

ANNUAL REPORT CHECKLIST

FISCAL YEAR ENDED: 12/31/2025

PROVIDER(S):

CC-Palo Alto, Inc.

CCRC(S):

Vi at Palo Alto

PROVIDER CONTACT PERSON:

Tara Cope

TELEPHONE NUMBER:

312-803-8555

E-MAIL ADDRESS:

tcope@viliving.com

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

- Annual Report Checklist.
- Annual Provider Fee in the amount of: \$65,244.10
 - If applicable, late fee in the amount of: \$ _____
- Certification by the provider's **Chief Executive Officer** that:
 - The reports are correct to the best of his/her knowledge.
 - Each continuing care contract form in use or offered to new residents has been approved by the Department.
 - The provider is maintaining the required liquid reserves and, when applicable, the required refund reserve.
- Evidence of the provider's fidelity bond, as required by H&SC section 1789.8.
- Provider's audited financial statements, with an accompanying certified public accountant's opinion thereon.
- Provider's audited reserve reports (prepared on Department forms), with an accompanying certified public accountant's opinion thereon. (NOTE: Form 5-5 must be signed and have the required disclosures attached (H&SC section 1790(a)(2) and (3)).
- "Continuing Care Retirement Community Disclosure Statement" for **each** community.
- Form 7-1, "Report on CCRC Monthly Service Fees" for **each** community.
- Form 9-1, "Calculation of Refund Reserve Amount", if applicable.
- Key Indicators Report (signed by CEO or CFO (or by the authorized person who signed the provider's annual report)). The KIR may be submitted along with the annual report, but is not required until 30 days later.

FORM 1-1:RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	615
[2]	Number at end of fiscal year	612
[3]	Total Lines 1 and 2	1,227
		x.50
[5]	Mean number of continuing care residents Please allow decimal points for Line [5]	613.5

All Residents

[6]	Number at beginning of fiscal year	640
[7]	Number at end of fiscal year	643
[8]	Total Lines 6 and 7	1,283
		x.05
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	
[10]	Mean number of <i>all</i> residents	641.5
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	95.64

Please allow decimal points in Line [11]

FORM 1-2: ANNUAL PROVIDER FEE

Line	TOTAL
[1] Total Operating Expenses (including depreciation and debt service - interest only)	78,541,174.00
[a] Depreciation	10,315,189.00
[b] Debt Service (Interest Only)	7,564.00
[2] Subtotal (add Line 1a and 1b)	10,322,753.00
[3] Subtract Line 2 from Line 1 and enter result.	68,218,421.00
[4] Percentage allocated to continuing care residents (Form 1-1, Line 11)	95.64
[5] Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	65,244,098.00
[6] Total Amount Due (multiply Line 5 by .001)	\$ 65,244.10

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



CERTIFICATE OF PROPERTY INSURANCE

DATE (MM/DD/YYYY)
01/06/2026

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.

PRODUCER MARSH USA LLC 155 N. WACKER, SUITE 1200 Chicago, IL 60606	CONTACT NAME: Marsh Business & Client Services PHONE (A/C, No, Ext): _____ FAX (A/C, No): _____ E-MAIL ADDRESS: Chicago.CertRequest@marsh.com PRODUCER CUSTOMER ID: _____														
INSURED CC-Palo Alto, Inc. 620 Sand Hill Road Palo Alto, CA 94304	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 80%;">INSURER(S) AFFORDING COVERAGE</th> <th style="width: 20%;">NAIC #</th> </tr> </thead> <tbody> <tr> <td>INSURER A : See Attached Schedule of Insurers</td> <td></td> </tr> <tr> <td>INSURER B :</td> <td></td> </tr> <tr> <td>INSURER C :</td> <td></td> </tr> <tr> <td>INSURER D :</td> <td></td> </tr> <tr> <td>INSURER E :</td> <td></td> </tr> <tr> <td>INSURER F :</td> <td></td> </tr> </tbody> </table>	INSURER(S) AFFORDING COVERAGE	NAIC #	INSURER A : See Attached Schedule of Insurers		INSURER B :		INSURER C :		INSURER D :		INSURER E :		INSURER F :	
INSURER(S) AFFORDING COVERAGE	NAIC #														
INSURER A : See Attached Schedule of Insurers															
INSURER B :															
INSURER C :															
INSURER D :															
INSURER E :															
INSURER F :															

COVERAGES **CERTIFICATE NUMBER:** CHI-009974788-12 **REVISION NUMBER:**

LOCATION OF PREMISES / DESCRIPTION OF PROPERTY (Attach ACORD 101, Additional Remarks Schedule, if more space is required)
 Re: VI at Palo Alto, 620 Sand Hill Road, Palo Alto, CA 94304

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

INSR LTR	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YYYY)	POLICY EXPIRATION DATE (MM/DD/YYYY)	COVERED PROPERTY	LIMITS
A	<input checked="" type="checkbox"/> PROPERTY	See Attached	12/31/2025	12/31/2026	<input checked="" type="checkbox"/> BUILDING	\$ SEE BELOW
	CAUSES OF LOSS				<input checked="" type="checkbox"/> PERSONAL PROPERTY	\$ SEE BELOW
	<input type="checkbox"/> BASIC				<input checked="" type="checkbox"/> BUSINESS INCOME	\$ SEE BELOW
	<input type="checkbox"/> BROAD				<input checked="" type="checkbox"/> EXTRA EXPENSE	\$ SEE BELOW
	<input checked="" type="checkbox"/> SPECIAL				<input checked="" type="checkbox"/> RENTAL VALUE	\$ SEE BELOW
	<input checked="" type="checkbox"/> EARTHQUAKE				BLANKET BUILDING	\$
	<input checked="" type="checkbox"/> WIND				BLANKET PERS PROP	\$
	<input checked="" type="checkbox"/> FLOOD				<input checked="" type="checkbox"/> BLANKET BLDG & PP	\$
					<input checked="" type="checkbox"/> LOSS LIMIT	\$ 400,000,000
						\$
	INLAND MARINE	TYPE OF POLICY			\$	
	CAUSES OF LOSS				\$	
	NAMED PERILS	POLICY NUMBER			\$	
					\$	
	CRIME				\$	
	TYPE OF POLICY				\$	
					\$	
	BOILER & MACHINERY / EQUIPMENT BREAKDOWN				\$	
					\$	
					\$	
					\$	

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

CERTIFICATE HOLDER California Department of Social Services Attn.: Ms. Linda Smith 744 P. Street Sacramento, CA 95814	CANCELLATION SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS. AUTHORIZED REPRESENTATIVE <div style="text-align: right;"><i>Marsh USA LLC</i></div>
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Insured
Policy period

CC- Development Group, Inc.
12/31/2025-12/31/2026

Issuing Companies: Quota Share Participation By Layer

Carrier	Policy Number	Participation (%)	Participation (\$)
AR-Risk			
\$25,000,000 Excess Deductible			
Carrier	Policy Number	Participation (%)	Participation (\$)
Allied World Assurance Company Ltd	P006392/019	7.5000%	\$1,875,000
Velocity (Various Carriers)	United Specialty Insurance Company: VTX-CN-0000681-09 Certain Underwriters at Lloyd's, London: VRN-CN-0000681-09 Velocity Specialty Insurance Company: VSI-CN-0000681-09 Emerald Bay Specialty Insurance Company: VEB-CN-0000681-09 Certain Underwriters at Lloyd's, London: VN8-CN-0000681-09 Harleysville Insurance Company of New York: RYA-CN0000681-09	7.5000%	\$1,875,000
Illinois Union Insurance Company	D39075532 005	10.0000%	\$2,500,000
Lloyds of London	805098OWPF2550997	43.5000%	\$10,875,000
Certain Underwriters at Lloyd's Syndicate 4444 (Canopus)	873982DAA	5.0000%	\$1,250,000
\$50,000,000 Excess Deductibles			
Carrier	Policy Number	Participation (%)	Participation (\$)
Ironshore Specialty Insurance Company	1000370378-07	6.5000%	\$3,250,000
\$80,000,000 Excess Deductibles			
Carrier	Policy Number	Participation (%)	Participation (\$)
Lexington Insurance Company	034250013	10.0000%	\$8,000,000
Everest Indemnity Insurance Company	RP8P000066-251	10.0000%	\$8,000,000
\$25,000,000 Excess \$25,000,000			
Carrier	Policy Number	Participation (%)	Participation (\$)
Lloyds of London - Brit Lead	805098OWPF2550998	32.0000%	\$8,000,000
Alcor - Lloyds of London Syndicate 4242	25ALC642250A	5.0000%	\$1,250,000
\$55,000,000 Excess \$25,000,000			
Carrier	Policy Number	Participation (%)	Participation (\$)
Hamilton Re Ltd.	PX25-4695-01	7.0000%	\$3,850,000
Endurance Specialty Insurance Limited (Sompol)	BPD30000382503	4.1000%	\$2,255,000
Certain Underwriters at Lloyd's Syndicate 4444 (Canopus)	873982DBA	5.0000%	\$2,750,000
Steadfast Insurance Company	XPP-5679423-02	9.0000%	\$4,950,000
Allianz Global Risks US Insurance Company	USP00172425	11.4000%	\$6,270,000
\$30,000,000 Excess \$50,000,000			
Carrier	Policy Number	Participation (%)	Participation (\$)
Lloyds of London - ARK/INIGO	805098OWPF2550999	38.5000%	\$11,550,000
Lloyds of London - Advocat	805098OWPF2551000	5.0000%	\$1,500,000
\$320,000,000 Excess \$80,000,000			
Carrier	Policy Number	Participation (%)	Participation (\$)
Chubb Bermuda Insurance Ltd - INCLUDES TERRORISM	CCOEVELO02217P03	100.0000%	\$320,000,000
Terrorism			
\$80,000,000 Excess Deductible			
Carrier	Policy Number	Participation (%)	Participation (\$)
Lloyds of London	805098OWFN2550915	100.0000%	\$80,000,000
Active Shooter/Active Assailant			
Carrier	Policy Number	Participation (%)	Participation (\$)
Lloyds of London	805098OWFN2550916	100.0000%	\$1,000,000
Excess Earthquake			
\$150,000,000 Excess of \$80,000,000			
Carrier	Policy Number	Participation (%)	Participation (\$)
Lexington Insurance Company	043405605	13.3333%	\$20,000,000
Triura Specialty Insurance Company (Arrowhead)	14100733	13.3333%	\$20,000,000
Palomar Excess and Surplus Insurance Company-Treaty 1	PE707912	16.6667%	\$25,000,000
Palomar Excess and Surplus Insurance Company-Treaty 3	PN700147	6.6667%	\$10,000,000
Palomar Excess and Surplus Insurance Company-Treaty 4	PD700303	3.3333%	\$5,000,000
QBE Specialty Insurance Company	ESE23557-00	33.3333%	\$50,000,000
Steadfast Insurance Company	BPP0749125	13.3333%	\$20,000,000
Earthquake			
Carrier	Policy Number	Participation (%)	Participation (\$)
Lloyds of London - CA EQ Buy Down	805098OWPF2550996	100.0000%	\$2,000,000

Insured CC- Development Group, Inc.
Policy period 12/31/2025-12/31/2026

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

Flood- FEMA 100 Year Flood Zones (Occurrence/ Aggregate)	\$50,000,000
Flood- All Other Locations (Occurrence/ Aggregate)	\$200,000,000
Earth Movement- Alaska, California, Hawaii, Puerto Rico (Occurrence/ Aggregate)	\$80,000,000
Earth Movement- Critical New Madrid & Pacific Northwest Areas (Occurrence/ Aggregate)	\$50,000,000
Earth Movement- All Other Locations (Occurrence/ Aggregate)	\$200,000,000
Named Storm- FL, HI, PR, US VI, and First Tier Areas in other states	\$80,000,000
Debris Removal	\$50,000,000
Extended Period of Indemnity	365 Days
Extra Expense	\$100,000,000

