ANNUAL REPORT CHECKLIST
for
FISCAL YEAR ENDED:

12/31/2013

RECEIVED
APR 30 2014
CONTINUING CARE
CONTRACTS BRANCH

PROVIDER: CC-Palo Alto, Inc.

FACILITY(IES): Vi at Palo Alto

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: $37,341.76

- ✓ 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. (3 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. (3 copies total)

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	546
[2]	Number at end of fiscal year	558
[3]	Total Lines 1 and 2	1104
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x.50
[5]	Mean number of continuing care residents	552.0
	All Residents	
[6]	Number at beginning of fiscal year	583
[7]	Number at end of fiscal year	588
[8]	Total Lines 6 and 7	1171
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x.50
[10]	Mean number of all residents	585.5
[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).	.94

FORM 1-2
ANNUAL PROVIDER FEE

Line			TOTAL
[1]	Total Operating Expenses (including depreciation and debt service-interest only) (Total Operating Expense amount excludes the amount deducted on Form 5-4 for extraordinary expenses.)		48,972,858
	[a] Depreciation	9,247,577	
	[b] Debt Service (Interest Only)	0	
[2]	Subtotal (add Line 1 a and 1b)		9,247,577
[3]	Subtract Line 2 from Line 1 and enter result.		39,725,281
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)		.94
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)		37,341,764
			x.001
[6]	Total Amount Due (multiply Line 5 by.001)		37,341.76

PROVIDER: CC – Palo Alto, Inc.
COMMUNITY: Vi at Palo Alto

Form 1-1 and Form 1-2

California Department of Social Services
Application for Certificate of Authority

RECEIVED
APR 30 2014
CONTINUING CARE
CONTRACTS BRANCH

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

CC-Palo Alto, Inc., a Delaware corporation

By: ______________________
Randal J. Richardson, President

ACORD®

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.

RECEIVED APR 30 2014 COMMUNITY CARE CONTRACTS BRANCH

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

PRODUCER
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
CC-Palo Alto, Inc.
620 Sand Hill Road
Palo Alto, CA 94304

COVERAGES

CERTIFICATE NUMBER: W149059

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		NAMED INSURED
Willis of Illinois, Inc.		CC-Palo Alto, Inc. 620 Sand Hill Road Palo Alto, CA 94304
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:	LIMITS:
Excess Umbrella	$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:	LIMITS:
Excess Umbrella	$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:	LIMITS:
Excess Umbrella	$10,000,000 Each Occurrence
	$10,000,000 Aggregate

Re: Vi at Palo Alto; 620 Sand Hill Rd.; Palo Alto, CA 94304

2078079 Batch #: 19544 W149059

ACORD®

CERTIFICATE OF PROPERTY INSURANCE

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

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.

RECEIVED APR 30 2014 CONTINUING CARE CONTRACTS BRANCH

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
CC-Palo Alto, Inc.
620 Sand Hill Road
Palo Alto, CA 94304

COVERAGES CERTIFICATE NUMBER: W134794 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				☐ EXTRA EXPENSE	$
	☐ SPECIAL / CONTENTS				☐ 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 TYPE OF POLICY Crime	8197-6307	12/31/2013	12/31/2014	☒ Employee Theft	$ 10,000,000
					☒ 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

RECEIVED
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 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:

INSURED
CC-Palo Alto, Inc.
620 Sand Hill Road
Palo Alto, CA 94304

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

COVERAGES

CERTIFICATE NUMBER: W170267 REVISION NUMBER:

LOCATION OF PREMISES / DESCRIPTION OF PROPERTY (Attach ACORD 101, Additional Remarks Schedule, if more space is required)
Vi at Palo Alto, 620 Sand Hill Road, Palo Alto, CA 93403

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					X EXTRA EXPENSE	$ See Below
	X SPECIAL	CONTENTS 50,000				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

KPMG

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APR 30 2014
CONTINUING CARE
CONTRACTS BRANCH

CC-PALO ALTO, INC. AND SUBSIDIARY

Consolidated Financial Statements and Supplemental Schedules

December 31, 2013 and 2012

(With Independent Auditors' Report Thereon)

CC-PALO ALTO, INC. AND SUBSIDIARY

Table of Contents

KPMG

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

RECEIVED
APR 30 2014
CONTINUING CARE
CONTRACTS BRANCH

Independent Auditors' Report

The Board of Directors
CC-Palo Alto, Inc. and Subsidiary:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of CC-Palo Alto, 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 stockholders' deficit, 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 the consolidated 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-Palo Alto, 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

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-PALO ALTO, INC. AND SUBSIDIARY

