STONERIDGE CREEK
PLEASANTON CCRC, LLC

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2018 AND 2017

WITH INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

To the Members of
Stoneridge Creek Pleasanton CCRC, LLC
Pleasanton, California

We have audited the accompanying financial statements of Stoneridge Creek Pleasanton CCRC, LLC (a Delaware limited liability company) (the "Company"), which comprise the balance sheets as of December 31, 2018 and 2017, and the related statements of operations, comprehensive income, changes in members' equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company'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 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 financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Stoneridge Creek Pleasanton CCRC, LLC as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

White Nelson Diehl Evans LLP

Irvine, California
April 29, 2019

STONERIDGE CREEK PLEASANTON CCRC, LLC
BALANCE SHEETS
DECEMBER 31, 2018 AND 2017

ASSETS

	2018	2017
Current Assets:		
Cash and cash equivalents	$ 4,704,090	$ 10,893,481
Marketable securities	3,308,021	3,590,804
Accounts receivable	29,207	78,350
Inventories	45,413	40,700
Prepaid expenses	355,707	405,502
Other receivables	108,912	276,757
Total Current Assets	8,551,350	15,285,594
Property and Equipment:		
Land	41,781,748	41,618,577
Land improvements	37,237,196	28,565,612
Buildings and improvements	191,454,071	153,005,647
Furniture, fixtures, and equipment	19,118,296	7,817,735
Computer equipment and systems	33,161	34,185
Construction in process	11,837	42,215,693
Total Property and Equipment, at Cost	289,636,309	273,257,449
Less: Accumulated depreciation	(41,128,691)	(31,755,109)
Property and Equipment, at Net Book Value	248,507,618	241,502,340
Other Assets:		
Restricted cash	1,729,271	1,727,160
Other receivables, long term	25,000	25,000
Deposits	-	-
Deferred entrance fees receivable	65,715,971	57,666,382
Costs of acquiring initial continuing care contracts, net of accumulated amortization of $2,093,353 in 2018 and $1,694,619 in 2017	3,716,199	4,114,933
Total Other Assets	71,186,441	63,533,475
Total Assets	$ 328,245,409	$ 320,321,409

The accompanying notes are an integral part of these financial statements.

STONERIDGE CREEK PLEASANTON CCRC, LLC
BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2018 AND 2017

LIABILITIES AND MEMBERS' EQUITY (DEFICIT)

	2018	2017
Current Liabilities:		
Accounts payable	$ 1,241,130	$ 10,894,514
Accrued expenses	1,538,811	1,695,459
Deposits on future occupancy	7,487,007	8,019,099
Current portion of construction note payable	-	12,023,755
Current portion of note payable to Master Trust	6,987,153	6,894,260
Total Current Liabilities	17,254,101	39,527,087
Long-Term Liabilities:		
Note payable to Master Trust, net of current portion	272,498,971	268,076,124
Note payable to Master Trust, Phase II	110,985,596	36,000,000
Deferred revenue from unamortized deferred entrance fees, net	51,776,016	43,621,420
Total Long-Term Liabilities	435,260,583	347,697,544
Total Liabilities	452,514,684	387,224,631
Members' Equity (Deficit):		
Members' equity (deficit)	(124,823,676)	(67,918,757)
Accumulated other comprehensive income	554,401	1,015,535
Total Members' Equity (Deficit)	(124,269,275)	(66,903,222)
Total Liabilities and Members' Equity (Deficit)	$ 328,245,409	$ 320,321,409

The accompanying notes are an integral part of these financial statements.

STONERIDGE CREEK PLEASANTON CCRC, LLC
STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Revenues:		
Resident services	$ 34,913,876	$ 26,840,063
Amortization of deferred entrance fees	7,300,809	5,808,801
Deferred entrance fees on terminated contracts	2,932,078	1,105,395
Nonresident services	268,106	211,392
Total Revenues	45,414,869	33,965,651
Operating Expenses:		
Resident care	2,707,128	1,761,850
Food and beverage services	5,937,888	4,826,388
Environmental services	1,956,527	1,377,024
Plant facility operating costs	6,134,855	4,676,891
General and administrative expenses	7,783,905	7,993,647
Depreciation and amortization	9,772,316	7,983,767
Total Operating Expenses	34,292,619	28,619,567
Income from Operations	11,122,250	5,346,084
Other Income (Expense):		
Net realized gain (loss) on sale of marketable securities	(39,588)	95,060
Interest and dividend income	99,020	87,165
Interest expense	(27,091)	(64,713)
Total Other Income (Expense)	32,341	117,512
Net Income	$ 11,154,591	$ 5,463,596

The accompanying notes are an integral part of these financial statements.

STONERIDGE CREEK PLEASANTON CCRC, LLC
STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Net Income	$ 11,154,591	$ 5,463,596
Other Comprehensive Income (Loss):		
Net unrealized holding gains (losses) arising during the year	(400,343)	667,592
Amounts reclassified from accumulated other comprehensive income	(60,791)	(102,396)
Total Other Comprehensive Income (Loss)	(461,134)	565,196
Comprehensive Income	$ 10,693,457	$ 6,028,792

The accompanying notes are an integral part of these financial statements.