Terrorism-	
Lloyds Standalone Policy	\$80,000,000
Chubb BDA via All Risk	\$320,000,000
Total TRIA Limits	\$400,000,000

DIC Coverages- Standalone Policy	
Excess CA EQ Including Time Element	\$150,000,000
Excess CA EQ - Building Ordinance/ICC/Demolition Sublimit	\$25,000,000

Active Shooter/Active Assailant	
Active Shooter/Active Assailant Sublimit	\$1,000,000 Excess Deductible

Special Deductibles

Earth Movement- AK, CA, HI, PR--	5% of the reported "unit of insurance" Minimum: \$250,000 Maximum: \$5,000,000 per occurrence
Earth Movement- Critical New Madrid Areas and Critical Pacific Northwestern Areas	2% of the reported "unit of insurance" Minimum: \$100,000 per occurrence
Earth Movement- All other locations	\$100,000 per occurrence
Flood - FEMA 100 Year Flood Zones	\$1,000,000 per occurrence
Flood- All Other Locations	\$100,000 per occurrence
Named Windstorm- South Carolina	3% of the reported "unit of insurance" Minimum: \$250,000 per occurrence
Named Windstorm- FL, HI, PR, US VI, and First Tier Areas in all other states (except SC)	5% of the reported "unit of insurance" Minimum \$250,000 per occurrence



CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)
01/06/2026

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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 MARSH USA LLC 155 N. WACKER, SUITE 1200 CHICAGO, IL 60661	CONTACT NAME: Marsh Business & Client Services PHONE (A/C, No, Ext): _____ FAX (A/C, No): _____ E-MAIL ADDRESS: Chicago.CertRequest@marsh.com
	INSURER(S) AFFORDING COVERAGE NAIC # INSURER A : National Fire & Marine Insurance Co 20079 INSURER B : N/A N/A INSURER C : N/A N/A INSURER D : _____ INSURER E : _____ INSURER F : _____
INSURED CC-Palo Alto, Inc. 620 Sand Hill Road Palo Alto, CA 94304	

COVERAGES **CERTIFICATE NUMBER:** CHI-009948247-13 **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(SUBR) INSD, WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input checked="" type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> OCCUR <input checked="" type="checkbox"/> Ded: \$100,000 per occurrence GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input checked="" type="checkbox"/> LOC OTHER:		42-PSC-306898-08	12/31/2025	12/31/2026	EACH OCCURRENCE \$ 1,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 100,000 MED EXP (Any one person) \$ 10,000 PERSONAL & ADV INJURY \$ 1,000,000 GENERAL AGGREGATE \$ 3,000,000 PRODUCTS - COMP/OP AGG \$ 3,000,000 POLICY LIMIT \$ 10,000,000
	AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> OWNED AUTOS ONLY <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS ONLY <input type="checkbox"/> NON-OWNED AUTOS ONLY					COMBINED SINGLE LIMIT (Ea accident) \$ BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ \$
A	<input type="checkbox"/> UMBRELLA LIAB <input type="checkbox"/> OCCUR <input checked="" type="checkbox"/> EXCESS LIAB <input checked="" type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> DED <input checked="" type="checkbox"/> RETENTION \$ 100,000		42-USC-306899-08	12/31/2025	12/31/2026	EACH OCCURRENCE \$ 5,000,000 AGGREGATE \$ 5,000,000 \$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) <input type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> N/A If yes, describe under DESCRIPTION OF OPERATIONS below					PER STATUTE <input type="checkbox"/> OTH-ER <input type="checkbox"/> E.L. EACH ACCIDENT \$ E.L. DISEASE - EA EMPLOYEE \$ E.L. DISEASE - POLICY LIMIT \$
A	PROFESSIONAL LIABILITY Claims Made		42-PSC-306898-08 Policy Limit: \$10,000,000	12/31/2025	12/31/2026	EA CLAIM / AGG (LOC) 1M / 3M DEDUCTIBLE 100,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)
 Re: Vi at Palo Alto; 620 Sand Hill Rd.; Palo Alto, CA 94304

CERTIFICATE HOLDER California Department of Social Services Attn.: Ms. Linda Smith 744 P. Street Sacramento, CA 95814	CANCELLATION SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS. AUTHORIZED REPRESENTATIVE <i>Marsh USA LLC</i>
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AGENCY CUSTOMER ID: CN102041886

LOC #: Chicago



ADDITIONAL REMARKS SCHEDULE

Page 2 of 2

AGENCY MARSH USA LLC.		NAMED INSURED CC-Palo Alto, Inc. 620 Sand Hill Road Palo Alto, CA 94304	
POLICY NUMBER			
CARRIER	NAIC CODE	EFFECTIVE DATE:	

ADDITIONAL REMARKS

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

EXCESS PROFESSIONAL LIABILITY

Carrier: National Fire & Marine Insurance Company
 Policy No.: 42-USC-306899-08
 Effective Date: 12/31/2025
 Expiration Date: 12/31/2026
 Each Claim Limit: \$5,000,000
 Aggregate Limit: \$5,000,000
 Retention: \$100,000

SECOND EXCESS LIABILITY (\$10M XS \$5M)

Carrier: Admiral Insurance Company
 Policy No.: SCE280000904
 Effective Date: 12/31/2025
 Expiration Date: 12/31/2026
 Each Claim Limit: \$10,000,000
 Aggregate Limit: \$10,000,000

THIRD EXCESS LIABILITY (\$5M XS \$15M)

Carrier: Allied World Assurance Company, Ltd
 Policy Number: C068848/007
 Effective Date: 12/31/2025
 Expiration Date: 12/31/2026
 Each Occurrence: \$5,000,000
 Aggregate Limit: \$5,000,000



CLASSIC RESIDENCE MANAGEMENT LIMITED PARTNERSHIP

Financial Statements

December 31, 2025

(With Independent Auditors' Report Thereon)

CLASSIC RESIDENCE MANAGEMENT LIMITED PARTNERSHIP

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KPMG LLP
Aon Center
Suite 5500
200 E. Randolph Street
Chicago, IL 60601-6436

Independent Auditors' Report

The Partners

Classic Residence Management Limited Partnership:

Opinion

We have audited the financial statements of Classic Residence Management Limited Partnership (the Company), which comprise the balance sheets as of December 31, 2025 and the related statements of operations, partners' deficit, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and the results of its operations and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KPMG LLP

Chicago, Illinois
March 19, 2026

CLASSIC RESIDENCE MANAGEMENT LIMITED PARTNERSHIP

Balance Sheet

December 31, 2025

Assets

Current assets:	
Cash and cash equivalents	\$ 7,399,350
Assets limited as to use	600,000
Due from affiliates	11,376,449
Deposits and other	<u>2,006,516</u>
Total current assets	<u>21,382,315</u>
Property and equipment:	
Leasehold improvements	5,198,775
Furniture, fixtures, and equipment	<u>12,366,005</u>
	17,564,780
Less: accumulated depreciation and amortization	<u>14,566,743</u>
Property and equipment, net	2,998,037
Right of use assets – operating lease	<u>3,235,660</u>
Total assets	<u>\$ 27,616,012</u>

Liabilities and Partners' Deficit

Current liabilities:	
Accounts payable	\$ 910,393
Accrued expenses	15,196,970
Current installments of obligations under operating lease	<u>1,038,419</u>
Total current liabilities	17,145,782
Other liabilities	10,732,520
Obligations under operating lease	<u>4,953,209</u>
Total liabilities	<u>32,831,511</u>
Partners' deficit:	
Contributed capital, net	72,386,315
Accumulated deficit	<u>(77,601,814)</u>
Total partners' deficit	<u>(5,215,499)</u>
Total liabilities and partners' deficit	<u>\$ 27,616,012</u>

See accompanying notes to financial statements.

CLASSIC RESIDENCE MANAGEMENT LIMITED PARTNERSHIP

Statement of Operations

Year ended December 31, 2025

Revenue:		
Management fee revenue	\$	27,925,014
Commission revenue		2,036,841
Interest income		392,010
		<hr/>
Total revenue		30,353,865
Expense:		
Salaries and benefits		32,396,483
Lease expense		1,271,123
Professional services		820,854
Administration		2,305,194
Property taxes		499,500
Depreciation and amortization		823,121
Insurance		126,363
		<hr/>
Total expense		38,242,638
		<hr/>
Net loss	\$	<u>(7,888,773)</u>

See accompanying notes to financial statements.

CLASSIC RESIDENCE MANAGEMENT LIMITED PARTNERSHIP

Statement of Partners' Deficit

Year ended December 31, 2025

	<u>Contributed capital, net</u>	<u>Accumulated deficit</u>	<u>Total partners' deficit</u>
Balance at December 31, 2024	\$ 79,724,705	(69,713,041)	10,011,664
Distributions	(7,338,390)	—	(7,338,390)
Net loss	—	(7,888,773)	(7,888,773)
Balance at December 31, 2025	<u>\$ 72,386,315</u>	<u>(77,601,814)</u>	<u>(5,215,499)</u>

See accompanying notes to financial statements.

CLASSIC RESIDENCE MANAGEMENT LIMITED PARTNERSHIP

Statement of Cash Flows

Year ended December 31, 2025

Cash flows from operating activities:	
Net loss	\$ (7,888,773)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation and amortization	823,121
Lease incentives recognized	(442,139)
Changes in assets and liabilities:	
Due from affiliates	(4,525,530)
Deposits and other	11,170,504
Accounts payable	73,390
Accrued expenses	(6,989,151)
Other liabilities	10,732,520
Net cash provided by operating activities	<u>2,953,942</u>
Cash flows from investing activities:	
Purchase of property and equipment, net	(276,153)
Change in estimated benefit and general and professional liability claims payable	(7,502,421)
Net cash used in investing activities	<u>(7,778,574)</u>
Cash flows from financing activities:	
Capital distributions	(7,338,390)
Net cash used in financing activities	<u>(7,338,390)</u>
Net change in cash, cash equivalents, and restricted cash	(12,163,022)
Cash, cash equivalents, and restricted cash at beginning of year	<u>20,162,372</u>
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 7,999,350</u>

See accompanying notes to financial statements.

CLASSIC RESIDENCE MANAGEMENT LIMITED PARTNERSHIP

Notes to Financial Statements

December 31, 2025

(1) Purpose and Organization

Classic Residence Management Limited Partnership (the Company) was organized as a limited partnership under the laws of the State of Illinois on December 28, 1987. The Company was formed for the purpose of developing and managing senior living communities. The Company currently manages 10 operating communities (the Communities) that maintain operations in Arizona, California, Colorado, Florida, Illinois, and South Carolina.

The Company comprises two partners: CC-Development Group, Inc. (the Limited Partner) and CRMI, L.L.C. (the General Partner). The Limited Partner has a 99% ownership percentage in the partnership while the General Partner has a 1% ownership percentage.

Pursuant to the Partnership Agreement, the General Partner has full exclusive responsibility, control, and authority to do any and all things necessary or incidental in connection with the management and administration of the Company's business and affairs, financing, and disposition of assets. No partnership interest may be transferred or sold, and no partner may be admitted without the consent of all partners.

The Partnership Agreement provides for distributions of available cash and allocations of net profits and losses to the partners in accordance with their respective ownership percentages. During 2025, the Company distributed \$7,338,390 of capital to the partners based upon those ownership percentages.

