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CONTINUING CARE
CONTRACTS BRANCH

2012 ANNUAL REPORT
SUNRISE CARLISLE, LP

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[1]	Number at beginning of fiscal year	102
[2]	Number at end of fiscal year	108
[3]	Total Lines 1 and 2	210
[4]	Multiply line 3 by ".50" and enter result on line 5	0.5
[5]	Mean number of continuing care residents	**105**
	All Residents	
[6]	Number at beginning of fiscal year	102
[7]	Number at end of fiscal year	108
[8]	Total Lines 6 and 7	210
[9]	Multiply line 8 by ".50" and enter result on line 10	0.5
[10]	Mean number of *all* residents	**105**
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of *all* residents (Line 10) and enter the result (round to two decimal places).	**1.00**

FORM 1-2
ANNUAL PROVIDER FEE

Line			TOTAL
[1]	Total Operating Expenses (including depreciation and debt service - interest or		$ 5,251,889
[a]	Depreciation	$ 18,646	
[b]	Debt Service (Interest only)	$ -	
[2]	Subtotal (add Line 1a and 1b)		$ 18,646
[3]	Subtract Line 2 from Line 1 and enter result		$ 5,233,243
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)		1.00
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)		$ 5,233,243
			x .001
[6]	**Total Amount Due**		**$ 5,233.24**

PROVIDER: Sunrise Carlisle LP

COMMUNITY: The Carlisle

SUNRISE
SENIOR LIVING

April 30, 2013

California Department of Social Services
Continuing Care Contracts Branch
744 P Street, MS 10-90
Sacramento, CA 95814
ATTN: Allison Nakatomi

Dear Ms. Nakatomi:

This letter will serve as certification on behalf of Sunrise Carlisle LP to the California Department of Social Services of the following matters regarding the enclosed annual report for 2012 that Sunrise Carlisle LP is submitting as the holder of a certificate of authority for The Carlisle:

1. The annual report and any amendments to it are correct to the best of my knowledge.

2. Each continuing care contract form in use or offered to new residents at The Carlisle has been approved by the Department.

3. Sunrise Carlisle LP does not maintain cash or cash equivalents. Sunrise Senior Living, Inc., in its role as co-holder of the certificate of authority at The Carlisle, is responsible for meeting the liquid reserve requirements in the California continuing care statute on behalf of Sunrise Carlisle LP. Therefore, Form 5-5 lists under "Operating Reserve" the amount of cash and cash equivalents maintained by Sunrise Senior Living Inc., as set forth in Sunrise Senior Living, Inc.'s audited financial statement for 2012. A copy of the relevant portions of that statement is included with Form 5-5. See Form 5-5 and footnotes 1 and 7 to the 2012 audited financial statement of Sunrise Carlisle LP regarding the assumption by Sunrise Senior Living, LLC in 2013 of Sunrise Senior Living, Inc.'s responsibilities as co-holder of the certificate of authority at The Carlisle.

Please feel free to contact us if you have any questions about our submissions.

Sincerely,

Mark S. Ordan
Chief Executive Officer, Sunrise Senior Living, LLC

ACORD®

CERTIFICATE OF LIABILITY INSURANCE

4/30/2013

DATE (MM/DD/YYYY): 5/2/2012

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must 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
Lockton Companies, LLC Denver
8110 E Union Avenue
Suite 700
Denver CO 80237
(303) 414-6000

CONTACT NAME:
PHONE (A/C, No, Ext): FAX (A/C, No):
E-MAIL ADDRESS:

INSURER(S) AFFORDING COVERAGE	NAIC #
INSURER A : National Union Fire Ins Co Pittsburgh PA	19445
INSURER B :	
INSURER C :	
INSURER D :	
INSURER E :	
INSURER F :	

INSURED
1322828 Sunrise Senior Living, LLC
7900 Westpark Drive
T-900
McLean, VA 22102