STONERIDGE CREEK PLEASANTON CCRC, LLC
STATEMENTS OF CHANGES IN MEMBERS' EQUITY (DEFICIT)
YEARS ENDED DECEMBER 31, 2018 AND 2017

	Capital		Accumulated Equity (Deficit)	Accumulated Other Comprehensive Income	Total Members' Equity (Deficit)
	Class A	Class B			
Balance, December 31, 2016	$ (46,381,926)	$(11,305,413)	$ (6,227,094)	$ 450,339	$ (63,464,094)
Capital contributions	6,482,080	-	-	-	6,482,080
Distributions	(12,760,000)	(3,190,000)	-	-	(15,950,000)
Net unrealized holding gains arising during the year	-	-	-	667,592	667,592
Amounts reclassified from accumulated other comprehensive income	-	-	-	(102,396)	(102,396)
Net income	-	-	5,463,596	-	5,463,596
Balance, December 31, 2017	(52,659,846)	(14,495,413)	(763,498)	1,015,535	(66,903,222)
Capital contributions	2,650,656	-	-	-	2,650,656
Distributions	(63,810,166)	(6,900,000)	-	-	(70,710,166)
Net unrealized holding losses arising during the year	-	-	-	(400,343)	(400,343)
Amounts reclassified from accumulated other comprehensive income	-	-	-	(60,791)	(60,791)
Net income	-	-	11,154,591	-	11,154,591
Balance, December 31, 2018	$ (113,819,356)	$(21,395,413)	$ 10,391,093	$ 554,401	$ (124,269,275)

The accompanying notes are an integral part of these financial statements.

STONERIDGE CREEK PLEASANTON CCRC, LLC
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Cash Flows from Operating Activities:		
Cash received from residents	$ 44,885,373	$ 37,489,337
Interest and dividend income	99,020	88,028
Interest expense, net of capitalized amounts	(27,091)	(64,713)
Reimbursements for services to nonresidents	268,106	211,392
Cash paid to suppliers and employees	(34,233,960)	(15,087,864)
Net Cash and Cash Equivalents Provided by Operating Activities	10,991,448	22,636,180
Cash Flows from Investing Activities:		
Payments made on purchases of property and equipment	(16,378,860)	(44,400,554)
Purchases of marketable securities	(736,640)	(924,751)
Proceeds from redemption of marketable securities	518,701	917,319
Net Cash and Cash Equivalents Used in Investing Activities	(16,596,799)	(44,407,986)
Cash Flows from Financing Activities:		
Proceeds from notes payable to Master Trust	86,395,596	41,550,000
Payments on notes payable to Master Trust	(6,894,260)	(6,896,677)
Proceeds from construction note payable	9,095,128	36,138,617
Payments on construction note payable	(21,118,883)	(35,522,809)
Capital contributions from member	2,650,656	6,482,080
Distributions to members	(70,710,166)	(15,950,000)
Net Cash and Cash Equivalents Provided by (Used In) Financing Activities	(581,929)	25,801,211
Net Increase (Decrease) in Cash and Cash Equivalents	(6,187,280)	4,029,405
Cash, Restricted Cash, and Cash Equivalents, Beginning of Year	12,620,641	8,591,236
Cash, Restricted Cash, and Cash Equivalents, End of Year	$ 6,433,361	$ 12,620,641

The accompanying notes are an integral part of these financial statements.

STONERIDGE CREEK PLEASANTON CCRC, LLC
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Reconciliation of Net Income to Net Cash and Cash Equivalents Provided by Operating Activities:		
Net Income	$ 11,154,591	$ 5,463,596
Noncash Items Included in Net Income:		
Depreciation and amortization	9,772,316	7,983,767
Amortization of deferred entrance fees	(7,300,809)	(5,808,801)
Deferred entrance fees on terminated contracts	(2,932,078)	(1,105,395)
(Gain) loss on sale of marketable securities	39,588	(95,060)
Changes in:		
Accounts receivable	49,143	(27,585)
Inventories	(4,713)	(11,842)
Prepaid expenses	49,795	(82,497)
Other receivables	167,845	(253,585)
Deposits	-	25,000
Deferred entrance fees receivable	10,337,994	8,375,813
Accounts payable	(9,653,384)	5,362,830
Accrued expenses	(156,748)	305,801
Deposits on future occupancy	(532,092)	2,504,138
Net Cash and Cash Equivalents Provided by Operating Activities	$ 10,991,448	$ 22,636,180
Supplemental Disclosure of Noncash Investing and Financing Activities:		
Deferred entrance fees receivable and deferred revenue from unamortized deferred entrance fees recorded to reflect additional amounts due from resident contributions	$ 18,387,583	$ 16,660,187

The accompanying notes are an integral part of these financial statements.

Note 1: Nature of Business and Summary of Significant Accounting Policies

Nature of Business

Stoneridge Creek Pleasanton CCRC, LLC (the "Company") owns and operates a multiuse continuing care retirement community located in Pleasanton, California. The Company operates under the continuing care concept whereby residents enter into agreements that require payment of a one-time entrance fee and a monthly charge. Generally, these payments will entitle residents to the use and privileges of the facility for life.

Limited Liability Company Operating Agreement

The following represents a summary of significant financial terms of the Company's Limited Liability Company Operating Agreement (the "Operating Agreement"). The Operating Agreement should be referred to for more specific terms.

The Company has two types of members - Class A and Class B - and one appointed manager, who is responsible for the management of the day-to-day business and affairs of the Company. The manager is granted the authority to act on behalf of the Company, except for those actions requiring a Class A majority in interest vote or the unanimous approval of the Class A members, as designated in the Company's Operating Agreement. Class A members also have the authority to remove or replace the manager.

One of the Class A members is designated as the financing member. No member other than the financing member is required to contribute capital to the Company at any time. The capital contributions shall earn a cumulative preferred return of 8 percent. During the year ended December 31, 2018, the Company distributed $36,210,166 of preferred returns to the financing member. As of December 31, 2018 and 2017, 80 percent of the Company is owned by Class A members and 20 percent of the Company is owned by Class B members.