Effective January 1, 2025, the Company transferred the balances of benefit claims payable of \$7,593,761, general and professional liability claims payable of \$1,334,415, estimated insurance recoveries of \$1,425,755, and the related assets limited as to use of \$7,502,421 to Third Shore Holdings, Inc., a wholly owned subsidiary of the Limited Partner.

(2) Summary of Significant Accounting Policies

(a) Use of Estimates

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

(b) Cash, Cash Equivalents, and Restricted Cash

Cash, cash equivalents, and restricted cash include investments in highly liquid instruments with original maturities of three months or less. The following table provides a reconciliation of cash, cash equivalents, and restricted cash as reported in the accompanying balance sheets to the total amount of cash, cash equivalents, and restricted cash as reported in the accompanying statement of cash flows:

	<u>2025</u>
Cash and cash equivalents	\$ 7,399,350
Assets limited as to use – cash and cash equivalents	<u>600,000</u>
Total cash, cash equivalents, and restricted cash	<u>\$ 7,999,350</u>

CLASSIC RESIDENCE MANAGEMENT LIMITED PARTNERSHIP

Notes to Financial Statements

December 31, 2025

(c) *Fair Value Measurements*

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

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

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

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

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

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

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

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

(d) *Property and Equipment*

Property and equipment are stated at cost. Depreciation is being provided by the straight-line method over the estimated useful lives of the assets, which range from 4 to 15 years. Amortization of leasehold improvements is provided over the shorter of the lease term or useful lives of the leasehold improvements. No significant contractual commitments exist as of December 31, 2025.

(e) *Impairment of Long-Lived Assets*

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is

CLASSIC RESIDENCE MANAGEMENT LIMITED PARTNERSHIP

Notes to Financial Statements

December 31, 2025

recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. If the Company intended to dispose of its assets, they would be reported at the lower of the carrying amount or fair value less estimated costs to sell, and would no longer be depreciated. The Company does not believe that there are any factors or circumstances indicating impairment of its long-lived assets as of December 31, 2025.

(f) Leases

The Company determines if an arrangement is or contains a lease at contract inception. The Company recognizes right of use (ROU) asset and a lease liability at the lease commencement date if the lease period exceeds one year. Leases less than one year are expensed monthly as incurred.

Key estimates and judgments include how the Company determines (1) the discount rate it uses to discount the unpaid lease payments to present value, (2) lease term, and (3) lease payments.

ASC 842-20-30-3 provides a practical expedient for nonpublic business entities, which allows a lessee to use a risk-free interest rate for a period comparable to the lease term. The Company has elected to use the risk-free rate, which is the rate of a U.S. Treasury security for a period comparable to the lease term.

The Company has a non-cancellable operating lease for certain office facilities that expires in 2031. This lease generally contains renewal options for periods ranging from one to five years. When the Company is not reasonably certain to exercise these renewal options, the options are not considered in determining the lease term and associated potential option payments are excluded from lease payments. The Company's leases generally do not include termination options for either party to the lease, restrictive financial or other covenants or residual value guarantees.

ROU assets are periodically assessed for impairment losses. The Company uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment – Overall*, to determine whether an ROU asset is impaired, and if so, the amount of the impairment loss to recognize.

The Company monitors for events or changes in circumstances that require a reassessment of its lease. When a reassessment results in the remeasurement of a lease liability, a corresponding adjustment is made to the carrying amount of the corresponding ROU asset unless doing so would reduce the carrying amount of the ROU asset to an amount less than zero. In that case, the ROU asset is reduced to zero and the remainder of the adjustment is recorded in profit or loss.

The Company has elected not to recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less. The Company recognizes the lease payments associated with its short-term leases as an expense on a straight-line basis over the lease term. Variable lease payments associated with these leases are recognized and presented in the same manner as for all other leases.

The Company's lease may include non-lease maintenance services (i.e., equipment maintenance or common area maintenance). For all leases, the Company has elected the practical expedient to account for the lease and non-lease maintenance components as a single lease component. Therefore, for those leases, the lease payments used to measure the lease liability include all of the fixed consideration in the contract. See note 5 for additional lease disclosures.

CLASSIC RESIDENCE MANAGEMENT LIMITED PARTNERSHIP

Notes to Financial Statements

December 31, 2025

(g) Assets Limited as to Use

Assets limited as to use include amounts maintained by the Company to collateralize a letter of credit issued to the lessor of the Company's office space (note 5). Assets limited as to use are invested in certificates of deposit and are considered cash and cash equivalents. Assets limited as to use are classified as noncurrent assets to the extent that they are not expected to be expended to satisfy obligations classified as current liabilities.

The following table presents the Company's fair value hierarchy for those investments and assets limited as to use measured at fair value on a recurring basis as of December 31, 2025. None of these assets have any redemption restrictions, so the redemption frequency is on a daily basis and would have a one-day notice for redemption:

	Fair value	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 600,000	600,000	—	—
Total	\$ 600,000	600,000	—	—

(h) Management Fee Revenue

Management fee revenue is reported at amounts that reflect the consideration which the Company expects to receive in exchange for services provided. Management fee revenue consists of revenue received pursuant to various management agreements with the Communities. The transaction price of management fees are calculated as a specified percentage of revenues of the Communities ranging from 5% to 10% of revenues as defined in the management agreements. The management agreements expire on various dates through 2055. The Company has determined that the services provided are a series of distinct services that are considered one performance obligation, which is satisfied over time.

(i) Commission Revenue

Commission revenue is reported at amounts that reflect the consideration which the Company expects to receive in exchange for services provided. Commission revenue consists of revenues received pursuant to management and marketing agreements. The transaction price of commissions are calculated as a specified percentage of certain entrance fees received by the Communities as a one-time payment by new residents as defined in the management and marketing agreements. Percentages are equal to 5% of entrance fee proceeds, as defined. The management and marketing agreements expire on various dates through 2046. The Company has determined that the services provided are a series of distinct services that are considered one performance obligation, which is satisfied over time.

(j) Income Taxes

No provision for federal and state income taxes has been provided in the accompanying financial statements because such taxes are the obligations of the owners of the Company.

CLASSIC RESIDENCE MANAGEMENT LIMITED PARTNERSHIP

Notes to Financial Statements

December 31, 2025

(k) Subsequent Events

In connection with the preparation of the financial statements and in accordance with ASC Topic 855, *Subsequent Events*, the Company evaluated events and transactions through March 19, 2026, the date the financial statements were available to be issued, noting no other subsequent events requiring recording or disclosure in the financial statements or related notes to the financial statements other than the item noted below.

On August 26, 2025, the Limited Partner entered into an Agreement and Plan of Merger (the Merger Agreement) with CC Living Holding Company, LLC, a Delaware Corporation and CC Merger Sub, LLC. The Merger Agreement provides for, among other things and subject to the satisfaction or waiver of specified conditions set forth within the Merger Agreement, the merger of the Limited Partner with and into CC Living Holding Company, LLC (the Merger), with the Limited Partner surviving the Merger as a wholly-owned subsidiary of CC Living Holding Company, LLC. The Merger is currently pending regulatory approval by the various regulatory governing bodies. The Company cannot yet estimate the financial effects on the financial statements as of the date the financial statements were available to be issued.

(3) Transactions with Related Parties

The Company entered into agreements with the Communities whereby the Company manages the operations of the Communities. The Limited Partner has a full or partial ownership interest in all but one of the Communities. Management fee revenue and commission revenue are received pursuant to these agreements.

The Company contracts with third parties on behalf of the Communities to provide various marketing and other services. The Company advances funds to third parties and is reimbursed by the Communities. Reimbursement to the Company for such advances amounted to \$80,814,992 for the year ended December 31, 2025. There is no interest associated with these advances as they are reimbursed on a current basis. Net amounts due from the Communities are reported as due from affiliates and totaled \$11,376,449 at December 31, 2025.

(4) Defined Contribution Plan

The employees of the Company participate in a savings plan (the Plan) administered by the Company. The Plan is qualified under Section 401(k) of the Internal Revenue Code for all full-time employees who are 21 years of age with six months of service. The Plan allows eligible employees to defer up to 25% of their income on a pretax basis through contributions to the Plan. In accordance with the provisions of the Plan, for every dollar up to 4% of a participant's salary, the Company matches each participant's contribution in an amount equal to 100% of the participant's deferral. For every dollar in excess of 4% of a participant's salary and limited to 6% of a participant's salary, the Company matches each participant's contribution in an amount equal to 50% of the participant's deferral. For the year ended December 31, 2025, contribution expense of \$772,145 is included as a component of salaries and benefits in the accompanying statement of operations. Contributions are funded on a current basis.

CLASSIC RESIDENCE MANAGEMENT LIMITED PARTNERSHIP

Notes to Financial Statements

December 31, 2025

(5) Leases

On March 25, 2019, the Company entered into an operating lease agreement for office facilities at 233 South Wacker Drive, Chicago, IL 60606. Rent payments under this lease commenced on February 3, 2020. The lease agreement entitled the Company to tenant improvement allowances of \$3,045,000 and abatement for rent for the first lease year of the term and for a portion of the second year of the term. The Company elected to convert the rent abatement amounts into additional tenant improvement allowances in accordance with the terms of the lease agreement. Tenant improvement allowance and converted rent abatements of \$4,975,175 were received during 2020. Payments due under the lease contracts include fixed payments plus, for many of the Company's leases, variable payments. The Company has elected not to separate lease and non-lease components but rather has elected to include all components within a single, combined lease component. The Company also elected to discount its related operating and finance lease liabilities using a risk-free rate.

Amounts are reported in the accompanying balance sheet as follows:

	<u>2025</u>
Right of use assets – operating leases	\$ 5,266,353
Accumulated amortization	<u>(2,030,693)</u>
Right of use assets – operating leases, net	\$ 3,235,660
Current portion of operating lease liabilities	\$ 1,038,419
Operating lease liabilities, net of current portion	<u>4,953,209</u>
Total operating lease liabilities	\$ <u>5,991,628</u>

Other information related to leases as of December 31, 2025 was as follows:

	<u>2025</u>
Cash paid for amounts included in the measurement of lease liabilities	\$ 984,461
Weighted average remaining lease term – operating leases	5.17 years
Weighted average discount rate	2.50 %

Maturities of lease liabilities under noncancellable leases as of December 31, 2025 are as follows:

Year ending December 31:	
2026	\$ 1,038,419
2027	1,094,418
2028	1,152,695
2029	1,213,112
2030	1,275,928
Thereafter	<u>217,056</u>
Total lease liabilities	\$ <u>5,991,628</u>



CC-PALO ALTO, INC. AND SUBSIDIARY

Consolidated Financial Statements and Supplemental Schedules

December 31, 2025 and 2024

(With Independent Auditors' Report Thereon)

CC-PALO ALTO, INC. AND SUBSIDIARY

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KPMG LLP
Aon Center
Suite 5500
200 E. Randolph Street
Chicago, IL 60601-6436

Independent Auditors' Report

Board of Directors
CC-Palo Alto, Inc.:

Opinion

We have audited the consolidated financial statements of CC-Palo Alto, Inc. and its subsidiary (the Company), which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of operations, changes in stockholders' deficit, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

