

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF WISCONSIN**

In re:	§	Chapter 11
	§	
CAPITOL LAKES, INC., ¹	§	Case No. 16-10158
	§	
Debtor.	§	Hon. Robert D. Martin

**PERIODIC REPORT REGARDING VALUE, OPERATIONS AND
PROFITABILITY OF ENTITIES IN WHICH THE DEBTOR’S ESTATE
HOLDS A SUBSTANTIAL OR CONTROLLING INTEREST**

This report, dated as of February 17, 2016, sets forth the value, operations and profitability of those entities in which Capitol Lakes, Inc., the above-captioned debtor and debtor in possession (the “Debtor”), holds a substantial or controlling interest, as required by Rule 2015.3 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”). The Debtor’s estate holds a substantial or controlling interest in the following entities (the “Non-Debtor Affiliates”):

Name of Entity	Interest of the Estate	Tab #
Capitol Lakes Foundation, Inc.	Debtor is the sole member	1
Senior Housing of Middleton, Inc.	Debtor is one of two members	2
Middleton Glen, Inc.	Debtor is one of two members	3

This periodic report (the “Periodic Report”) contains separate reports (collectively, the “Entity Reports”) on the value, operations, and profitability of each entity listed above.

Each Entity Report consists of three exhibits. Exhibit A contains a valuation estimate for the entity as of a date not more than two years prior to the date of this Periodic Report. It also contains a description of the valuation method used. Exhibit B contains a balance sheet, a statement of income (loss), a statement of cash flows, and a statement of changes in

¹ The debtor in this chapter 11 case, along with the last four (4) digits of its taxpayer identification number, is: Capitol Lakes, Inc. (2320). The mailing address of the debtor, solely for purposes of notices and communications, is: 333 W. Main St, Madison, WI 53703.

shareholders' or partners' equity (deficit) for the period covered by the Entity Report. Exhibit C contains a description of the entity's business operations.

The Entity Reports were prepared by professionals at Alvarez & Marsal Healthcare Industry Group, LLC based upon information provided to them by the Debtor and Pacific Retirement Services, Inc. In addition, the accompanying financial information of the Non-Debtor Affiliates has been prepared solely for the purpose of complying with the periodic reporting requirements of Bankruptcy Rule 2015.3. The Periodic Report is limited in scope, covers a limited time period, and the financial information contained herein was not audited or reviewed by independent accountants nor are they intended to reconcile to any financial statements otherwise prepared or distributed by the Debtor or Non-Debtor Affiliates. The Debtor reserves all rights to supplement or amend any financial information contained in the Entity Reports.

The information presented herein is subject to further review and potential adjustments, and has not been subject to all procedures that would typically be applied to financial information presented in accordance with Generally Accepted Accounting Principles in the United States of America, including, but not limited to, accruals, tax provision and other recurring adjustments considered necessary by management to fairly state the financial position and results of operations for the period presented. As part of its restructuring efforts, the Debtor is reviewing its assets and liabilities on an ongoing basis and nothing contained in this Periodic Report shall constitute a waiver of any of the Debtor's rights with respect to such assets, liabilities, claims and obligations that may exist.

The undersigned, having reviewed the above listing of entities in which the Debtor's estate holds a substantial or controlling interest, and being familiar with the Debtor's financial affairs, verifies under the penalty of perjury that the listing is complete, accurate and truthful to the best of his knowledge.

Dated: February 17, 2016

/s/ Tim Conroy
Signature of Authorized Individual

Tim Conroy
Name of Authorized Individual

Executive Director
Title of Authorized Individual

TAB 1- ENTITY REPORT FOR CAPITOL LAKES FOUNDATION, INC.

Exhibit A

Valuation Estimate for Capitol Lakes Foundation, Inc.

The Debtor is the sole member of Capitol Lakes Foundation, Inc. (the "Foundation"). According to the unaudited 2015 fiscal year financial statements of the Foundation, the Foundation's net assets total \$1,150,939 as of December 31, 2015. All of the Foundation's assets, however, have been donated by third parties for a charitable purpose and, therefore, have no value outside of the Foundation's charitable mission.

Exhibit B

Financial Statements for Capitol Lakes Foundation, Inc.

Exhibit B-1

Balance Sheet for Capitol Lakes Foundation, Inc.