COVERAGES SUNSE02 **CERTIFICATE NUMBER:** 10809309 **REVISION NUMBER:** XXXXXXX

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 INSR	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
	GENERAL LIABILITY COMMERCIAL GENERAL LIABILITY CLAIMS-MADE / OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: POLICY / PRO-JECT / LOC			NOT APPLICABLE			EACH OCCURRENCE	$ XXXXXXX
							DAMAGE TO RENTED PREMISES (Ea occurrence)	$ XXXXXXX
							MED EXP (Any one person)	$ XXXXXXX
							PERSONAL & ADV INJURY	$ XXXXXXX
							GENERAL AGGREGATE	$ XXXXXXX
							PRODUCTS - COMP/OP AGG	$ XXXXXXX
								$
	AUTOMOBILE LIABILITY ANY AUTO ALL OWNED AUTOS / SCHEDULED AUTOS HIRED AUTOS / NON-OWNED AUTOS			NOT APPLICABLE			COMBINED SINGLE LIMIT (Ea accident)	$ XXXXXXX
							BODILY INJURY (Per person)	$ XXXXXXX
							BODILY INJURY (Per accident)	$ XXXXXXX
							PROPERTY DAMAGE (Per accident)	$ XXXXXXX
								$ XXXXXXX
	UMBRELLA LIAB / OCCUR EXCESS LIAB / CLAIMS-MADE DED / RETENTION $			NOT APPLICABLE			EACH OCCURRENCE	$ XXXXXXX
							AGGREGATE	$ XXXXXXX
								$ XXXXXXX
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY Y/N ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	N / A		NOT APPLICABLE			WC STATU-TORY LIMITS / OTH-ER	
							E.L. EACH ACCIDENT	$ XXXXXXX
							E.L. DISEASE - EA EMPLOYEE	$ XXXXXXX
							E.L. DISEASE - POLICY LIMIT	$ XXXXXXX
A A	Commercial Crime* Empl. Practices Liab.	N	N	018244240 018251549	4/30/2012 4/30/2012	4/30/2013 4/30/2013	Limit $5,000,000 Limit $10,000,000	

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)
*For non-owned locations; client property has a sublimit of $500,000 with a $25,000 deductible. RE: The Carlisle; 1450 Post Street; San Francisco, CA 94109; The Stratford; 601 Laurel Avenue; San Mateo, CA 94401; Fountains at Carlotta; 41-505 Carlotta Drive; Palm Desert, CA 92211

CERTIFICATE HOLDER

10809309
State of California
Dept. of Social Services
CA

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

Charles M. McDaniel

FORM 5-5
ANNUAL RESERVE CERTIFICATION

Provider Name: Sunrise Carlisle, LP
Fiscal Year Ended: December 31, 2012

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended December 31, 2012 and are in compliance with those requirements.

Our liquid reserve requirements, computed using the audited financial statements for the fiscal year are as follows (see Note below):

		Amount
[1]	Debt Service Reserve Amount	$ -
[2]	Operating Expense Reserve Amount	$ 1,028,550
[3]	**Total Liquid Reserve Amount**	$ 1,028,550

Qualifying assets sufficient to fulfill the above requirements are held as follows: (see Note below):

Amount (market value at end of quarter)

	Qualifying Asset Description	Debt Service Reserve	Operating Reserve
[4]	Cash and Cash Equivalents		$103,447,000
[5]	Investment Securities		
[6]	Equity Securities		
[7]	Unused/Available Lines of Credit		
[8]	Unused/Available Letters of Credit		
[9]	Debt Service Reserve		(not applicable)
[10]	Other:		

Total Amount of Qualifying Assets Listed for Liquid Reserve:	[11]	$ -	[12]	$ 103,447,000
Total Amount Required	[13]	$ -	[14]	$ 1,028,550
Surplus/(Deficiency)	[15]	$ -	[16]	$ 102,418,450

Note: No cash and cash equivalents are held by Sunrise Carlisle, LP. Cash is consolidated and held by Sunrise Senior Living, Inc. as of 12/31/2012. In order to provide a more complete portrayal of the assets available to meet the required reserves, DSS has requested the Form 5-5 be adjusted to reflect the qualifying assets from the audited financial statements of Sunrise Senior Living, Inc. as of 12/31/2012. Please refer to footnote 1 and 7 on the accompanying 2012 audited financial statements of Sunrise Carlisle, LP for information on subsequent events impacting Sunrise Senior Living, Inc.

Signature: (SCHEDULE ADJUSTMENTS - UNAUDITED)

Marc [signature]
(Authorized Representative)

4/29/13
(Date)

CFO - Sunrise Senior Living, LLC.
(Title)

Continuing Care Retirement Community
Disclosure Statement
General Information

04/30/2013

FACILITY NAME: The Carlisle
ADDRESS: 1450 Post Street, San Francisco, CA ZIP CODE: 94109 PHONE: (415) 929-0200
PROVIDER NAME: Sunrise Carlisle, LP FACILITY OPERATOR: Sunrise Senior Living Management, Inc.
RELATED FACILITIES: RELIGIOUS AFFILIATION: None
YEAR OPENED: 1992 NO. OF ACRES: 1+/- MULTI-STORY: ☑ SINGLE STORY: ☐ BOTH: ☐
MILES TO SHOPPING CTR: 1+/- MILES TO HOSPITAL: 1+/-