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

KPMG LLP

Chicago, Illinois
April 20, 2026

CC-PALO ALTO, INC. AND SUBSIDIARY

Consolidated Balance Sheets

December 31, 2025 and 2024

Assets	2025	2024
Current assets:		
Cash and cash equivalents	\$ 31,835,178	19,507,291
Current portion of assets limited as to use	3,692,034	4,093,722
Resident accounts receivable	754,482	895,972
Prepays expenses and other current assets	631,907	730,327
Total current assets	36,913,601	25,227,312
Assets limited as to use, net of amounts required for current liabilities	36,546,880	37,916,161
Property and equipment:		
Land improvements	18,046,566	17,966,122
Building and improvements	210,651,144	209,678,154
Furniture, fixtures, and equipment	53,126,423	48,010,964
Construction in progress	255,649	74,332
	282,079,782	275,729,572
Less accumulated depreciation	161,632,145	151,366,692
Property and equipment, net	120,447,637	124,362,880
Right-of-use assets – finance leases	103,712	153,448
Right-of-use assets – operating lease	47,390,082	47,799,384
Deferred tax asset, net	37,251,725	32,799,475
Deposits	1,491,448	1,429,302
Total assets	\$ 280,145,085	269,687,962
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable	\$ 947,516	1,474,758
Accrued expenses	6,072,616	5,030,447
Due to affiliate	1,273,049	853,486
Current installments of obligations under finance leases	49,736	49,736
Current installments of obligations under operating leases	420,771	408,322
Prepaid resident service revenue	3,413,281	3,812,307
Resident deposits	633,510	576,610
Current portion of repayable entrance fees	5,858,970	2,107,716
Total current liabilities	18,669,449	14,313,382
Repayable entrance fees	479,834,855	477,448,382
Deferred revenue from nonrepayable entrance fees	253,459,135	222,466,347
Due to Parent	6,795,339	7,073,094
Obligations under finance leases	53,976	103,712
Obligations under operating leases	46,969,311	47,391,062
Other liabilities	274,262	283,330
Total liabilities	806,056,327	769,079,309
Stockholders' deficit:		
Common stock, no par value, no assigned value. Authorized, issued, and outstanding, 100 shares	—	—
Distributions in excess of paid-in capital	(401,671,236)	(369,671,236)
Accumulated deficit	(124,240,006)	(129,720,111)
Total stockholders' deficit	(525,911,242)	(499,391,347)
Total liabilities and stockholders' deficit	\$ 280,145,085	269,687,962

See accompanying notes to consolidated financial statements.

CC-PALO ALTO, INC. AND SUBSIDIARY

Consolidated Statements of Operations

Years ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Revenue:		
Net resident service revenue	\$ 59,460,300	57,769,801
Amortization of entrance fees	24,354,764	21,855,603
Investment return	2,064,378	2,002,816
Other income	484,925	375,035
Total revenue	<u>86,364,367</u>	<u>82,003,255</u>
Expenses:		
Culinary and dining	8,882,364	8,445,936
Housekeeping and laundry	3,688,548	3,541,099
Resident services	4,641,981	4,274,890
Resident care	11,052,180	11,206,497
Repairs and maintenance	3,384,969	3,204,286
Sales and marketing	1,228,072	1,197,038
Administration	6,655,331	6,460,985
Utilities	2,347,648	2,623,313
Insurance	2,470,191	2,590,025
Total departmental expenses	<u>44,351,284</u>	<u>43,544,069</u>
Management fees	4,876,886	4,727,818
Property taxes	5,704,000	5,560,880
Provision for doubtful accounts	4,073	3,253
Ground lease expense – base rent	1,912,598	1,837,565
Variable ground lease expense – participating rent	11,017,796	9,661,352
Other expense	351,784	1,425
Interest on finance lease obligations	7,564	6,698
Depreciation and amortization	10,315,189	11,140,139
Total expenses	<u>78,541,174</u>	<u>76,483,199</u>
Income before income taxes	7,823,193	5,520,056
Income tax expense	<u>(2,198,424)</u>	<u>(1,554,170)</u>
Net income	\$ <u>5,624,769</u>	<u>3,965,886</u>

See accompanying notes to consolidated financial statements.

CC-PALO ALTO, INC. AND SUBSIDIARY

Consolidated Statements of Changes in Stockholders' Deficit

Years ended December 31, 2025 and 2024

	Common stock		Distributions in excess of paid-in capital	Accumulated deficit	Total
	Shares	Amount			
Balance at December 31, 2023	100	\$ —	(329,671,236)	(133,541,373)	(463,212,609)
Tax adjustment	—	—	—	(144,624)	(144,624)
Net income	—	—	—	3,965,886	3,965,886
Distribution to Parent	—	—	(40,000,000)	—	(40,000,000)
Balance at December 31, 2024	100	—	(369,671,236)	(129,720,111)	(499,391,347)
Tax adjustment	—	—	—	(144,664)	(144,664)
Net income	—	—	—	5,624,769	5,624,769
Distribution to Parent	—	—	(32,000,000)	—	(32,000,000)
Balance at December 31, 2025	100	\$ —	(401,671,236)	(124,240,006)	(525,911,242)

See accompanying notes to consolidated financial statements.

CC-PALO ALTO, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

Years ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Cash received from residents with continuing care contracts	\$ 49,342,279	48,618,089
Cash received from residents without continuing care contracts	10,260,045	10,655,526
Proceeds received from nonrepayable entrance fees	56,198,502	54,391,251
Interest received	1,908,512	2,170,875
Interest paid for finance lease obligations	(7,564)	(6,698)
Cash paid to suppliers and employees	(45,653,969)	(44,848,595)
Cash paid for management fees	(4,876,886)	(4,727,818)
Cash paid for real estate taxes	(5,704,000)	(5,560,880)
Cash paid for participating rent	(11,017,796)	(9,661,352)
Cash paid for income taxes	(7,073,094)	(5,987,018)
Net cash provided by operating activities	<u>43,376,029</u>	<u>45,043,380</u>
Cash flows from investing activities:		
Additions to property and equipment	(6,350,210)	(4,798,358)
Net change in resident deposits	56,900	175,610
Net change in assets limited as to use	(2,569,150)	1,272,405
Net cash used in investing activities	<u>(8,862,460)</u>	<u>(3,350,343)</u>
Cash flows from financing activities:		
Proceeds from repayable entrance fees	42,839,016	24,664,251
Entrance fee repayments	(37,470,947)	(17,725,440)
Principal payments on finance lease obligations	(49,736)	(43,534)
Distributions to Parent	(32,000,000)	(40,000,000)
Net cash used in financing activities	<u>(26,681,667)</u>	<u>(33,104,723)</u>
Net change in cash, cash equivalents, and restricted cash	7,831,902	8,588,314
Cash, cash equivalents, and restricted cash at beginning of year	<u>30,864,153</u>	<u>22,275,839</u>
Cash, cash equivalents, and restricted cash at end of year	\$ <u>38,696,055</u>	\$ <u>30,864,153</u>
Reconciliation of net income to net cash provided by operating activities:		
Net income	\$ 5,624,769	3,965,886
Adjustments to reconcile net income to net cash provided by operating activities:		
Proceeds from nonrepayable entrance fees	56,198,502	54,391,251
Depreciation and amortization	10,315,189	11,140,139
Amortization of entrance fees	(24,354,764)	(21,855,603)
Net realized and change in unrealized losses (gains)	(155,866)	168,059
Provision for doubtful accounts	4,073	3,253
Utilization of repayable entrance fees in lieu of monthly fees	(81,292)	(16,867)
Income tax adjustment	(144,664)	(144,624)
Changes in assets and liabilities:		
Accounts receivable	137,417	59,139
Prepays expenses and other current assets	98,420	79,705
Deposits	(62,146)	(72,888)
Accounts payable	(527,242)	222,421
Accrued expenses	1,042,169	478,153
Due to affiliate	419,563	(226,054)
Due to Parent	(277,755)	1,086,076
Prepaid resident service revenue	(399,026)	1,086,507
Deferred tax asset	(4,452,250)	(5,374,300)
Other liabilities	(9,068)	53,127
Net cash provided by operating activities	\$ <u>43,376,029</u>	\$ <u>45,043,380</u>
Supplemental information of noncash activities:		
Lease obligations arising from obtaining ROU assets	\$ —	83,130

See accompanying notes to consolidated financial statements.

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(1) Purpose and Organization

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

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

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

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

(2) Summary of Significant Accounting Policies

(a) Use of Estimates

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

(b) Cash, Cash Equivalents, and Restricted Cash

Cash, cash equivalents, and restricted cash include investments in highly liquid instruments with original maturities of three months or less. The following table provides a reconciliation of cash, cash equivalents, and restricted cash as reported in the accompanying consolidated balance sheets to the total amount of cash, cash equivalents, and restricted cash as reported in the accompanying consolidated statements of cash flows:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 31,835,178	19,507,291
Assets limited as to use:		
Cash and cash equivalents	3,670,470	4,373,437
Money markets and certificates of deposit	<u>3,190,407</u>	<u>6,983,425</u>
Total cash, cash equivalents, and restricted cash reported in the consolidated statements of cash flows	<u>\$ 38,696,055</u>	<u>30,864,153</u>

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(c) Fair Value Measurements

The Company applies the provisions of ASC Subtopic 820-10, *Fair Value Measurement — Overall*, to provide additional disclosure requirements for transfers into and out of Levels 1 and 2 and for activity in Level 3 and to clarify other existing disclosure requirements.

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

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

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

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

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

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

(d) Assets Limited as to Use

Assets limited as to use include restricted resident deposits, assets held by the Company for entrance fee repayments, assets held by the Company under Ground Lease Agreement (note 6), and assets set aside by the Company for the Community's operations and capital improvements, in accordance with the Company's policies. Restricted resident deposits represent good faith deposits received by the Company upon the commitment of prospective residents to enter into a residency agreement. Assets held by the Company for entrance fee repayments represent funds designated to establish certain entrance fee repayment reserves for active residents with move-in dates prior to January 1, 2017 (Settlement Class members). The Company funded assets held for entrance fee repayments equal to 75% of the annual entrance fee repayments that are actuarially estimated to be due to the Settlement Class members in the following year. The amount of entrance fee repayment reserves will decline over time. Assets held by the Company under the Ground Lease Agreement represent funds designated to secure payments under the ground lease (note 6). Assets held for operations are for funding operating reserves over which the Company retains control and may use in accordance with the Company's policies. Assets limited as to use for capital improvements represent funds designated by the Company for acquisition of property and equipment, in accordance with the Company's policies. Amounts required to retire current liabilities have been classified as current portion of assets limited as to use.

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(e) Property and Equipment

Property and equipment are stated at cost. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets ranging from 4 to 40 years. Construction in progress at December 31, 2025 relates to costs associated with renovations that will be placed in service during 2026. No significant contractual commitments exist as of December 31, 2025.

(f) Impairment of Long-Lived Assets

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. If the Company intended to dispose of its assets, they would be reported at the lower of the carrying amount or fair value less estimable costs to sell and would no longer be depreciated. The Company does not believe that there are any factors or circumstances indicating impairment of its long-lived assets as of December 31, 2025 or 2024.

(g) Leases

The Company determines if an arrangement is or contains a lease at contract inception. The Company recognizes an ROU asset and a lease liability at the lease commencement date if the lease period exceeds one year. Leases less than one year are expensed monthly as incurred.

Key estimates and judgments include how the Company determines (1) the discount rate it uses to discount the unpaid lease payments to present value, (2) lease term, and (3) lease payments.

ASC 842-20-30-3 provides a practical expedient for nonpublic business entities, which allows a lessee to use a risk-free interest rate for a period comparable to the lease term. The Company has elected to use the risk-free rate, which is the rate of a U.S. Treasury security for a period comparable to the lease term.

The Company has a noncancelable operating ground lease with the Board of Trustees of the Leland Stanford Junior University (Lessor) that expires in 2075. The Company also has finance leases, primarily for on-site vehicles that expire over the next three years. The Company's leases generally do not include termination options for either party to the lease, restrictive financial or other covenants, or residual value guarantees.

