FISCAL YEAR ENDED:
12 / 31 / 14

ANNUAL REPORT CHECKLIST

RECEIVED
MAY 01 2015
CONTINUING CARE
CONTRACTS BRANCH

PROVIDER(S): Oakmont Senior Living LLC / Cardinal Point

CCRC(S): Cardinal Point at Mariner Square

CONTACT PERSON: Keith Fitzsimons

TELEPHONE NO.: (707) 535.3200 **EMAIL:** keith.fitzsimons@oakmontmg.co

● ●

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

- ☐ Annual Report Checklist.
- ☐ Annual Provider Fee in the amount of: $ 3,539.00
  - ☐ If applicable, late fee in the amount of: $__________
- ☐ Certification by the provider's ***Chief Executive Officer*** that:
  - ☐ The reports are correct to the best of his/her knowledge.
  - ☐ Each continuing care contract form in use or offered to new residents has been approved by the Department.
  - ☐ The provider is maintaining the required *liquid* reserves and, when applicable, the required refund reserve.
- ☐ Evidence of the provider's fidelity bond, as required by H&SC section 1789.8.
- ☐ Provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.
- ☐ Provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon.
- ☐ Provider's "Continuing Care Retirement Community Disclosure Statement" and Form 7-1 "Report on CCRC Monthly Service Fees" for ***each*** community.
- ☐ Provider's Refund Reserve Calculation(s) – Form 9-1 and/or Form 9-2, if applicable.

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

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	85
[2]	Number at end of fiscal year	88
[3]	Total Lines 1 and 2	173
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	86.5
	All Residents	
[6]	Number at beginning of fiscal year	94
[7]	Number at end of fiscal year	95
[8]	Total Lines 6 and 7	189
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of *all* residents	94.5
[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).	0.92

FORM 1-2
ANNUAL PROVIDER FEE

Line			TOTAL
[1]	Total Operating Expenses (including depreciation and debt service - interest only)		$3,927,600
[a]	Depreciation	$60,900	
[b]	Debt Service (Interest Only)	$0	
[2]	Subtotal (add Line 1a and 1b)		$60,900
[3]	Subtract Line 2 from Line 1 and enter result.		$3,866,700
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)		92%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)		$3,539,360
			x .001
[6]	**Total Amount Due** (multiply Line 5 by .001)		$3,539

PROVIDEI Oakmont Senior Living LLC
COMMUN Cardinal Point at Mariner Square

Oakmont
Senior Living

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CONTRACTS BRANCH

April 28, 2015

Continuing Care Contracts Branch
California Department of Social Services

To Whom It May Concern:

I, William P Gallaher, certify that the annual audit, reports and any amendments thereto submitted for December 31, 2014 for Oakmont Senior Living LLC / Cardinal Point at Mariner Square are true and correct to the best of my knowledge.

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

Oakmont Senior Living / Cardinal Point at Mariner Square are maintaining the required liquid reserve.

Oakmont Senior Living / Cardinal Point at Mariner Square do not offer refundable Contracts.

Sincerely,

William P Gallaher
Oakmont Senior Living / Cardinal Point at Mariner Square
Managing Member

220 Concourse Blvd. • Santa Rosa, CA 95403
Main 707-535-3200 • Fax 707-535-3299
oakmontseniorliving.com

Client#: 139723 OAKMMANA

ACORD™ CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY): 4/23/2015

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).

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CONTINUING CARE CONTRACTS BRANCH

PRODUCER	
Propel Insurance Tacoma Commercial Insurance 1201 Pacific Ave, Suite 1000 Tacoma, WA 98402	CONTACT NAME: Beth Westenhofer PHONE (A/C, No, Ext): 253.310.4090 FAX (A/C, No): 866.577.1326 E-MAIL ADDRESS: beth.westenhofer@propelinsurance.com

INSURED	INSURER(S) AFFORDING COVERAGE	NAIC #
Oakmont Management Group LLC Oakmont Senior Living, LLC 220 Concourse Blvd. Santa Rosa, CA 95403	INSURER A : Columbia Casualty Company	31127
	INSURER B : American Casualty Co of Reading	
	INSURER C :	
	INSURER D :	
	INSURER E :	
	INSURER F :	

COVERAGES CERTIFICATE NUMBER: REVISION NUMBER:

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

INSR LTR	TYPE OF INSURANCE	ADDL INSR	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
A	GENERAL LIABILITY			4022802553	05/01/2014	05/01/2015	EACH OCCURRENCE	$1,000,000
	X COMMERCIAL GENERAL LIABILITY						DAMAGE TO RENTED PREMISES (Ea occurrence)	$100,000
	CLAIMS-MADE X OCCUR						MED EXP (Any one person)	$5,000
							PERSONAL & ADV INJURY	$1,000,000
							GENERAL AGGREGATE	$3,000,000
	GEN'L AGGREGATE LIMIT APPLIES PER:						PRODUCTS - COMP/OP AGG	$3,000,000
	X POLICY PRO-JECT LOC						Prof. Liab.	$$1mm / $3mm
B	AUTOMOBILE LIABILITY			4022802522	05/01/2014	05/01/2015	COMBINED SINGLE LIMIT (Ea accident)	$1,000,000
	X ANY AUTO						BODILY INJURY (Per person)	$
	X ALL OWNED AUTOS X SCHEDULED AUTOS						BODILY INJURY (Per accident)	$
	X HIRED AUTOS X NON-OWNED AUTOS						PROPERTY DAMAGE (Per accident)	$
	X $1,000 Comp X $1,000 Coll							$
A	X UMBRELLA LIAB X OCCUR			4022802536	05/01/2014	05/01/2015	EACH OCCURRENCE	$10,000,000
	EXCESS LIAB CLAIMS-MADE						AGGREGATE	$10,000,000
	DED X RETENTION $$10,000							$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY Y/N						WC STATU-TORY LIMITS OTH-ER	
	ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH)	N/A					E.L. EACH ACCIDENT	$
	If yes, describe under DESCRIPTION OF OPERATIONS below						E.L. DISEASE - EA EMPLOYEE	$
							E.L. DISEASE - POLICY LIMIT	$

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

RE Named Insureds and locations:

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

CERTIFICATE HOLDER	CANCELLATION
Evidence of Insurance Santa Rosa, CA 95403	SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS. AUTHORIZED REPRESENTATIVE

DESCRIPTIONS (Continued from Page 1)

Varenna, LLC
Varenna at Fountaingrove, LLC
1401 Fountaingrove Pkwy., Santa Rosa, CA 95403

Varenna Assisted Living, LLC
Varenna at Fountaingrove, LLC
Varenna Care Center, LP
dba: Villa Capri at Fountaingrove
1397 Fountaingrove Pkwy., Santa Rosa, CA 95403

La Floresta, LLC
Capriana at La Floresta Village, LLC
Capriana Operatins, LLC
460 S. La Floresta Drive, Brea, CA 92823

OSL Santa Rosa Fountaingrove, LLC
Fountaingrove Lodge, LLC
4178-4210 Thomas Lake Harris Dr., Santa Rosa, CA 95403

Cardinal Point at Mariner Square, LLC
OakmontSL of Alameda, LP
2431 Mariner Square Dr., Alameda, CA 94501

Report of Independent Auditors and
Consolidated Financial Statements with
Consolidating Information

Oakmont Senior Living LLC and Subsidiaries

December 31, 2014 and 2013

MOSS-ADAMS LLP

Certified Public Accountants | Business Consultants

CONTENTS

MOSS ADAMS LLP
Certified Public Accountants | Business Consultants

WWW.MOSSADAMS.COM

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REPORT OF INDEPENDENT AUDITORS

To the Members
Oakmont Senior Living LLC and Subsidiaries

Report on Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Oakmont Senior Living LLC (a California limited liability company) and Subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of operations, changes in owners' deficit and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Oakmont Senior Living LLC and Subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Consolidating Information

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements of Oakmont Senior Living LLC and Subsidiaries taken as a whole. The 2014 consolidating information presented on pages 16 through 19 is presented for purposes of additional analysis and is not a required part of the basic 2014 consolidated financial statements. Such consolidating information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the 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 consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Moss Adams LLP

Santa Rosa, California
April 28, 2015

CONSOLIDATED FINANCIAL STATEMENTS

	2014	2013
ASSETS		
Cash and cash equivalents	$ 49,179,200	$ 38,025,700
Restricted cash	27,326,300	14,535,700
Assets held by trustee	378,700	149,100
Accounts receivable and other assets, net	2,918,200	849,200
Due from related parties	40,884,700	38,911,500
Deferred financing related costs, net	1,634,200	1,894,300
Investment in real estate		
Buildings and improvements	108,981,200	108,183,900
Land	8,108,400	8,108,400
Furniture, fixtures, and equipment	7,570,500	7,801,500
Projects under development	-	2,368,400
Accumulated depreciation	(32,302,200)	(27,685,800)
Total investments in real estate, net	92,357,900	98,776,400
Total assets	$ 214,679,200	$ 193,141,900
LIABILITIES AND MEMBERS' DEFICIT		
Accounts payable and accrued liabilities	$ 7,998,900	$ 3,866,300
Accrued interest	-	12,200
Deferred revenue	463,100	349,300
Due to related parties	40,500	11,304,300
Deferred rent	8,749,800	6,068,400
Entrance fees subject to refund	172,177,600	153,175,100
Entrance fees non-refundable, net	24,763,200	25,763,300
Debt obligations	74,941,400	76,889,400
Total liabilities	289,134,500	277,428,300
MEMBERS' DEFICIT		
Noncontrolling interest	(10,798,600)	(9,270,800)
Controlling interest	(63,656,700)	(75,015,600)
Total members' deficit	(74,455,300)	(84,286,400)
Total liabilities and members' deficit	$ 214,679,200	$ 193,141,900

See accompanying notes.