NUMBER OF UNITS:

INDEPENDENT LIVING		HEALTH CARE	
APARTMENTS - STUDIO	28	ASSISTED LIVING	Yes
APARTMENTS – 1 BDRM	56	SKILLED NURSING	No
APARTMENTS – 2 BDRM	8	SPECIAL CARE	No
COTTAGES/HOUSES		DESCRIBE SPECIAL CARE:	N/A
% OCCUPANCY AT YEAR END	99%		

TYPE OF OWNERSHIP: ☐ NOT FOR PROFIT ☑ FOR PROFIT ☑ ACCREDITED: ☑ Y ☐ N BY: DSS

FORM OF CONTRACT: ☐ LIFE CARE ☑ CONTINUING CARE ☐ FEE FOR SERVICE
☐ ASSIGN ASSETS ☑ EQUITY ☐ ENTRY FEE ☐ RENTAL

REFUND PROVISIONS (Check all that apply): ☐ 90% ☐ 75% ☐ 50% ☐ PRORATED TO 0% ☑ OTHER: Unit Resale

RANGE OF ENTRANCE FEES: $ 134,000 TO $ 910,000 **LONG-TERM CARE INSURANCE REQUIRED?** ☐ Y ☑ N

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: Wellness Center Open Clinic for vital signs

ENTRY REQUIREMENTS: MIN. AGE: 62 PRIOR PROFESSION: N/A OTHER: Health & Financial

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES

	AVAILABLE	FEE FOR SERVICE
BEAUTY/BARBER SHOP	☑	☑
BILLIARD ROOM	☐	☐
BOWLING GREEN	☐	☐
CARD ROOMS	☑	☐
CHAPEL	☐	☐
COFFEE SHOP	☑	☐
CRAFT ROOMS	☐	☐
EXERCISE ROOM	☑	☐
GOLF COURSE ACCESS	☐	☐
LIBRARY	☑	☐
PUTTING GREEN	☐	☐
SHUFFLEBOARD	☐	☐
SPA	☐	☐
SWIMMING POOL-INDOOR	☐	☐
SWIMMING POOL-OUTDOOR	☐	☐
TENNIS COURT	☐	☐
WORKSHOP	☐	☐
OTHER Dining Room, Cinema	☑	☑

SERVICES AVAILABLE

	INCLUDED IN FEE	FOR EXTRA CHARGE
HOUSEKEEPING TIMES/MONTH	4	Yes
NUMBER OF MEALS/DAY	2	Yes
SPECIAL DIETS AVAILABLE	Yes	
24-HOUR EMERGENCY RESPONSE	☑	☐
ACTIVITIES PROGRAM	☑	☐
ALL UTILITIES EXCEPT PHONE	☑	☐
APARTMENT MAINTENANCE	☐	☑
CABLE TV	☑	☑
LINENS FURNISHED	☑	☐
LINENS LAUNDERED	☑	☐
MEDICATION MANAGEMENT	☐	☑
NURSING/WELLNESS CLINIC	☑	☑
PERSONAL NURSING/HOME CARE	☐	☑
TRANSPORTATION-PERSONAL	☑	☑
TRANSPORTATION-PREARRANGED	☑	☑
OTHER Assisted Living	☑	☑