Right-of-use (ROU) assets are periodically assessed for impairment losses. The Company uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment — Overall*, to determine whether an ROU asset is impaired, and if so, the amount of the impairment loss to recognize.

The Company monitors for events or changes in circumstances that require a reassessment of one of its leases. When a reassessment results in the remeasurement of a lease liability, a corresponding adjustment is made to the carrying amount of the corresponding ROU asset unless doing so would

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reduce the carrying amount of the ROU asset to an amount less than zero. In that case, the ROU asset is reduced to zero and the remainder of the adjustment is recorded in profit or loss.

The Company has elected not to recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less. The Company recognizes the lease payments associated with its short-term leases as an expense on a straight-line basis over the lease term. Variable lease payments associated with these leases are recognized and presented in the same manner as for all other leases.

The Company's leases may include nonlease maintenance services (i.e., equipment maintenance or common area maintenance). For all leases, the Company has elected the practical expedient to account for the lease and nonlease maintenance components as a single lease component. Therefore, for those leases, the lease payments used to measure the lease liability include all of the fixed consideration in the contract. See note 10 for additional lease disclosures.

(h) *Obligation to Provide Future Services*

The Company annually calculates the present value of the estimated net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of unearned revenue from entrance fees. If the present value of the net costs of future services and the use of facilities exceeds the unearned revenue from entrance fees, a liability is recorded (obligation to provide future services) with the corresponding charge to income. The obligation is discounted at an actuarially determined rate of 5.5%. The present value of the net cost of future services and the use of facilities was less than the deferred revenue from entrance fees at December 31, 2025 and 2024, and accordingly, no obligation to provide future services has been recognized in the accompanying consolidated balance sheets.

(i) *Entrance Fees*

Residents enter into a residency agreement with the Company that requires the payment of a one-time entrance fee. Upon termination of the residency agreement, residents are entitled to a repayment of the portion of the entrance fee that has not been earned by the Company. For contracts entered into through December 31, 2016, this repayment becomes payable upon the sooner of reoccupancy of the unit or 10 years after the unit is made available. Subsequent to January 1, 2017, the repayment is payable upon reoccupancy. The Company earns an administrative fee upon admission and 2% of the entrance fee per month up to a maximum of 100%, 50%, 40%, 30%, 25%, 20%, or 10% dependent on the contract provisions of the residency agreement. The Company amortizes the nonrepayable portion of the entrance fee over the estimated life of the residents. The Company has recorded the repayable portion of the entrance fees separately from the nonrepayable portion within the accompanying consolidated balance sheets. If all contracts terminated on December 31, 2025, the repayable portion of the entrance fees due to all residents would be approximately \$551,180,000.

(j) *Ground Lease Participating Rent*

Pursuant to its Ground Lease Agreement with the lessor (note 6), beginning with initial occupancy of the Community, the Company pays a percentage of all gross receipts to Stanford University, as defined in the Ground Lease Agreement. Gross receipts include net resident service revenue, other income, and proceeds from entrance fees net of certain repayments. As the associated lease payments are variable in nature, they are recognized as expense in their entirety in the period in which the related net

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resident service revenue and other income are recognized, and in the period in which the proceeds from entrance fees are received.

(k) Income Taxes

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

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

The Company accounts for tax provisions in accordance with ASC Topic 740, *Income Taxes*. ASC Topic 740 clarifies the accounting for uncertainty in tax positions and also provides guidance on when the tax positions are recognized in an entity's financial statements and how the values of these positions are determined. The Company has recognized no liabilities as of December 31, 2025 and 2024 related to uncertain tax positions.

(l) Subsequent Events

In connection with the preparation of the consolidated financial statements and in accordance with ASC Topic 855, *Subsequent Events*, the Company evaluated events and transactions through April 20, 2026, the date the consolidated financial statements were available to be issued, noting no subsequent events requiring recording or disclosure in the consolidated financial statements or related notes to the consolidated financial statements other than the item noted below.

On August 26, 2025, the Parent entered into an Agreement and Plan of Merger (the Merger Agreement) with CC Living Holding Company, LLC, a Delaware Corporation and CC Merger Sub, LLC. The Merger Agreement provides for, among other things and subject to the satisfaction or waiver of specified conditions set forth within the Merger Agreement, the merger of the Parent with and into CC Living Holding Company, LLC (the Merger), with the Parent surviving the Merger as a wholly-owned subsidiary of CC Living Holding Company, LLC. The Merger is currently pending regulatory approval by the various regulatory governing bodies. The Company cannot yet estimate the financial effects on the consolidated financial statements as of the date the financial statements were available to be issued.

(3) Net Resident Service Revenue

Net resident service revenue is reported at amounts that reflect the consideration which the Company expects to receive in exchange for services provided. These amounts are due from residents or third-party payors and include variable consideration for retroactive revenue adjustments, if any, under reimbursement programs. Performance obligations are determined based on the nature of the services provided. During 2025 and 2024, the Company determined that it would return a portion of its excess cash flows generated from operations back to its residents in the amount of \$3,058,524 and \$3,517,112, respectively. For the 2024 amount, \$3,517,112 was returned as a reduction of 2025 monthly fees. As of December 31, 2025 and

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2024, \$3,058,524 and \$3,517,112 is reflected as a component of prepaid resident service revenue in the accompanying 2025 and 2024 consolidated balance sheets, respectively.

(a) Daily or Monthly Fee Revenue

Under the Company's residency agreements which are continuing care contracts, the Company provides senior living services to residents for a stated monthly fee. The Company recognizes revenue for skilled nursing residency, assistance with activities of daily living, memory care services, inpatient therapy, healthcare, and personalized health services in accordance with the provisions of ASC 606, *Revenue from Contracts with Customers*. The Company has determined that the services included under the daily or monthly fee have the same timing and pattern of transfer and are a series of distinct services that are considered one performance obligation, which is satisfied over time.

(b) Healthcare Services Revenue

The Company receives revenue for services under various third-party payor programs, which include Medicare, and other third-party payors. Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are included in the determination of the estimated transaction price for providing services. The Company estimates the transaction price based on the terms of the contract with the payor, correspondence with the payor, and historical payment trends, and retroactive adjustments are recognized in future periods as final settlements are determined.

(c) Disaggregation of Revenue

The Company disaggregates its revenue from contracts with customers by revenue type, as the Company believes it best depicts how the nature, amount, timing, and uncertainty of its revenue and cash flows are affected by economic factors. See details on revenue type below:

	<u>2025</u>	<u>2024</u>
Independent living revenue	\$ 42,319,215	40,569,970
Care center revenue:		
Revenue under continuing care residency agreements	5,891,033	5,593,028
Revenue from private payors	3,007,940	2,489,562
Revenue under Medicare and third-party arrangements	7,073,000	8,024,093
Other service revenue	<u>1,169,112</u>	<u>1,093,148</u>
Net resident service revenue	<u>\$ 59,460,300</u>	<u>57,769,801</u>
Amortization of entrance fee revenue	\$ 24,354,764	21,855,603
Other income	484,925	375,035

(d) Contract Balances

The payment terms and conditions within the Company's revenue-generating contracts vary by contract type and payor source, although terms generally include payment to be made within 30 days. Resident fee revenue for recurring and routine monthly services is generally billed monthly in advance.

Resident fee revenue for stand-alone or certain healthcare services is generally billed monthly in arrears. Amounts of revenue that are collected from residents in advance are recognized as deferred

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revenue until the performance obligations are satisfied. The Company had total deferred revenue (included within prepaid resident service revenue and deferred revenue from nonrepayable entrance fees within the balance sheets) of \$256,872,416 and \$226,278,654, including \$3,413,281 and \$3,812,307 of resident monthly fees billed and received in advance, as of December 31, 2025 and 2024, respectively. For the year ended December 31, 2025, the Company recognized \$23,077,320 of revenue that was included in the deferred revenue balance as of January 1, 2025. The Company applies the practical expedient in ASC Paragraph 606-10-50-14 and does not disclose amounts for remaining performance obligations that have original expected durations of one year or less.

(4) Concentration of Credit Risk

The Company grants credit to its self-pay residents as well as those that are insured under third-party payor agreements. The mix of receivables from patients and third-party payors as of December 31, 2025 and 2024 is as follows:

	2025	2024
Medicare	58 %	57 %
Self-pay and commercial insurance	42	43
	100 %	100 %

(5) Assets Limited as to Use and Investments

The Company reports its investments and assets limited as to use as trading securities. Money market funds with readily determinable fair values and all other investments are reported at fair value. Fair value is determined primarily on the basis of quoted market prices or observable market inputs.

Investment income or loss (including realized gains and losses on investments, changes in unrealized gains and losses on trading securities, interest, and dividends) is reported as investment return in the accompanying consolidated statements of operations.

A summary of the composition of the Company's investment portfolio at December 31, 2025 and 2024 is as follows:

	2025	2024
Cash and cash equivalents	\$ 3,670,470	4,373,437
Money markets and certificates of deposit	9,190,407	12,983,425
Government agencies	1,597,778	4,109,340
Corporate bonds and notes	25,780,259	20,543,681
	\$ 40,238,914	42,009,883

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

	<u>2025</u>	<u>2024</u>
Current portion of assets limited as to use – by Company for operations	\$ 3,058,524	3,517,112
Current portion of assets limited as to use – resident deposits	633,510	576,610
Current portion of assets limited as to use	<u>3,692,034</u>	<u>4,093,722</u>
Assets limited as to use – by Company for capital improvements	8,873,830	8,142,708
Assets limited as to use – by Company for operations	2,555,657	2,473,630
Assets limited as to use – by Company for entrance fee repayments	19,117,393	21,299,823
Assets limited as to use – by Company for ground lease	6,000,000	6,000,000
Assets limited as to use, net of amounts required for current liabilities	<u>36,546,880</u>	<u>37,916,161</u>
	<u>\$ 40,238,914</u>	<u>42,009,883</u>

The following table presents the Company's fair value hierarchy for those investments and assets limited as to use measured at fair value on a recurring basis as of December 31, 2025. None of these assets has any redemption restrictions, so the redemption frequency is on a daily basis and would have a one-day notice for redemption.

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 3,670,470	3,670,470	—	—
Money markets and certificates of deposit	9,190,407	9,190,407	—	—
Government agencies	1,597,778	—	1,597,778	—
Corporate bonds and notes	25,780,259	—	25,780,259	—
Total	<u>\$ 40,238,914</u>	<u>12,860,877</u>	<u>27,378,037</u>	<u>—</u>

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The following table presents the Company's fair value hierarchy for those investments and assets limited as to use measured at fair value on a recurring basis as of December 31, 2024. None of these assets has any redemption restrictions, so the redemption frequency is on a daily basis and would have a one-day notice for redemption.

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 4,373,437	4,373,437	—	—
Money markets and certificates of deposit	12,983,425	12,983,425	—	—
Government agencies	4,109,340	—	4,109,340	—
Corporate bonds and notes	20,543,681	—	20,543,681	—
Total	<u>\$ 42,009,883</u>	<u>17,356,862</u>	<u>24,653,021</u>	<u>—</u>

The composition of investment return on the Company's investment portfolio for the years ended December 31, 2025 and 2024 is as follows:

	<u>2025</u>	<u>2024</u>
Interest and dividend income	\$ 1,908,512	2,170,875
Net realized and change in unrealized (losses) gains during the holding period	155,866	(168,059)
	<u>\$ 2,064,378</u>	<u>2,002,816</u>

(6) Ground Lease

On August 1, 2000, the Company entered into a 75-year Ground Lease Agreement with The Board of Trustees of the Leland Stanford Junior University (Lessor). During the construction period, the lease called for monthly payments of \$125,000 plus annual Consumer Price Index (CPI) increases. The lease payments began with the commencement of the construction of the Community in July 2003. After initial occupancy, the monthly payments reset to \$125,000 and are adjusted every five years to reflect increases in CPI; the maximum CPI increase is 7% for a five-year period. The payments for the years ended December 31, 2025 and 2024 totaled \$1,912,598 and \$1,837,565, respectively. The ground lease also requires participating rent of approximately 6% of all gross receipts, payable monthly beginning with the initial occupancy, as defined.