Consolidated Balance Sheets

December 31, 2013 and 2012

Assets	**2013**	**2012**
Current assets:		
Cash and cash equivalents	$ 4,016,169	367,396
Current portion of assets limited as to use	309,000	1,222,740
Resident accounts receivable	815,107	782,987
Prepaids and other	509,694	574,331
Total current assets	5,649,970	2,947,454
Assets limited as to use, net of amounts required for current liabilities	22,795,107	20,137,009
Property and equipment:		
Land improvements	15,299,468	15,289,790
Building and improvements	202,969,151	202,891,102
Furniture, fixtures, and equipment	26,878,242	24,803,878
Construction in progress	123,469	324,444
	245,270,330	243,309,214
Less accumulated depreciation	80,424,786	73,201,868
Property and equipment, net	164,845,544	170,107,346
Costs of acquiring initial continuing care contracts	6,994,406	9,019,064
Deferred tax asset, net	6,617,717	6,469,678
Deposits	1,213,417	1,212,428
Total assets	$ 208,116,161	209,892,979
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable	$ 881,698	662,731
Accrued expenses	11,270,290	14,797,903
Prepaid resident service revenue	429,381	475,239
Resident deposits	309,000	1,222,740
Current portion of repayable entrance fees	2,237,166	3,807,765
Due to affiliate	646,999	863,303
Total current liabilities	15,774,534	21,829,681
Repayable entrance fees	461,411,906	450,376,724
Deferred revenue from nonrepayable entrance fees	40,834,092	38,720,835
Other liabilities	201,557	216,765
Total liabilities	518,222,089	511,144,005
Stockholders' deficit:		
Common stock, no par value, no assigned value. Authorized, issued, and outstanding, 100 shares	—	—
Distributions in excess of paid-in capital	(196,009,087)	(193,571,493)
Accumulated deficit	(114,096,841)	(107,679,533)
Total stockholders' deficit	(310,105,928)	(301,251,026)
Total liabilities and stockholders' deficit	$ 208,116,161	209,892,979

See accompanying notes to consolidated financial statements.

CC-PALO ALTO, INC. AND SUBSIDIARY

Consolidated Statements of Operations

Years ended December 31, 2013 and 2012

		2013	2012
Revenue:			
Net resident service revenue	$	40,004,559	38,802,493
Amortization of entrance fees		6,317,248	6,321,532
Investment return		31,233	381,950
Other income		63,558	56,243
Total revenue		46,416,598	45,562,218
Expenses:			
Food and beverage		3,610,460	3,519,884
Dining room		1,969,063	1,956,756
Laundry		257,834	222,649
Housekeeping		1,600,665	1,541,136
Resident services		3,250,129	3,076,610
Resident care		6,662,751	7,080,020
Repairs and maintenance		1,762,511	1,727,146
Utilities		1,829,719	1,814,988
Sales and marketing		666,099	661,833
Total operating expenses		21,609,231	21,601,022
Management fees		3,200,185	3,114,451
Property taxes		6,230,459	5,699,657
Ground lease base rent		1,605,000	1,605,000
Ground lease participating rent		4,616,223	5,354,797
Depreciation and amortization		9,247,577	8,979,398
Administration		5,124,932	4,247,799
Insurance		1,348,338	1,545,930
Total expenses		52,981,945	52,148,054
Loss before income tax benefit		(6,565,347)	(6,585,836)
Income tax benefit		2,545,391	2,296,793
Net loss	$	(4,019,956)	(4,289,043)

See accompanying notes to consolidated financial statements.

CC-PALO ALTO, INC. AND SUBSIDIARY

Consolidated Statements of Changes in Stockholders' Deficit

Years ended December 31, 2013 and 2012

	Common stock		Distributions in excess of paid-in capital	Accumulated deficit	Total
	Shares	Amount			
Balance at December 31, 2011	100	$ —	(180,335,966)	(101,946,976)	(282,282,942)
Distributions to Parent, net	—	—	(13,235,527)	—	(13,235,527)
Tax adjustment	—	—	—	(1,443,514)	(1,443,514)
Net loss	—	—	—	(4,289,043)	(4,289,043)
Balance at December 31, 2012	100	—	(193,571,493)	(107,679,533)	(301,251,026)
Distributions to Parent, net	—	—	(2,437,594)	—	(2,437,594)
Tax adjustment	—	—	—	(2,397,352)	(2,397,352)
Net loss	—	—	—	(4,019,956)	(4,019,956)
Balance at December 31, 2013	100	$ —	(196,009,087)	(114,096,841)	(310,105,928)

See accompanying notes to consolidated financial statements.