	2014	2013
REVENUE		
Continuing care contracts	$ 27,182,300	$ 21,741,800
Non-continuing care contracts	10,638,900	17,588,700
Total revenue	37,821,200	39,330,500
OPERATING EXPENSES		
Continuing care contracts operating expenses	25,695,100	19,623,400
Non-continuing care contracts operating expenses	4,538,600	8,344,300
Management fees	1,672,500	2,581,400
General and administrative	1,482,800	1,594,800
Letter of credit fees	1,611,700	2,378,400
Depreciation	4,616,400	6,620,000
Facility lease	7,650,900	5,282,500
Total operating expenses	47,268,000	46,424,800
LOSS FROM CONTINUING OPERATIONS	(9,446,800)	(7,094,300)
OTHER INCOME (EXPENSE)		
Interest income	287,700	296,700
Amortization of deferred financing related costs	(419,700)	(1,968,800)
Interest expense	(179,200)	(764,800)
Miscellaneous	565,700	54,500
NET LOSS, before allocation to noncontrolling interest	(9,192,300)	(9,476,700)
NET (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST	542,000	(285,500)
NET LOSS ATTRIBUTABLE TO CONTROLLING INTEREST	$ (8,650,300)	$ (9,762,200)

See accompanying notes.

OAKMONT SENIOR LIVING LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN OWNERS' DEFICIT
Years Ended December 31, 2014 and 2013

	Noncontrolling Interest	Controlling Interest	Total
BALANCE, December 31, 2012	$ (12,692,900)	$ (76,484,000)	$ (89,176,900)
Distribution of deconsolidated entities	8,178,800	13,851,300	22,030,100
Member contributions	-	163,932,100	163,932,100
Member distributions	(5,042,200)	(166,552,800)	(171,595,000)
Net income (loss)	285,500	(9,762,200)	(9,476,700)
BALANCE, December 31, 2013	(9,270,800)	(75,015,600)	(84,286,400)
Distribution of deconsolidated entities	-	616,100	616,100
Member contributions	-	150,660,100	150,660,100
Member distributions	(985,800)	(131,267,000)	(132,252,800)
Net loss	(542,000)	(8,650,300)	(9,192,300)
BALANCE, December 31, 2014	$ (10,798,600)	$ (63,656,700)	$ (74,455,300)

See accompanying notes.

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from continuing care contracts	$ 21,585,800	$ 18,406,700
Cash received from entrance fees	30,696,700	39,161,800
Cash received from non-continuing care contracts - Cardinal Point	152,500	157,400
Cash received from non-continuing care contracts - Segovia	1,866,600	2,056,000
Cash received from non-continuing care contracts - Capriana	2,029,200	-
Cash received from non-continuing care contracts - Fountaingrove Lodge	1,354,000	-
Cash received from non-continuing care contracts - all other	5,531,700	16,363,500
Cash paid to affiliates, net	(8,828,900)	(14,270,000)
Cash paid to employees and suppliers	(27,826,000)	(27,960,300)
Cash paid for management fees	(1,672,500)	(2,581,400)
Cash paid for letter of credit fees	(1,611,700)	(2,378,400)
Cash paid for facility lease	(4,969,500)	(3,219,500)
Interest received	287,700	296,700
Interest paid	(191,400)	(676,200)
Miscellaneous receipts	565,700	(45,700)
Net cash from operating activities	18,969,900	25,310,600
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in real estate	(566,300)	(886,000)
Net cash from investing activities	(566,300)	(886,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Refunds of entrance fees	(20,859,900)	(13,494,800)
Proceeds from debt obligations	1,950,000	88,965,000
Payments on debt obligations	(3,898,000)	(83,480,000)
Payments on related party notes payable	-	(2,300,000)
Change in restricted cash	(1,246,700)	(1,246,700)
Controlling interest distributions	(131,267,000)	(164,054,700)
Noncontrolling interest distributions	(985,800)	(5,042,200)
Controlling interest contributions	150,660,100	163,932,100
Deferred financing related costs	(159,600)	(2,646,900)
Net cash from financing activities	(5,806,900)	(19,368,200)
NET INCREASE IN CASH AND CASH EQUIVALENTS	12,596,700	5,056,400
CASH INCLUDED IN DISTRIBUTION OF DECONSOLIDATED ENTITIES	(1,443,200)	(608,500)
CASH AND CASH EQUIVALENTS, beginning of year	38,025,700	33,577,800
CASH AND CASH EQUIVALENTS, end of year	$ 49,179,200	$ 38,025,700
RECONCILIATION OF NET LOSS TO NET CASH FROM OPERATING EXPENSES		
Net loss	$ (9,192,300)	$ (9,476,700)
Adjustments to reconcile net loss to net cash from operating activities:		
Depreciation	4,616,400	6,620,000
Amortization of deferred financing related costs	419,700	1,968,800
Amortization of entrance fees non-refundable	(4,097,600)	(3,182,400)
Changes in:		
Restricted cash	(11,773,500)	(8,132,000)
Accounts receivable and other assets	(2,086,600)	(54,300)
Due from related parties	42,974,600	(20,114,000)
Accounts payable and accrued liabilities	4,169,800	2,086,800
Accrued interest	(12,200)	(11,600)
Deferred revenue	113,800	(170,800)
Due to related parties	(51,803,500)	5,844,000
Deferred rent	2,681,400	2,063,000
Entrance fees	42,959,900	47,869,800
Net cash from operating activities	$ 18,969,900	$ 25,310,600

See accompanying notes.

OAKMONT SENIOR LIVING LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
Years Ended December 31, 2014 and 2013

	2014	2013
SUPPLEMENTAL CASH-FLOW INFORMATION		
Noncash investing and financing activities:		
Distribution of Bell Village TIC	$ -	$ 2,498,100
Transfer of land to related party	2,368,400	1,215,000
Distribution of OSL Operations of Chino Hills, LLC and OSL of Chino Hills, LLC and Subsidiary		
Accounts receivable and other assets	-	81,800
Due from related parties	-	17,500
Deferred financing costs, net	-	668,500
Investment in real estate, net	-	14,190,300
Accounts payable and accrued liabilities	-	(769,700)
Due to related parties	-	(9,200)
Debt obligations	-	(29,013,000)
Members' deficit	-	14,233,500
Distribution of OSL of Vineyard Creek, LLC and Subsidiary		
Restricted cash	-	340,200
Accounts receivable and other assets	-	68,600
Due from related parties	-	399,500
Deferred financing costs, net	-	1,122,700
Investment in real estate, net	-	33,873,000
Accounts payable and accrued liabilities	-	(502,400)
Due to related parties	-	(154,400)
Debt obligations	-	(42,952,000)
Members' deficit	-	7,796,600
Distribution of members' deficit in Varenna Care Center		
Deferred financing costs	17,600	-
Investment in real estate, net	(37,200)	-
Debt obligations	(2,039,700)	-
Members' deficit	616,100	-

See accompanying notes.

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

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

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

OSL Operations of Chino Hills LLC [Distributed to members December 31, 2013]	Oakmont SL of Alameda LP
OSL of Escondido LLC [Liquidated in December 31, 2013]	Varenna at Fountaingrove LLC
OSL of Chino Hills LLC [Distributed to members December 31, 2013]	Varenna LLC
Oakmont SL of Chino Hills LP [Distributed to members December 31, 2013]	Varenna Apartments LLC
Cardinal Point at Mariner Square LLC	Varenna Assisted Living LLC
Cardinal Point Social Club LLC	Vineyard Creek LP [Distributed to members December 31, 2013]
OSL of Alameda LLC	Varenna Care Center LP [Distributed to members December 31, 2014]
Capriana Operations LLC	Segovia Operations LLC
OSL of Vineyard Creek LLC [Distributed to members December 31, 2013]	Fountaingrove Lodge LLC

All significant transactions between these entities have been eliminated.

