FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	142
[2]	Number at end of fiscal year	149
[3]	Total Lines 1 and 2	291
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x.50
[5]	Mean number of continuing care residents	145.5
	All Residents	
[6]	Number at beginning of fiscal year	142
[7]	Number at end of fiscal year	149
[8]	Total Lines 6 and 7	291
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x.50
[10]	Mean number of all residents	145.5
[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).	100.00%

FORM 1-2
ANNUAL PROVIDER FEE

Line				TOTAL
[1]		Total Operating Expenses (including depreciation and debt service- interest only)		$ 10,845,000
	[a]	Depreciation	$ 62,000	
	[b]	Debt Service (Interest Only)	$ -	
[2]		Subtotal (add Line 1a and 1b)		$ 62,000
[3]		Subtract Line 2 from Line 1 and enter result.		$ 10,783,000
[4]		Percentage allocated to continuing care residents (Form 1-1, Line 11)		100.00%
[5]		Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)		$ 10,783,000
				x .001
[6]		Total Amount Due (multiply Line 5 by .001)		$ 10,783

PROVIDER: S-H OpCo Rancho Mirage, LLC
COMMUNITY: Brookdale Rancho Mirage

ACORD®

CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY) 12/30/2016

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

PRODUCER Willis of Illinois, Inc. c/o 26 Century Blvd P.O. Box 305191 Nashville, TN 372305191 USA	CONTACT NAME: PHONE (A/C, No, Ext): 1-877-945-7378 FAX (A/C, No): 1-888-467-2378 E-MAIL ADDRESS: certificates@willis.com

INSURER(S) AFFORDING COVERAGE	NAIC #
INSURER A: Underwriters at Lloyd's London	15792
INSURER B: Continental Insurance Company	35289
INSURER C: American Casualty Company of Reading, PA	20427
INSURER D: National Union Fire Insurance Company of Pittsburgh	19445
INSURER E: Columbia Casualty Company	31127
INSURER F:	

INSURED Brookdale Senior Living, Inc.
111 Westwood Place
Suite 400
Brentwood, TN 37027

COVERAGES CERTIFICATE NUMBER: W1883013 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 INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
A	X COMMERCIAL GENERAL LIABILITY X CLAIMS-MADE ☐ OCCUR Professional Liability GEN'L AGGREGATE LIMIT APPLIES PER: ☐ POLICY ☐ PRO-JECT X LOC OTHER:			SB-LTCA-01533-16	12/31/2016	12/31/2017	EACH OCCURRENCE	$ 1,000,000
							DAMAGE TO RENTED PREMISES (Ea occurrence)	$ 100,000
							MED EXP (Any one person)	$
							PERSONAL & ADV INJURY	$ 1,000,000
							GENERAL AGGREGATE	$ 3,000,000
							PRODUCTS - COMP/OP AGG	$ 1,000,000
							Deductible	$ 100,000
B	AUTOMOBILE LIABILITY X ANY AUTO ☐ OWNED AUTOS ONLY ☐ SCHEDULED AUTOS ☐ HIRED AUTOS ONLY ☐ NON-OWNED AUTOS ONLY X Comp Ded $1,000 X Coll Ded $1,000			4031698072	04/01/2016	04/01/2017	COMBINED SINGLE LIMIT (Ea accident)	$ 1,000,000
							BODILY INJURY (Per person)	$
							BODILY INJURY (Per accident)	$
							PROPERTY DAMAGE (Per accident)	$
								$
A	☐ UMBRELLA LIAB ☐ OCCUR X EXCESS LIAB X CLAIMS-MADE DED ☐ RETENTION $			SB-LTCAX-01404-16	12/31/2016	12/31/2017	EACH OCCURRENCE	$ 25,000,000
							AGGREGATE	$ 25,000,000
								$
C	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) Y/N: No If yes, describe under DESCRIPTION OF OPERATIONS below	N/A		5082521444	01/01/2017	01/01/2018	X PER STATUTE ☐ OTH-ER	Per Statute
							E.L. EACH ACCIDENT	$ 1,000,000
							E.L. DISEASE - EA EMPLOYEE	$ 1,000,000
							E.L. DISEASE - POLICY LIMIT	$ 1,000,000
D	Employment Practices Liability			03-571-04-21	12/31/2016	12/31/2017	Aggregate	$10,000,000
							Limit Incl	Defense Costs
							Retention	$250,000

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

Insured: Brookdale Rancho Mirage, 72201 Country Club Dr, Rancho Mirage, CA 92270

Other Named Insured: BKD Twenty-One Management, Inc.

SEE ATTACHED
INSURER AFFORDING COVERAGE: National Union Fire Insurance Company of Pittsburgh NAIC#: 19445
POLICY NUMBER: 03-571-04-23 EFF DATE: 12/31/2016 EXP DATE: 12/31/2017

CERTIFICATE HOLDER	CANCELLATION
Brookdale Rancho Mirage 72201 Country Club Dr Rancho Mirage, CA 92270	SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS. AUTHORIZED REPRESENTATIVE Andrea Paris

SR ID: 13847190 BATCH: Batch #: 275066

ADDITIONAL REMARKS SCHEDULE

AGENCY		NAMED INSURED
Willis of Illinois, Inc.		Brookdale Senior Living, Inc. 111 Westwood Place Suite 400 Brentwood, TN 37027
POLICY NUMBER: See Page 1		
CARRIER: See Page 1	NAIC CODE: See Page 1	EFFECTIVE DATE: See Page 1

ADDITIONAL REMARKS

THIS ADDITIONAL REMARKS FORM IS A SCHEDULE TO ACORD FORM,
FORM NUMBER: 25 FORM TITLE: Certificate of Liability Insurance

TYPE OF INSURANCE:	LIMIT DESCRIPTION:	LIMIT AMOUNT:
Crime	Limit	$5,000,000
	Deductible	$50,000

ADDITIONAL REMARKS:
Coverages Included: Inside/Outside Premises; Money Orders and Counterfeit Paper Currency; Depositors Forgery Coverage and Computer Coverage.