CC-PALO ALTO, 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	$	39,940,072	39,043,558
Proceeds received from nonrepayable entrance fees		8,430,505	10,334,870
Interest received		217,358	319,962
Cash paid to suppliers and employees		(33,163,022)	(27,876,058)
Cash paid for management fees		(3,200,185)	(3,114,451)
Cash paid for real estate taxes		(6,230,459)	(5,699,657)
Cash paid for participating rent		(4,616,223)	(5,354,797)
Net cash provided by operating activities		1,378,046	7,653,427
Cash flows from investing activities:			
Additions to property and equipment		(1,961,117)	(1,327,817)
Net change in resident deposits		(913,740)	246,340
Net change in assets limited as to use		(1,931,472)	(3,218,666)
Net cash used in investing activities		(4,806,329)	(4,300,143)
Cash flows from financing activities:			
Distributions to Parent, net		(2,437,594)	(13,235,527)
Proceeds from repayable entrance fees		25,714,695	40,546,130
Refunds paid		(16,200,045)	(31,864,066)
Net cash provided by (used in) financing activities		7,077,056	(4,553,463)
Net decrease in cash and cash equivalents		3,648,773	(1,200,179)
Cash and cash equivalents at beginning of year		367,396	1,567,575
Cash and cash equivalents at end of year	$	4,016,169	367,396
Reconciliation of net loss to net cash provided by operating activities:			
Net loss	$	(4,019,956)	(4,289,043)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Proceeds from nonrepayable entrance fees		8,430,505	10,334,870
Depreciation and amortization		9,247,577	8,979,398
Amortization of entrance fees		(6,317,248)	(6,321,532)
Net realized and unrealized losses on assets limited as to use		187,114	145,090
Utilization of repayable entrance fees in lieu of monthly fees		(50,067)	(33,369)
Income tax adjustment		(2,397,352)	(1,443,514)
Changes in assets and liabilities:			
Accounts receivable		(32,120)	186,985
Prepaids and other		64,637	111,707
Deposits		(989)	(207,078)
Accounts payable		218,967	(42,834)
Accrued expenses		(3,527,613)	884,418
Prepaid resident service revenue		(45,858)	31,206
Due to affiliates		(216,304)	165,906
Deferred tax asset		(148,039)	(853,279)
Other liabilities		(15,208)	4,496
Net cash provided by operating activities	$	1,378,046	7,653,427

See accompanying notes to consolidated financial statements.

(1) Purpose and Organization

The accompanying consolidated financial statements include the accounts of CC-Palo Alto, Inc. (the Company) and its consolidated affiliate, Palo Alto Care Center, Inc. The Company and Palo Alto Care Center, Inc. are both subsidiaries of CC-Development Group, Inc. (Parent).

The Company, a Delaware corporation, was incorporated on June 23, 1999 for the purpose of developing, owning, and operating a 494-unit senior living community (the Community) in Palo Alto, California. The Community comprises 388 units of independent living and a 106-unit care center that includes units of assisted living, memory support, and skilled nursing. The independent living component of the community opened in 2005, followed by the assisted living, memory support, and skilled nursing units of the care center in 2006.

Palo Alto Care Center, Inc. was incorporated for the purpose of owning the care center and leasing it back to the Company. The Company applies Accounting Standards Codification (ASC) Subtopic 810-10, *Consolidation – Overall*, to its variable interest in Palo Alto Care Center, Inc., whereby the entity is consolidated with the Company due to the Company's controlling financial interest in Palo Alto Care Center, Inc.

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

(2) Summary of Significant Accounting Principles

(a) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles 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 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 inputs 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, assets held in escrow under state statutes, assets held by the Company under Ground Lease Agreement (note 5), and assets set aside by the Company for the Community's operations and capital improvements, in accordance with the Company's policies. Restricted resident deposits represent good faith deposits received by the Company upon the commitment of prospective residents to enter into a residency agreement. Assets held in escrow under state statutes represent funds designated to establish certain entrance fee repayments, debt service, and operating reserves as required by the State of California. The amounts held in escrow under this requirement are comprised entirely of cash and cash equivalents. Assets held by the Company under Ground Lease Agreement represent funds designated to secure payments under the ground lease (note 5). Assets held for operations are for funding operating reserves over which the Company retains control and may use in accordance with the Company's policies. Assets limited as to use for capital improvements represent funds designated by the Company for acquisition of property and equipment, in accordance with the Company's policies.

(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 the assets ranging from 4 to 40 years.

(Continued)

(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 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. Assets to be disposed of would be separately presented in the consolidated balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The Company does not believe that there are any factors or circumstances indicating impairment of its property and equipment as of December 31, 2013 or 2012.