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

The Company adopted accounting standards that address consolidation by business enterprises of variable interest entities (VIEs). The Company has considered its agreements and business activities with related parties in order to determine whether any of the relationships would qualify as VIEs and whether the Company would be deemed to be the primary beneficiary and be required to consolidate the activities of these VIEs in the Company's consolidated financial statements. The Company identified OSL of Chino Hills LLC; Oakmont SL of Chino Hills LP; and Vineyard Creek LP, as VIEs and through 2012 had concluded that it is the primary beneficiary in accordance with GAAP, primarily due to the fact that the Company has an ownership percentage of 49.95% to 50% and ultimately the Company, combined with its related parties and de facto agents, controls and supports the activities that most significantly impact the entities. The Company's consolidated equity is reflected as the controlling financial interest in the accompanying consolidated financial statements. The Company does not consider tenancy-in-common arrangements to be VIEs. As of December 31, 2014, the Company has determined that it is no longer the primary beneficiary of any VIEs.

On December 31, 2013, the Company distributed its membership interests in OSL Operations of Chino Hills LLC, OSL of Chino Hills LLC, Oakmont SL of Chino Hills LP, OSL of Vineyard Creek LLC, and Vineyard Creek LP, proportionately to the individual members of the Company. In conjunction with the change to the structure of the entities, the Company determined it is no longer the primary beneficiary of these entities and they were deconsolidated effective December 31, 2013.

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

The Company has no direct ownership in these entities and does not expect to provide any financial or other support, explicitly or implicitly that it was not previously contractually required to provide. While the Company has neither a contractual obligation to do so, nor any current intent, it may voluntarily elect to provide the entities with additional direct or indirect financial support based on their objectives and cash-flow needs. In addition, the Company has concluded the restructure of the entities constitutes a reconsideration event and the entities are no longer considered VIEs, as defined by GAAP, as they have sufficient equity at risk.

The Company has identified certain other related entities with common ownership as VIE's and has concluded that it is not the primary beneficiary in accordance with GAAP, primarily due to the fact that the Company does not have a direct ownership and ultimately the members of such entities control and support the activities that most significantly impact operations. Each of these entities has been financed either through capital contributions or related-party debt, some of which was provided by the Company (see Note 5). The Company has no contractual obligation to support the operations of these entities; however, it may voluntarily elect to provide additional direct or indirect support based on each business' objectives and cash-flow needs.

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

	2014	2013
ASSETS		
Due from related parties	$ 5,620,200	$ 4,409,700
Investments	375,000	525,000
Investment in real estate		
Building and improvements	35,195,700	3,303,100
Land	10,649,700	3,981,800
Furniture, fixtures, and equipment	2,937,800	46,800
Accumulated depreciation	(621,800)	(7,200)
Total investements in real estate, net	48,161,400	12,259,200
Other assets	2,868,800	699,200
Total assets	$ 57,025,400	$ 12,958,400
LIABILITIES AND MEMBERS' DEFICIT		
Due to related parties	$ 5,321,000	$ 4,796,600
Debt obligations	58,447,600	9,261,500
Deferred rent	45,300	-
Other liabilities	3,707,900	5,765,600
Total liabilities	67,521,800	19,823,700
Members' deficit	(10,496,400)	(6,865,300)
Total liabilities and members' equity	$ 57,025,400	$ 12,958,400

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

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

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

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

Accounts receivable and other assets – Accounts receivable and other assets consist of trade receivables, receivables from tenants, deposits, and prepaid expenses. Accounts receivable consists of payments owed from residents for services rendered, which does not represent concentrated credit risks to the Company. Management regularly monitors and adjusts its reserves and allowances related to these receivables. Accounts deemed to be uncollectible are written-off only after all reasonable collection efforts are exhausted. At December 31, 2014 and 2013, accounts receivable is presented net of an allowance of $0 and $21,300, respectively.

Deferred financing related costs – Costs incurred in connection with obtaining financing have been deferred and are amortized on a straight-line basis over the term of the associated indebtedness, which approximates the effective interest method.

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

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

The Company reviews its investments in real estate whenever events or changes in circumstances indicate that the cost basis of such assets may not be recoverable. If the cost basis of an investment in real estate is greater than the projected future undiscounted net cash flows (before interest) from that property, an impairment loss is recognized. Impairment losses are calculated as the difference between the property's cost basis and its estimated fair value. No such impairment losses have been recognized to date. An investment in real estate held for sale is carried at the lower of its carrying amount or estimated fair value, less costs to sell. The Company considers an investment in real estate held for sale when the property is being actively marketed for sale, and expects it to sell within one year. There were no properties held for sale at December 31, 2014 and 2013.

Investment in tenant-in-common interest – Investment in tenant-in-common (TIC) interest is accounted for using the equity method of accounting, whereby the Company's investment balance reflects its proportionate share of profits and losses from the TIC interest. Contributions made to the TIC interest are reflected as increases in the Company's investment balance and distributions are reflected as decreases. On January 1, 2013, the Company distributed its interest in the Bell Village TIC to the individual members of the Company.

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

Interest rate cap – The Company entered into an interest rate cap agreement associated with its borrowings, as disclosed in Note 3. An interest rate cap is considered a derivative financial instrument in accordance with accounting standards that require each derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the consolidated balance sheets as either an asset or liability measured at its estimated fair value. The accounting standards also require that changes in the derivative's fair value be recognized currently in consolidated earnings unless specific hedge accounting criteria are met. The only derivative used by the Company is the interest rate cap with changes in its fair-market value recorded as a component of interest expense. As of December 31, 2014 and 2013, management has determined the difference between the carrying value and the fair-market value of the derivative to be immaterial.

Revenue recognition – Resident fee revenue, presented as continuing care and non-continuing care contracts, is recorded when services are rendered and consist of fees for basic housing, support services, and fees associated with additional services, such as personalized health and assisted living care. Residency agreements are generally for a term of 30 days to one year, with resident fees billed monthly in advance. Revenues for certain care services provided are also charged in advance. Additional ancillary charges are billed monthly in arrears. As of December 31, 2014 and 2013, approximately $463,100 and $349,300, respectively, was recorded in deferred revenue related to fees paid by applicants prior to occupancy.

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

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

Entrance fees non-refundable, amortized over the estimated stay of the resident, were $24,763,200 and $25,763,300 at December 31, 2014 and 2013, respectively. Entrance fees subject to refund at December 31, 2014 and 2013, were $172,177,600 and $153,175,100, respectively. It is management's expectation that future refunds will not have a significant effect on the consolidated financial statements.

Revenue recognized from amortization of entrance fees non-refundable totaled $4,097,600 and $3,182,400 for the years ended December 31, 2014 and 2013, respectively.

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

Advertising – The Company expenses its advertising costs as they are incurred. Advertising expenses amounted to $1,145,200 and $852,000 for the years ended December 31, 2014 and 2013, respectively.

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

The Company follows the accounting standard related to accounting for uncertain tax positions. The standard prescribes a recognition threshold and measurement process for accounting for uncertain tax positions and also provides guidance on various related matters, such as derecognition, interest, penalties, and disclosures required. The Company does not have any entity level uncertain tax positions. The Company files income tax returns in the U.S. federal jurisdiction and the State of California. The Company is subject to examination by U.S. federal income tax authorities for years back to 2011, and by the State of California for the tax years back to 2010. The Company recognizes interest and penalties related to income tax matters in operating expenses.

Obligation to provide future services – If the present value of estimated future cash outflows to provide services to residents exceeds the present value of estimated future cash inflows from residents, a liability is recognized. The Company has determined that no accrual for the obligation to provide future services and use of facilities to current residents was required at December 31, 2014 and 2013. The discount rate used to calculate the obligation to provide future services is 5%.

Statutory cash reserve requirements – The Company is subject to statutory cash reserve requirements. At December 31, 2014 and 2013, the Company's reserves were in excess of such requirements by $34,049,300 and $22,845,300, respectively, as calculated in accordance with the Continuing Care Contract Statutes of the California Health and Safety Code.

New accounting pronouncements – In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The update supersedes the revenue recognition requirements in FASB Accounting Standards Codification (ASC) Topic 605, "Revenue Recognition." Under the new guidance, an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is not permitted.