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

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(7) Transactions with Related Parties

The Company entered into a management agreement dated August 1, 2000 between the Company and Classic Residence Management Limited Partnership (Classic), an affiliate of the Company, whereby Classic manages the operations of the Company. The agreement is for a term of 55 years and requires the Company to pay an annual management fee equal to 8% of annual resident service revenue, excluding certain items as defined in the management agreement. The Company incurred management fee expense of \$4,876,886 and \$4,727,818 for the years ended December 31, 2025 and 2024, respectively.

Classic also contracts with third parties on behalf of the Company to provide property, health, liability, and workers' compensation insurance and various marketing and other services. Classic advances the funds to the third parties on behalf of the Company. Such advances amounted to \$9,912,294 and \$10,291,681 for the years ended December 31, 2025 and 2024, respectively. There is no interest associated with these advances. Amounts due to Classic totaled \$1,273,049 and \$853,486 at December 31, 2025 and 2024, respectively, and are reported as due to affiliate in the accompanying consolidated balance sheets. Amounts due to the Parent of \$6,795,339 and \$7,073,094 at December 31, 2025 and 2024, respectively, are reflected as due to Parent in the accompanying consolidated balance sheets.

(8) Defined Contribution Plan

The employees of the Company participate in a savings plan (the Plan) administered by Classic. The Plan is qualified under Section 401(k) of the Internal Revenue Code for all full-time employees who are 21 years of age with six months of service. The Plan allows eligible employees to defer up to 25% of their income on a pretax basis through contributions to the Plan. In accordance with the provisions of the Plan, for every dollar up to 4% of a participant's salary, the Company matches each participant's contribution in an amount equal to 100% of the participant's deferral. For every dollar in excess of 4% of a participant's salary and limited to 6% of a participant's salary, the Company matches each participant's contribution in an amount equal to 50% of the participant's deferral. For the years ended December 31, 2025 and 2024, the Company recorded matching contribution expense of \$725,835 and \$716,401, respectively. Contributions are funded on a current basis.

(9) Income Taxes

The operating results of the Company are included in the Parent's consolidated federal income tax return. The Company is party to a tax sharing agreement, which follows the provisions of ASC Topic 740 and provides that, among other things, the Company shall not be entitled to any reimbursement for utilization of its tax attributes in the consolidated federal income tax return of the Parent. The tax sharing agreement also provides that the Company shall not be entitled to any reimbursement for utilization of its tax attributes in the various combined state income tax returns of the Parent and its subsidiaries. The Company is required to pay the Parent for any tax liability that may arise from its operations, computed on a separate return basis. For the years ended December 31, 2025 and 2024, Palo Alto Care Center, Inc. sustained losses for federal and state income tax purposes. Accordingly, the current tax benefit attributable to Palo Alto Care Center, Inc. in the Parent's income tax return has been eliminated through an adjustment to stockholders' deficit.

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The income tax expense for the years ended December 31, 2025 and 2024 comprises the following:

	2025	2024
Current:		
U.S. federal	\$ 4,542,130	4,732,173
State	2,108,544	2,196,297
Total current	6,650,674	6,928,470
Deferred:		
U.S. federal	(3,341,144)	(4,033,087)
State	(1,111,106)	(1,341,213)
Total deferred	(4,452,250)	(5,374,300)
Income tax expense	\$ 2,198,424	1,554,170

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2025 and 2024 are as follows:

	2025	2024
Deferred tax assets:		
Deferred revenue from nonrepayable entrance fees	\$ 50,945,656	45,254,140
Other	1,570,465	1,711,397
Gross deferred tax assets	52,516,121	46,965,537
Deferred tax liabilities:		
Depreciation and amortization	(15,238,591)	(14,137,232)
Other	(25,805)	(28,830)
Gross deferred tax liabilities	(15,264,396)	(14,166,062)
Total deferred tax asset, net	\$ 37,251,725	32,799,475

As of December 31, 2025 and 2024, no valuation allowance was considered necessary as management believed that it was more likely than not that the results of future operations would generate sufficient taxable income to realize the deferred tax assets.

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Income tax expense was \$2,198,424 and \$1,554,170 for the years ended December 31, 2025 and 2024, respectively, and differed from the amounts computed by applying the U.S. federal income tax rate of 21% in 2025 and 2024 to pretax income from continuing operations as a result of the following:

	2025	2024
Computed "expected" tax expense	\$ (1,642,870)	(1,159,211)
Change in income tax expense resulting from:		
State and local income taxes, net of federal income tax expense	(554,644)	(393,862)
Other, net	(910)	(1,097)
	\$ (2,198,424)	(1,554,170)

(10) Leases

The Company has an operating ground lease with the lessor that expires in 2075, along with finance leases, primarily for vehicles that expire over the next four years. Payments due under the lease contracts include fixed payments plus, for many of the Company's leases, variable payments, including the participating rent discussed in note 2(j). The Company has elected not to separate lease and non-lease components but rather has elected to include all components within a single, combined lease component. The Company also elected to discount its lease liabilities using a risk-free rate.

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

	2025	2024
Right-of-use assets – operating leases	\$ 48,956,160	48,956,160
Accumulated amortization	(1,566,078)	(1,156,776)
Right-of-use assets – operating leases, net	47,390,082	47,799,384
Right-of-use assets – finance leases	258,469	258,469
Accumulated amortization	(154,757)	(105,021)
Right-of-use assets – finance leases, net	103,712	153,448
Total right-of-use asset	\$ 47,493,794	47,952,832
Current portion of operating lease liabilities	\$ 420,771	408,322
Operating lease liabilities, net of current portion	46,969,311	47,391,062
Total operating lease liabilities	47,390,082	47,799,384
Current portion of finance lease liabilities	49,736	49,736
Finance lease liabilities, net of current portion	53,976	103,712
Total finance lease liabilities	103,712	153,448
Total lease liabilities	\$ 47,493,794	47,952,832

CC-PALO ALTO, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
December 31, 2025 and 2024

Other information related to leases as of December 31, 2025 and 2024 was as follows:

	<u>2025</u>	<u>2024</u>
Cash paid for amounts included in the measurement of lease liabilities	\$ 459,302	440,697
Weighted average remaining lease term – operating leases	49.62 years	50.62 years
Weighted average remaining lease term – finance leases	2.35 years	3.26 years
Weighted average discount rate – operating leases	3.00 %	3.00 %
Weighted average discount rate – finance leases	6.09	6.08

Maturities of lease liabilities under noncancelable leases as of December 31, 2025 are as follows:

Year ending December 31	
2026	\$ 1,887,301
2027	1,869,926
2028	1,859,178
2029	1,837,565
2030	1,837,565
Thereafter	<u>81,924,753</u>
Total lease liabilities	91,216,288
Less: imputed interest	<u>(43,722,494)</u>
Total lease liabilities	<u>\$ 47,493,794</u>

(11) Commitments and Contingencies

(a) State Regulatory Requirements

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

(b) Federal Regulatory Compliance

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

CC-PALO ALTO, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

(c) Class Action Complaint

On September 11, 2023, a Plaintiff filed a putative wage and hours class action complaint in the Superior Court of the State of California in the County of San Diego against Classic. The Plaintiff asserted that he fairly and adequately represented a putative class comprised of all non-exempt Classic employees who have been or were currently employed by Classic in the State of California since November 1, 2022. The Plaintiff's claims alleged wage and hour violations under the California Labor Code and Industrial Welfare Commission Wage Order as well as allegedly engaging in unlawful and unfair business practices. On December 16, 2024, a different Plaintiff filed a putative wage and hour class action complaint in the Superior Court of California in Santa Clara County, with the same allegations as the other complaint. These two complaints were subsequently consolidated in San Diego County. Classic denies the allegations and maintains that all employees have been accurately paid for time worked. In an effort to mitigate potential costs and disruption associated with the litigation, on April 22, 2025, Classic and the plaintiffs participated in mediation and while the matter did not resolve, the parties continued to communicate through the mediator. On October 25, 2025, Classic (on behalf of the Company and one of its other affiliates) agreed to a settlement with the class. The settlement agreement is being drafted and final court approval is expected in 2026. Included in accrued expenses in the accompanying consolidated balance sheet is \$334,627 related to the expected disposition of funds pursuant to the terms of the settlement.

CC-PALO ALTO, INC. AND SUBSIDIARY

Form 5-1

Long-Term Debt Incurred in a Prior Fiscal Year

(Including Balloon Debt)

Long-term debt obligation	(a) Date incurred	(b) Principal paid during fiscal year	(c) Interest paid during fiscal year	(d) Credit enhancement premiums paid in fiscal year	(e) Total paid (columns (b) + (c) + (d))
1		\$ —	—	—	—
2		—	—	—	—
3		—	—	—	—
4		—	—	—	—
5		—	—	—	—
6		—	—	—	—
7		—	—	—	—
8		—	—	—	—
		\$ —	—	—	—

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

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

Provider: CC-Palo Alto, Inc.

Community: CC-Palo Alto, Inc.

See accompanying independent auditors' report on supplementary information.

CC-PALO ALTO, INC. AND SUBSIDIARY

Form 5-2

Long-Term Debt Incurred During Fiscal Year

(Including Balloon Debt)

Long-term debt obligation	(a) Date incurred	(b) Total interest paid during fiscal year	(c) Amount of most recent payment on the debt	(d) Number of payments over next 12 months	(e) Reserve requirement (see instruction 5) (columns (c)*(d))
1		\$ —	—	—	—
2		—	—	—	—
3		—	—	—	—
4		—	—	—	—
5		—	—	—	—
6		—	—	—	—
7		—	—	—	—
8		—	—	—	—
		\$ —	—	—	—

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

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

Provider: CC-Palo Alto, Inc.

Community: CC-Palo Alto, Inc.

See accompanying independent auditors' report on supplementary information.

CC-PALO ALTO, INC. AND SUBSIDIARY

Form 5-3

Calculation of Long-Term Debt Reserve Amount

<u>Line</u>	<u>Total</u>
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)	<u>5,509,312</u>
4 Total amount required for long-term debt reserve (A)	<u>\$ 5,509,312</u>

(A) Amount is comprised of the following (see note 5 in the notes to the consolidated financial statements):

Ground lease Base Rent		\$ 1,912,598
Resident service and other revenue	\$ 59,945,225	
Participating Rent percentage	<u>6.0 %</u>	
2025 Participating Rent on resident service and other revenue (B)		<u>3,596,714</u>
Total		<u>\$ 5,509,312</u>

(B) As described in note 6 to the consolidated financial statements, pursuant to its Ground Lease Agreement, the Provider pays the lessor approximately 6.0% of resident service revenue and approximately 7.3% of gross entrance fee proceeds collected. Based on discussions with the State of California Department of Social Services (DSS), and consistent with prior years, facility leasehold or rental payments reportable on Form 5-3 should only include base rent and participating rent attributable to resident service and other revenue.

Provider: CC-Palo Alto, Inc.