INSURER AFFORDING COVERAGE: Columbia Casualty Company NAIC#: 31127
POLICY NUMBER: 4031698069 EFF DATE: 04/01/2016 EXP DATE: 04/01/2017

TYPE OF INSURANCE:	LIMIT DESCRIPTION:	LIMIT AMOUNT:
Excess AL(15M x Primary)		$15,000,000

S-H OpCo Rancho Mirage, LLC

Financial Statements

December 31, 2016 and 2015

(With Independent Auditors' Report Thereon)

LBMC MAKE A GOOD BUSINESS BETTER

S-H OpCo Rancho Mirage, LLC

Table Of Contents

LBMC MAKE A GOOD BUSINESS BETTER

INDEPENDENT AUDITORS' REPORT

To the Member of
S-H OpCo Rancho Mirage, LLC

We have audited the accompanying financial statements of S-H OpCo Rancho Mirage, LLC (the "Company"), which comprise the balance sheets as of December 31, 2016 and 2015, and the related statements of operations, changes in member's equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of S-H OpCo Rancho Mirage, LLC as of December 31, 2016 and 2015, 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.

LBMC, PC

Brentwood, Tennessee
March 24, 2017

S-H OpCo Rancho Mirage, LLC
Balance Sheets
December 31, 2016 and 2015
(In Thousands)

Assets

	2016	2015
Current assets:		
Accounts receivable, net	$ 734	$ 681
Other current assets	141	112
Total current assets	875	793
Restricted cash	2,712	2,851
Property and equipment, net	2,085	195
Other assets	241	152
Total assets	$ 5,913	$ 3,991

Liabilities and Member's Equity

	2016	2015
Current liabilities:		
Accounts payable	$ 577	$ 93
Accrued expenses	496	474
Deferred revenue	109	93
Total current liabilities	1,182	660
Deferred lease costs	521	297
Other long term liabilities	252	170
Total liabilities	1,955	1,127
Member's equity	3,958	2,864
Total liabilities and member's equity	$ 5,913	$ 3,991

See accompanying notes to financial statements.

S-H OpCo Rancho Mirage, LLC
Statements of Operations
For the years ended December 31, 2016 and 2015
(In Thousands)

	2016	2015
Revenue:		
Resident services	$ 10,197	$ 10,721
Expenses:		
Community operating expense	6,801	6,861
General and administrative expense	1,471	1,291
Facility lease expense	1,782	1,770
Depreciation	62	20
Real estate tax	231	238
Management fees to related party	498	527
Total expenses	10,845	10,707
Net income (loss)	$ (648)	$ 14

See accompanying notes to financial statements.

S-H OpCo Rancho Mirage, LLC
Statements of Changes in Member's Equity
For the years ended December 31, 2016 and 2015
(In Thousands)

Balance as of December 31, 2014	$	2,723
Member contributions, net		127
Net income		14
Balance as of December 31, 2015		2,864
Member contributions, net		1,742
Net loss		(648)
Balance as of December 31, 2016	$	3,958

See accompanying notes to financial statements.

S-H OpCo Rancho Mirage, LLC

Statements of Cash Flows

For the years ended December 31, 2016 and 2015

(In Thousands)

	2016	2015
Cash flows from operating activities:		
Cash received from residents	$ 10,123	$ 10,685
Cash paid to suppliers and employees	(8,493)	(9,078)
Cash paid for facility lease	(1,757)	(1,671)
Cash reimbursement from lessor for lessee incentive	199	152
Net cash provided by operating activities	72	88
Cash flows from investing activities:		
Decrease in restricted cash	139	-
Purchases of property and equipment	(1,953)	(215)
Net cash used in investing activities	(1,814)	(215)
Cash flows from financing activities - member contributions	1,742	127
Net change in cash	-	-
Cash at beginning of year	-	-
Cash at end of year	$ -	$ -
Reconciliation of net income (loss) to net cash provided by operating activities:		
Net income (loss)	$ (648)	$ 14
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	62	20
Straight-line lease expense	25	99
Provision for doubtful accounts	234	175
Increase in:		
Accounts receivable	(287)	(213)
Other current assets	(28)	(28)
Other assets	(89)	(131)
Increase (decrease) in:		
Accounts payable and accrued expenses	507	(135)
Deferred revenue	15	6
Tenant deposits	-	(4)
Deferred lease costs	199	152
Other long term liabilities	82	133
Net cash provided by operating activities	$ 72	$ 88

See accompanying notes to financial statements.