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

The Company has evaluated subsequent events through April 28, 2015, which is the date the consolidated financial statements were available to be issued, in accordance with the Company's policy related to disclosures of subsequent events.

NOTE 2 – DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company has adopted accounting standards for fair value measurements for all financial instruments accounted for at fair value on a recurring basis. The accounting standards establish a framework for measuring fair value and expand related disclosures. Broadly, this framework requires fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. The standard establishes market or observable inputs as the preferred sources of values, followed by assumptions based on hypothetical transactions in the absence of market inputs.

The valuation techniques required by the standard are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions. The three levels of inputs used to establish fair-value are as follows:

Level 1: Quoted prices for identical instruments in active markets

Level 2: Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drives are observable

Level 3: Significant inputs to the valuation model that are unobservable

As of December 31, 2014 and 2013, the Company had no material balances recorded at fair value. The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and cash equivalents and restricted cash – The carrying amount approximates fair value because of the short maturity of those instruments.

Debt obligations – The fair value of the Company's debt obligations is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities. The estimated fair values of the Company's debt obligations approximate the carrying values at December 31, 2014 and 2013.

NOTE 3 – DEBT OBLIGATIONS

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

	2014	2013
Varenna LLC Taxable Variable Rate Demand Senior Living Facility Revenue Bonds (Varenna at Fountaingrove Project); 2011 Series A; bearing interest at a variable rate (0.13% and 0.21% at December 31, 2014 and 2013) payable monthly; maturing December 2051; these bonds are secured by letters of credit maturing on December 2021; guaranteed by a member and spouse of the Company.	$ 56,000,000	$ 56,000,000
Loan payable to a financial institution; monthly payments for the first 60 months of $8,539.36 bearing interest at 4.24%. Monthly payments of $9,005 for the following 59 months bearing interest at the weekly average yield of U.S. Treasury Securities adjusted to a constant maturity of 5 years, as made available by the federal reserve board, (currently 1.69%) plus a margin of 3%, and one final payment of outstanding principal and interest. 100% guaranteed by the majority member of OSL. This loan is subject to certain to financial covenants.	1,941,400	-
California Statewide Communities Development Authority tax-exempt variable Multifamily Housing Revenue Bonds; Oakmont of Alameda Series 2003WW; bearing interest at a variable rate (0.14% and 0.07% at December 31, 2014 and 2013) payable monthly; maturing December 2036; secured by letters of credit; guaranteed by a member and spouse of the Company.	12,680,000	12,680,000

	2014	2013
California Statewide Communities Development Authority Variable Rate Demand Multifamily Housing Revenue Bonds; Oakmont of Alameda Taxable 2013 Series CC-T; bearing interest at a variable rate (0.16% and 0.14% at December 31, 2014 and 2013) payable every June and December; maturing December 2036; secured by letters of credit; guaranteed by a member and spouse of the Company.	4,320,000	4,320,000
Amortizing income property note payable to a financial institution; commitment of $1,425,000; bearing interest at a variable interest rate not to exceed 10.75% or go below 5.2% (5.2% at December 31, 2013). Principal and interest payable monthly; maturing July 2039; 100% guaranteed by the majority member of the Company; the note was paid off during 2014.	-	1,325,100
Loan payable to a financial institution, which is also a related party (see note 5); commitment of $605,000; bearing interest at 8% payable monthly; matured and paid off during 2014; 100% guaranteed by the majority member of OSL.	-	574,300
Loan payable to a trust; commitment of $2,210,000; bearing interest at 1.5% payable monthly; secured by a deed of trust. Loan was paid off during 2014.	-	1,990,000
	$ 74,941,400	$ 76,889,400

The bonds are payable from and secured solely by the revenues pledged under the bond indenture agreements, including amounts drawn under bank letters of credit to pay the principal, purchase price, and interest on the bonds. The letters of credit for the bonds for Varenna expire in December 2021. The letter of credit for the bonds for Alameda expires in November 2023.

During 2013, the Company entered into a line of credit agreement with a financial institution with a maximum limit of $150,000,000. This line of credit bears interest at the prime rate (3.25% during 2014 and 2013) and matures in November 2018. The outstanding balance of this line of credit was $29,013,000 at December 31, 2013. This line of credit balance was deconsolidated as part of Chino Hills at December 31, 2013 (see Note 1).

During 2013, the Company refinanced a total of $42,952,000 in bonds with the California Statewide Communities Development Authority. These bonds bear interest at 0.07% and mature December 2036. The total outstanding balance of these bonds were $42,952,000 at December 31, 2013. These bonds were deconsolidated as part of Vineyard Creek at December 31, 2013 (see Note 1).

All long-term debt obligations are secured by deeds of trust on the investment in real estate. Interest costs, including amortization of deferred financing related costs, incurred totaled $598,900 and $2,633,400 in 2014 and 2013, respectively.

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

Future minimum principal payments due under the debt obligations subsequent to December 31, 2014, are as follows:

Year Ending December 31,	
2015	$ 20,400
2016	21,300
2017	22,200
2018	23,200
2019	23,500
Thereafter	74,830,800
	$ 74,941,400

NOTE 4 – NOTE PAYABLE TO MEMBERS

The Company had a note payable to a member's Roth IRA for $2,300,000, bearing interest at 8% per year, and payable monthly. This note was secured by real property of an affiliated entity, and was paid off during October 2013. Interest on this loan totaled $169,700 for the year ended December 31, 2013.

NOTE 5 – RELATED-PARTY TRANSACTIONS

As of December 31, 2014 and 2013, the Company had amounts due from related parties of $36,155,400 and $31,199,300, respectively. As of December 31, 2014 and 2013, the Company had amounts due to related parties of $40,500 and $11,304,300, respectively. These balances are noninterest bearing and are due on demand.

The Company entered into a note receivable agreement with an affiliated company and is charging interest at a rate of 6%. The note is payable on demand. The note receivable balance was $4,729,300 and $7,712,200 as of December 31, 2014 and 2013, respectively, and is included in due from related parties in the consolidated balance sheets. During 2014 and 2013, the Company recorded interest income of $396,200 and $277,700, respectively, on this note, which is included in interest income in the consolidated statements of operations. There was no interest income receivable at December 31, 2014 and 2013.

The Company's majority member has a controlling financial interest in a financial institution. As of December 31, 2014 and 2013, the Company had cash deposits with this financial institution of $36,155,600 and $22,486,000, respectively, and had outstanding debt obligations due to this financial institution of $0 and $574,300, respectively (see Note 3). For the years ended December 31, 2014 and 2013, the Company paid interest of $21,100 and $34,700, respectively, to this financial institution.

Pursuant to asset and property management agreements between the Company and an unconsolidated affiliate, the Company is obligated to pay monthly management fees. Management fees of $1,672,500 and $730,800 were paid to the unconsolidated affiliate during the years ended December 31, 2014 and 2013, respectively.

NOTE 6 – OWNERS' DEFICIT

Membership investments in OSL of Chino Hills LLC are entitled to an annual priority return equal to 8% of invested capital. Invested capital for this membership interest was $0 at December 31, 2014 and 2013. As disclosed in Note 1, this entity was deconsolidated as of December 31, 2013.

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

NOTE 7 – EMPLOYEE BENEFIT PLAN

The Company sponsors a 401(k) defined contribution retirement plan for all full-time employees with at least 12 months of continuous service and who have reached the age of 21 years. The plan is qualified under Section 401(k) of the Internal Revenue Code, so that contributions to the plan by the Company are not taxable until distributed to employees. The Company matches up to 3% of each participating employee's annual salary at its discretion, and such employer contributions are vested immediately. There were employer contributions of $9,600 and $0 to the plan for the years ended December 31, 2014 and 2013, respectively.

NOTE 8 – COMMITMENTS

The Company operates assisted living facilities under long-term noncancelable operating leases with initial lease terms of 15 years, renewal options of 15 to 30 years, and expiration dates through October 2028. The Company also leases an office building under a noncancelable operating lease with an expiration date of March 2015. Operating lease rent expense is recorded on the straight-line basis and amounted to $7,650,900 and $5,282,500 for the years ended December 31, 2014 and 2013, respectively. The adjustment to straight-line the lease expense resulted in deferred rent liability of $8,749,800 and $6,068,400 as of December 31, 2014 and 2013, respectively.