(g) *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 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 $17,301,126 and $15,276,468 at December 31, 2013 and 2012, respectively.

(h) *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) 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 obligation to provide future services has been recognized in the accompanying consolidated balance sheets.

(i) *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 20% and 10% dependent on the contract provisions of the residency agreement. The Company amortizes the nonrepayable portion of the entrance fee over the estimated life of the residents. The Company has recorded the repayable portion of the entrance fees 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 approximately $466,027,000.

(j) 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.

(k) Ground Lease Participating Rent

Pursuant to its Ground Lease Agreement with The Board of Trustees of the Leland Stanford Junior University (note 5), beginning with initial occupancy of the Community, the Company pays a percentage of all gross receipts to Stanford University, as defined in the Ground Lease Agreement. Gross receipts include net resident service revenue, other income, and proceeds from entrance fees net of certain refunds. The payments are recognized as expense in their entirety in the period in which the related net resident service revenue and other income are recognized, and in the period in which the proceeds from entrance fees are received.

(l) 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 provisions 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 has recognized no liabilities as of December 31, 2013 and 2012 related to uncertain tax positions.

(m) 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 consolidated balance sheet date of December 31, 2013 through April 24, 2014, which was the date the consolidated financial statements were available to be issued.

(n) Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation.

(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	55%	58%
Self-pay and commercial insurance	45	42
	100%	100%

(4) Assets Limited as to Use

The Company reports investments in equity securities with readily determinable fair values and all investments in debt securities at fair value. Fair value is determined primarily on the basis of quoted market prices or observable market inputs. Money markets, certificates of deposit, and U.S. Treasury securities are considered cash equivalents and are considered Level 1 investments within the fair value hierarchy. Investment income or loss (including realized gains and losses on investments, changes in unrealized gains and losses on trading securities, interest, and dividends) is reported as investment return in the accompanying consolidated statements of operations. All assets limited as to use are considered by management to be trading securities.

A summary of the composition of the Company's investment portfolio at December 31, 2013 and 2012 is as follows:

	2013	2012
Cash	$ 3,858,678	2,843,842
Money markets and certificates of deposit	9,103,942	7,451,090
U.S. Treasury securities	10,141,487	11,064,817
	$ 23,104,107	21,359,749

Investments are reported in the accompanying consolidated balance sheets as follows:

		2013	2012
Current portion of assets limited as to use:			
Resident deposits	$	309,000	1,222,740
Assets limited as to use – by Company for capital improvements		11,395,498	11,092,920
Assets limited as to use – by Company for operations		3,263,993	2,158,603
Assets limited as to use – by State for entrance fee repayments		2,135,616	885,486
Assets limited as to use – by Company for ground lease		6,000,000	6,000,000
Assets limited as to use, net of amounts required for current liabilities		22,795,107	20,137,009
Total assets limited as to use	$	23,104,107	21,359,749

The composition of investment return on the Company's investment portfolio for the years ended December 31, 2013 and 2012 is as follows:

		2013	2012
Interest and dividend income	$	218,347	527,040
Net realized and change in unrealized gains and losses during the holding period		(187,114)	(145,090)
	$	31,233	381,950

(5) Ground Lease

On August 1, 2000, the Company entered into a 75-year Ground Lease Agreement with The Board of Trustees of the Leland Stanford Junior University (Lessor). During the construction period, the lease called for monthly payments of $125,000 plus annual Consumer Price Index (CPI) increases. The lease payments began with the commencement of the construction of the Community in July 2003. After initial occupancy, the monthly payments reset to $125,000 and are adjusted every five years to reflect increases in CPI; the maximum CPI increase is 7% for a five-year period. The monthly payments for the years ended December 31, 2013 and 2012 totaled $1,605,000. The ground lease also requires participating rent of approximately 6% of all gross receipts, payable monthly beginning with the initial occupancy, as defined.

In February 2002, the Company paid a $1,000,000 deposit as required by the Ground Lease Agreement. The Ground Lease Agreement also requires that the Company maintain a letter of credit in the amount of $6,000,000 as security for the Company's performance of its obligations under the lease.

(6) 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's income tax return, as required pursuant to the provision of ASC Topic 740, has been eliminated through an adjustment to stockholders' deficit.