(1) Organization

S-H OpCo Rancho Mirage, LLC (the "Company") is an operator of a senior living community (the "Community") in Rancho Mirage, California. The Company is committed to providing senior living solutions through a property that is designed, purpose-built and operated to provide the highest quality service, care and living accommodations for residents. The Community offers a variety of living arrangements and services to accommodate all levels of physical ability and health. The Community has 24 memory care units, 90 assisted living units, and 45 skilled nursing beds on one campus.

(2) Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The significant accounting policies have been summarized below.

The State of California (the "State"), under Health and Safety Code Chapter 10, requires the Company to provide financial statements, which include cash flows presented using the direct method. In accordance with this requirement, the Company has presented cash flows and related reconciliations of net income (loss) to cash flows provided by operating activities using the direct method for the years ended December 31, 2016 and 2015.

Use of Estimates and Assumptions

The preparation of the financial statements in accordance with GAAP requires management to make estimates and assumptions that affect amounts reported and disclosures of contingent assets and liabilities in the financial statements and accompanying notes. Although these estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future, actual results may be different from the estimates.

Revenue Recognition

(1) Resident Fees

Resident fee revenue is recorded when services are rendered and consists 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. Revenue for certain skilled nursing services and ancillary charges is recognized as services are provided and is billed monthly in arrears.

(2) Community Fees

Community fees are upfront fees paid by a resident in order to move into the Community. The fees are non-refundable and are recorded initially as deferred revenue. The deferred revenue amounts are amortized as resident fee revenue using the straight-line method over the estimated length of a resident's stay, which approximates 3 years. The deferred revenue related to community fees amounted to $72 and $48 as of December 31, 2016 and 2015, respectively, and is included in other long term liabilities on the accompanying balance sheets.

Restricted Cash

Restricted cash consist principally of deposits required by the California Department of Social Services ("CDSS").

Cash Management

The Company does not maintain operating cash accounts as all operating cash activities are transacted by the member and settled to the Company through net member contributions on the Statements of Changes in Member's Equity.

Accounts Receivable

The Company reports accounts receivable net of an allowance for doubtful accounts, to represent its estimate of the amount that ultimately will be realized in cash. The allowance for doubtful accounts was $190 and $78 as of December 31, 2016 and 2015, respectively. The adequacy of the Company's allowance for doubtful accounts is reviewed on an ongoing basis, using historical payment trends, write-off experience, and analyses of receivable portfolios by payor source, receivables aging, and specific accounts. Adjustments are made to the allowance estimate as necessary. Late or interest charges on delinquent accounts are not recorded until collected.

Billings for services under third-party payor programs are recorded net of estimated retroactive adjustments, if any, under reimbursement programs. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods or as final settlements are determined. Contractual or cost related adjustments from Medicare or Medicaid are accrued when assessed (without regard to when the assessment is paid or withheld). Subsequent positive or negative adjustments to these accrued amounts are recorded in net revenues when known. At December 31, 2016 and 2015, approximately 42% and 48%, respectively, of the Company's accounts receivable was covered by various third-party payor programs, including Medicare and Medicaid. Approximately 38% and 40% of the Company's resident services revenue for the years ended December 31, 2016 and 2015, respectively, was attributable to various third-party payor programs, including Medicare and Medicaid programs.

Property and Equipment

Property and equipment are recorded at cost. Renovations and improvements, which improve and/or extend the useful life of the asset are capitalized and depreciated over their estimated useful life or remaining lease term. Maintenance and repair expenditures that do not improve or extend the life of assets are expensed as incurred. Depreciation is computed using the straight-line method using the following estimated useful lives:

(dollars in thousands except as where otherwise stated)

Leasehold Improvements	Shorter of the lease term or asset useful life
Furniture and equipment	3 – 7 years

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets held for use are assessed by a comparison of the carrying amount of the asset to the estimated future undiscounted net cash flows expected to be generated by the asset. If estimated future undiscounted net cash flows are less than the carrying amount of the asset then the fair value of the asset is estimated. The impairment expense is determined by comparing the estimated fair value of the asset to its carrying value, with any amount in excess of fair value recognized as an expense in the current period. Undiscounted cash flow projections and estimates of fair value amounts are based on a number of assumptions such as revenue and expense growth rates, estimated holding periods and estimated capitalization rates.

Deferred Move-in Costs

Direct resident lease origination costs are initially deferred and amortized as community operating expenses over the estimated length of the resident's stay, which approximates 3 years. The deferred direct lease origination costs included in other assets amounted to $241 and $152 as of December 31, 2016 and 2015, respectively.

Deferred Lease Costs

Rent expense is recorded on a straight-line basis over the term of the lease. One or more option periods may be included in the lease term if the Company would incur a significant economic penalty by not renewing the lease. Lease escalations during the term of the lease create a deferred lease liability which represents the excess of rent expense to date over the actual rent paid to date. The Company's lease allows for reimbursements for normal tenant improvements paid by the Company up to a specified threshold. These reimbursements are accounted for as lease incentives as defined by Accounting Standards Codification 840, *Leases,* and are initially recorded as deferred liabilities upon receipt. The incentives are recorded on a straight-line basis as a reduction to lease expense over the term of the lease. The net amount of straight-line lease expense recognized as a result of the amortization of this liability totaled $25 and $99 during the years ended December 31, 2016 and 2015, respectively, and is included in facility lease expense on the accompanying statements of operations. As of December 31, 2016 and 2015, the Company had a deferred lease liability of $521 and $297, respectively.