Future minimum lease payments under these operating lease agreements in effect as of December 31, 2014, are as follows:

Year Ending December 31,		
2015	$	7,432,400
2016		7,684,300
2017		7,780,300
2018		7,877,700
2019		7,976,400
Thereafter		65,767,300
	$	104,518,400

NOTE 9 – CONTINGENCIES

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

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

CONSOLIDATING INFORMATION

	All Other Entities	Varenna at Fountaingrove LLC	Varenna Assisted Living LLC and Subsidiary	Varenna Apartments LLC	Varenna LLC	Segovia Operations LLC	Cardinal Point at Mariner Square LLC	Capriana Operations LLC	Fountaingrove Lodge LLC	Total	Eliminating Entries	Consolidated Total
ASSETS												
Cash and cash equivalents	$ 13,826,000	$ 5,100	$ 265,400	$ 71,800	$ 8,683,700	$ 5,588,200	$ 1,035,500	$ 18,547,900	$ 1,155,600	$ 49,179,200	$ -	$ 49,179,200
Restricted cash	524,000	-	-	-	5,929,200	354,000	401,500	2,691,300	17,426,300	27,326,300	-	27,326,300
Assets held by trustee	378,700	-	-	-	-	-	-	-	-	378,700	-	378,700
Accounts receivable and other assets, net	28,600	-	67,300	5,800	590,500	217,600	45,600	1,479,400	483,400	2,918,200	-	2,918,200
Due from related parties	40,876,100	-	-	-	-	-	-	8,300	300	40,884,700	-	40,884,700
Deferred financing related costs, net	535,200	-	-	12,500	1,086,500	-	-	-	-	1,634,200	-	1,634,200
Investments in subsidiaries	(48,480,400)	(25,597,000)	-	-	-	-	-	-	-	(74,077,400)	74,077,400	-
Investment in real estate												
Buildings and improvements	16,231,300	-	108,400	5,288,900	86,047,400	757,000	479,400	42,200	26,600	108,981,200	-	108,981,200
Land	4,272,400	-	-	71,000	3,765,000	-	-	-	-	8,108,400	-	8,108,400
Furniture, fixtures, and equipment	1,245,700	-	1,096,500	53,500	4,568,300	165,000	126,600	165,500	149,400	7,570,500	-	7,570,500
Accumulated depreciation	(5,888,200)	-	(1,094,500)	(1,381,100)	(23,326,400)	(272,900)	(261,500)	(48,900)	(28,700)	(32,302,200)	-	(32,302,200)
Total investments in real estate, net	15,861,200	-	110,400	4,032,300	71,054,300	649,100	344,500	158,800	147,300	92,357,900	-	92,357,900
Total assets	$ 23,549,400	$ (25,591,900)	$ 443,100	$ 4,122,400	$ 87,344,200	$ 6,808,900	$ 1,827,100	$ 22,885,700	$ 19,212,900	$ 140,601,800	$ 74,077,400	$ 214,679,200
LIABILITIES AND MEMBERS' EQUITY (DEFICIT)												
Accounts payable and accrued liabilities	$ 501,500	$ 2,200	$ 233,100	$ 5,900	$ 2,152,300	$ 1,460,600	$ 738,400	$ 1,494,400	$ 1,410,500	$ 7,998,900	$ -	$ 7,998,900
Deferred revenue	-	-	-	18,800	1,500	151,600	7,800	150,500	132,900	463,100	-	463,100
Due to related parties	-	-	-	-	-	1,500	39,000	-	-	40,500	-	40,500
Deferred rent	-	-	545,100	-	-	3,544,100	-	3,224,100	1,436,500	8,749,800	-	8,749,800
Entrance fees subject to refund	-	-	-	-	84,894,900	17,839,900	21,180,500	33,100,400	15,161,900	172,177,600	-	172,177,600
Entrance fees non-refundable, net	-	-	-	-	12,543,500	7,821,700	1,355,700	1,671,800	1,370,500	24,763,200	-	24,763,200
Debt obligations	17,000,000	-	-	1,941,400	56,000,000	-	-	-	-	74,941,400	-	74,941,400
Total liabilities	17,501,500	2,200	778,200	1,966,100	155,592,200	30,819,400	23,321,400	39,641,200	19,512,300	289,134,500	-	289,134,500
MEMBERS' EQUITY (DEFICIT)												
Noncontrolling interest	1,666,100	(4,462,900)	(288,100)	(166,400)	(4,234,100)	(2,573,600)	-	-	(739,600)	(10,798,600)	-	(10,798,600)
Controlling interest	4,381,800	(21,131,200)	(47,000)	2,322,700	(64,013,900)	(21,436,900)	(21,494,300)	(16,755,500)	440,200	(137,734,100)	74,077,400	(63,656,700)
Total members' equity (deficit)	6,047,900	(25,594,100)	(335,100)	2,156,300	(68,248,000)	(24,010,500)	(21,494,300)	(16,755,500)	(299,400)	(148,532,700)	74,077,400	(74,455,300)
Total liabilities and members' equity (deficit)	$ 23,549,400	$ (25,591,900)	$ 443,100	$ 4,122,400	$ 87,344,200	$ 6,808,900	$ 1,827,100	$ 22,885,700	$ 19,212,900	$ 140,601,800	$ 74,077,400	$ 214,679,200

	All Other Entities	Varenna at Fountaingrove LLC	Varenna Assisted Living LLC and Subsidiary	Varenna Apartments LLC	Varenna LLC	Segovia Operations LLC	Cardinal Point at Mariner Square LLC	Capriana Operations LLC	Fountaingrove Lodge LLC	Total	Eliminating Entries	Consolidated Total
REVENUE												
Continuing care contracts	$ -	$ -	$ -	$ -	$ 11,142,200	$ 6,374,600	$ 4,506,200	$ 3,695,900	$ 1,463,400	$ 27,182,300	$ -	$ 27,182,300
Non-continuing care contracts	-	-	4,996,800	239,800	-	1,866,600	152,500	2,029,200	1,354,000	10,638,900	-	10,638,900
Rent Revenue	1,314,900	-	-	-	-	-	-	-	-	1,314,900	(1,314,900)	-
Total revenue	1,314,900	-	4,996,800	239,800	11,142,200	8,241,200	4,658,700	5,725,100	2,817,400	39,136,100	(1,314,900)	37,821,200
OPERATING EXPENSES												
Continuing care contracts operating expenses	-	-	-	-	7,278,400	5,471,800	3,461,000	4,861,800	4,622,100	25,695,100	-	25,695,100
Non-continuing care contracts operating expenses	-	-	3,311,200	-	-	-	-	697,100	530,300	4,538,600	-	4,538,600
Management fees	108,000	30,000	215,100	4,800	452,800	263,500	226,300	226,400	145,600	1,672,500	-	1,672,500
General and administrative	196,200	9,900	148,400	77,000	395,000	388,400	179,400	70,600	17,900	1,482,800	-	1,482,800
Letter of credit fees	392,300	-	-	-	1,219,400	-	-	-	-	1,611,700	-	1,611,700
Depreciation	538,400	-	77,800	180,300	3,612,900	83,300	60,900	37,100	25,700	4,616,400	-	4,616,400
Facility lease	-	-	2,075,300	-	-	1,248,000	1,314,900	3,094,800	1,232,800	8,965,800	(1,314,900)	7,650,900
Total operating expenses	1,234,900	39,900	5,827,800	262,100	12,958,500	7,455,000	5,242,500	8,987,800	6,574,400	48,582,900	(1,314,900)	47,268,000
INCOME (LOSS) FROM CONTINUING OPERATIONS	80,000	(39,900)	(831,000)	(22,300)	(1,816,300)	786,200	(583,800)	(3,262,700)	(3,757,000)	(9,446,800)	-	(9,446,800)
OTHER INCOME (EXPENSE)												
Interest income	272,900	-	2,800	-	11,900	100	-	-	-	287,700	-	287,700
Amortization of deferred financing related costs	(193,000)	-	-	(24,300)	(202,400)	-	-	-	-	(419,700)	-	(419,700)
Interest expense	(14,300)	-	-	(93,400)	(71,500)	-	-	-	-	(179,200)	-	(179,200)
Miscellaneous	101,000	-	460,300	4,400	-	-	-	-	-	565,700	-	565,700
NET INCOME (LOSS), before allocation to noncontrolling interest	246,600	(39,900)	(367,900)	(135,600)	(2,078,300)	786,300	(583,800)	(3,262,700)	(3,757,000)	(9,192,300)	-	(9,192,300)
NET (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST	(276,100)	5,100	47,100	17,400	266,000	(111,900)	-	-	594,400	542,000	-	542,000
NET INCOME (LOSS) ATTRIBUTABLE TO CONTROLLING INTEREST	$ (29,500)	$ (34,800)	$ (320,800)	$ (118,200)	$ (1,812,300)	$ 674,400	$ (583,800)	$ (3,262,700)	$ (3,162,600)	$ (8,650,300)	$ -	$ (8,650,300)