The members' liability to general creditors is limited to their investments in the Company. In accordance with the Operating Agreement, the Company will continue until dissolved pursuant to the terms of the Operating Agreement.

Profits and losses for financial statement purposes, distributable cash from operations, and profits and losses for tax purposes are allocated and distributed to the members in accordance with the Operating Agreement. The Operating Agreement also provides for priority distributions, plus an allowance for interest.

Basis of Presentation

The accompanying financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). References to the "ASC" hereafter refer to the Accounting Standards Codification established by the Financial Accounting Standards Board ("FASB") as the source of authoritative US GAAP.

Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)

Cash, Restricted Cash, and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents include the operating cash account of the Company, money market accounts, time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less as well as restricted cash (See Note 4).

The following table provides a reconciliation of cash, restricted cash, and cash equivalents reported within the balance sheet that sum to the total of the same such amounts shown in the statement of cash flows at December 31, 2018 and 2017.

	2018	2017
Cash and cash equivalents	$ 4,704,090	$ 10,893,481
Restricted cash (Note 4)	1,729,271	1,727,160
Total Cash, Restricted Cash, and Cash Equivalents Shown on the Statement of Cash Flows	$ 6,433,361	$ 12,620,641

Marketable Securities

Marketable securities held by the Company at December 31, 2018 and 2017, are classified in accordance with FASB ASC 320-10, *Investments - Debt and Equity Securities*, as available for sale and stated at their fair market value based on quoted market prices. Realized gains or losses from the sale of marketable securities are computed based on specific identification of historical cost. Unrealized gains or losses of marketable securities are reported as a separate component of members' equity (deficit) and as a separate component of other comprehensive income (loss).

Accounts Receivable

Accounts receivable consist of amounts due from residents for monthly service fees and other ancillary services. These services and fees are primarily due upon receipt of invoice. Receivables are reviewed weekly and are considered past due 14 days after the issuance of monthly statements. Accounts for which no payments have been received for 30 days are considered delinquent, and customary collection efforts are initiated. Uncollectible accounts are written off at the advice of a collection attorney and with the approval of ownership.

The Company provides an allowance for doubtful accounts, as needed, for accounts deemed uncollectible. No allowance was necessary at December 31, 2018 and 2017.

Inventories

Inventories consist of food and supplies used in operations and are valued at the lower of cost or market on a first-in, first-out basis.

Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are stated at cost. Major improvements and betterments are capitalized. Maintenance and repairs are expensed as incurred. Property and equipment are depreciated over the estimated useful lives of the respective assets. Depreciation for property and equipment is computed on the straight-line method for book purposes. The estimated useful lives of the related assets are as follows:

Land improvements	20 years
Buildings and improvements	10-40 years
Furniture, fixtures, and equipment	10 years
Computer equipment and systems	5-10 years

Depreciation expense for the years ended December 31, 2018 and 2017, totaled $9,373,582 and $7,585,033, respectively.

Long-Lived Assets

The Company accounts for impairment and disposition of long-lived assets in accordance with FASB ASC 360-10, *Property, Plant, and Equipment.* FASB ASC 360-10 requires impairment losses to be recognized for long-lived assets used in operations when indicators of impairment are present and the undiscounted future cash flows are not sufficient to recover the assets' carrying amount. There was no impairment of value of such assets for the years ended December 31, 2018 and 2017.

Deposits on Future Occupancy

Deposits on future occupancy represent deposits on future contracts from prospective residents that are fully refundable upon demand.

Revenue Recognition

Revenue from resident and nonresident services is accounted for on the accrual basis of accounting as earned. See Note 10 for a description of the revenue recognition policy of deferred entrance fees.

Revenue and Expenses

In accordance with the Residence and Care Agreement (as more fully described in Note 7), future monthly fees due from residents for maintenance and operating expenses may be adjusted with appropriate notice as specified in the individual agreements.

Income Taxes

The Company is taxed as a partnership for federal tax purposes and accordingly pays no federal taxes. For California purposes, the Company pays an $800 limited liability company tax plus a fee based on its total revenue. The taxable income or loss is recognized on the individual income tax returns of the members.

Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)

Advertising and Promotional Costs

Advertising and promotional costs are charged to operations when incurred. For the years ended December 31, 2018 and 2017, advertising and promotional costs totaled $625,589 and $592,044, respectively, and are included in general and administrative expenses in the accompanying statements of operations.

Comprehensive Income

Comprehensive income is a more inclusive financial reporting methodology that includes disclosure of certain financial information that historically has not been recognized in the calculation of net income. The Company has presented separate statements of comprehensive income. An analysis of changes in components of accumulated other comprehensive income is presented in the statements of changes in members' equity (deficit).

Capitalized Interest

The Company capitalizes all interest costs related to construction financing on internally constructed assets during development periods. Interest capitalized during the years ended December 31, 2018 and 2017, totaled $46,128 and $749,758, respectively.

Use of Estimates

The process of preparing financial statements in accordance with US GAAP requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Recent Accounting Pronouncements - Implemented

In October 2018, the FASB issued Accounting Standards Update ("ASU") 2018-17, *Consolidation (Topic 810)*. Under the amendments in this ASU, the Company may elect not to apply variable interest entity ("VIE") guidance to legal entities under common control if both entities being evaluated for consolidation are not public business entities. Under the accounting alternative, the Company should provide detailed disclosures about its involvement with and exposure to the legal entity under common control. The amendments in this ASU are effective for a private company for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. Early adoption is permitted. The Company has elected early adoption of ASU 2018-17.