Income Taxes

The Company is treated as a limited liability company for tax purposes. Generally, no provision for federal and state income taxes has been recorded as payment for income taxes is the responsibility of the individual member.

(dollars in thousands except as where otherwise stated)

Community Operating Expenses

Community operating expenses are incurred to maintain the operating activities of the communities and include salary and benefits for community employees, repairs and maintenance expenses, food, marketing and advertising, and insurance.

General and Administrative Expenses

General and administrative expenses are incurred to manage the communities operations and generally include salary and benefits for employees and other general expenses such as communications and telephone and professional fees.

Subsequent Events

The Company has evaluated events subsequent to December 31, 2016 through the date the financial statements were available to be issued, March 24, 2017, and determined that no events have occurred which would require additional disclosure.

(3) Property and Equipment

Net property and equipment as of December 31, 2016 and 2015 consisted of the following:

	2016	2015
Leasehold improvements	$ 37	$ -
Furniture and equipment	362	153
Construction in progress	1,768	62
	2,167	215
Accumulated depreciation	(82)	(20)
Property and equipment, net	$ 2,085	$ 195

For the years ended December 31, 2016 and 2015, the Company evaluated property and equipment for impairment and no charge was recorded.

(4) Accrued Expenses

Accrued expenses as of December 31, 2016 and 2015, consist of the following components:

	2016	2015
Accrued salaries and wages	$ 236	$ 192
Accrued vacation	125	116
Accrued insurance reserves	44	32
Other accrued expenses	91	134
	$ 496	$ 474

(dollars in thousands except as where otherwise stated)

(5) Related-Party Transactions

Management Agreement

On August 29, 2014, the Company entered into a long-term management agreement with BKD Twenty-one Management Company, Inc. ("BKD"), a related party. Subject to the terms of the agreement, BKD will receive a management fee equal to 5% of gross revenues plus incentives fees as defined in the agreement. Furthermore, out-of-pocket costs and expenses incurred on behalf of the Company by BKD are subject to reimbursement to BKD. The management contract extends through 2029, and has three five-year renewal options. The amount incurred for management fees were $498 and $527 for the years ended December 31, 2016 and 2015, respectively.

Community Lease

On August 29, 2014, the Company entered into a lease agreement (the "Lease") for the use of the Community from S-H Forty-Nine PropCo – California Pack, LP (the "Lessor"), a related party. The term of the Lease is 15 years and is subject to three extension terms of five years each. The Lease contains a $573 capital refurbishment project allowance for the Community. Under the terms of the Lease, approved capital refurbishment projects will be reimbursed by the Lessor up to the allowance amount. The monthly minimum rent will be increased from time to time for funding provided to the Company by the Lessor for any portion of the capital funding allowance. The lease requires the payment of base rent which escalates annually through August 2029. Effective September 1, 2019, the base rents will be reset to the fair market value rental and will escalate under the terms of the lease through August 2024. Beginning September 1, 2024, the base rents will be reset to the fair market value rental and will escalate under the terms of the lease through the remainder of the term agreement ending in August 2029. Under the terms of the Lease, the fair market value rental is subject to agreement of the Company and the Lessor or will be determined by an appraiser if the parties do not reach an agreement. Additionally, the Lessor may issue notice to the Company requiring it to establish and maintain a repair and maintenance reserve. No such notice has been issued through the date the financial statements were available to be issued. The Company incurred rent expense of $1,782 and $1,770 for the years ended December 31, 2016 and 2015, respectively.

A summary of the lease expense and impact of straight-line adjustment for the years ended December 31, 2016 and 2015 are as follows:

	2016	2015
Cash basis payment	$ 1,757	$ 1,671
Straight-line change for deferred lease	39	104
Straight-line change for lessor reimbursements	(14)	(5)
Facility lease expense	$ 1,782	$ 1,770

(dollars in thousands except as where otherwise stated)

The aggregate amounts of future minimum lease payments, estimated for fair market value reassessment, under the agreement as of December 31, 2016, are as follows:

2017	$	1,800
2018		1,861
2019		1,917
2020		1,975
2021		2,034
Thereafter		17,539
Total (Through August 2029)	$	27,126

As described above, the future lease payments under the Lease are subject to an adjustment to the fair market value rental beginning in September 2019 and September 2024. The future lease payments presented in the table above include an estimate of additional rent payments subsequent to the rent adjustment in 2019.

(6) Credit Risk

The Company generally maintains cash on deposit at banks in excess of federally insured amounts. The Company has not experienced any losses in such accounts and management believes the Company is not exposed to any significant credit risk related to cash.

(7) Commitments and Contingencies

Minimum Liquid Reserve

The CDSS, under Health and Safety code section 1789, requires the Company to maintain minimum debt service and operating reserves for continuing care service providers based on certain financial calculations. The Company holds a reserve balance of $2,712 and $2,851 as of December 31, 2016 and 2015, respectively. Additional funding is expected to be required in 2017.

Litigation

The Company is subject to legal proceedings and claims that arise in the ordinary course of business. However, management believes the amount of potential liability with respect to these actions will not materially affect the financial position or results of operations of the Company.

Insurance

The delivery of personal and health care services entails an inherent risk of liability. Participants in the senior living and health care services industry have become subject to an increasing number of lawsuits alleging negligence or related legal theories, many of which involve large claims and result in the incurrence of significant exposure and defense costs. Through Brookdale Senior Living, Inc ("Brookdale"), a related party, the Company currently maintains general and professional medical malpractice insurance policies under a master insurance program. In response to these conditions, Brookdale and the Company have increased the staff and resources involved in the quality assurance, compliance, and risk management.