Source: 12/31/2015 Capitol Lakes Foundation, Inc. Financial Statements

Cash & Cash Equivalents	\$	82,402
Investments		1,063,013
Total Current Assets		<u>1,145,415</u>
Property & Equipment, net		5,524
Total Assets	\$	<u>1,150,939</u>
Accounts Payable	\$	-
Accrued Expenses		471
Due to/(from) Other Facilities		8,897
Total Current Liabilities		<u>9,368</u>
Net Assets		
Unrestricted		105,127
Temporarily Restricted		960,116
Permanently Restricted		76,327
Total Net Assets		<u>1,141,570</u>
Total Liabilities & Net Assets	\$	<u>1,150,938</u>

Exhibit B-2

Statement of Income (Loss) for Capitol Lakes Foundation, Inc.

Source: 12/31/2015 Capitol Lakes Foundation, Inc. Financial Statements

	YTD 12/31/15
Operating Revenue	
Gifts from all Funds	\$ 73,584
Fundraisers	-
Total Operating Revenue	<u>73,584</u>
Operating Expenses	
<u>Administrative Expense</u>	
Administrative	10,398
Advertising	369
Depreciation	313
Education	10
License & Fees	295
Office Supplies	1
Travel	72
Fundraisers	-
Disbursements	920
Total Operating Expenses	<u>12,378</u>
Total Operating Income/(Expense)	<u>\$ 61,206</u>
Investment Activity	
Investment Income(Loss) Realized	\$ 31,091
Investment Income(Loss) Unrealized	9,840
Investment Manager Fees	(166)
Total Investment Income(Loss)	<u>\$ 40,765</u>
Total Operating & Investment Activities	<u>\$ 101,971</u>
Net Assets, Beginning of Period	1,039,599
Net Assets, End of Period	\$ 1,141,570

Exhibit B-3

Statement of Cash Flows for Capitol Lakes Foundation, Inc.

N/A

Exhibit B-4

**Statement of Changes in Shareholders'/Partners' Equity (Deficit) for
Capitol Lakes Foundation, Inc.**

N/A

Exhibit C

Description of Operations for Capitol Lakes Foundation, Inc.

The Foundation is the charitable arm of Capitol Lakes, Inc. Its purpose is to generate resources to support and enrich the quality of life for residents at the community - now and in the future. It has no independent operations.

TAB 2- ENTITY REPORT FOR SENIOR HOUSING OF MIDDLETON, INC.

Exhibit A

Valuation Estimate for Senior Housing of Middleton, Inc.

The net assets balance as of December 31, 2015, reflected on the interim financial statements for Senior Housing of Middleton, Inc. ("SHM"), was used for the valuation of SHM. Based upon those financial statements, the value of SHM as of December 31, 2015 is -\$1,606,679.

Exhibit B

Financial Statements for Senior Housing of Middleton, Inc.

Exhibit B-1

**Balance Sheet for Senior Housing of Middleton, Inc.
For the period ending December 31, 2015**

Source: 12/31/2015 Senior Housing of Middleton, Inc. Financial Statements

Cash & Cash Equivalents	\$	1,528,847
Investments		199,191
Accounts Receivable, net		(75)
Prepaid Expense		27,988
Total Current Assets		<u>1,755,951</u>
Property & Equipment, net		5,488,950
Other Assets		
Bond Issue & Other Financing Costs, net		<u>53,833</u>
Total Other Assets		<u>53,833</u>
Total Assets	\$	<u>7,298,734</u>
Current Liabilities		
Accounts Payable & Accrued Expenses	\$	39,281
Current Portion Long Term Debt		161,951
Current Portion Entrance Fees Refundable		165,217
Due to/(from) Affiliates, Middleton Glen		93,726
Due to/(from) Affiliates, Other		4,046
Total Current Liabilities		<u>464,221</u>
Other Liabilities		
Long Term Debt		2,869,746
Entrance Fees Refundable		5,518,606
Entrance Fees Board Valuation Adjustment		52,840
Total Liabilities		<u>8,905,413</u>
Net Assets		
Unrestricted, Prior Year		(1,615,440)
Unrestricted, Current Year		8,761
Total Net Assets		<u>(1,606,679)</u>
Total Liabilities & Net Assets	\$	<u>7,298,734</u>