	All Other Entities	Varenna at Fountaingrove LLC	Varenna Assisted Living LLC and Subsidiary	Varenna Apartments LLC	Varenna LLC	Segovia Operations LLC	Cardinal Point at Mariner Square LLC	Capriana Operations LLC	Fountaingrove Lodge LLC	Total	Eliminating Entries	Consolidated Total
CASH FLOWS FROM OPERATING ACTIVITIES												
Cash received from continuing care contracts	$ -	$ 83,400	$ -	$ -	$ 9,229,700	$ 4,594,100	$ 4,175,800	$ 2,404,600	$ 1,098,200	$ 21,585,800	$ -	$ 21,585,800
Cash received from entrance fees	-	-	-	-	7,656,900	4,848,300	2,838,800	14,021,500	1,331,200	30,696,700	-	30,696,700
Cash received from non-continuing care contracts - Cardinal Point	-	-	-	-	-	-	152,500	-	-	152,500	-	152,500
Cash received from non-continuing care contracts - Segovia	-	-	-	-	-	1,866,600	-	-	-	1,866,600	-	1,866,600
Cash received from non-continuing care contracts - Capriana	-	-	-	-	-	-	-	2,029,200	-	2,029,200	-	2,029,200
Cash received from non-continuing care contracts - Fountaingrove L	-	-	-	-	-	-	-	-	1,354,000	1,354,000	-	1,354,000
Cash received from non-continuing care contracts - all other	411,000	-	4,880,100	240,600	-	-	-	-	-	5,531,700	-	5,531,700
Cash received from rent revenue	1,314,900	-	-	-	-	-	-	-	-	1,314,900	(1,314,900)	-
Cash received from (paid to) affiliates, net	(10,256,400)	-	2,919,500	-	(660,400)	(862,000)	16,300	34,600	(20,500)	(8,828,900)	-	(8,828,900)
Cash paid to employees and suppliers	(501,400)	(10,200)	(2,692,900)	(80,600)	(6,914,200)	(4,841,000)	(3,418,700)	(5,186,200)	(4,180,800)	(27,826,000)	-	(27,826,000)
Cash paid for management fees	(108,000)	(30,000)	(215,100)	(4,800)	(452,800)	(263,500)	(226,300)	(226,400)	(145,600)	(1,672,500)	-	(1,672,500)
Cash paid for letter of credit fees	(392,300)	-	-	-	(1,219,400)	-	-	-	-	(1,611,700)	-	(1,611,700)
Cash paid for facility lease	-	-	(1,845,300)	-	-	(1,485,900)	(1,314,900)	(1,485,000)	(153,300)	(6,284,400)	1,314,900	(4,969,500)
Interest received	272,900	-	2,800	-	11,900	100	-	-	-	287,700	-	287,700
Interest paid	(23,500)	-	-	(96,400)	(71,500)	-	-	-	-	(191,400)	-	(191,400)
Miscellaneous receipts	101,000	-	460,300	4,400	-	-	-	-	-	565,700	-	565,700
Net cash from operating activities	(9,181,800)	43,200	3,509,400	63,200	7,580,200	3,856,700	2,223,500	11,592,300	(716,800)	18,969,900	-	18,969,900
CASH FLOWS FROM INVESTING ACTIVITIES												
Investment in real estate	38,800	-	(52,300)	(3,000)	(166,900)	(105,300)	(66,900)	(51,100)	(159,600)	(566,300)	-	(566,300)
Receipts from investment in subsidiary	(3,780,700)	611,700	-	-	-	-	-	-	-	(3,169,000)	3,169,000	-
Net cash from investing activities	(3,741,900)	611,700	(52,300)	(3,000)	(166,900)	(105,300)	(66,900)	(51,100)	(159,600)	(3,735,300)	3,169,000	(566,300)
CASH FLOWS FROM FINANCING ACTIVITIES												
Refunds of entrance fees	-	-	-	-	(8,392,600)	(5,434,400)	(2,541,200)	(2,218,000)	(2,273,700)	(20,859,900)	-	(20,859,900)
Proceeds from debt obligations	-	-	-	1,950,000	-	-	-	-	-	1,950,000	-	1,950,000
Payments on debt obligations	(1,990,000)	-	-	(1,908,000)	-	-	-	-	-	(3,898,000)	-	(3,898,000)
Change in restricted cash	-	-	(329,600)	-	(917,100)	-	-	-	-	(1,246,700)	-	(1,246,700)
Controlling interest distributions	(131,267,000)	(19,650,600)	(2,674,500)	(32,000)	(17,534,300)	-	-	(1,545,000)	-	(172,703,400)	41,436,400	(131,267,000)
Noncontrolling interest distributions	(985,800)	-	-	-	-	-	-	-	-	(985,800)	-	(985,800)
Controlling interest contributions	150,660,100	19,000,200	538,800	10,900	18,463,300	2,023,100	379,000	-	4,190,100	195,265,500	(44,605,400)	150,660,100
Deferred financing related costs	(145,700)	-	-	(14,000)	100	-	-	-	-	(159,600)	-	(159,600)
Net cash from financing activities	16,271,600	(650,400)	(2,465,300)	6,900	(8,380,600)	(3,411,300)	(2,162,200)	(3,763,000)	1,916,400	(2,637,900)	(3,169,000)	(5,806,900)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,347,900	4,500	991,800	67,100	(967,300)	340,100	(5,600)	7,778,200	1,040,000	12,596,700	-	12,596,700
CASH INCLUDED IN DISTRIBUTION OF DECONSOLIDATED ENTITIES	-	-	(1,443,200)	-	-	-	-	-	-	(1,443,200)	-	(1,443,200)
CASH AND CASH EQUIVALENTS, beginning of year	10,478,100	600	716,800	4,700	9,651,000	5,248,100	1,041,100	10,769,700	115,600	38,025,700	-	38,025,700
CASH AND CASH EQUIVALENTS, end of year	$ 13,826,000	$ 5,100	$ 265,400	$ 71,800	$ 8,683,700	$ 5,588,200	$ 1,035,500	$ 18,547,900	$ 1,155,600	$ 49,179,200	$ -	$ 49,179,200

RECONCILIATION OF NET LOSS TO NET CASH FROM OPERATING EXPENSES	All Other Entities	Varenna at Fountaingrove LLC	Varenna Assisted Living LLC and Subsidiary	Varenna Apartments LLC	Varenna LLC	Segovia Operations LLC	Cardinal Point at Mariner Square LLC	Capriana Operations LLC	Fountaingrove Lodge LLC	Total	Eliminating Entries	Consolidated Total
Net income (loss)	$ 246,600	$ (39,900)	$ (367,900)	$ (135,600)	$ (2,078,300)	$ 786,300	$ (583,800)	$ (3,262,700)	$ (3,757,000)	$ (9,192,300)	$ -	$ (9,192,300)
Adjustments to reconcile net income (loss) to net cash from operating activities:												
Depreciation	538,400	-	77,800	180,300	3,612,900	83,300	60,900	37,100	25,700	4,616,400	-	4,616,400
Amortization of deferred financing related costs	193,000	-	-	24,300	202,400	-	-	-	-	419,700	-	419,700
Amortization of entrance fees non-refundable	-	-	-	-	(1,867,400)	(1,828,100)	(280,500)	(79,100)	(42,500)	(4,097,600)	-	(4,097,600)
Changes in:												
Restricted cash	(257,200)	-	746,900	-	(3,021,900)	(354,000)	(275,100)	265,500	(8,877,700)	(11,773,500)	-	(11,773,500)
Accounts receivable and other assets	113,400	83,400	(46,800)	(2,600)	(299,100)	(176,400)	(9,100)	(1,335,500)	(413,900)	(2,086,600)	-	(2,086,600)
Due from related parties	618,700	-	11,480,900	-	24,288,900	1,707,300	4,878,800	-	-	42,974,600	-	42,974,600
Accounts payable and accrued liabilities	249,600	(300)	16,500	(5,000)	1,116,200	1,139,900	220,700	441,200	991,000	4,169,800	-	4,169,800
Accrued interest	(9,200)	-	-	(3,000)	-	-	-	-	-	(12,200)	-	(12,200)
Deferred revenue	-	-	(66,600)	4,800	(103,000)	103,300	(39,800)	125,400	89,700	113,800	-	113,800
Due to related parties	(10,875,100)	-	(8,561,400)	-	(24,949,300)	(2,569,300)	(4,862,500)	34,600	(20,500)	(51,803,500)	-	(51,803,500)
Deferred rent	-	-	230,000	-	-	(237,900)	-	1,609,800	1,079,500	2,681,400	-	2,681,400
Entrance fees	-	-	-	-	10,678,800	5,202,300	3,113,900	13,756,000	10,208,900	42,959,900	-	42,959,900
Net cash from operating activities	$ (9,181,800)	$ 43,200	$ 3,509,400	$ 63,200	$ 7,580,200	$ 3,856,700	$ 2,223,500	$ 11,592,300	$ (716,800)	$ 18,969,900	$ -	$ 18,969,900
SUPPLEMENTAL CASH-FLOW INFORMATION												
Noncash investing and financing activities:												
Transfer of land to related party	$ 2,368,400	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,368,400	$ -	$ 2,368,400
Distribution of Varenna Care Center, LLC												
Accounts receivable and other assets	$ -	$ -	$ 17,600	$ -	$ -	$ -	$ -	$ -	$ -	$ 17,600	$ -	$ 17,600
Accounts payable and accrued liabilities	$ -	$ -	$ (37,200)	$ -	$ -	$ -	$ -	$ -	$ -	$ (37,200)	$ -	$ (37,200)
Due to related parties	$ -	$ -	$ (2,039,700)	$ -	$ -	$ -	$ -	$ -	$ -	$ (2,039,700)	$ -	$ (2,039,700)
Members' deficit	$ -	$ -	$ 616,100	$ -	$ -	$ -	$ -	$ -	$ -	$ 616,100	$ -	$ 616,100