Through Brookdale, the Company currently maintains single incident and aggregate liability protection in the amount of $75,000 for professional liability and $1,000 for single incident and

$3,000 in aggregate for general liability and professional liability, with self-insured retentions of $100 for single incident and $600 in annualized aggregate. Through Brookdale, the Company participates in a self-insured workers' compensation program, with excess of loss coverage provided by third party carriers. The Company's coverage for workers' compensation and related programs included a shared loss worker compensation program through Brookdale. Brookdale maintains workers compensation coverage through a large deductible policy with a current deductible of $1,000. Through the shared worker compensation program claims costs are allocated between all participants based on community type. Each participant is assigned a loss factor that is applied to budgeted payroll to accrue claims expense under the program to each participant. Through Brookdale, the Company participates in a self-insurance program for employee medical coverage. Loss reserves for employee medical coverage are recorded as liabilities by Brookdale with no allocation made to the Company. The resulting loss expenses incurred by Brookdale are allocated to the Company during the year.

Estimated claims reserves related to this self-insurance program are accrued for the ultimate cost of unpaid reported and unreported claims incurred. The reserves are adjusted regularly based on experience. The Company performs a continuing review of its claims and claim adjustment expense reserves, including its reserving techniques, through the engagement of an external actuarial firm. Since the reserves are based on estimates, the ultimate liability may be more or less than such reserves. The effects of changes in such estimated reserves are included in the results of operations in the period in which the estimates are changed. Such changes in estimates could occur in a future period and may be material to the Company's results of operations and financial position in such period. Accrued insurance reserves were $223 ($44 in accrued expenses and $179 in other long term liabilities) and $155 ($32 in accrued expenses and $123 in other long term liabilities) as of December 31, 2016 and 2015, respectively.

Health Care Regulations

The health care industry is subject to numerous laws and regulations of Federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid, or other state program, fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Company is in compliance with fraud and abuse statutes as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

The centers for Medicare and Medicaid Services ("CMS") have implemented a Recovery Audit Contractors ("RAC") program. The purpose of the program is to reduce improper Medicare payments through the detection and recovery of overpayments. CMS has engaged subcontractors to perform these audits and they are being compensated on a contingency basis based on the amount of overpayments that are recovered. Management expects the Company to be subject to future audits. While management believes that all Medicare billings are proper and support is maintained, certain aspects of Medicare billing, coding and support are subject to interpretation and may be viewed differently by the RAC auditors. As the amount of any recovery is unknown, management has not recorded any reserves related to the RAC at this time.

Healthcare Reform

The health care industry in the United States is subject to fundamental changes due to ongoing health care reform efforts and related political, economic and regulatory influences. Notably, the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively, the "Affordable Care Act") resulted in expanded health care coverage to millions of previously uninsured people beginning in 2014 and has resulted in significant changes to the U.S. health care system. To help fund this expansion, the Affordable Care Act outlines certain reductions in Medicare reimbursements for various health care providers, including skilled nursing facilities, as well as certain other changes to Medicare payment methodologies. This comprehensive health care legislation has resulted and will continue to result in extensive rulemaking by regulatory authorities, and also may be altered, amended, repealed, or replaced. It is difficult to predict the full impact of the Affordable Care Act due to the complexity of the law and implementing regulations, as well the Company's inability to foresee how CMS and other participants in the health care industry will respond to the choices available to them under the law. The Company also cannot accurately predict whether any new or pending legislative proposals will be adopted or, if adopted, what effect, if any, these proposals would have on the Company's business. Similarly, while the Company can anticipate that some of the rulemaking that will be promulgated by regulatory authorities will affect the Company's business and the manner in which the Company is reimbursed by the federal health care programs, the Company cannot accurately predict today the impact of those regulations on the Company's business. The provisions of the legislation and other regulations implementing the provisions of the Affordable Care Act or any amended or replacement legislation may increase costs, decrease revenues, expose the Company to expanded liability or require the Company to revise the ways in which it conducts business.

In addition to its impact on the delivery and payment for health care, the Affordable Care Act and the implementing regulations have resulted and may continue to result in increases to the Company's costs to provide health care benefits to its employees. The Company also may be required to make additional employee-related changes to its business as a result of provisions in the Affordable Care Act or any amended or replacement legislation impacting the provision of health insurance by employers, which could result in additional expense and adversely affect the Company's results of operations and cash flow.

