

- 1 ► DOWN THE FAIRWAY
- 2 ► INVESTOR FOCUS, HITTING THE SWEET SPOT
- 2 ► ON PAR
- 2 ► "IN THE CUP" A WORD FROM THE PRESIDENT
- 3 ► "NINETEENTH HOLE"
- 3 ► THE SENIOR CARE, DRIVING THE BALL
- 3 ► QUIPS FOR THE COURSE
- 4 ► PERSONNEL
- 4 ► AFFILIATE COMPANIES
- 4 ► CHIPPING AWAY AT TECHNOLOGY

GRANITE

INVESTMENT GROUP

TEED UP IN 2016...

Granite Insight

DOWN THE FAIRWAY

BY ALLEN BOERNER



Hitting the ball down the fairway is usually the first step to success in golf if one wants to realize the best score. However, doing so takes a great deal of practice, and the best golfers spend the majority of their time practicing their golf swing to achieve the desired result when they step up to the tee box.

Similarly, at Granite we spend much of our time looking for suitable real estate investment opportunities. Our experienced acquisition team underwrites many potential transactions before finding an opportunity we believe makes sense, especially in the current market environment where there is a tremendous amount of capital chasing deals. By utilizing our experience, much as a golfer utilizes practice swings, we strive to find the deal that allows us to "hit the ball down the fairway" and provide our investors with the highest probability of success in each investment.

But the first stroke is just the set-up for a successful score on any particular golf hole as there is typically much more work to be done to get the ball in the hole and record a good score. It's the same with our business – once we find a potential opportunity that makes sense, there is a great deal of work needed

to analyze, negotiate, finance and close the acquisition. However, as there are 18 holes to play in the standard round of golf, success on one hole is just a start to a good score, and the closing of a transaction is simply the start of our round of 18 holes. We manage the asset over the projected holding period, making adjustments as needed during that time, much as a golfer is required to adapt to changing conditions in weather or the golf course itself during his or her round. Ultimately, we're striving to achieve the "best score" we can for each and every investment, and while we're not always successful, I'm proud of our track record ("golf score") for our investors over the past 20 years.

INVESTOR FOCUS... HITTING THE SWEET SPOT

BY SCOTT RICKARD

I want our investors to be in a position to play golf, tennis or anything else with peace of mind about their investments with Granite, and want to address the issue of “investment concentration”. Many of our investors have invested significant funds with us in several of our senior housing investment programs over the past ten years, and I want to ensure those investments represent a prudent part of an investment portfolio. Overweighting any aspect of one’s investment portfolio increases the risk of loss if the overweighted sector were to suffer a serious downturn. We have been especially fortunate over the years that Granite’s senior housing sponsored investments have generally done well, and met or exceeded cash flow expectations.

That said, we know that historical performance is no guarantee of the

future, especially with the current economic uncertainty resulting from the upcoming elections, interest rate environment, and governmental reimbursement programs such as Medicare and Medicaid, among others. Therefore, it is important that our investors do not “over-invest” in a single sector, such as senior housing, including in Granite’s own senior housing sponsored investment programs. We believe all of our current programs are well-positioned with long-term triple net leases, providing cash distributions that are expected to continue. However, as we prepare to introduce our upcoming new investment senior housing opportunity, I’d recommend to each investor to meet with one’s financial advisor to analyze your current portfolio to ensure your investments are appropriately allocated and are consistent with your individual financial plan, so that you can hit the sweet spot at the golf course without worrying about your investments with Granite.



IN THE CUP... A WORD FROM THE PRESIDENT

BY JOHN HELLER

In his message, Allen used the analogy of a golfer hitting the ball down the fairway to describe the start of our acquisition process, and ending with the ball in the cup to complete the process.

Although golfers who hit the ball furthest down the fairway are often times the most popular with fans, it’s actually the next couple of shots that set apart the most successful golfers. In fact, there are even “long-driving” contests, where the only thing that matters is how far one can hit a ball. Rarely, if ever, do we see any of the top finishers in those long-driving contests achieve a high level of success on the professional golf tour.

The reason for that is golf, like real estate investment, often comes down to executing on the fundamentals and not the “big hit”. Once we’ve hit the ball down the fairway and put a potential acquisition in play, so to speak, we spend an extraordinary time analyzing the asset and its market, and finding the best available financing that fits with the investment business. Those are the fundamentals crucial to our success, not the big hit, which allows us to end up “in the cup”.



ON PAR...

BY NICOLE HALLSEY

To be “on-par” in golf, one needs to streamline shots to make par. But another analogy is to be consistent, to be right-on and timely... and that’s how we view Granite’s Investor Relations for our investors. We strive to be on target, timely and consistent with all communication. We work to streamline all processes to assure completion of your documentation, distributions and tax materials. Investor Services continually works on enhancing its electronic capacity. Please let us know if you are not receiving our email communication or did not receive your K-1 document the latter part of March.

In keeping with our “Teed up in 2016” presentation of this Granite Insight edition, please find the enclosed packet of tees so you can enjoy teeing up!

As always, please do not hesitate to contact me regarding any questions, concerns or suggestions. We value your communication.

“NINETEENTH HOLE”

BY CAREY LEVY



Typically when you think of the “Nineteenth Hole” (in golf lingo), you imagine a clubhouse atmosphere where players congregate after their long day of golf to reminisce on their play, socialize and plan for the next outing. As an analogy, I like to think of Granite as a well-run golf club resort, where players (our experienced personnel) are excited about their day. We arrive with enthusiasm and have all our “clubs” ready to give us the most out of every shot. We think strategically and work around obstacles, or through them, to reach the green. Granite is thoroughly engaged, all day – every day, making each shot count – reviewing all options, looking at the lay of the land (so to speak) so our score is productive and promising for our investors. We use our “Nineteenth Hole” as our office to collaborate, think of ways to improve our game and look back on the days efforts to see what can be improved, yet also proud of our collective efforts and the strides we have made. Then, we ready ourselves for the next play and round of challenges!

