors' report on supplementary information.

CCW LA JOLLA, L.L.C.

Form 5-2

Long-Term Debt Incurred During Fiscal Year
(Including Balloon Debt)

Long-term debt obligation	(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)*(d))
1		$ —	—	—	—
2		—	—	—	—
3		—	—	—	—
4		—	—	—	—
5		—	—	—	—
6		—	—	—	—
7		—	—	—	—
8		—	—	—	—
		$ —	—	—	—

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

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

PROVIDER: CC-La Jolla, Inc. and CCW La Jolla, L.L.C.

COMMUNITY: Vi at La Jolla Village

See accompanying independent auditors' report on supplementary information.

CCW LA JOLLA, L.L.C.

Form 5-3

Calculation of Long-Term Debt Reserve Amount

Line		Total
1	Total from Form 5-1 bottom of Column (e)	$ —
2	Total from Form 5-2 bottom of Column (e)	—
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	—
4	Total amount required for long-term debt reserve	$ —

PROVIDER: CC-La Jolla, Inc. and CCW La Jolla, L.L.C.

COMMUNITY: Vi at La Jolla Village

See accompanying independent auditors' report on supplementary information.

CCW LA JOLLA, L.L.C.

Form 5-4

Calculation of Net Operating Expenses

Line		Amounts	Total
1	Total operating expenses from financial statements		$ 39,939,288
2	Deductions:		
	a Interest paid on long-term debt (see instructions)	$ —	
	b Credit enhancement premiums paid for long-term debt (see instructions)	—	
	c Depreciation	10,099,804	
	d Amortization	877,293	
	e Revenues received during fiscal year for services to residents who did not have a continuing care contract	6,257,157	
	f Extraordinary expenses approved by the Department	—	
3	Total deductions		17,234,254
4	Net operating expenses		22,705,034
5	Divide Line 4 by 365 and enter the result		62,206
6	**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount		$ 4,665,450

PROVIDER: CC-La Jolla, Inc. and CCW La Jolla, L.L.C.

COMMUNITY: Vi at La Jolla Village

See accompanying independent auditors' report on supplementary information.

Form 5-4 line 2e reconciliation	
Cash received per audited financials	$ 27,218,113
Cash received from residents with CCRC contracts	20,960,956
Cash per Form 5-4 line 2e	$ 6,257,157

CC-LA JOLLA, INC. AND SUBSIDIARY

Form 5-5

Annual Reserve Certification

Provider Name: CC-La Jolla, Inc. and CCW La Jolla, L.L.C.

Fiscal Year Ended: December 31, 2013

We have reviewed our debt service reserve and operating expense reserve requirements as of and for the fiscal year ended December 31, 2013 and are in compliance with those requirements.

Our liquid reserve requirements are computed using the audited financial statements for the fiscal years as follows:

		Amount
(1)	Debt service reserve amount	$ —
(2)	Operating expense reserve amount	4,665,525
(3)	Total liquid reserve amount	$ 4,665,525

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

	Qualifying asset description		Amount (market value at end of quarter) Debt service reserve		Operating reserve
(4)	Cash and cash equivalents		$ —		7,488,775
(5)	Investment securities		—		2,448,896
(6)	Equity securities		—		—
(7)	Unused available lines of credit		—		—
(8)	Unused available letters of credit		—		—
(9)	Debt service reserve		—		—
(10)	Other (describe qualifying asset)		—		—
	Total amount of qualifying assets listed for liquid reserve	(11)	—	(12)	9,937,671
	Total amount required	(13)	—	(14)	4,665,525
	Surplus (deficiency)	(15)	$ —	(16)	5,272,146

Signature:

[signature] Date 4/28/14

(Authorized representative)

VP, Treasurer

(Title)

See accompanying independent auditors' report on supplementary information.

CCW La Jolla, LLC and CC-La Jolla, Inc.

Form 5-5 Description of Reserves

Debt Service Reserve Amount	$ 0
Operating Reserve Amount	$4,665,450

Please see Form 5-4 of Annual Audit for calculation of operating reserve amount

CCW LaJolla, L.L.C.