LBMC

MAKE A GOOD
BUSINESS BETTER

BLC Glenwood-Gardens AL-LH, LLC
S-H OpCo Camarillo, LLC
S-H OpCo Carlsbad, LLC
S-H OpCo Carmel Valley, LLC
S-H OpCo Rancho Mirage, LLC
S-H OpCo San Juan Capistrano, LLC
Emeritus Corporation d/b/a Brookdale Northridge, Brookdale Fountaingrove, Brookdale Yorba Linda and Brookdale San Dimas

2016 Client Service Communication

LBMC MAKE A GOOD BUSINESS BETTER

The Members and Board of Directors
BLC Glenwood-Gardens AL-LH, LLC; S-H OpCo Camarillo, LLC; S-H OpCo Carlsbad, LLC; S-H OpCo Carmel Valley, LLC; S-H OpCo Rancho Mirage, LLC; S-H OpCo San Juan Capistrano, LLC; and Emeritus Corporation d/b/a Brookdale Northridge, Brookdale Fountaingrove, Brookdale Yorba Linda and Brookdale San Dimas (collectively the "Companies")

Dear Members and Board of Directors:

We have audited the continuing care reports Forms 5-1 through 5-5 ("the Reports"), prepared pursuant to the requirements of the report preparation provisions of California Health and Safety Code Section 1792, of the Companies for the year ended December 31, 2016, and have issued our report thereon dated April 26, 2017. Professional standards require that we provide you certain information related to the planned scope and timing of our audits. We have communicated such information in our engagement letter dated September 15, 2016. Professional standards also require that we communicate to you certain other matters related to our audits.

This information is intended solely for the use of the Members and Board of Directors, management and others within the aforementioned companies and is not intended to be, and should not be used by anyone other than these specified parties.

We appreciate the confidence you place in LBMC as your business advisor. We strive to help you stay compliant, manage risk, and improve performance in every way as you grow your business.

LBMC, PC

Brentwood, Tennessee
April 26, 2017

Table of Contents

Qualitative Assessments

Area	Detail
Qualitative Aspects of Accounting Practices – Accounting Policies	Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. No new accounting policies were adopted and the application of existing policies was not changed during 2016. We are not aware of any transactions entered into by the Companies during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the Reports in the proper period.
Qualitative Aspects of Accounting Practices - Estimates	Accounting estimates are an integral part of the Reports prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive due to: (i) their significance to the Reports; and (ii) possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Reports relate to: • *Calculation of revenue applicable to residents without a continuing care contract* • *Depreciable lives of property and equipment* • *Amortization period of resident leasehold intangibles* We have reviewed and evaluated all areas where management's estimates significantly impact the Reports and have concluded that they are reasonable in the context of the Reports taken as a whole.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. No misstatements were detected as a result of our audit procedures.

Interaction with Management, Independence, and Other Matters

Area	Detail
Difficulties Encountered in Performing the Audit	For purposes of this report, "difficulties" may include matters such as: • the unavailability of, or significant delays in management's providing information, • an unreasonable time frame within which to complete the audit, • extensive unexpected effort required to obtain audit evidence, or • restrictions imposed on the auditor by management. We encountered no significant difficulties in performing and completing our audits.
Disagreements with Management	For purposes of this report, professional standards define "disagreements with management" as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the reports or the auditors' reports. We are pleased to report that no such disagreements arose during the course of our audits.
Management Consultations with other Independent Accountants	In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If consultation involves application of an accounting principle to the Companies' Reports or a determination of the type of auditors' opinion that may be expressed on those Reports, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.
Management Representations	We have requested certain representations from management that are included in the management representation letter dated April 26, 2017.
Independence	We are not aware of any relationships between our firm and the Companies that, in our professional judgment, may reasonably be thought to bear on our independence that have occurred during the period from January 1, 2016 through the date of this report.

Internal Control Related Matters

In planning and performing our audit of the Reports, we considered the Companies' internal control over accounting and financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Reports, but not for the purpose of expressing an opinion on the effectiveness of the Companies' internal control. Accordingly, we do not express an opinion on the effectiveness of the Companies' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Companies' Reports will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Client Service is a Priority

For additional information or if you have questions please contact the Audit Service Team Leader.

Andrew S. Bissonnette
615-309-2209 Direct
615-294-5502 Mobile
abissonnette@lbmc.com

CONTINUING CARE
RESERVE REPORT
PART 5

LBMC MAKE A GOOD BUSINESS BETTER

INDEPENDENT AUDITORS' REPORT

The Member
S-H OpCo Rancho Mirage, LLC:

We have audited the accompanying continuing care reserve report Forms 5-1 through 5-5 (the "Reports") of S-H OpCo Rancho Mirage, LLC (the "Company"), as of December 31, 2016. The Reports have been prepared by management using the report preparation provisions of California Health and Safety Code Section 1792.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on the Reports 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 Reports are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Reports. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Reports, 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 Reports in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of 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 Reports.

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 Reports present fairly, in all material respects, the liquid reserve requirements of the Company as of December 31, 2016, in conformity with the report preparation provisions of California Health and Safety Code Section 1792.

Basis of Accounting

The accompanying Reports were prepared in accordance with the report preparation provisions 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. The Reports are not intended to be a complete presentation of the Company's assets, liabilities, revenues and expenses. 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 Company and for filing with the California Department of Social Services and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

LBMC, PC

Brentwood, Tennessee
April 26, 2017

FORM 5-1

LONG-TERM DEBT INCURRED IN A PRIOR FISCAL YEAR

(Including Balloon Debt)

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(c) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b)+ (c)+ (d))
1					
2					
3					
4					
5					
6					
7					
8					
			$0.00	$0.00	$0.00

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

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

PROVIDER: S-H OpCo Rancho Mirage, 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					
2					
3					
4					
5					
6					
7					
8					
	TOTAL:	$0.00	$0.00	$0.00	$0.00

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

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

PROVIDER: S-H OpCo Rancho Mirage, LLC

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

Line		TOTAL
1	Total from Form 5-1 bottom of Column (e)	$ -
2	Total from Form 5-2 bottom of Column (e)	$ -
3	Facility leasehold or rental payment paid by provider during fiscal year. (including related payments such as lease insurance)	$ 1,782,000
4	**TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:**	$ 1,782,000