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

	2013	2012
Current:		
U.S. federal	$ (2,041,725)	(1,227,753)
State	(355,627)	(215,761)
Total current	(2,397,352)	(1,443,514)
Deferred:		
U.S. federal	(127,163)	(987,324)
State	(20,876)	134,045
Total deferred	(148,039)	(853,279)
Income tax benefit	$ (2,545,391)	(2,296,793)

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

	2013	2012
Deferred tax assets:		
Deferred revenue from nonrefundable entrance fees	$ 14,758,280	14,676,762
Other	685,251	616,079
Net operating loss carryforwards – state	296,135	296,135
Gross deferred tax assets	15,739,666	15,588,976
Less valuation allowance	(296,135)	(296,135)
Net deferred tax assets	15,443,531	15,292,841
Deferred tax liabilities:		
Depreciation	(5,975,874)	(5,148,255)
Costs of acquiring initial continuing care contracts	(2,849,940)	(3,674,908)
Gross deferred tax liabilities	(8,825,814)	(8,823,163)
Total deferred tax asset, net	$ 6,617,717	6,469,678

(Continued)

As of December 31, 2013 and 2012, a valuation allowance of $296,135 is considered necessary as management believes that it is more likely than not that the results of future operations will not generate sufficient taxable income to realize the deferred tax asset as it relates to state net operating loss carryforwards.

Income tax benefit was $2,545,391 and $2,296,793 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	$	(2,297,871)	(2,305,043)
Change in income tax benefit resulting from:			
State and local income taxes, net of federal income tax expense		(252,034)	(302,335)
Change in valuation allowance		—	296,135
Other, net		4,514	14,450
	$	(2,545,391)	(2,296,793)

(7) Transactions with Related Parties

The Company entered into a management agreement dated August 1, 2000 between the Company and Classic Residence Management Limited Partnership (Classic), an affiliate of the Company, whereby Classic manages the operations of the Company. The agreement is for a term of 55 years and requires the Company to pay an annual management fee equal to 8% of annual resident service revenue excluding certain items as defined in the management agreement. The Company incurred management fee expense of $3,200,185 and $3,114,451 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, and liability insurance, and various marketing and other services. Classic advances the funds to the third parties on behalf of the Company. Such advances amounted to $5,369,079 and $3,894,205 for the years ended December 31, 2013 and 2012, respectively. There is no interest associated with these advances as they are reimbursed on a current basis. Amounts due to Classic of $646,999 and $863,303 at December 31, 2013 and 2012, respectively, are reflected as due to affiliate in the accompanying consolidated balance sheets.

(8) 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 $282,119 and $239,818, 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.

(9) 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 audits by Internal Revenue Service for its tax years ended December 31, 2011, 2010, 2009, 2008, 2007, and 2006. Management anticipates the audits will be resolved without material adverse effect on the Company's consolidated financial position, results of operations, or cash flow.

(d) Real Estate Tax Assessment

The Company is contesting the its real estate taxes for each year from November 2005 and forward. On April 1, 2011, the Santa Clara County Assessor issued a notice of intent to seek a further increase in the total assessed value of the Community for the period of time from November 2005 through June 2008. On April 18 – 20, 2011, a hearing was held by the County's Assessment Appeals Board covering the period from November 3, 2005 through June 30, 2008. On March 6, 2012, the Assessment Appeals Board rendered its decision increasing the base-year value of the real property to $480,000,000, an amount in excess of the valuation that was being sought by the County Assessor. The Company has challenged this decision through the filing of a complaint with the Superior Court of Santa Clara County. The Company has been billed in arrears based on the increased assessed value during the period under question. The incremental real estate taxes due through December 31, 2013 as a result of the decision by the Assessment Appeals Board approximate $11,808,000. During 2013, the Company paid $3,172,353 related to the increased assessment. The remaining balance is due in four equal annual installments of $2,159,008 starting in 2014. This amount is included with accrued expenses in the accompanying consolidated balance sheets. The Company intends to vigorously pursue a reduction in the assessed value, however, it has not recognized any amounts as of December 31, 2013 related to a successful reduction.

(Continued)

(e) Contingency

On February 19, 2014, a class action complaint was filed against the Company, Classic and the Parent. The complaint alleges concealment, negligent misrepresentation, breach of fiduciary duty and constructive trust, financial abuse of elders, violation of California Civil Code §§ 1750, et seq., violation of California Business and Professions Code §§ 17200, et seq., and breach of contract. No class has yet been certified. No estimate of potential loss can be made, and no amounts have been recognized in the accompanying consolidated financial statements related to a loss contingency. The Company is seeking a dismissal of the complaint and believes that the matter will be resolved without material adverse effect on the Company's financial position, results of operations, or cash flows.

CC-PALO ALTO, 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-Palo Alto, Inc.

COMMUNITY: CC-Palo Alto, Inc.