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CONTRACTS BRANCH

Report of Independent Auditors and
Continuing Care Liquid Reserve Schedules

Cardinal Point at Mariner Square LLC

As of and for the Year Ended December 31, 2014

MOSS-ADAMS LLP

Certified Public Accountants | Business Consultants

MOSS-ADAMS LLP
Certified Public Accountants | Business Consultants

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REPORT OF INDEPENDENT AUDITORS

To the Members
Cardinal Point at Mariner Square LLC

Report on Financial Statements

We have audited the accompanying financial statements of Cardinal Point at Mariner Square LLC (the Company), which comprise the continuing care liquid reserve schedules, Form 5-1 through Form 5-5 as of and for the year ended December 31, 2014.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material 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 continuing care reserve of Cardinal Point at Mariner Square LLC, as of and for the year ended December 31, 2014, in conformity with the liquid reserve requirements of California Health and Safety Code Section 1792.

Basis of Accounting

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

Restriction on Use

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

Moss Adams LLP

Santa Rosa, California
April 28, 2015

CONTINUING CARE LIQUID RESERVE SCHEDULES

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

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b) + (c) + (d))
1	11/15/13	$0	$14,300	$354,700	$369,000
2	04/10/06	$0	$6,100	$0	$6,100
3	12/20/12	$0	$9,600	$0	$9,600
4					$0
5					$0
6					$0
7					$0
8					$0
		TOTAL:	$30,000	$354,700	$384,700

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

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

PROVIDER: Oakmont Senior Living LLC

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

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) x (d))
1					$0
2					$0
3					$0
4					$0
5					$0
6					$0
7					$0
8					$0
	TOTAL:	$0	$0	0	$0

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

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

PROVIDER: Oakmont Senior Living LLC

FORM 5-3
CALCULATION OF LONG-TERM DEBT RESERVE AMOUNT

Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	$384,700
2	Total from Form 5-2 bottom of Column (e)	$0
3	Facility leasehold or rental payment paid by provider during fiscal year (including related payments such as lease insurance)	$5,575,600
4	**TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:**	$5,960,300

PROVIDER: Oakmont Senior Living LLC

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line			Amounts	TOTAL
1		Total operating expenses from financial statements		$3,927,600
2		Deductions:		
	a.	Interest paid on long-term debt (see instructions)	$0	
	b.	Credit enhancement premiums paid for long-term debt (see instructions)	$0	
	c.	Depreciation	$60,900	
	d.	Amortization	$0	
	e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	$152,500	
	f.	Extraordinary expenses approved by the Department	$0	
3		Total Deductions		$213,400
4		Net Operating Expenses		$3,714,200
5		Divide Line 4 by 365 and enter the result.		$10,176
6		**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount.		$763,192

PROVIDER: Oakmont Senior Living LLC
COMMUNITY: Cardinal Point at Mariner Square

FORM 5-5
ANNUAL RESERVE CERTIFICATION

Provider Name: Oakmont Senior Living LLC
Fiscal Year Ended: December 31, 2014

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended December 31, 2014 and are in compliance with those requirements.

Our liquid reserve requirements, computed using the audited financial statements for the fiscal year December 31, 2014 are as follows:

		Amount
[1]	Debt Service Reserve Amount	$5,960,300
[2]	Operating Expense Reserve Amount	$763,192
[3]	**Total Liquid Reserve Amount:**	$6,723,492

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		$8,000,000		$8,153,200
[5]	Investment Securities				
[6]	Equity Securities				
[7]	Unused/Available Lines of Credit				
[8]	Unused/Available Letters of Credit				
[9]	Debt Service Reserve				(not applicable)
[10]	Other: (describe qualifying asset)				
	Total Amount of Qualifying Assets Listed for Reserve Obligation:	[11]	$8,000,000	[12]	$8,153,200
	Reserve Obligation Amount:	[13]	$5,960,300	[14]	$763,192
	Surplus/(Deficiency):	[15]	$2,039,700	[16]	$7,390,008

Signature:

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

Audited Cash and Cash Equivalents	$ 49,179,200	All Cash and Equivalents. No Investments or equities or lines of credit listed.
Less: Qualifying assets with Varenna at Fountaingrove LLC	(9,026,000)	
Less: Qualifying assets for Capriana Operating Reserve	(8,000,000)	
Less: Qualifying assets for Fountaingrove Lodge Operating Reserve	(8,000,000)	
Less: Qualifying assets for Segovia	(8,000,000)	
Total Qualifying Assets Listed on Line 4	$ 16,153,200	

Please note that there is no restricted cash or equivalents included in the $49,179,200 - listed for the liquid reserve requirement.
Additionally, $401,503 is held in an Entrance Fee Reserve account with Summit State Bank

---

Per Capita Cost of Operations (Capriana)			Per Capita Cost of Operations (Segovia)		
Operating Expenses per form 5-4 #1	$	5,893,000	Operating Expenses per form 5-4 #1	$	6,207,000
Mean # of all Residents from form 1-1 #10		124	Mean # of all Residents from form 1-1 #10		148
Per Capita Costs of Operations	$	47,524	Per Capita Costs of Operations	$	41,939
Per Capita Cost of Operations (Cardinal Point)			Per Capita Cost of Operations (Fountaingrove Lodge)		
Operating Expenses per form 5-4 #1	$	3,927,600	Operating Expenses per form 5-4 #1	$	5,341,600
Mean # of all Residents from form 1-1 #10		94.5	Mean # of all Residents from form 1-1 #10		46.5
Per Capita Costs of Operations	$	41,562	Per Capita Costs of Operations	$	114,873

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)	**$1838 - $4900**	**$2028-$2300**	**N/A**
[2]	Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	**4.00%**	**4.00%**	**N/A**

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

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

[4] Check each of the appropriate boxes:

☑ Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.

☑ All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.

☑ At least 30 days prior to the increase in monthly service fees, the designated representative of the provider convened a meeting that all residents were invited to attend.

☑ At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.

☑ The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.

☑ The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

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

PROVIDER: Oakmont Senior Living LLC / Cardinal Point at Mariner Square LLC
COMMUNITY: **Cardinal Point at Mariner Square**

September 1, 2014

Rockwell Street
Oakland, CA 94618

Dear

First of all, I wish to begin this letter with my heartfelt thanks to you for being a member of our community here at **Cardinal Point**. Without residents like you, our community would not be the home that it is and for that we are grateful. We are thankful as well that we are able to offer you the high level of quality care, services and amenities that you have already come to expect from us.

Cardinal Point is committed to continuing the highest standards of living for our residents while balancing the cost associated with products and services. Each year we anticipate increases in our normal operating expenses including the cost of labor, employee benefits and insurance as well as increases in the cost of transpiration, food and supplies. Therefore it has become necessary to increase your monthly service package from **$4350** to **$4524** effective, **November 1, 2014**

In closing, allow me to assure you that the new fee structure is still a very competitive price for the quality of the services that we provide and our commitment to further improve our services. We strongly believe that we are the best in what we do and we will continue to work passionately to provide the best possible care for you.

We appreciate your understanding and thank you again for choosing Cardinal Point.