Note 1: Nature of Business and Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements - Implemented (Continued)

In August 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230)*. The amendments in ASU 2016-18 require that a statement of cash flows explains the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents; therefore, amounts generally described as restricted should be included with cash and cash equivalents when reconciling amounts shown on the statement of cash flows. The amendments in the update do not provide a definition of restricted cash or restricted cash equivalents. ASU 2016-18 is effective for annual reporting periods beginning after December 15, 2018. Early adoption is permitted. The Company has elected early adoption of this ASU and accordingly has included the required disclosures in the Cash, Restricted Cash, and Cash Equivalents section above.

Recent Accounting Pronouncements - Pending

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU establishes new revenue recognition guidance ("ASC 606"), which replaces the current revenue recognition guidance. ASC 606 is a comprehensive revenue recognition standard for virtually all industries, including those that previously followed industry-specific guidance, such as the real estate, construction, and software industries. The core principle of ASC 606 is to recognize revenue to depict the transfer of 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. ASC 606 is effective for nonpublic companies for annual periods beginning after December 15, 2018, and interim periods within annual reporting periods beginning after December 15, 2019. Early adoption is permitted. The Company is currently evaluating the impact of the provisions of ASC 606 on the presentation of its financial statements.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments - Overall (Subtopic 825-10)*, with subsequent corrections issued in ASU 2018-03. One of the main provisions of this ASU is that it requires investments in equity securities with readily determinable fair values to be measured at fair value, with changes in fair value recognized in earnings. An entity's equity investments that are accounted for under the equity method of accounting or that result in consolidation of an investee are not included within the scope of this ASU. For equity investments that do not have readily determinable fair values, the ASU allows them to be remeasured at fair value either upon the occurrence of an observable price change or upon identification of an impairment, and requires an assessment for impairment qualitatively at each reporting period. ASU 2016-01 is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company is currently evaluating the impact of the provisions of ASU 2016-01 on the presentation of its financial statements.

Note 2: Concentrations, Risks, and Uncertainties

The Company maintains cash balances with one financial institution. At December 31, 2018 and 2017, accounts at this institution are insured by the Federal Deposit Insurance Corporation ("FDIC") for up to $250,000. The Company's deposits in these financial institutions at times exceeded the amount insured by the FDIC. The risk is managed by maintaining deposits in high-quality financial institutions.

At December 31, 2018 and 2017, the Company also maintains its money market funds and investments in equity securities at brokerage firms that are not FDIC insured. The firms are insured by Securities Investor Protection Corporation for up to $500,000.

Note 3: Marketable Securities

At December 31, 2018 and 2017, the Company's investments consist primarily of publicly traded equity securities categorized as available-for-sale securities and are stated at fair market value.

At December 31, 2018, cost and fair market value of such investments are as follows:

	Cost	Fair Value	Gross Unrealized Holding Gain	Gross Unrealized Holding Loss
Equities	$ 2,753,620	$ 3,308,021	$ 708,156	$ 153,755

At December 31, 2018, the allowance for unrealized gains and losses has been recorded as a separate component of members' equity (deficit) under accumulated other comprehensive income. At December 31, 2018, the aggregate market value of marketable securities exceeds their aggregate cost by $554,401. Other comprehensive income for the year ended December 31, 2018, includes net unrealized holding losses arising during the year of $400,343 and amounts reclassified from accumulated other comprehensive income totaling $60,791. The amounts reclassified from accumulated other comprehensive income affect the net realized loss on the sale of marketable securities in the accompanying statements of operations.

Sales of marketable securities classified as available for sale during the year ended December 31, 2018, resulted in proceeds of $518,701, gross realized gains of $14,109, and gross realized losses of $53,697.

At December 31, 2017, cost and fair market value of such investments are as follows:

	Cost	Fair Value	Gross Unrealized Holding Gain	Gross Unrealized Holding Loss
Equities	$ 2,575,269	$ 3,590,804	$ 1,023,987	$ 8,452

Note 3: Marketable Securities (Continued)

At December 31, 2017, the allowance for unrealized gains and losses has been recorded as a separate component of members' equity (deficit) under accumulated other comprehensive income. At December 31, 2017, the aggregate market value of marketable securities exceeds their aggregate cost by $1,015,535. Other comprehensive income for the year ended December 31, 2017, includes net unrealized holding gains arising during the year of $667,592 and amounts reclassified from accumulated other comprehensive income totaling $102,396. The amounts reclassified from accumulated other comprehensive income affect the net realized gain on the sale of marketable securities in the accompanying statements of operations.

Sales of marketable securities classified as available for sale during the year ended December 31, 2017, resulted in proceeds of $917,319, gross realized gains of $124,911, and gross realized losses of $29,851.

Note 4: Restricted Cash

As a condition of development, the Company entered into an agreement with the City of Pleasanton, California, whereby the Company will provide a certain number of independent living units that will be affordable to households of lower incomes as specified in the agreement. The agreement also calls for the Company to establish an annuity for the purpose of providing ongoing subsidies to specific households for future periods. At December 31, 2018 and 2017, amounts established totaled $1,729,271 and $1,727,160, respectively, and the Company was in compliance with all terms of the agreement.