Detail of Cash and Investments by Bank Account:

Cash and Cash Equivalents		Investment Securities		Total
$1,500	Petty Cash held at property			$1,500
$11,964	Bank of America checking			$11,964
$1,932,509	Bank of America checking			$1,932,509
$2,482,702	Bank of America checking			$2,482,702
$2,780,197	Bank of America checking			$2,780,197
$279,902	Bank of America checking			$279,902
$7,488,775		$0		$7,488,775
$0		$2,448,896	Bank of America MMA/Short Term Funds	$2,448,896
$0		$2,448,896		$2,448,896
				$9,937,671

Amounts listed on form 5-5:

Qualifying assets for debt service reserve	$0
Qualifying assets for operating reserve	9,937,671
	$9,937,671

Amounts listed in audited financial statements:

Cash and cash equivalents (page 2) (invested as discussed on page 7)	$ 7,488,775
Assets limited as to use - by Company for Capital improvements (pages 7 and 8) *	$ 2,448,896
Assets limited as to use - by Company for operations (pages 7 and 8) **	$ -
	$ 9,937,671

* Amounts are earmarked internally for future capital projects which have not been determined at this time.

** Amounts are held for purposes of satisfying the reserve obligation

Continuing Care Retirement Community
Disclosure Statement
General Information

Date Prepared: 4-28-14

FACILITY NAME: Vi at La Jolla Village

ADDRESS: 8515 Costa Verde Blvd., San Diego, CA ZIP CODE: 92122 PHONE: (858) 646-7712

PROVIDER NAME: CCW La Jolla, L.L.C. & CC-La Jolla, Inc. FACILITY OPERATOR: Classic Residence Management Limited Partnership

RELATED FACILITIES: Yes, see page 2 for a list. RELIGIOUS AFFILIATION: None

YEAR OPENED: 1996 # OF ACRES: 4.2 ☐ SINGLE STORY ☑ MULTI-STORY ☐ OTHER: ______ MILES TO SHOPPING CTR: 0.5 MILES TO HOSPITAL: 3

NUMBER OF UNITS:

RESIDENTIAL LIVING		HEALTH CARE	
APARTMENTS – STUDIO:	0	ASSISTED LIVING:	36
APARTMENTS – 1 BDRM:	98	SKILLED NURSING:	60
APARTMENTS – 2 BDRM:	255	SPECIAL CARE:	19
COTTAGES/HOUSES:	0	DESCRIBE SPECIAL CARE:	Dementia care
RLU OCCUPANCY (%) AT YEAR END:	78%	APARTMENTS - 3 BDRM 50	

TYPE OF OWNERSHIP: ☐ NOT-FOR-PROFIT ☑ FOR- PROFIT ACCREDITED?: ☐ YES ☑ NO BY: ______

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

REFUND PROVISIONS: (Check all that apply) ☐ 90% ☐ 75% ☐ 50% ☐ PRORATED TO 0% ☑ OTHER: 0%, 40%, or 80%

RANGE OF ENTRANCE FEES: $ $225,200 TO $ $1,602,700 **LONG-TERM CARE INSURANCE REQUIRED?** ☐ YES ☑ NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: Type I: Assisted living and skilled nursing care

ENTRY REQUIREMENTS: MIN. AGE: 62 PRIOR PROFESSION: None required OTHER: application process

RESIDENT REPRESENTATIVE ON THE BOARD (briefly describe their involvement): Attend periodic meetings with members of governing body. Periodic meetings with Management. Serve on resident council and attend committee meetings.