See accompanying independent auditors' report on supplementary information.

CC-PALO ALTO, 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-Palo Alto, Inc.

COMMUNITY: CC-Palo Alto, Inc.

See accompanying independent auditors' report on supplementary information.

CC-PALO ALTO, 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)	4,009,087
4	Total amount required for long-term debt reserve (A)	$ 4,009,087

(A) Amount is comprised of the following (see note 4 in the notes to the consolidated financial statements):

Ground lease Base Rent		$ 1,605,000
Resident service and other revenue	$ 40,068,117	
Participating Rent percentage	6.0%	
2013 Participating Rent on resident service and other revenue (B)		2,404,087
Total		$ 4,009,087

(B) As described in Note 5 to the consolidated financial statements, pursuant to its Ground Lease Agreement, the Provider pays the lessor approximately 6.0% of resident service revenue and approximately 6.5% of gross entrance fee proceeds collected. Based on discussions with the State of California Department of Social Services (DSS), and consistent with prior years, facility leasehold or rental payments reportable on Form 5-3 should only include base rent and participating rent attributable to resident service and other revenue.

PROVIDER: CC-Palo Alto, Inc.

COMMUNITY: CC-Palo Alto, Inc.

See accompanying independent auditors' report on supplementary information.

CC-PALO ALTO, INC. AND SUBSIDIARY

Form 5-4

Calculation of Net Operating Expenses

Line		Amounts	Total
1	Total operating expenses from financial statements		$ 52,981,945
2	Deductions:		
	(a) Interest paid on long-term debt (see instructions)	$ —	
	(b) Credit enhancement premiums paid for long-term debt (see instructions)	—	
	(c) Depreciation	7,222,918	
	(d) Amortization	2,024,659	
	(e) Revenues received during fiscal year for services to residents who did not have a continuing care contract	8,186,071	
	(f) Extraordinary expenses approved by the Department (A)	4,009,087	
3	Total deductions		21,442,735
4	Net operating expenses		31,539,210
5	Divide Line 4 by 365 and enter the result		86,409
6	**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount		$ 6,480,675

(A)	Extraordinary expenses approved by the department consist of amounts classified as debt service as follows:	
	Ground Lease Base Rent (see Form 5-3)	1,605,000
	Participating Rent on Resident Service and other Revenue (see Form 5-3)	2,404,087
		$ 4,009,087

PROVIDER: CC-Palo Alto, Inc.

COMMUNITY: CC-Palo Alto, Inc.

Cash Received per Audited Financials	$39,940,072
Cash Received from Residents with CCRC Contracts	$31,754,001
Cash per Line 2e	$8,186,071

See accompanying independent auditors' report on supplementary information.

CC-PALO ALTO, INC. AND SUBSIDIARY

Form 5-5

Annual Reserve Certification

Provider Name: CC-Palo Alto, Inc.

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 computed using the audited financial statements for the fiscal years are as follows:

			Amount
(1)	Debt service reserve amount	$	4,009,087
(2)	Operating expense reserve amount		6,480,675
(3)	Total liquid reserve amount	$	10,489,762

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

				Amount (market value at end of quarter)		
	Qualifying asset description			Debt service reserve		Operating reserve
(4)	Cash and cash equivalents		$	—		4,016,169
(5)	Investment securities			4,009,087		10,650,404
(6)	Equity securities			—		—
(7)	Unused available lines of credit			—		—
(8)	Unused available letters of credit			—		—
(9)	Debt service reserve			—		—
(10)	Other (describe quality asset)			—		—
	Total amount of qualifying assets listed for liquid reserve	(11)		4,009,087	(12)	14,666,573
	Total amount required	(13)		4,009,087	(14)	6,480,675
	Surplus (deficiency)	(15)	$	—	(16)	8,185,898

Signature [signature]

(Authorized representative)

Date 4/25/14

VP

(Title)

See accompanying independent auditors' report on supplementary information.

CC – Palo Alto, Inc.