Note 5: Costs of Acquiring Initial Continuing Care Contracts

Costs of acquiring initial continuing care contracts are capitalized since they are expected to be recovered from future contract care revenues. Initial continuing care contracts are defined as the resident contracts entered into within one year of the opening of the facility. These costs are amortized using a straight-line method over the average expected remaining lives of the residents under contract or the contract term, if shorter. The annual amortization related to these costs for both years ended December 31, 2018 and 2017, totaled $398,734.

As disclosed in Note 1, ASC 606 is effective for the Company beginning January 1, 2019. ASC 606 provides specific guidance that only allows an entity to capitalize incremental costs or those costs that an entity incurs to obtain a contract with a customer that it would have not incurred if the contract had not been obtained, such as sales commissions. The Company primarily capitalized advertising costs in its initial year of operations and therefore anticipates a write-off of unamortized costs of acquiring initial contracts totaling $3,716,199 retrospectively to all periods presented when ASC 606 is adopted.

Note 6: Construction Note Payable

In December 2015, the Company entered into a construction loan with two lending banks that provides for combined borrowings for up to $68,800,000. The loan was paid in full during 2018. At December 31, 2017, the outstanding balance due totaled $12,023,755 and interest was payable at the LIBOR daily floating rate plus 2.5 percent per annum or 4.45 percent. The loan was secured by a construction deed of trust, assignment of rents and leases, security agreement, and fixture filing on specific real and personal property. In addition, there was a personal guaranty from the financing member for up to 50 percent of the outstanding principal balance and 100 percent of all loan costs, other than principal, including any accrued and unpaid interest.

Note 7: Residence and Care Agreement

Each new resident enters into a contract with the Company called the Residence and Care Agreement (the "Residence Agreement"). The form of the agreement is in conformity with the statutes of the State of California Department of Social Services Continuing Care Contracts Branch. The provisions of the agreement include, but are not limited to, such items as the unit to be occupied, initial monthly fee, amount of contribution to the Master Trust (see Note 8), and methods of cancellation and refunds or contingent repayments subject to resale of the units.

Prior to actual occupancy by the resident, a contribution is required to be deposited with the Master Trust pursuant to the Residence Agreement.

Under the Residence Agreement, the contribution received will be repayable under the following terms and conditions:

(1) Cancellation During the Trial Residence Period - Under California law, there is a probationary period of 90 days after the date of the signed agreement during which either the Company or the resident may cancel the agreement with or without cause. Death of the resident during the period will cancel the agreement. In the event of cancellation, the resident shall be entitled to a refund in accordance with California law, which states that the Company may deduct from the contribution amount a reasonable fee to cover costs and any charges incurred but not paid.

(2) Cancellation After 90 Days - A resident may cancel his or her agreement at any time after the trial residence period for any reason by giving the Company 90 days' written notice. Death of the resident will cancel the agreement. However, if an agreement applies to more than one resident, it will remain in effect after the death of one of the residents and be adjusted as described in the agreement. The Company may cancel the agreement at any time after the trial residence period for good cause upon 90 days' written notice to the resident. Examples of good cause are defined in the Residence Agreement.

Upon termination of the Residence Agreement, the resident or his or her estate will be entitled to a repayment of the contribution less a predetermined percentage and any charges incurred but not paid, as determined by the terms and conditions of the individual agreements. In addition, upon termination of the Residence Agreement after the probationary period of 90 days, the Company may be entitled to a Deferred Entrance Fee (a percentage of the resident's contribution amount), as defined in each resident's Residence Agreement.

Note 8: Notes Payable to Master Trust and Trust Agreements

Stoneridge Creek Pleasanton Master Trust

The Stoneridge Creek Pleasanton Master Trust (the "Master Trust") was established to provide protection to the residents of the community by providing them with a vehicle through which they obtain a secured interest in the real property of the Company. New residents join in and become grantors under the trust agreement. At December 31, 2018 and 2017, the balance outstanding on the Master Trust note payable was $279,486,124 and $274,970,384, respectively.

A contribution amount, as specified in the Residence Agreement, is made to the Master Trust by the grantor (see Note 7). The trustee of the Master Trust is directed to invest virtually all the funds in the form of an interest-free loan to the Company.

The loan, which currently may not exceed $361,000,000, is secured by the following:

(1) A first priority deed of trust on the Company's real property and improvements thereon.

(2) Security agreement creating a first security interest in the Company's current and hereafter acquired equity in all the improvements, fixtures, personal property, and intangible property associated and used in connection with the real property described in the deed of trust.

(3) First priority assignment of contracts including, but not limited to, any residence and care agreement and any management agreement entered into in conjunction with the operation of Stoneridge Creek Pleasanton.

The security also includes any income generated from and any insurance proceeds recovered from the loss of any property serving as collateral for this loan.

Repayments of principal will be made in annual amounts for a period of 40 years with a final payment due December 31, 2061. Each annual payment or series of payments made during the year shall be equal to or greater than the amount of principal advanced on December 15 next preceding the payment due date divided by 40 years. The next scheduled principal payment of $6,987,153 was paid in January 2019.

Principal payments of the current outstanding Master Trust loan are estimated to mature as follows:

2019	$ 6,987,153
2020	6,812,474
2021	6,642,162
2022	6,476,108
2023	6,314,206
Thereafter	246,254,021
Total	$ 279,486,124

Note 8: Notes Payable to Master Trust and Trust Agreements (Continued)

Stoneridge Creek Pleasanton Master Trust (Continued)

In addition to the annual principal payment, the Company provides the Master Trust temporary loans to fund grantor distributions when necessary. These temporary loans are refunded to the Company upon subsequent sale of a unit or when the Master Trust has excess liquidity.