THE SENIOR CARE DRIVING THE BALL...

BY JASON PRICE

Dynamic Market

As we swing into 2016 the senior housing industry is charging forward with record volume and low cap rates. Industry consolidation and low interest rates are contributing to the active environment. And we see the push to lower costs starting to drive smaller operators out of the business, creating opportunity for savvy investors and attracting new entrants.

As we look to where we can find opportunity in a more crowded field, we focus on the drivers of value. Purchasing quality assets is not enough anymore. Picking the right operator for the long-term will have just as much effect on your investment outcome. Our long experience has led us to believe that the right operating partner has the following qualities: 1) the right market relationships; 2) the ability to collect, analyze, report and act on their data which allows them to take risk; and 3) the ability to deliver consistent quality of care from admission through treatment and discharge – a patient experience focus.

The right market relationships flow from success in data and quality of care. Data starts with the use of electronic health records (EHR) for interoperability with hospitals and for evaluating the SNF’s own performance.

Quality of care will be driven by using more skilled staff through the addition of nurse practitioners. This will help with the direct quality of care as well as enhancing care coordination up and down stream. Healthcare continuum participants (acute, post-acute, home health) want reliable partners with market breadth and depth. These are the providers that will have a seat at the table when post-acute networks transition from “any willing provider” to preferred or even exclusive provider...it is coming sooner than we think.

With Granite’s experience we are confident we will continue to discern the correct operating partner within each of our target markets to deliver success to our all of our stakeholders. As they say, “drive for show and putt for dough!”



QUIPS FOR THE COURSE

Want a real good run for your money... eat prunes.

Your cooking is fabulous... the smoke alarm even cheers you on.

I’ve reached the age where... ‘happy hour’ is a nap.

They say love is blind... so why is lingerie so popular?

Life is short... smile while you still have teeth.

Over the hill... is better than under it.

I don’t eat health foods at my age... I need all the preservatives I can get.

It’s not hard to meet expenses... they’re everywhere.

Effective way to remember the wife’s birthday... forget it once.

All the world’s a stage... I seem to have missed the rehearsal.

If at first you don’t succeed... then skydiving isn’t for you.

My mind works like lightning... comes in flashes.



ALLEN L. BOERNER,
CHIEF EXECUTIVE
OFFICER



JEREMY HALLSEY,
CONTROLLER



HOLLY LEWIS,
ADMINISTRATIVE
ASSISTANT



JASON PRICE,
SENIOR VICE PRESIDENT,
SENIOR HOUSING



MARIANNE BOIVIN,
EXECUTIVE
ASSISTANT



NICOLE R. HALLSEY,
DIRECTOR OF HUMAN
RESOURCES & INVESTOR
SERVICES



JENNIFER LIM,
STAFF ACCOUNTANT



SCOTT RICKARD,
CHIEF INVESTMENT
OFFICER



CODY BROWN,
ADMINISTRATIVE
ASSISTANT



JOHN J. HELLER,
PRESIDENT



PHAP LUONG,
SENIOR FINANCIAL
ANALYST



HUMAIR SABIR,
VICE PRESIDENT OF
ACQUISITIONS & SENIOR HOUSING



SANDRA FREY,
TRANSACTION
COORDINATOR



CAREY P. LEVY,
CHIEF OPERATING
OFFICER



AMBER MARCEAU,
PERSONAL ASSISTANT
TO CEO



GARRETT STEPHENS,
ASSISTANT VICE PRESIDENT OF
ACQUISITIONS - SENIOR HOUSING

AFFILIATE COMPANIES



Branson Property Management has extensive experience in the management of multi-family assets including those that require renovation, resident retention and lease-up skills. Since inception, Branson has assisted Granite Investment Group with the management, acquisition and disposition of over 10,000 multi-family units in the Western United States.



Senior Care Centers (SCC) provides Skilled Nursing Care, Long-term Care, Alzheimer's Care, Assisted Living, and Independent Living with a personal touch. SCC provides the highest standards of care in a compassionate, respectful and enjoyable environment. Quality of life is as important to Senior Care Centers as quality of care. That means all residents deserve personalized medical treatment, stimulating activities, good food, and the ability to maintain independence for as long as possible. SCC currently operates in Texas and operates 90+ health communities in DFW Metro, Austin, South and West Texas.

BUILDING ON EXPERIENCE
STRENGTH | INVESTMENT | INTEGRITY

GRANITE

INVESTMENT GROUP

949-477-5800 | 949-477-1002 Fax | 2 Park Plaza, Suite 800 Irvine, CA 92614



CHIPPING AWAY AT TECHNOLOGY

BY PHAP LUONG

Driverless Cars

Driverless cars are becoming more of a reality every day. Software companies and auto manufacturers expect the technology to be ready by 2020 for mass production. This promises to be transformational, not only for the auto and insurance industries, but will probably change the concept of owning a car wherein a car will become more of a "ride-share" concept. The Economist estimates that cars sit idle for 96% of the time, so a fleet of driverless cars constantly in operation would reduce the number of cars needed. Shared driverless cars would also have no need for parking, which would change the way we design cities. America currently devotes 6,500 square miles to parking spaces that could be freed up and increase urban density. Whatever happens it will be truly innovative with new technology which carries us into the next generation.