Exhibit B-2

**Statement of Income (Loss) for Senior Housing of Middleton, Inc.
For the period ending December 31, 2015**

Source: 12/31/2015 Senior Housing of Middleton, Inc. Financial Statements

	YTD 12/31/15
Operating Revenue	
Monthly Apartment Fees	\$ 74,029
Other	4,973
Total Operating Revenue	<u>79,002</u>
Operating Expenses	
Administrative	13,481
Marketing	4,096
Dining Services	5,342
Housekeeping	693
Facility Services	5,011
Utilities & Property Taxes	6,525
Depreciation	18,318
Management Fees	3,959
Disposal of Assets, net	-
Total Operating Expenses	<u>57,425</u>
Total Operating Income/(Expense)	<u>\$ 21,577</u>
Non-Operating Income/(Expense)	\$ (96)
Financing Activities, Unrestricted	
Investment Income(Loss) Realized	\$ 478
Realized Gain (Loss)	-
Unrealized Gain (Loss)	(1,098)
Investment Manager Fees	(150)
	<u>(770)</u>
Bond Interest Expense	9,790
Bond Amortization Expense	311
Other Bond Fees	1,849
	<u>11,950</u>
Excess Income Over Expense, Financing	<u>\$ (12,720)</u>
Change in Unrestricted Net Assets	<u>\$ 8,761</u>

Exhibit B-3

**Statement of Cash Flows for Senior Housing of Middleton, Inc.
For the period ending December 31, 2015**

Source: 12/31/2015 Senior Housing of Middleton Glen Financial Statements

	12/31/2015
Cash Flows from Operating Activities	
Increase(Decrease) in Unrestricted Net Assets	\$ 8,761
Depreciation	18,318
Amortization included in Financing Fees	311
Unrealized Change in Value of Investments	1,098
Realized Change in Value of Investments	(208)
Net Changes in:	
Accounts Receivable, Net	1,951
Supplies & Prepaid Expenses	(1,729)
Accounts Payable & Accrued Expense	(7,106)
Due to Affiliates, Middleton Glen	(64,512)
Due to Affiliates, Other	296
Net Cash Used by Operating Activities	\$ (42,820)
Cash Flows from Investing Activities	
Purchases of PP&E	\$ -
Purchases of Investments	-
Change in Assets Restricted Under Bond Indenture Agreement	-
Net Cash Used by Investing Activities	\$ -
Cash Flows from Financing Activities	
Bond Issue Costs Paid	\$ -
Proceeds from Issuance of LT Debt	-
Repayment of LT Debt	(13,378)
Entrance Fees Received	-
Entrance Fees Refunded	-
Net Cash Used by Financing Activities	(13,378)
Net Decrease in Cash & Cash Equivalents	\$ (56,198)
Cash & Cash Equivalents, Beginning of Year	\$ 1,584,865
Cash & Cash Equivalents, End of Year	\$ 1,528,667

Exhibit B-4

**Statement of Changes in Shareholders'/Partners' Equity (Deficit) for
Senior Housing of Middleton, Inc.
For the period ending December 31, 2015**

N/A

Exhibit C

Description of Operations for Senior Housing of Middleton, Inc.

Senior Housing of Middleton, Inc., a Wisconsin nonstock nonprofit corporation, owns and operates Middleton Glen Independent Living Retirement Community, a continuing care retirement community located in Middleton, Wisconsin that is currently occupied by 124 senior residents.

TAB 3- ENTITY REPORT FOR MIDDLETON GLEN, INC.

Exhibit A

Valuation Estimate for Middleton Glen, Inc.

The net assets balance as of December 31, 2015, reflected on the interim financial statements for Middleton Glen, Inc. ("MGI"), was used for the valuation of MGI. Based upon those financial statements, the valuation of MGI as of December 31, 2015 is -\$1,372,939.

Exhibit B

Financial Statements for Middleton Glen, Inc.