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	☑	☑	HOUSEKEEPING (4 TIMES/MONTH)	☑	☐
BILLIARD ROOM	☑	☐	MEALS (2 /DAY)	☑	☐
BOWLING GREEN	☐	☐	SPECIAL DIETS AVAILABLE	☐	☑
CARD ROOMS	☑	☐			
CHAPEL	☐	☐	24-HOUR EMERGENCY RESPONSE	☑	☐
COFFEE SHOP	☑	☑	ACTIVITIES PROGRAM	☑	☐
CRAFT ROOMS	☑	☐	ALL UTILITIES EXCEPT PHONE	☑	☐
EXERCISE ROOM	☑	☐	APARTMENT MAINTENANCE	☑	☐
GOLF COURSE ACCESS	☐	☐	CABLE TV	☑	☐
LIBRARY	☑	☐	LINENS FURNISHED	☐	☑
PUTTING GREEN	☐	☐	LINENS LAUNDERED	☑	☐
SHUFFLEBOARD	☐	☐	MEDICATION MANAGEMENT	☐	☑
SPA	☐	☐	NURSING/WELLNESS CLINIC	☑	☑
SWIMMING POOL-INDOOR	☑	☐	PERSONAL HOME CARE	☐	☐
SWIMMING POOL-OUTDOOR	☐	☐	TRANSPORTATION-PERSONAL	☑	☑
TENNIS COURT	☐	☐	TRANSPORTATION-PREARRANGED	☑	☑
WORKSHOP	☐	☐	OTHER ______	☐	☐
OTHER Computer Room	☑	☐			

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: CCW La Jolla, L.L.C. & CC-La Jolla, Inc.

CCRCs	LOCATION (City, State)	PHONE (with area code)
Vi at Palo Alto	Palo Alto, CA	(650) 853-5000
Vi at Bentley Village	Naples, FL	(941) 598-3153
Vi at Lakeside Village	Lantana, FL	(561) 966-4600
TidePointe, a Vi Community (fee for service)	Hilton Head Island, SC	(843) 341-7200
Vi at Grayhawk, a Vi and Plaza Companies Commur	Scottsdale, AZ	(480) 659-5100
Vi at Aventura	Aventura, FL	(305) 692-4700
Vi at The Glen	Glenview, IL	(847) 904-4600
Vi at Highlands Ranch	Highlands Ranch, CO	(720) 348-7200
Vi at Silverstone	Scottsdale, AZ	(480) 478-6100

MULTI-LEVEL RETIREMENT COMMUNITIES

None

FREE-STANDING SKILLED NURSING

None

SUBSIDIZED SENIOR HOUSING

None

No listed facility is life care as defined in California.

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

PROVIDER NAME: CCW La Jolla, L.L.C. & CC-La Jolla, Inc.

	2010	2011	2012	2013
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)	23,431,536	23,890,911	25,005,927	27,139,201
LESS OPERATING EXPENSES (excluding depreciation, amortization, and interest)	25,974,213	26,325,835	27,131,013	28,962,191
NET INCOME FROM OPERATIONS	(2,542,677)	(2,434,924)	(2,125,086)	(1,822,990)
LESS INTEREST EXPENSE	560,943	296,625	145,256	0
PLUS CONTRIBUTIONS	30,173,875	3%	0	0
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	1,297,709	(339,357)	0	0
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	28,367,964	(3,070,906)	(2,270,342)	(1,822,990)
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	1,902,304	7,744,221	12,582,426	18,482,048

DESCRIPTION OF SECURED DEBT (AS OF MOST RECENT FISCAL YEAR END)

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD

FINANCIAL RATIOS
(see next page for ratio formulas)

	2012 CCAC Medians 50th Percentile *(optional)*	2011	2012	2013
DEBT TO ASSET RATIO		0.02	0.00	0.00
OPERATING RATIO		1.13	1.09	1.07
DEBT SERVICE COVERAGE RATIO		0.02	0.00	0.00
DAYS CASH-ON-HAND RATIO		78.70	107.03	125.24

HISTORICAL MONTHLY SERVICE FEES
(AVERAGE FEE AND PERCENT CHANGE)

	2010	%	2011	%	2012	%	2013
STUDIO	n/a	----	n/a	----			
ONE BEDROOM	$3,059	3%	$3,205	3%	$3,273	3%	$3,412
TWO BEDROOM	$3,901	3%	$4,098	3%	$4,241	3%	$4,630
COTTAGE/HOUSE	-----	----	-----	----	-----	----	-----
ASSISTED LIVING	-----	----	-----	----	-----	----	-----
SKILLED NURSING	-----	----	-----	----	-----	----	-----
SPECIAL CARE	-----	----	-----	----	-----	----	-----

COMMENTS FROM PROVIDER: Note: If you sign a continuing care residency contract, your monthly fee for assisted living, memory care, or skilled nursing will be based on your monthly fee for your residential living apartment. The dollar amounts shown are the average monthly fees paid by existing residents as of December 31st of each year. The % column reflects the percentage increase over the prior year's monthly fee that was applied to the monthly fees of existing residents.