Community: CC-Palo Alto, Inc.

See accompanying independent auditors' report on supplementary information.

CC-PALO ALTO, INC. AND SUBSIDIARY

Form 5-4

Calculation of Net Operating Expenses

<u>Line</u>	<u>Amounts</u>	<u>Total</u>
1 Total operating expenses from financial statements		78,541,174
2 Deductions:		
(a) Interest paid on long-term debt (see instructions)	\$ —	
(b) Credit enhancement premiums paid for long-term debt (see instructions)	—	
(c) Depreciation	10,265,453	
(d) Amortization	49,736	
(e) Revenues received during fiscal year for services to residents who did not have a continuing care contract	10,260,045	
(f) Extraordinary expenses approved by the Department (A)	<u>5,509,312</u>	
3 Total deductions		<u>26,084,546</u>
4 Net operating expenses		<u>52,456,628</u>
5 Divide line 4 by 365 and enter the result		<u>143,717</u>
6 Multiply line 5 by 75 and enter the result. This is the provider's operating expense reserve amount		<u>\$ 10,778,775</u>
(A) Extraordinary expenses approved by the department consist of amounts classified as debt service as follows:		
Ground Lease Base Rent (see Form 5-3)	\$ 1,912,598	
Participating Rent on Resident Service and other Revenue (see Form 5-3)	<u>3,596,714</u>	
	<u>\$ 5,509,312</u>	

Provider: CC-Palo Alto, Inc.

Community: CC-Palo Alto, Inc.

See accompanying independent auditors' report on supplementary information.

CC-PALO ALTO, INC. AND SUBSIDIARY

Form 5-5

Annual Reserve Certification

Provider Name: CC-Palo Alto, Inc.

Fiscal year ended December 31, 2025

We have reviewed our debt service reserve and operating expense reserve requirements as of and for the fiscal year ended December 31, 2025 and are in compliance with those requirements.

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

	<u>Amount</u>
(1) Debt service reserve amount	\$ 5,509,312
(2) Operating expense reserve amount	<u>10,778,775</u>
(3) Total liquid reserve amount	\$ <u>16,288,087</u>

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

<u>Qualifying asset description</u>	<u>Amount</u> <u>(market value at end of quarter)</u>	
	<u>Debt service reserve</u>	<u>Operating reserve</u>
(4) Cash and cash equivalents	\$ 5,509,312	26,325,866
(5) Investment securities	—	5,614,181
(6) Equity securities	—	—
(7) Unused available lines of credit	—	—
(8) Unused available letters of credit	—	6,000,000
(9) Debt service reserve	—	—
(10) Other – security deposit	—	<u>1,491,448</u>
Total amount of qualifying assets listed for liquid reserve (11)	<u>5,509,312</u>	(12) <u>39,431,495</u>
Total amount required (13)	<u>5,509,312</u>	(14) <u>10,778,775</u>
Surplus (deficiency) (15)	\$ <u>—</u>	(16) <u>28,652,720</u>

Signature



Date

4/24/2026

(Authorized representative)

(Title) Vice President, Treasurer

See accompanying independent auditors' report on supplementary information.

CC-Palo Alto, Inc.

Form 5-5 Supplemental Details on All Reserves

Reserves Classified as Cash and Cash Equivalents on Form 5-5:

Financial Institution	Account Type	Account Details	Amount
None	Cash	Petty Cash maintained on site	\$ 987
Bank of America, N.A.	Business Checking Account	Petty Cash Checking Account	\$ 15,183
Bank of America, N.A.	Business Checking Account	Operating Account	\$ 1,144,553
Bank of America Merrill Lynch	Money Market Account	Operating Account (invested portion)	\$ 3,253,573
Bank of America, N.A.	Business Checking Account	Ownership Account (operating portion)	\$ 26,617,290
Bank of America, N.A.	Business Checking Account	Payroll Account	\$ 793,425
Bank of America, N.A.	Business Checking Account	Real Estate Tax Account	\$ 10,167
Total Cash and Cash Equivalents			\$ 31,835,178 A

Reserves Classified as Investment Securities on Form 5-5:

Financial Institution	Account Type	Account Details	Amount
UBS	Self Directed Investment Account	Operating Reserve - CD's, Money Market	\$ 5,614,181
Total Investment Securities			\$ 5,614,181 B

Reserves Classified as Unused Available Letters of Credit on Form 5-5:

Financial Institution	Account Type	Account Details	Amount
Bank of America, N.A.	Certificate of Deposit	Ground Lease Letter of Credit Collateral	\$ 6,000,000
Total Unused Available Letters of Credit			\$ 6,000,000 C

Reserves Classified as Other - Security Deposit on Form 5-5:

Financial Institution	Account Type	Account Details	Amount
Stanford	Security Deposit	Stanford Cash Reserve	\$ 1,491,448
Total Other - Security Deposit			\$ 1,491,448 D

Reserves Not Considered as Qualifying Assets and Not Listed on Form 5-5:

Financial Institution	Account Type	Account Details	Amount
Bank of America, N.A.	Business Checking Account	Ownership Account (resident deposit portion)	\$ 633,510
UBS	Self Directed Investment Account	Class Restricted Cash Account	\$ 19,117,393
UBS	Self Directed Investment Account	Capital Reserve - CD's, Money Market, Bonds and Note	\$ 8,873,830
Total Reserves Not Listed on Form 5-5			\$ 28,624,733 E

Total Cash and Cash Equivalents and Investment Securities

(A+B+C+D+E) \$ 73,565,540

Cash, Assets Limited as to Use, and Deposits in Audited Financial Statements:

Cash and cash equivalents (page 3) (policy disclosed on page 7)	\$ 31,835,178
Current portion of assets limited as to use (page 3) (policy disclosed on page 8&13/14)	\$ 3,692,034
Assets limited as to use, net of amounts required for current liabilities (page 3) (policy disclosed on page 8 &13/14)	\$ 36,546,880
Deposits (page 3) (policy disclosed on page 15)	\$ 1,491,448
Total cash and cash equivalents and assets limited as to use	\$ 73,565,540

Reconciliation of Details Above to Form 5-5:

Total Qualifying Assets listed for liquid reserve	(A+B+C+D) \$ 44,940,807
Qualifying Assets - Cash and Cash Equivalents - Operating Expense Reserve	\$ 26,325,866
Qualifying Assets - Investment Securities - Operating Expense Reserve	\$ 5,614,181
Qualifying Assets - Cash and Cash Equivalents - Debt Service Reserve	\$ 5,509,312
Qualifying Assets - Unused Available Letters of Credit - Operating Expense Reserve	\$ 6,000,000
Qualifying Assets - Other - Security Deposit - Operating Expense Reserve	\$ 1,491,448
Total Qualifying Assets listed for liquid reserve	\$ 44,940,807

Per Capita Cost Detail:

Form 1-2 line 5 - Total Operating Expense for Continuing Care Residents	\$ 65,244,098
Form 1-1 line 5 - Mean # of Continuing Care Residents	613.5
Per Capita Costs	\$ 106,347

**Continuing Care Retirement Community
Disclosure Statement
General Information**

Date Prepared: 4/24/26

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

NUMBER OF UNITS:

RESIDENTIAL LIVING	HEALTH CARE
APARTMENTS — STUDIO: <u>0</u>	ASSISTED LIVING: <u>38</u>
APARTMENTS — 1 BDRM: <u>152</u>	SKILLED NURSING: <u>44</u>
APARTMENTS — 2 BDRM: <u>229 + 7 3brdm</u>	SPECIAL CARE: <u>24</u>
COTTAGES/HOUSES: <u>0</u>	DESCRIPTION: <u>> Dementia Care</u>
RLU OCCUPANCY (%) AT YEAR END: <u>99.7%</u>	<u>></u>

TYPE OF OWNERSHIP: NOT-FOR-PROFIT FOR- PROFIT ACCREDITED?: YES NO BY: _____

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

REFUND PROVISIONS: (Check all that apply) 90% 75% 50% FULLY AMORTIZED OTHER: 0%

RANGE OF ENTRANCE FEES: \$ 1,444,800 - \$ 12,811,100 LONG-TERM CARE INSURANCE REQUIRED? YES NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: Type I: Assisted Living and Skilled Nursing Care

ENTRY REQUIREMENTS: MIN. AGE: 62 PRIOR PROFESSION: None Required OTHER: Application Process

RESIDENT REPRESENTATIVE(S) TO, AND RESIDENT MEMBER(S) ON, THE BOARD (briefly describe provider's compliance and residents' role): >
> board of directors, members of the bd of directors of provider meet periodically with elected resident reps to ensure that opinions of residents are relayed to the governing body of provider.

FACILITY SERVICES AND AMENITIES					
COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	HOUSEKEEPING (<u>4</u> TIMES/MONTH)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BILLIARD ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MEALS (<u>1</u> /DAY)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BOWLING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<input type="checkbox"/>	<input checked="" type="checkbox"/>
CARD ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
CHAPEL	<input type="checkbox"/>	<input type="checkbox"/>	24-HOUR EMERGENCY RESPONSE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
COFFEE SHOP	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	ACTIVITIES PROGRAM	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CRAFT ROOMS	<input type="checkbox"/>	<input type="checkbox"/>	ALL UTILITIES EXCEPT PHONE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
EXERCISE ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	APARTMENT MAINTENANCE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
GOLF COURSE ACCESS	<input type="checkbox"/>	<input type="checkbox"/>	CABLE TV	<input checked="" type="checkbox"/>	<input type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input type="checkbox"/>	<input type="checkbox"/>
PUTTING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SHUFFLEBOARD	<input type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
SPA	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NURSING/WELLNESS CLINIC	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
SWIMMING POOL-INDOOR	<input checked="" type="checkbox"/>	<input type="checkbox"/>	PERSONAL HOME CARE	<input type="checkbox"/>	<input type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PERSONAL	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
TENNIS COURT	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
WORKSHOP	<input type="checkbox"/>	<input type="checkbox"/>	OTHER _____	<input type="checkbox"/>	<input type="checkbox"/>
OTHER <u>Computer Room</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>			

All providers are required by Health and Safety Code section 1789.1 to provide this report to prospective residents before executing a deposit agreement or continuing care contract, or receiving any payment. Many communities are part of multi-facility operations which may influence financial reporting. Consumers are encouraged to ask questions of the continuing care retirement community that they are considering and to seek advice from professional advisors.

PROVIDER NAME: CC-Palo Alto, Inc

OTHER CCRCs

Vi at La Jolla Village

LOCATION (City, State)

San Diego, CA

PHONE (with area code)

(858) 646-7712

Vi at Bentley Village

Naples, FL

(941) 598-3153

Vi at Lakeside Village

Lantana, FL

(561) 966-4600

TidePointe, a Vi Community (fee for service)

Hilton Head Island, SC

(843) 341-7200

Vi at Grayhawk, a Vi and Plaza Companies Company

Scottsdale, AZ

(480) 659-5100

Vi at Aventura

Aventura, FL

(305) 692-4700

Vi at the Glen

Glenview, IL

(847) 904-4600

Vi at Highlands Ranch

Highlands Ranch, CO

(720) 747-1234

Vi at Silverstone

Scottsdale, AZ

(480) 476-6100

MULTI-LEVEL RETIREMENT COMMUNITIES

LOCATION (City, State)

PHONE (with area code)

None

FREE-STANDING SKILLED NURSING

LOCATION (City, State)

PHONE (with area code)

None

SUBSIDIZED SENIOR HOUSING

LOCATION (City, State)

PHONE (with area code)

None

No listed facility is life care as defined in California

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

PROVIDER NAME: CC-Palo Alto, Inc.