PROVIDER: S-H OpCo Rancho Mirage, LLC

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		$ 10,845,000
2	Deductions		
a	Interest paid on long-term debt (see instructions)	$ 1,782,000	
b	Credit enhancement premiums paid for long-term debt (see instructions)	$ -	
c	Depreciation	$ 62,000	
d	Amortization	$ -	
e	Revenues received during the fiscal year for services to persons who did not have a continuing care contract	$ -	
f	Extraordinary expenses approved by the Department	$ -	
3	Total Deductions		$ 1,844,000
4	Net Operating Expenses		$ 9,001,000
5	Divide Line 4 by 365 and enter the result.		$ 24,660
6	**Multiply Line 5 by 75 and enter the result.** This is the provider's operating expense reserve amount.		$ 1,850,000

PROVIDER: S-H OpCo Rancho Mirage, LLC

COMMUNITY: Brookdale Rancho Mirage

FORM 5-5

ANNUAL RESERVE CERTIFICATION

Provider Name: S-H OpCo Rancho Mirage, LLC

Fiscal Year Ended: December 31, 2016

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended 12/31/16 and are in compliance with those requirements.

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

		Amount
[1]	Debt Service Reserve Amount	$ 1,782,000
[2]	Operating Expense Reserve Amount	$ 1,850,000
[3]	Total Liquid Reserve Amount:	$ 3,632,000

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	$ 1,782,000	$ 930,000
[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)

Cash reserve account held at bank. See attached year end statement.

Total Amount of Qualifying Assets Listed for Liquid Reserves:	[11]	$ 1,782,000	[12]	$ 930,000
Total Amount Required:	[13]	$ 1,782,000	[14]	$ 1,850,000
Surplus/(Deficiency):	[15]	$ -	[16]	$ (920,000)

Signature: [signature]

(Authorized Representative)

Sharyl Ronan, Vice President

(Title)

Date: 4/20/17

S-H OpCo Rancho Mirage, LLC
Additional Disclosure to Form 5-5
December 31, 2016

Disclosures per H&SC section 1790(a)

i The per capita costs of operation:

Form 1-2	1. Total Operating Expense	$10,854,000
Form 1-1	7. Number at end of year	149
	Total costs per resident	$72,846

ii The construction in progress was funded through the communities own funds, no new financing was made in FY 2016 for construction. In addition, there were no contingency amounts nor any funds set aside for future projects.

Form 5-5 Qualifying Assets as of December 31, 2016:

- Restricted cash account held at The Private Bank. Balance @ 12/31/16 = $2,712,000.06 – see attached

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)	N/A	$3,518	$9,188
[2] Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	N/A	12.6%	3.7%

☐ 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: 1/1/2016
(If more than 1 increase was implemented, indicate the dates for each increase.)

[4] Check each of the appropriate boxes:

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

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

X 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.

X 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.

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

X 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: S-H OpCo Rancho Mirage, LLC
COMMUNITY: Brookdale Rancho Mirage

Form 7-1 Note

[5] Monthly service fees increased due to rate changes from annual increases from both billing and market rate adjustments of 3.9% - 12.6%. Additional factors affecting average for the year include new or burning off incentives, resident turnover, and market evaluations.

S-H OPCO Rancho Mirage, LLC
Statement of Cash Flows - Indirect Method
For the Period January 1, 2016 through December 31, 2016
(In Thousands)

		2016	2015
Cash flows from operating activities:			
Net income (loss)	$	(657)	14
Adjustments to reconcile net income (loss) to cash provided by (used in) operations:			
Depreciation and amortization		62	20
Straight-line lease expense		25	99
Provision for doubtful accounts		234	175
Accounts receivable		(287)	(213)
Other current assets		(26)	(28)
Other assets		(89)	(131)
Accounts payable and accrued expenses		316	(135)
Deferred revenue		15	6
Tenant deposits		(2)	(4)
Deferred lease liability		199	152
Other long term liabilities		82	133
Net cash used in operating activities		(128)	88
Cash flows from investing activity:			
Increase in Restricted Cash		139	-
PPE		(1,953)	(215)
Net cash used in investing activities		(1,814)	(215)
Cash flows from financing activity:			
Member contributions		1,942	127
Net cash provided by financing activities		1,942	128
Net decrease in cash and cash equivalents		0	0
Cash and cash equivalents at beginning of period		—	—
Cash and cash equivalents at end of period	$	0	0

S-H OPCO Rancho Mirage, LLC
Cash Flows-Direct Method (in thousands)
For the Period January 1, 2016 through December 31, 2016
(In Thousands)