Stoneridge Creek Pleasanton Master Trust Agreement Phase II

In December 2015, the Stoneridge Creek Pleasanton Master Trust Agreement Phase II ("Trust 2") was established to provide the prospective residents of the North Phase with a secured interest in the real property, as well as provide permanent financing for Stoneridge Creek Pleasanton and improvements thereto. Trust 2 established a loan amount not to exceed $157,000,000, and the agreement specifies that upon completion of the North Phase and full repayment of the construction loan (see Note 6), Trust 2 will be merged into the original Stoneridge Creek Pleasanton Master Trust. These milestones were both reached in 2018, and thus, the merger of the trusts is anticipated to take place during 2019.

During October 2017, a portion of the North Phase was completed and subsequently occupied by new residents; the final completion of the North Phase occurred in March of 2018. New residents join in and become grantors under the Trust 2 agreement. At December 31, 2018 and 2017, the balance outstanding on the Trust 2 note payable was $110,985,596 and $36,000,000, respectively.

A contribution amount, as specified in the Residence Agreement, is made to Trust 2 by the grantor (see Note 7). The trustee of Trust 2 is directed to invest virtually all of the funds in the form of an interest-free loan to the Company.

The Trust 2 loan, which currently may not exceed $157,000,000, is secured by the following:

(1) A first priority deed of trust on the Company's real property and improvements thereon.

(2) Security agreement creating a first security interest in the Company's current and hereafter acquired equity in all of the improvements, fixtures, personal property, and intangible property associated and used in connection with the real property described in the deed of trust.

(3) First priority assignment of contracts including, but not limited to, any residence and care agreement and any management agreement entered into in conjunction with the operation of Stoneridge Creek Pleasanton.

The security also includes any income generated from and any insurance proceeds recovered from the loss of any property serving as collateral for this loan.

Note 8: Notes Payable to Master Trust and Trust Agreements (Continued)

Stoneridge Creek Pleasanton Master Trust Agreement Phase II (Continued)

Repayments of principal will be made in annual amounts for a period of 40 years commencing on the earlier of January 1, 2025, or the January 1 next following the Company's maintaining (i) a minimum of 95 percent occupancy for 6 consecutive months for all North Phase planned units or (ii) an average of 95 percent occupancy for 12 consecutive months for all North Phase planned units, with final payment due December 31, 2061. Each annual payment or series of payments made during the year shall be equal to or greater than the amount of principal advanced on December 15 next preceding the payment due date divided by 40 years. The Company had not met the minimum occupancy requirement for the North Phase as of December 31, 2018 or 2017.

Note 9: Commitments and Contingencies

Obligation to Provide Future Services

The Company annually calculates the present value of the net cost of future services and use of facilities to be provided to current residents and compares that amount with the present value of monthly service fees and the unamortized deferred revenue from deferred entrance fees. If the present value of the net cost of future services and use of facilities exceeds the monthly service fees and deferred revenue from deferred entrance fees, a liability is recorded.

Using a discount rate of 2.87 percent at December 31, 2018, and a rate of 3.00 percent at December 31, 2017, the anticipated revenues are estimated to exceed the cost of future services by $174,329,997 and $102,951,615 for the years ended December 31, 2018 and 2017, respectively. Therefore, no liability was accrued.

Reservations and Designations

At December 31, 2018 and 2017, the Company maintains cash reserves in the amount of $4,983,328 and $4,196,796, respectively, for operating expense contingencies in accordance with the requirements of the California Health and Safety Code under the State of California Department of Social Services. These reserves are included in cash and cash equivalents and marketable securities in the accompanying balance sheets.

Litigation

The Company experiences routine litigation in the normal course of its business. Management does not believe that any pending or threatened litigation will have a material adverse effect on its financial statements.

Note 10: Deferred Revenue from Unamortized Deferred Entrance Fees

At December 31, 2018 and 2017, deferred revenue from unamortized deferred entrance fees consists of the following:

	2018	2017
Deferred entrance fees before repayment	$ 78,048,958	$ 64,269,087
Less: Accumulated amortization of deferred entrance fees	(26,272,942)	(20,647,667)
Deferred Revenue from Unamortized Deferred Entrance Fees, Net	$ 51,776,016	$ 43,621,420

The deferred entrance fees are amortized to income using the straight-line method over future periods based on the estimated life of the resident in accordance with FASB ASC 954-430, *Health Care Entities - Deferred Revenue.* The period of amortization is adjusted annually based on the actuarially determined estimated remaining life expectancy of each individual or joint and last survivor life expectancy of each pair of residents occupying the same unit. During 2018 and 2017, the deferred entrance fees amortized into income were $7,300,809 and $5,808,801, respectively, based on total deferred entrance fees of $119,258,337 and $94,710,959, respectively.

Note 11: Related-Party Transactions

Pursuant to the provisions of FASB ASU 2018-17, *Consolidation (Topic 810)*, the Company has elected to not apply VIE guidance to legal entities under common control. The Company is not aware of any exposure to loss as a result of its involvement with these entities.

At December 31, 2018 and 2017, the Company has a formal service agreement with a related company concerning the provision of administrative and operational oversight services, including use of brand, transaction processing, and benefit and insurance administration, among others. The service agreement calls for a predetermined service fee, payable in equal monthly installments, and the agreement renews annually unless canceled. For the years ended December 31, 2018 and 2017, services paid under this agreement totaled $619,418 and $662,520, respectively. The service agreement also provides for additional fees for supplemental services and out-of-pocket expenses, as needed. For the years ended December 31, 2018 and 2017, the additional fees paid under this agreement totaled $125,365 and $225,397, respectively. Furthermore, the service agreement also provides for insurance premiums to be paid to a related company. Insurance premiums paid under this agreement for the years ended December 31, 2018 and 2017, totaled $402,681 and $365,852, respectively.