PROVIDER NAME: CCW La Jolla, L.L.C. & CC-La Jolla, Inc.

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

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.

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

		RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1]	Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	$1,735 - $7,297	$1,735 - $7,297	$1,735 - $7,297
[2]	Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	3.0%	3.0%	3.0%

☐ 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: January 1, 2013
(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: CCW La Jolla, L.L.C. & CC-La Jolla, Inc.
COMMUNITY: Vi at Jolla Village

CC – La Jolla, Inc. and CCW La Jolla, LLC

Form 7-1 Explanation for Increase in Monthly Service Fees

Each monthly service fee increase is based on projected expenses, prior year expenses and economic indicators. As with most businesses, we are faced with a number of rising costs including personnel, maintenance, utilities, food, and healthcare services. To maintain the high level of quality and services expected of our brand, the following increases were implemented:

IL 3.0%

AL 3.0%

SNF 3.0%

PART 9
CALCULATION OF REFUND RESERVE AMOUNT

RECEIVED
APR 30 2014
CONTINUING CARE
CONTRACTS BRANCH

Per the instruction of Bob Thompson, the entrance fee refund reserve report will be prepared and submitted at a later date when the updated forms and instructions are available.

KEY INDICATORS REPORT
CCW La Jolla, L.L.C.

Date Prepared: 5/21/2014

Chief Executive Officer Signature

RECEIVED
MAY 28 2014
CONTINUING CARE CONTRACTS BRANCH

	2009	2010	2011	2012	2013	Projected 2014	Forecast 2015	2016	2017	2018	Preferred Trend Indicator
OPERATIONAL STATISTICS											
1. Average Annual Occupancy by Site (%)	70.0%	74.5%	77.2%	79.6%	81.7%	83.0%	85.6%	87.4%	88.5%	89.2%	N/A
MARGIN (PROFITABILITY) INDICATORS											
2. Net Operating Margin (%)	-28.4%	-7.4%	-8.8%	-8.0%	-5.5%	-6.4%	-6.7%	-5.4%	-4.3%	-3.2%	↑
3. Net Operating Margin - Adjusted (%)	37.2%	0.5%	17.8%	28.1%	37.0%	23.4%	24.7%	28.4%	29.7%	32.7%	↓
LIQUIDITY INDICATORS											
4. Unrestricted Cash and Investments ($000)	8,759	7,819	5,813	8,158	10,175	4,238	4,238	4,238	4,238	4,238	↑
5. Days Cash on Hand (Unrestricted)	110.3	106.2	78.7	108.9	127.6	51.3	49.7	48.3	46.8	45.4	↑
CAPITAL STRUCTURE INDICATORS											
6. Deferred Revenue from Entrance Fees ($000)	60,025	56,875	53,217	57,481	61,311	62,093	62,173	63,015	62,791	63,470	N/A
7. Net Annual E/F proceeds ($000)	21,099	1,902	7,744	12,582	18,466	11,046	12,165	14,339	15,302	17,628	N/A
8. Unrestricted Net Assets ($000)	15,420	40,310	28,401	20,551	5,573	1,887	(3,545)	(9,384)	(17,922)	(27,681)	N/A
9. Annual Capital Asset Expenditure ($000)	2,477	1,146	1,194	1,920	3,672	6,631	5,352	7,173	5,682	5,192	N/A
10. Annual Debt Service Coverage Revenue Basis (x)	(0.5)	(0.0)	(7.0)	(0.6)	-	-	-	-	-	-	↑
11. Annual Debt Service Coverage (x)	(0.8)	(0.0)	(12.5)	(2.8)	-	-	-	-	-	-	↑
12. Annual Debt Service/Revenue	53.5%	102.2%	1.2%	11.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	↓
13. Average Annual Effective Interest Rate (%)	2.2%	2.0%	8.0%	8.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	↓
14. Unrestricted Cash & Investments / Long-Term Debt (%)	23.6%	208.8%	159.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	↑
15. Average Age of Facility (years)	4.2	5.1	6.1	7.4	8.9	9.8	10.6	11.2	11.4	12.1	↓