	2016	2015
Cash Flows from operating activities		
Cash received from residents	$ 10,067	$ 10,685
Cash paid to suppliers and employees	(8,612)	(9,078)
Cash paid for facility lease	(1,782)	(1,671)
Cash reimbursement from lessor for lessee incentive	199	152
Net cash provided by (used in) operating activities	(128)	88
Cash flows from investing activities		
Change in Restricted Cash	139	-
Change in PP&E	(1,953)	(215)
Net cash used in investing activities	(1,814)	(215)
Cash flows from financing activities - member contributions	1,942	127
Net cash provided by financing activities		
Net change in cash	0	-
Cash at beginning of year	-	-
Cash at End of Year	$ 0	$ -
Reconciliation of net income (loss) to net cash provided by operating activities:		
Net Loss	$ (657)	$ 14
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	62	20
Straight-line lease expense	25	99
Provision for Doubtful Accounts	234	175
(Increase) decrease in:		
Accounts Receivable	(287)	(213)
Other Current Assets	(26)	(28)
Other Long-Term Assets	(89)	(131)
Increase (decrease) in:		
Accounts Payable and Accrued Expenses	316	(135)
Deferred Revenue	15	6
Tenant Security Deposits	(2)	(4)
Deferred lease liability	199	152
Other Long Term Liabilities	82	133
Net cash provided by (used in) operating activities	$ (128)	$ 88

Continuing Care Retirement Community
Disclosure Statement
General Information

Date Prepared: 4/27/17

FACILITY NAME: Brookdale Rancho Mirage

ADDRESS: 72201 Country Club Dr, Rancho Mirage, CA ZIP CODE: 92270 PHONE: 760-340-5999

PROVIDER NAME: S-H OpCo Rancho Mirage, LLC FACILITY OPERATOR: S-H OpCo Rancho Mirage, LLC

RELATED FACILITIES: Please see below for other CCRCs RELIGIOUS AFFILIATION: None

YEAR OPENED: 2000 # OF ACRES: 6.22 ☐ SINGLE STORY ☑ MULTI-STORY ☐ OTHER: ______ MILES TO SHOPPING CTR: 1.5 MILES TO HOSPITAL: .25

* *

NUMBER OF UNITS:

RESIDENTIAL LIVING		HEALTH CARE	
APARTMENTS – STUDIO:	0	ASSISTED LIVING:	109 beds
APARTMENTS – 1 BDRM:	0	SKILLED NURSING:	45 beds
APARTMENTS – 2 BDRM:	0	SPECIAL CARE:	26 beds
COTTAGES/HOUSES:	0	DESCRIPTION: >	Dementia Care
RLU OCCUPANCY (%) AT YEAR END:	0	>	

* *

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: ______

RANGE OF ENTRANCE FEES: $2,000 - $4,000 **LONG-TERM CARE INSURANCE REQUIRED?** ☐ YES ■ NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: None

ENTRY REQUIREMENTS: MIN. AGE: 60 PRIOR PROFESSION: N/A OTHER: N/A

RESIDENT REPRESENTATIVE(S) TO, AND RESIDENT MEMBER(S) ON, THE BOARD (briefly describe provider's compliance and residents' role): >

> A resident representative meets with a representative of the governing body periodically to discuss budgeting and other resident matters.

* *

FACILITY SERVICES AND AMENITIES

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

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: S-H OpCo Rancho Mirage, LLC

OTHER CCRCs	LOCATION (City, State)	PHONE (with area code)
Brookdale Carlsbad	Carlsbad, CA	(760) 720-9898
Brookdale Carmel Valley	San Diego, CA	(858) 259-2222
Brookdale Rancho Mirage	Rancho Mirage, CA	(760) 340-5999
Brookdale San Juan Capistrano	San Juan Capistrano, CA	(949) 248-8855
Brookdale Camarillo	Camarillo, CA	(805) 388-8086
Brookdale Riverwalk	Bakersfield, CA	(661) 587-0182
Brookdale Northridge	Northridge, CA	(818) 886-1616
Brookdale San Dimas	San Dimas, CA	(909) 394-0304
Brookdale Fountaingrove	Santa Rosa, CA	(707) 566-8600
Brookdale Yorba Linda	Yorba Linda, CA	(714)-777-9666

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

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

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

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

PROVIDER NAME: S-H OpCo Rancho Mirage, LLC

	2013	2014	2015	2016
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (Excluding amortization of entrance fee income)	N/A	3,850,209	10,720,839	10,197,000
LESS OPERATING EXPENSES (Excluding depreciation, amortization, and interest)		3,628,599	10,687,042	10,792,000
NET INCOME FROM OPERATIONS		221,610	33,797	(592,000)
LESS INTEREST EXPENSE		-	-	1,782,000
PLUS CONTRIBUTIONS		101,636	127,000	1,742,000
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)		(6,745)		
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION		316,501	141,119	(635,000)
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)		-	-	-

* *

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

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

* *

FINANCIAL RATIOS (see next page for ratio formulas)

	2015 CCAC Medians 50th Percentile *(optional)*	2014	2015	2016
DEBT TO ASSET RATIO				.09
OPERATING RATIO		0.94	1.00	1.07
DEBT SERVICE COVERAGE RATIO				-.37
DAYS CASH ON HAND RATIO				

* *

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	2013	%	2014	%	2015	%	2016
STUDIO			2,951	5.3%	3,107		
ONE BEDROOM			2,999	15.0%	3,448		
TWO BEDROOM			4,353	3.2%	4,493		
COTTAGE/HOUSE			-	-	-		
ASSISTED LIVING			2,909	7.4%	3,123	12.6%	3,518
SKILLED NURSING			5,777	53.4%	8,861	3.7%	9,188
SPECIAL CARE			3,351	11.7%	3,794	8.0%	4,098

* *

COMMENTS FROM PROVIDER: >

>

>

PROVIDER NAME: S-H OpCo Rancho Mirage, LLC

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.