Thank you,

Michelle Moros

Michelle Moros
Executive Director

Continuing Care Retirement Community
Disclosure Statement
General Information

Date Prepared: 4/27/15

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CONTINUING CARE CONTRACTS BRANCH

FACILITY NAME: Cardinal Point at Mariner Square

ADDRESS: 2431 Mariner Square Dr., Alameda, CA ZIP CODE: 94501 PHONE: 510 337 1033

PROVIDER NAME: Oakmont Senior Living / Cardinal point FACILITY OPERATOR: Cardinal Point at Mariner Square

RELATED FACILITIES: n/a RELIGIOUS AFFILIATION: n/a

YEAR OPENED: 2006 # OF ACRES: <2 ☐ SINGLE STORY ☑ MULTI-STORY ☐ OTHER: ______ MILES TO SHOPPING CTR: <1 MILES TO HOSPITAL: <3

* *

NUMBER OF UNITS:

RESIDENTIAL LIVING

APARTMENTS – STUDIO: 22
APARTMENTS – 1 BDRM: 33
APARTMENTS – 2 BDRM: 28
COTTAGES/HOUSES: ______
RLU OCCUPANCY (%) AT YEAR END: 99%

HEALTH CARE

ASSISTED LIVING: 9
SKILLED NURSING: ______
SPECIAL CARE: ______
DESCRIPTION: > ______
> ______

* *

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% ☑FULLY AMORTIZED ☑OTHER: 0% / 100%

RANGE OF ENTRANCE FEES: $5,000 - $539,500 **LONG-TERM CARE INSURANCE REQUIRED?** ☐ YES ■ NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: n/a

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

RESIDENT REPRESENTATIVE(S) TO THE BOARD (briefly describe their involvement): > Leabah Winters. Each rep is invited to scheduled Board Mtgs,
> and can convey any concerns at any time to the sole managing member or through the management team at the community.

* *

FACILITY SERVICES AND AMENITIES

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 Theater / Ballroom	☑	☐

SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
HOUSEKEEPING (4-5 TIMES/MONTH)	☑	☐
MEALS (1-3 /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	☑	☐
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: Oakmont Senior Living / Cardinal Point at Mariner Square

OTHER CCRCs	LOCATION (City, State)	PHONE (with area code)
Cardinal Point at Mariner Square	Alameda, CA	510.337.1033
Varenna at Fountaingove	Santa Rosa, CA	707.526.1226
Segovia of Palm Desert	Palm Desert, CA	760.610.0349
Capriana	Brea, CA	714.312.3783
Fountaingrove Lodge	Santa Rosa, CA	707.576.1101

MULTI-LEVEL RETIREMENT COMMUNITIES	LOCATION (City, State)	PHONE (with area code)

FREE-STANDING SKILLED NURSING	LOCATION (City, State)	PHONE (with area code)

SUBSIDIZED SENIOR HOUSING	LOCATION (City, State)	PHONE (with area code)

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

PROVIDER NAME: Oakmont Senior Living / Cardinal Point at Mariner Square

	2011	2012	2013	2014
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (Excluding amortization of entrance fee income)	$47,073,100	$32,555,700	$36,148,100	$33,723,600
LESS OPERATING EXPENSES (Excluding depreciation, amortization, and interest)	54,073,000	33,207,300	39,804,800	42,651,600
NET INCOME FROM OPERATIONS	(6,999,900)	(651,600)	(3,656,700)	(8,928,000)
LESS INTEREST EXPENSE	(3,098,300)	(638,700)	(764,800)	(179,200)
PLUS CONTRIBUTIONS	105,881,600	72,981,600	163,932,200	150,660,100
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	(2,238,400)	22,276,600	351,200	853,400
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	$93,545,000	$93,967,900	$159,861,900	$142,406,300
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	$27,557,300	$8,116,200	$25,667,000	$9,836,800

* *

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

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

* *

FINANCIAL RATIOS (see next page for ratio formulas)

	2013 CCAC Medians 50th Percentile *(optional)*	2012	2013	2014
DEBT TO ASSET RATIO		0.7	0.4	0.31
OPERATING RATIO		1.0	1.12	1.26
DEBT SERVICE COVERAGE RATIO		2.42	3.87	0.43
DAYS CASH ON HAND RATIO		369	353	421

* *

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	2011	%	2012	%	2013	%	2014
STUDIO	$3,090	3.0	$3,183	3.5	$3,294	4.0	$3,426
ONE BEDROOM	$3,357	3.0	$3,458	3.5	$3,579	4.0	$3,722
TWO BEDROOM	$4,517	3.0	$4,653	3.5	$4,816	4.0	$5,009
COTTAGE/HOUSE							
ASSISTED LIVING	$3,803	3.0	$3,917	3.5	$4,054	4.0	$4,216
SKILLED NURSING							
SPECIAL CARE							

* *

COMMENTS FROM PROVIDER: >

>

>

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

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.

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

LENDER		OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
East West Bank	$	56,000,000	0.13	Dec-12	Dec-21	10 Years
Luther Burbank Savings	$	1,941,400	4.24	Jun-14	Jun-24	10 Years
East West Bank / CSCDA	$	12,680,000	0.14	Dec-03	Dec-36	33 Years
East West Bank / CSCDA	$	4,320,000	0.16	Nov-13	Nov-23	10 Years

KEY INDICATORS REPORT

Date Prepared: 5/18/2015

Oakmont Senior Living - Cardinal Point

Joseph G Lin, Chief Financial Officer

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CONTINUING CARE CONTRACTS BRANCH

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Preferred Trend Indicator
							Forecast					
OPERATIONAL STATISTICS												
1. Average Annual Occupancy by Site (%)			See attached schedule						N/A			
MARGIN (PROFITABILITY) INDICATORS												
2. Net Operating Margin (%)	40.00%	27.00%	28.00%	24.00%	23.00%	10.00%	40.00%	45.00%	50.00%	50.00%	50.00%	↑
3. Net Operating Margin - Adjusted (%)	63.00%	47.00%	55.00%	39.00%	55.00%	31.00%	35.00%	30.00%	30.00%	30.00%	30.00%	↓
LIQUIDITY INDICATORS												
4. Unrestricted Cash and Investments ($000)	$32,522	$36,367	$36,884	$33,578	$38,026	$49,179	$50,000	$52,000	$54,000	$54,000	$55,000	↑
5. Days Cash on Hand (Unrestricted)	185	262	250	369	353	421	275	275	275	275	275	↑
CAPITAL STRUCTURE INDICATORS												
6. Deferred Revenue from Entrance Fees ($000)	$96,642	$120,738	$130,037	$129,747	$178,938	$196,941	$160,000	$170,000	$180,000	$180,000	$180,000	N/A
7. Net Annual E/F proceeds ($000)	$23,295	$15,129	$27,557	$7,303	$25,667	$9,837	$10,000	$10,000	$10,000	$10,000	$10,000	N/A
8. Unrestricted Net Assets ($000)	$227,498	$218,606	$208,543	$210,831	$178,606	$187,353	$200,000	$200,000	$200,000	$200,000	$200,000	N/A
9. Annual Capital Asset Expenditure ($000)	$450	$1,936	$1,309	$947	$17,111	$1,839	$1,000	$1,000	$1,000	$1,000	$1,000	N/A
10. Annual Debt Service Coverage Revenue Basis (x)	2.14	-1.16	-2.62	26.32	-3.85	-45.06	1.30	1.30	1.30	1.30	1.30	↑
11. Annual Debt Service Coverage (x)	9.1	3.17	5.19	36.2	25.17	9.83	4	4	4	4	4	↑
12. Annual Debt Service/Revenue (%)	3.00%	4.00%	2.00%	1.00%	0.00%	0.00%	3.00%	3.00%	3.00%	3.00%	3.00%	↓
13. Average Annual Effective Interest Rate (%)	2.00%	2.00%	2.00%	1.00%	1.00%	0.00%	2.00%	2.00%	2.00%	2.00%	2.00%	↓
14. Unrestricted Cash & Investments/ Long-Term Debt (%)	24.00%	27.00%	26.00%	23.00%	49.00%	66.00%	25.00%	25.00%	25.00%	25.00%	25.00%	↑
15. Average Age of Facility (years)	2.46	3.51	4.49	5.29	4.18	7	8.5	9	9.5	9.5	9.5	↓

Key Indicators Report

Schedule detailing question 1 - Average Annual Occupancy by Site %

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Cardinal Point at Mariner Square	99%	98%	99%	98%	98%	**96%**	96%	96%	96%	96%	96%
Varenna at Fountaingrove	75%	90%	97%	94%	95%	**96%**	96%	96%	96%	96%	96%
Segovia of Palm Desert		22%	73%	83%	96%	96%	96%	96%	96%	96%	96%
Capriana Operations					34%	**80%**	95%	95%	95%	95%	95%
Fountaingrove Lodge					14%	**50%**	60%	95%	95%	95%	95%