Form 5-5 Description of Reserves

Debt Service Reserve Amount $4,009,087

Amount is comprised of the following:

Ground Lease Base Rent		$1,605,000
Resident Service and other revenue	$40,068,117	
(a) Participating Rent percentage	6%	
2013 Participating Rent on Resident Service and other revenue		$2,404,087
Total Projected Stabilized Ground Lease Payments		**$4,009,087**

Operating Reserve Amount $6,480,675

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

CC-Palo Alto, Inc. and Subsidiary

Detail of Cash and Investments by Bank Account:

Cash and Cash Equivalents		Investment Securities		Total
$500	Petty Cash held at property			$500
$8,759	Bank of America checking			$8,759
$1,370,357	BOA checking & overnight investment			$1,370,357
$2,626,442	BOA checking & overnight investment			$2,626,442
$0	Bank of America checking			$0
$4,006,058		$0		$4,006,058
$0	UBS investment	$3,263,993	UBS CD's	$3,263,993
$0	UBS investment	$11,395,498	UBS Treasuries & TIPS	$11,395,498
$0		$10,111	Bank of America CD	$10,111
$0	Bank of America checking	$0	Bank of America	$0
$0		$14,669,602		$14,669,602
				$18,675,660

Amounts listed on form 5-5:

Qualifying assets for debt service reserve	$4,009,087
Qualifying assets for operating reserve	14,666,573
	$18,675,660

Amounts listed in audited financial statements:

Cash and cash equivalents (page 3) (invested as discussed on page 7)	$ 4,016,169
Assets limited as to use - by Company for Capital improvements (page 8) *	$ 11,395,498
Assets limited as to use - by Company for operations (page 8) **	$ 3,263,993
	$ 18,675,660

* 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

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)	$3,989 - $9,046	$3,989 - $9,046	$3,989 - $9,046
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	3.5%	3.5%	3.5%

☐ 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.)

131 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.

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

PROVIDER: CC-Palo Alto, Inc.
COMMUNITY: Vi at Palo Alto

CC – Palo Alto, Inc.

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 rising costs for utilities, insurance and personnel. To maintain the high level of quality and services expected of our brand, the following increases were implemented:

IL	3.5%
AL	3.5%
SNF	3.5%

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.

Date Prepared: 4/25/14

Continuing Care Retirement Community Disclosure Statement General Information

RECEIVED
CONTINUING CARE CONTRACTS BRANCH

FACILITY NAME: Vi at Palo Alto
ADDRESS: 620 Sandhill Road, Palo Alto, CA ZIP CODE: 94304 PHONE: (650) 853-5000
PROVIDER NAME: CC-Palo Alto, Inc. FACILITY OPERATOR: Classic Residence Management Limited Partnership
RELATED FACILITIES: Yes - see page 2 RELIGIOUS AFFILIATION: None
YEAR OPENED: 2005 # OF ACRES: 22 ☑ SINGLE STORY ☑ MULTI-STORY ☐ OTHER: ______ MILES TO SHOPPING CTR: 1 MILES TO HOSPITAL: 1

NUMBER OF UNITS:

RESIDENTIAL LIVING		HEALTH CARE	
APARTMENTS — STUDIO:	0	ASSISTED LIVING:	38
APARTMENTS — 1 BDRM:	152	SKILLED NURSING:	44
APARTMENTS — 2 BDRM:	229 + 7 3 bdr	SPECIAL CARE:	24
COTTAGES/HOUSES:	0	DESCRIBE SPECIAL CARE:	Dementia Care
RLU OCCUPANCY (%) AT YEAR END:	99.48%		Apartments - 3 BDRM - 7

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: 80%

RANGE OF ENTRANCE FEES: $ 734,100 TO $ 5,268,600 **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.

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE
BEAUTY/BARBER SHOP	☑	☑
BILLIARD ROOM	☑	☐
BOWLING GREEN	☐	☐
CARD ROOMS	☑	☐
CHAPEL	☐	☐
COFFEE SHOP	☑	☑
CRAFT ROOMS	☑	☐
EXERCISE ROOM	☑	☐
GOLF COURSE ACCESS	☐	☐
LIBRARY	☑	☐
PUTTING GREEN	☑	☐
SHUFFLEBOARD	☐	☐
SPA	☑	☐
SWIMMING POOL-INDOOR	☑	☐
SWIMMING POOL-OUTDOOR	☐	☐
TENNIS COURT	☐	☐
WORKSHOP	☐	☐
OTHER Computer Room	☑	☐

SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
HOUSEKEEPING (4 TIMES/MONTH)	☑	☐
MEALS (1 /DAY)	☑	☐
SPECIAL DIETS AVAILABLE	☐	☑
24-HOUR EMERGENCY RESPONSE	☑	☐
ACTIVITIES PROGRAM	☑	☐
ALL UTILITIES EXCEPT PHONE	☑	☐
APARTMENT MAINTENANCE	☑	☐
CABLE TV	☑	☐
LINENS FURNISHED	☐	☐
LINENS LAUNDERED	☑	☐
MEDICATION MANAGEMENT	☐	☑
NURSING/WELLNESS CLINIC	☑	☑
PERSONAL HOME CARE	☐	☐
TRANSPORTATION-PERSONAL	☑ Med. Appt	☑
TRANSPORTATION-PREARRANGED	☑	☑
OTHER ______	☐	☐

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: CC-Palo Alto, Inc.