During the years ended December 31, 2018 and 2017, the Company paid $50,000 for management services provided by an affiliated entity owned by the financing member. These expenses are included in general and administrative expenses in the accompanying statements of operations.

Note 11: Related-Party Transactions (Continued)

The Company has an agreement for purchased health-care costs with Creekview HC, LLC, an affiliated entity. The health-care costs paid to this entity during the years ended December 31, 2018 and 2017, were $2,282,597 and $1,453,712, respectively, and are included in resident care expenses in the accompanying statements of operations. In addition, the Company had payables for accrued health-care costs totaling $35,360 and $31,752 at December 31, 2018 and 2017, respectively, which are included in accounts payable in the accompanying balance sheets.

Note 12: Employee Benefit Plan

The Company sponsors a qualified 401(k) plan (the "Plan") for all eligible employees. Employees may contribute up to 80 percent of their annual compensation, up to the maximum prescribed by law. The Company makes a safe harbor matching contribution equal to 100 percent of the first 3 percent of the participant's compensation and 50 percent of the next 2 percent of the participant's compensation, which is deferred as an elective deferral. For the years ended December 31, 2018 and 2017, employer contributions to the Plan totaled $128,185 and $66,332, respectively, which have been included in general and administrative expenses in the accompanying statements of operations.

Note 13: Fair Value Measurements

The Company accounts for marketable securities in accordance with FASB ASC 820, *Fair Value Measurements and Disclosures*. ASC 820-10 defines fair value, establishes a framework for measuring fair value, and requires enhanced disclosures about fair value measurements. FASB ASC 820 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs in the valuation of an asset as of the measurement date. The three levels are defined as follows:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3: Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Fair value is a market-based measurement considered from the perspective of a market participant rather than an entity-specific measurement. Therefore, even when market assumptions are not readily available, the Company's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Note 13: Fair Value Measurements (Continued)

Assets measured at fair value on a recurring basis are composed of available-for-sale securities. The fair value of the assets at December 31, 2018, is determined as follows:

	Level 1	Level 2	Level 3
Equities:			
Large value	$ 1,532,462	$ -	$ -
Large growth	705,174	-	-
Large core	952,145	-	-
Mid value	118,240	-	-
Total Assets at Fair Value	$ 3,308,021	$ -	$ -

Assets measured at fair value on a recurring basis are composed of available-for-sale securities. The fair value of the assets at December 31, 2017, is determined as follows:

	Level 1	Level 2	Level 3
Equities:			
Large value	$ 1,810,619	$ -	$ -
Large growth	755,547	-	-
Large core	863,278	-	-
Small core	161,360	-	-
Total Assets at Fair Value	$ 3,590,804	$ -	$ -

Note 14: Reclassifications

Certain reclassifications have been made to the 2017 financial statements in order to conform with the current year presentation.

Note 15: Subsequent Events

Events occurring after December 31, 2018, have been evaluated for possible adjustment to the financial statements or disclosure as of April 29, 2019, which is the date the financial statements were available to be issued. There were no adjustments to the financial statements or additional disclosures as a result of this evaluation.

SUPPLEMENTARY INFORMATION

White Nelson Diehl Evans LLP
CPAs | TAX | ADVISORY | AUDIT

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Members of
Stoneridge Creek Pleasanton CCRC, LLC
Pleasanton, California

We have audited the financial statements of Stoneridge Creek Pleasanton CCRC, LLC (the "Company") as of and for the years ended December 31, 2018 and 2017, and our report thereon dated April 29, 2019, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of Form 5-1 through Form 5-5 and Form 7-1 are prepared for filing with the State of California, Department of Social Services, in accordance with Section 1792 of the California Health and Safety Code, and are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of the members and management of the Company and for filing with the California Department of Social Services and should not be used by anyone other than those specified parties. However, this report is a matter of public record and its distribution is not limited.

White Nelson Diehl Evans LLP

Irvine, California
April 29, 2019

2875 Michelle Drive, Suite 300 | Irvine, California 92606 | WNDECPA.com | 714.978.1300

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	11/28/11	$0	$0	$0	$0
2	12/21/15	$0	$0	$0	$0
3*	11/03/16	$0	$0	$0	$0
4					$0
5					$0
6					$0
7					$0
8					$0
		TOTAL:	$0	$0	$0

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

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

*** Long-Term Debt Obligation 3:**
Fully paid in 2018. All interest added to outstanding principal balance.
Total principal and accumulated Interest paid in 2018 was $21,192,102.

PROVIDER: Stoneridge Creek Pleasanton CCRC, LLC

WILL LIGHTBOURNE
DIRECTOR

STATE OF CALIFORNIA—HEALTH AND HUMAN SERVICES AGENCY
DEPARTMENT OF SOCIAL SERVICES
744 P Street • Sacramento, CA 95814 • *www.cdss.ca.gov*

EDMUND G. BROWN JR.
GOVERNOR

August 18, 2015

Mr. Warren Spieker, Vice President
Continuing Life Communities, LLC
1940 Levante Street
Carlsbad, California 92009

SUBJECT: STONERIDGE CREEK PLEASANTON CCRC, LLC

Dear Mr. Spieker:

This is in response to your May 8, 2015, letter request approval to waive the long-term debt reserve requirement as it applies to the debt held by the Stoneridge Creek Pleasanton Master Trust. Pursuant to the December 11, 2014, email from Bank of America Merrill Lynch, the construction loan to Stoneridge Creek Pleasanton CCRC, LLC (SRC) has been paid in full. Therefore, as provided for in Health and Safety Code (H&SC) section 1792.3(c), the Department has agreed to waive the debt service reserve for SRC.