Exhibit B-1

Balance Sheet for Middleton Glen, Inc. as of December 31, 2015

Source: 12/31/2015 Middleton Glen, Inc. Financial Statements

Cash & Cash Equivalents	\$ 2,201,384
Investments	196,821
Accounts Receivable, net	8,498
Prepaid Expense	7,266
Due to/(from) Sr. Housing	93,726
Total Current Assets	<u>2,507,694</u>
Property & Equipment, net	5,290,591
Other Assets	
Restricted Assets Bond Indenture Agreement-Debt Service Reserve	399,317
Restricted Assets Bond Indenture Agreement-Other Bond Funds	97,434
Restricted Assets Bond Indenture Agreement-Replacement Reserve	100,000
Bond & Other Financing Costs, net	139,822
Total Other Assets	<u>736,572</u>
Total Assets	<u>\$ 8,534,857</u>
Current Liabilities	
Accounts Payable & Accrued Expenses	\$ 148,704
Refundable Deposits	128,000
Current Portion Long Term Debt	175,000
Current Portion Entrance Fees Refundable	-
Other	-
Due to/(from) Affiliates, net	42,652
Total Current Liabilities	<u>494,356</u>
Other Liabilities	
Long Term Debt	3,270,000
Entrance Fees Refundable	6,061,881
Entrance Fees Board Valuation Adjustment	81,560
Total Liabilities	<u>9,907,797</u>
Net Assets	
Unrestricted, Prior Year	(1,386,446)
Unrestricted, Current Year	13,507
Total Net Assets	<u>(1,372,939)</u>
Total Liabilities & Net Assets	<u>\$ 8,534,858</u>

Exhibit B-2

**Statement of Income (Loss) for Middleton Glen, Inc.
For the period ending December 31, 2015**

Source: 12/31/2015 Middleton Glen, Inc. Financial Statements

	YTD 12/31/15
Operating Revenue	
Monthly Apartment Fees	\$ 95,754
Other	7,132
Total Operating Revenue	<u>102,886</u>
Operating Expenses	
Administrative	16,471
Marketing	5,429
Dining Services	7,053
Housekeeping	919
Facility Services	6,589
Utilities & Property Taxes	8,626
Depreciation	20,092
Management Fees	5,144
Disposal of Assets, net	(100)
Total Operating Expenses	<u>70,223</u>
Total Operating Income/(Expense)	<u>\$ 32,663</u>
Non-Operating Income/(Expense)	\$ (127)
Financing Activities, Unrestricted	
Investment Income(Loss) Realized	\$ 1,050
Realized Gain (Loss)	(6)
Unrealized Gain (Loss)	(2,472)
Investment Manager Fees	(150)
	<u>(1,578)</u>
Bond Interest Expense	16,549
Bond Amortization Expense	902
Other Bond Fees	-
	<u>17,451</u>
Excess Income Over Expense, Financing	<u>\$ (19,029)</u>
Change in Unrestricted Net Assets	<u>\$ 13,507</u>

Exhibit B-3

**Statement of Cash Flows for Middleton Glen, Inc.
For the period ending December 31, 2015**

Source: 12/31/2015 Middleton Glen, Inc. Financial Statements

	12/31/2015
Cash Flows from Operating Activities	
Increase(Decrease) in Unrestricted Net Assets	\$ 13,507
Depreciation	20,092
Amortization included in Financing Fees	902
Unrealized Change in Value of Investments	2,472
Realized Change in Value of Investments	(937)
Loss (gain) on Disposal of PP&E	(100)
Net Changes in:	
Accounts Receivable, Net	(829)
Supplies & Prepaid Expenses	(4,347)
Accounts Payable & Accrued Expense	68,854
Refundable Deposits	(10,200)
Due From Affiliates, Sr. Housing	64,512
Due to Affiliates, Other	2,883
Net Cash Provided by Operating Activities	<u>\$ 156,810</u>
Cash Flows from Investing Activities	
Purchases of PP&E	\$ (3,699)
Purchases of Investments	-
Change in Assets Restricted Under Bond Indenture Agreement	(30,151)
Net Cash Used by Investing Activities	<u>\$ (33,849)</u>
Cash Flows from Financing Activities	
Bond Issue Costs Paid	\$ -
Proceeds from Issuance of LT Debt	-
Repayment of LT Debt	-
Entrance Fees Received	140,471
Entrance Fees Refunded	(48,440)
Net Cash Provided by Financing Activities	<u>92,031</u>
Net Decrease in Cash & Cash Equivalents	<u>\$ 214,992</u>
Cash & Cash Equivalents, Beginning of Year	\$ 1,986,393
Cash & Cash Equivalents, End of Year	\$ 2,201,385

Exhibit B-4

**Statement of Changes in Shareholders'/Partners' Equity (Deficit) for
Middleton Glen, Inc. for the period ending December 31, 2015**

N/A

Exhibit C

Description of Operations for Middleton Glen, Inc.

Middleton Glen, Inc., a Wisconsin nonstock nonprofit corporation, owns and operates Middleton Glen Independent Living Retirement Community, a continuing care retirement community located in Middleton, Wisconsin that is currently occupied by 124 senior residents.