CCRCs	LOCATION (City, State)	PHONE (with area code)
Vi at La Jolla Village	San Diego, CA	(858) 646-7712
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 Comm.	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) 747-1234
Vi at Silverstone	Scottsdale, AZ	(480) 476-6100

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: CC-Palo Alto, Inc.

	2010	2011	2012	2013
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)	$36,599,284	$37,225,922	$39,240,686	$40,099,350
LESS OPERATING EXPENSES (excluding depreciation, amortization, and interest)	$35,501,083	$45,905,190	$37,813,859	$39,118,145
NET INCOME FROM OPERATIONS	$1,098,201	($8,679,268)	$1,426,827	$981,205
LESS INTEREST EXPENSE	$0	$0	$0	$0
PLUS CONTRIBUTIONS	$0	$0	$0	$0
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	($3,262,694)	($4,234,320)	($5,354,797)	($4,616,223)
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	($2,164,493)	($12,913,588)	($3,927,970)	($3,635,018)
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	$11,062,721	$10,108,212	$19,016,934	$17,945,155

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	0	0
OPERATING RATIO		1.23	.96	.98
DEBT SERVICE COVERAGE RATIO		0	0	0
DAYS CASH-ON-HAND RATIO		91.16	131.46	174.26

HISTORICAL MONTHLY SERVICE FEES
(AVERAGE FEE AND PERCENT CHANGE)

	2010	%	2011	%	2012	%	2013
STUDIO	n/a	-----	n/a	-----	n/a	-----	n/a
ONE BEDROOM	$4,036	$0	$4,177	3.5%	$4,323	3.5%	$4,474
TWO BEDROOM	$5,888	2.5%	$6,094	3.5%	$6,307	3.5%	$6,528
COTTAGE/HOUSE	n/a	-----	n/a	-----	n/a	-----	
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: CC-Palo Alto, 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.

KEY INDICATORS REPORT

CC-Palo Alto, Inc.

Date Prepared: 5/21/2014

Chief Executive Officer Signature

RECEIVED MAY 2 8 2014 CONTINUING CARE CONTRACTS BRANCH

						Projected	Forecast				Preferred
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Trend Indicator
OPERATIONAL STATISTICS											
1. Average Annual Occupancy by Site (%)	94.9%	95.1%	94.6%	94.5%	95.7%	98.0%	97.0%	95.5%	95.2%	95.3%	N/A
MARGIN (PROFITABILITY) INDICATORS											
2. Net Operating Margin (%)	3.4%	2.1%	3.2%	2.8%	2.3%	-1.8%	-1.8%	-1.5%	-1.5%	-1.5%	↑
3. Net Operating Margin - Adjusted (%)	25.1%	25.0%	24.0%	34.7%	32.5%	21.3%	19.9%	17.4%	28.0%	32.0%	↓
LIQUIDITY INDICATORS											
4. Unrestricted Cash and Investments ($000)	12,357	10,322	12,442	12,683	15,721	12,809	12,809	12,809	12,809	12,809	↑
5. Days Cash on Hand (Unrestricted)	121.2	97.2	90.6	107.3	131.1	113.0	110.3	107.3	104.3	101.4	↑
CAPITAL STRUCTURE INDICATORS											
6. Deferred Revenue from Entrance Fees ($000)	38,690	36,444	35,290	38,721	40,834	43,244	48,542	47,316	50,573	52,799	N/A
7. Net Annual E/F proceeds ($000)	10,016	11,073	10,108	19,017	17,945	11,900	11,313	9,838	18,090	22,446	N/A
8. Unrestricted Net Assets ($000)	(240,980)	(258,878)	(282,283)	(301,251)	(310,100)	(318,271)	(322,210)	(322,176)	(329,394)	(342,539)	N/A
9. Annual Capital Asset Expenditure ($000)	304	242	465	1,327	1,962	2,498	2,796	3,311	3,475	4,058	N/A
10. Annual Debt Service Coverage Revenue Basis (x)	-	-	-	-	-	-	-	-	-	-	↑
11. Annual Debt Service Coverage (x)	-	-	-	-	-	-	-	-	-	-	↑
12. Annual Debt Service/Revenue	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	↓
13. Average Annual Effective Interest Rate (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	↓
14. Unrestricted Cash & Investments / Long-Term Debt (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	↑
15. Average Age of Facility (years)	4.2	5.5	7.6	10.5	11.1	11.5	13.2	14.7	15.2	15.6	↓