Please note that SRC is required to notify the Department and obtain its approval prior to closing any transaction that results in an encumbrance or lien on the SRC property or its revenues, pursuant to H&SC section 1789.2. At which time, SRC will be required to comply with the debt service reserve requirement for the new debt.

If you have any questions, you may contact this office at (916) 657-2592.

Sincerely,

Evon Lenerd

EVON LENERD, Chief
Continuing Care Branch

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: Stoneridge Creek Pleasanton CCRC, LLC

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

Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	$0
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)	
4	**TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:**	$0

PROVIDER: Stoneridge Creek Pleasanton CCRC, LLC

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line			Amounts	TOTAL
1		Total operating expenses from financial statements		$34,292,619
2		Deductions:		
	a.	Interest paid on long-term debt (see instructions)		
	b.	Credit enhancement premiums paid for long-term debt (see instructions)		
	c.	Depreciation	$9,373,582	
	d.	Amortization	$398,734	
	e.	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	$268,106	
	f.	Extraordinary expenses approved by the Department		
3		Total Deductions		$10,040,422
4		Net Operating Expenses		$24,252,197
5		Divide Line 4 by 365 and enter the result.		$66,444
6		**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount.		$4,983,328

PROVIDER: Stoneridge Creek Pleasanton CCRC, LLC
COMMUNITY: Stoneridge Creek Pleasanton

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES
Supporting Explanation for Line 2e

Line 2e is made up of the following lines from the audited statement of cash flows:

Cash received from community services	
Reimbursements for services to non-residents	$ 268,106

Categories included in the above revenues:

$	76,702	Guest Meals
	37,410	Employee Meals
	16,720	Catering
	135,988	Guest Room
	2,244	Space Rental
	(958)	Convenience Store
$	268,106	

PROVIDER: Stoneridge Creek Pleasanton CCRC, LLC
COMMUNITY: Stoneridge Creek Pleasanton

FORM 5-5
ANNUAL RESERVE CERTIFICATION

Provider Name: Stoneridge Creek Pleasanton CCRC, LLC
Fiscal Year Ended: 12/31/2018

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 12/31/2018 and are in compliance with those requirements.

Our liquid reserve requirements, computed using the audited financial statements for the fiscal year 12/31/2018 are as follows:

		Amount
[1]	Debt Service Reserve Amount	
[2]	Operating Expense Reserve Amount	$4,983,328
[3]	**Total Liquid Reserve Amount:**	$4,983,328

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		$4,704,090
[5]	Investment Securities		$3,308,021
[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] $0	[12] $8,012,111
	Reserve Obligation Amount:	[13] $0	[14] $4,983,328
	Surplus/(Deficiency):	[15] $0	[16] $3,028,783

NOTE: Please find attached the debt service requirement waiver.

Signature:

Ryan Currie

Member

Date: 4/29/2019

FORM 5-5
Description of Reserves under SB 1212

Total Qualifying Assets as Filed:

Cash and Cash Equivalents	$	4,704,090
Investment Securities	$	3,308,021
Total Qualifying Assets as Filed:	$	8,012,111

Reservations and Designations:

Reserved for Debt Service	$	-
Reserved for Operating Expenses	$	4,983,328
Total Reservations and Designations:	$	4,983,328
Remaining Liquid Reserves	$	3,028,783

Per Capita Cost of Operations

Operating Expenses (Form 5-4 line # 1)	$	34,292,619
Mean # of CCRC Residents (Form 1-1 line 10)		742
Per Capita Cost of Operations	$	46,216

PROVIDER: Stoneridge Creek Pleasanton CCRC, LLC
COMMUNITY: Stoneridge Creek Pleasanton

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)	**$3,120 - $5,920**	**N/A**	**N/A**
[2]	Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	**3.5%**	**N/A**	**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: _____January 1, 2018__
(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:___Stoneridge Creek Pleasanton CCRC, LLC________
COMMUNITY:_____Stoneridge Creek Pleasanton______

FORM 7-1

<u>REPORT ON CCRC MONTHLY SERVICE FEES</u>

Supporting Explanation for Line 5

The monthly fee increase for 2018 is reflected at 3.5% and the second person fee increase is reflected at 3.5% in fiscal year 2018. The cost drivers for this increase are: minimum wage, raw food cost, employee health insurance increase, general insurance increase for GL/PL, property, auto, cyber, crime; workers comp; purchased health care increases, property taxes, utilities and all other ancillary expenses. These amount were arrived at by using economic indicators and estimating future cost increases, which information was derived from suppliers, government mandate, and industry periodicals. The budgeted NOI, does not include capital expenditures. Economic indicators driving these capital projects include the updating of residences that turnover in order to keep current with market expectations. Other capital projects include: slurry coating, road speedbumps, resident transport trams, audio visual system, floor cleaning equipment, evacuation equipment, kitchen equipment, office equipment and a safety gate. In 2018 Phase II was completed adding land, several new buildings & facilities and land improvements to the Community. These projects and future projects that economic indicators may require, will be paid from future cash flow. NOI surplus will also be used as a return to owners for the risk of operating the community.

PROVIDER: Stoneridge Creek Pleasanton CCRC, LLC
COMMUNITY: Stoneridge Creek Pleasanton