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (Excluding amortization of entrance fee income)	\$54,758,809	\$57,854,439	\$60,147,652	\$62,009,603
LESS OPERATING EXPENSES (Excluding depreciation, amortization, and interest)	\$50,645,458	\$53,345,324	\$55,675,010	\$57,200,626
NET INCOME FROM OPERATIONS	\$4,113,351	\$4,509,115	\$4,472,642	\$4,808,977
LESS INTEREST EXPENSE	\$0	\$0	\$0	\$0
PLUS CONTRIBUTIONS	\$0	\$0	\$0	\$0
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	(\$8,449,893)	\$(8,896,330)	\$(9,668,050)	\$(11,025,360)
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	(\$4,336,542)	\$(4,477,215)	\$(5,195,408)	\$(6,216,383)
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits Less Refunds)	\$27,591,350	\$38,899,357	\$61,330,062	\$61,566,571

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

<u>LENDER</u>	<u>OUTSTANDING BALANCE</u>	<u>INTEREST RATE</u>	<u>DATE OF ORIGINATION</u>	<u>DATE OF MATURITY</u>	<u>AMORTIZATION PERIOD</u>

FINANCIAL RATIOS (see next page for ratio formulas)

	<u>2017 CCAC Medians 50th Percentile (optional)</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
DEBT TO ASSET RATIO		0	0	0
OPERATING RATIO		.92	.93	.92
DEBT SERVICE COVERAGE RATIO		0	0	0
DAYS CASH ON HAND RATIO		190.19	220.55	295.59

HISTORICAL MONTHLY SERVICE FEES (Average Fee and Change Percentage)

	<u>2022</u>	<u>%</u>	<u>2023</u>	<u>%</u>	<u>2024</u>	<u>%</u>	<u>2025</u>	<u>%</u>
STUDIO	N/A		N/A		N/A		N/A	
ONE BEDROOM	\$6,224	3.0	\$6,570	5.5	\$6,931	5.5	\$7,143	3.0
TWO BEDROOM	\$8,695	3.0	\$9,176	5.5	\$9,676	5.5	\$9,963	3.0
COTTAGE/HOUSE	N/A		N/A		N/A		N/A	
ASSISTED LIVING								
SKILLED NURSING								
SPECIAL CARE								

COMMENTS FROM PROVIDER: > Note: If you sign a continuing care residency contract, your monthly fee for assisted living, memory care, or skilled nursing will be based on your monthly fee for your residential living apartment. The dollar amounts shown are the average monthly fees paid by existing residents as of December 1st of each year. The % column reflects the percentage increase over the prior year's monthly fee that was applied to the monthly fees of existing residents

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

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

OPERATING RATIO

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

DEBT SERVICE COVERAGE RATIO

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

DAYS CASH ON HAND RATIO

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

NOTE: These formulas are also used by the Continuing Care Accreditation Commission. For each formula, that organization also publishes annual median figures for certain continuing care retirement communities.

FORM 7-1 REPORT ON CCRC MONTHLY CARE FEES

Complete **Form 7-1** to report the monthly care fee increase (MCFI) for each community operated by the Provider. If no adjustments were made during the reporting period for a community, indicate by checking the box below **Line [2]**. Providers must complete a separate Form 7-1 for each of their continuing care retirement communities.

1. On **Line 1**, enter the amount of monthly care fees for each level of care at the *beginning* of the reporting period.
2. On **Line 2**, indicate the percentage(s) of increase in fees implemented during the *reporting* period.
3. On **Line 3**, indicate the date the fee increase was implemented. If more than one (1) increase was implemented, indicate the date(s) for each increase.
4. Check *each* of the appropriate boxes.
5. Provide a detailed explanation for the increase in monthly care fees including the total dollar amount for the community overall and corresponding percentage increase for each level of care in compliance with the Health and Safety Code. The explanation shall set forth the reasons, by department cost centers, for any increase in monthly care fee. It must include if the change in monthly care fees is due to any actual or projected costs related to any other CCRC community or enterprise affiliated with the provider or parent company.

The methodology used to budget future costs should align with one or more of the following factors: "projected costs, prior year per capita costs and economic indicators." Describe the methodology used for single or multiple communities. If there are multiple MCFI percentages, i.e., by level of care, a separate explanation for each MCFI will be required.

Also, if there is a positive result of operations, the provider will need to explain how the funds will be used and/or distributed consistent with disclosures made in the applicable sections of the Continuing Care Contract.

This attachment should include the data used in the Monthly Care Fee Increase meeting presentation provided to residents, which will also include actual results and an explanation of any variances.

NOTE: Providers shall retain all documents related to the development of adjusted fees at their respective communities for a period of at least three years, i.e., budgets, statements of operations, cost reports, used near the end of the prior fiscal year to develop adjustments implemented in the current reporting period. These documents must be available for review upon request by the Department.

FORM 7-1

REPORT ON CCRC MONTHLY CARE FEES

	RESIDENTIAL LIVING	ASSISTED LIVING	MEMORY CARE	SKILLED NURSING
	6,268-14,210	6,892-21,804	6,892-15,883	6,684-22,235
	3%	3%	3%	3%

1. Monthly Care Fees at beginning of reporting period: (indicate range, if applicable)

2. Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)

Check here if monthly care 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: 1/1/2025
(If more than one (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.
Date of Notice: 12/1/2024 Method of Notice: Letter

At least 30 days prior to the increase in fees, the designated representative of the Provider convened a meeting that all residents were invited to attend. Date of Meeting: 11/26/2024

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 distributed the documents to all residents by [Optional - check all that apply]:
 Emailed the documents to those residents for whom the provider had email addresses on file
 Placed hard copies in resident cubby

Placed hard copies at designated locations

Provided hard copies to residents upon request, and/or

Other: [please describe] _____

Date of Notice: _____

The Provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.
Date of Notice: 11/12/2024

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.

Date of Posting: 11/12/2024 Location of Posting: Bulletin boards, mailroom, outside of library

Providers evaluated the effectiveness of consultations during the annual budget planning process at a minimum of every two years by the continuing care retirement community administration. The evaluation, including any policies adopted relating to cooperation with residents was made available to the resident association or its governing body, or, if neither exists, to a committee of residents at least 14 days prior to the next semiannual meeting of residents and the Provider's governing body and posted a copy of that evaluation in a conspicuous location at each facility.

Date of Posting: _____ Location of Posting: _____

5. On an attached page, provide a detailed explanation for the increase in monthly care fees including the amount of the increase and compliance with the Health and Safety Code.

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

**FORM 7-1 MONTHLY CARE FEE INCREASE (MCFI)
ANNUAL REPORTING YEAR - FY 2025**

Line	Fiscal Years	2023			2024			2025		
1	FY 2023 Operating Expenses (Note 1)			(56,956,504)						
2	FY 2024 Operating Expenses (Note 1)				(58,758,182)					
3	FY 2025 Projected Operating Expenses (Note 1)								(61,848,270)	
4	FY 2025 Anticipated MCF Revenue Based on Current and Projected Occupancy and Other without a MCFI								60,344,344	
5	Projected FY 2025 Net Operating Results without an MCFI (Line 3 plus Line 4)								(1,503,926)	
6	Projected FY 2025 MCF Revenue Based on Current and Projected Occupancy and Other with a MCFI of 3.0%								61,840,752	
7	Grand Total - Projected FY 2025 Net Operating Activity after 3.0% MCFI (Line 3 plus Line 6)								(7,518)	
Monthly Care Fee Increase - 3.0%										

Note 1: Certain adjustments must be made to total expenses to arrive at operating expenses which are considered when evaluating monthly fee increases. These adjustments are as follows:

	2023	2024	2025
Total Expenses	73,453,409	76,483,199	78,108,916
Less - depreciation and amortization	(11,121,755)	(11,140,139)	(9,401,178)
Less - loss on disposal of property and equipment	-	-	-
Less - provision for doubtful accounts (considered a contra revenue for budgeting)	-	-	-
Less - expenses specifically excluded from MCFI considerations (Note 2)	(8,765,905)	(9,991,356)	(10,285,025)
Add - funding of capital reserves	3,390,755	3,406,478	3,425,557
Total Operating Expenses above	56,956,504	58,758,182	61,848,270

Note 2: Participating rent payments and certain other administrative costs are not considered in determining the monthly fee increase whereby they are excluded here.

Form 7-1 Supplement to Narrative Explanations

	2024 Actual	2025 Budget	Dollar Change	Percent Change
Salaries and Wages	21,918,540	23,837,792	(1,919,252)	-8.8%
Employee Benefits	5,423,846	5,919,534	(495,688)	-9.1%
Food Cost	2,663,811	2,768,280	(104,469)	-3.9%
Resident Care (non-salary)	2,084,570	2,057,598	26,972	1.3%
Maintenance	1,839,615	1,687,017	152,598	8.3%
Other Functional Expenses	2,278,549	2,883,378	(604,829)	-26.5%
Utilities	2,623,313	2,607,983	15,330	0.6%
Sales & Marketing	211,815	221,669	(9,854)	-4.7%
Administration	1,342,359	1,359,623	(17,264)	-1.3%
Insurance	2,590,025	2,618,313	(28,288)	-1.1%
Property Taxes	5,560,880	5,616,693	(55,813)	-1.0%
Lease Expense	1,837,565	1,897,591	(60,027)	-3.3%
Management Fees	4,976,817	4,947,243	29,574	0.6%
Total Expenses	A 55,351,704	58,422,713	(3,071,010)	-5.5%
Net Operating Income	B 6,860,012	3,418,039	(3,441,973)	
Funding of Capital Replacement Reserve	C (3,406,478)	(3,425,557)	(19,079)	-0.6%
Total Cash Flow	3,453,534	(7,518)	(3,461,052)	
Total Expenses	A 55,351,704	58,422,713	(3,071,010)	-5.5%
Funding of Capital Replacement Reserve	C 3,406,478	3,425,557	(19,079)	-0.6%
Total Expenses for Monthly Fee Consideration	58,758,182	61,848,270	(3,051,931)	-5.2%

CC – Palo Alto, Inc.

Form 7-1 Explanation for Increase in Monthly Service Fees

Each monthly service fee increase is based on projected expenses, prior year expenses and economic indicators. As with most businesses, we are faced with rising costs in several areas. One significant area is rising salaries and benefits costs. Pressure in the labor markets and rising health care costs (coupled with the impact of federal regulation) continue to lead to rising salaries and benefits costs which outpace normal inflation. Additionally, property, workers compensation, and professional liability insurance costs continue to rise. Food cost, utilities expense, and property taxes are other significant considerations within the overall expense base that drive monthly service fee increases. Each of these factors is evaluated in detail and we utilize the best information we have available at the time the increases are finalized. The data used to calculate the increase consists primarily of compensation analyses on the local market, health insurance consultant reports, forward looking data on commodities pricing, discussions with utility companies, and discussion with non-health insurance consultants. We also analyze repair and maintenance needs annually based on the life cycle of our systems and specific needs. The attached schedule outlines the dollar and percent impacts of the anticipated changes in the aforementioned areas along with all other financial line items. These items are all analyzed collectively along with changes in private pay and Third Party revenues when determining the necessary increase in monthly service fees. To address these impacts and maintain the high level of quality and services expected of our brand, the following increases were implemented:

IL 3.0%

AL 3.0%

SNF 3.0%

PART 9

CC-Palo Alto, Inc. does not offer a refundable contract or assume responsibility for any outstanding refundable contracts. Accordingly, CC-Palo Alto, Inc. is not required to maintain a refund reserve in trust for the residents in the manner required by Health and Safety Code (H&SC) section 1792.6.