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: Sunrise Carlisle, LP

	Community*	CCRC/MLRC/ LIFECARE	Street	City	State	Zip
1	Alta Loma, Sunrise of	AL	9519 Baseline Road	Rancho Cucamonga	91730	CA
2	Belmont, Sunrise of	AL	1010 Alameda de Las Pulgas	Belmont	94002	CA
3	Beverly Hills, Sunrise of	AL	201 North Crescent Drive	Beverly Hills	90210	CA
4	Bonita, Sunrise of	AL	3302 Bonita Road	Chula Vista	91910	CA
5	Canyon Crest, Sunrise of	AL	5265 Chapala Drive	Riverside	92507	CA
6	Carlisle, The	CCRC	1450 Post Street	San Francisco	94109	CA
7	Carmichael, Sunrise of	AL	5451 Fair Oaks	Carmichael	95608	CA
8	Claremont, Sunrise of	AL	2053 North Towne Avenue	Claremont	91711	CA
9	Danville, Sunrise of	AL	1027 Diablo Road	Danville	94526	CA
10	Fair Oaks CA, Sunrise of	AL	4820 Hazel Avenue	Fair Oaks	95628	CA
11	Fresno, Sunrise of	AL	7444 North Cedar Avenue	Fresno	93720	CA
12	Fullerton, Sunrise of	AL	2226 North Euclid Street	Fullerton	92835	CA
13	Hermosa Beach, Sunrise of	AL	1837 Pacific Coast Highway	Hermosa Beach	90254	CA
14	Huntington Beach, Sunrise of	AL	7401 Yorktown Avenue	Huntington Beach	92648	CA
15	La Costa, Sunrise of	AL	7020 Manzanita Street	Carlsbad	92008	CA
16	La Palma, Sunrise of	AL	5321 La Palma Avenue	La Palma	90623	CA
17	Mission Viejo, Sunrise of	AL	26151 Country Club Drive	Mission Viejo	92691	CA
18	Monterey, Sunrise of	AL	1110 Cass St.	Monterey	93940	CA
19	Oakland Hills, Sunrise of	AL	11889 Skyline Boulevard	Oakland	94619	CA
20	Pacific Beach, Sunrise of	AL	810 Turquoise Street	San Diego	92109	CA
21	Pacific Palisades, Sunrise of	AL	15441 West Sunset Boulevard	Pacific Palisades	90272	CA
22	Palo Alto, Sunrise of	AL	2701 El Camino Real	Palo Alto	94306	CA
23	Petaluma, Sunrise of	AL	815 Wood Sorrel Drive	Petaluma	94954	CA
24	Playa Vista, Sunrise of	AL	5555 Playa Vista Drive	Playa Vista	90094	CA
25	Rocklin, Sunrise of	AL	6100 Sierra College Boulevard	Rocklin	95677	CA
26	Sacramento, Sunrise of	AL	345 Munroe Street	Sacramento	95825	CA
27	San Marino, Sunrise of	AL	8332 Huntington Drive	San Gabriel	91775	CA
28	San Mateo, Sunrise of	AL	955 South El Camino Road	San Mateo	94402	CA
29	Santa Monica, Sunrise of	AL	1313 15th Street	Santa Monica	90404	CA
30	Seal Beach, Sunrise of	AL	3850 Lampson Avenue	Seal Beach	90740	CA
31	Sterling Canyon, Sunrise of	AL	25815 McBean Parkway	Valencia	91355	CA
32	Stratford, The	CCRC	601 Laurel Avenue	San Mateo	94401	CA
33	Studio City, Sunrise of	AL	4610 Coldwater Canyon	Studio City	91604	CA
34	Sunnyvale, Sunrise of	AL	633 S. Knickerbocker Drive	Sunnyvale	94087	CA
35	Tustin, Sunrise of	AL	12291 South Newport Avenue	Santa Ana	92705	CA
36	Walnut Creek, Sunrise of	AL	2175 Ygnacio Valley Road	Walnut Creek	94598	CA
37	West Hills, Sunrise of	AL	9012 Topanga Canyon Road	West Hills	91304	CA
38	Westlake Village, Sunrise of	AL	3101 Townsgate Road	Westlake Village	91361	CA
39	Wood Ranch, Sunrise at	AL	190 Tierra Rejada Road	Simi Valley	93065	CA
40	Woodland Hills, Sunrise of	AL	20461 Ventura Boulevard	Woodland Hills	91364	CA
41	Yorba Linda, Sunrise of	AL	4792 Lakeview Avenue	Yorba Linda	92886	CA

*** This list reflects Sunrise owend/operated communities in the State of California only.**
A complete list of all Sunrise owned/operated communities is available upon request.

PROVIDER NAME: Sunrise Carlisle, LP

	2009	2010	2011	2012
INCOME FROM ONGOING OPERATIONS OPERATING INCOME (excluding amortization of entrance fee income)	$ 3,575,870	$ 4,329,494	$ 4,763,510	$ 4,931,510
LESS OPERATING EXPENSES (excluding depreciation, amortization & interest)	$ 5,606,750	$ 5,661,420	$ 5,067,868	$ 5,039,277
NET INCOME FROM OPERATIONS	**$ (2,030,880)**	**$ (1,331,926)**	**$ (304,358)**	**$ (107,767)**
LESS INTEREST EXPENSE	$ (158,923)	$ (21,649)	$ -	$ -
PLUS CONTRIBUTIONS	$ -	$ -	$ -	$ -
PLUS NON-OPERATING INCOME (EXPENSES) (excluding extraordinary items)	$ (272,598)	$ (170,946)	$ -	$ -
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	**$ (2,462,401)**	**$ (1,524,521)**	**$ (304,358)**	**$ (107,767)**
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits less Refunds)	$ -	$ -	$ -	$ -

DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END

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

PROVIDER NAME: Sunrise Carlisle, LP

FINANCIAL RATIOS

	2009 CCAC Medians 50th percentile (optional)	2010	2011	2012
Debt to Asset ratio		0.00%	0.00%	0.00%
Operating Ratio		131.26%	106.39%	102.19%
Debt Servicing Coverage Ratio		0.00%	0.00%	0.00%
Days Cash on Hand ratio		0	0	0

HISTORICAL MONTHLY SERVICE FEES
AVERAGE FEE AND PERCENT CHANGE

	2009	%	2010	%	2011	%	2012
STUDIO	$ 2,926	3.6%	$ 3,030	2.5%	$ 3,106	0.3%	$ 3,114
ONE BEDROOM	$ 3,325	2.2%	$ 3,399	13.8%	$ 3,867	0.1%	$ 3,872
TWO BEDROOM	$ 4,165	2.4%	$ 4,263	10.6%	$ 4,716	0.0%	$ 4,716
COTTAGE/HOUSE							
ASSISTED LIVING							
SKILLED NURSING							
SPECIAL CARE							

COMMENTS FROM PROVIDER:

PROVIDER NAME: Sunrise Carlisle, LP

Financial Ratio Formulas

LONG TERM DEBT TO TOTAL ASSETS RATIO

$$\frac{\text{Long term debt less Current Portion}}{\text{Total Assets}} = 0.00\%$$

Long term debt, less current maturities	$	-
Total Assets	$	5,001,456

OPERATING RATIO

$$\frac{\text{Total Operating Expenses - Depeciation Expense - Amortization Expense}}{\text{Total Operating Revenues - Amortization of Deferred Entrance Fees}} = 102.19\%$$

Total Operating Expenses	$	5,251,889
Depreciation Expense		18,646
Amortization Expense		193,966
Total Operating Revenues	$	4,931,510
Amortization of Deferred Entrance Fees	$	-

DEBT SERVICE COVERAGE RATIO

$$\frac{\text{Total Excess of Revenues over Expenses + Interest, Depreciation and Amortization Expense - Amortization of Deferred Revenue + Net Proceeds from Entrance Fees}}{\text{Annual Debt Service}} = 0.00\%$$

Excess of Revenues over Expenses	$	(320,379)
Interest Expense	$	-
Depreciation Expense	$	18,646
Amortization Expense	$	193,966
Amortization of Deferred Revenue	$	-
Net Proceeds from Entrance Fees	$	-
Annual Debt Service	$	-

DAYS CASH ON HAND RATIO

$$\frac{\text{Unrestricted Current Cash \& Investments + Unrestricted Non-Current Cash and Investments}}{\text{(Operating Expenses - Depreciation - Amortization)/365}} = 0$$

Unrestricted Current Cash and Investments	$	-
Unrestricted Non-Current Cash and Investments		
Operating Expenses	$	5,251,889
Depreciation & Amortization Expense	$	212,612

FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES

	RESIDENTIAL LIVING	ASSISTED LIVING	SKILLED NURSING
[1] Monthly service fees at beginning of reporting period: (Indicate range, if applicable)	$2,434 to $4,929		
[2] Indicate percentage of increase in fees imposed during reporrting period: (Indicate range, if applicable)	0.00%	0.00%	0.00%

[X] Check here if monthly service fees at this community were not increased during the reporting period. (If you checked this box, please skip down to the bottom of this form and specify the names of the provider and the community.)

[3] Indicate the date the fee increase was implemented: ____________

[4] Check each of the appropriate boxes:

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

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

[ ] At least 30 days prior to the increase in monthly service fees, the designated representative of the provider convened a meeting that all residents were invited to attend.

[ ] At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.

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

[ ] The governing body of the provider, or the designated representative of the provider posted notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

[5] On an attached page, provide a concise explanation for the increase in monthly service fees including the amount of the increase.

PROVIDER: Sunrise Carlisle, LP

COMMUNITY: The Carlisle

KEY INDICATORS REPORT

Sunrise Carlisle, LP

Date Prepared: 4/30/13

Chief Financial Officer Signature

Please attach an explanatory memo that summarizes significant trends or variances in the key operational indicators

	2008	2009	2010	2011	2012	Projected 2013	Forecast 2014	Forecast 2015	Forecast 2016	Forecast 2017	Preferred Trend Indicator
OPERATIONAL STATISTICS											
1. Average Annual Occupancy by Site (%)		75%	86%	91%	96%	99%	99%	100%	100%	100%	N/A
MARGIN PROFITABILTIY INDICATORS											
2. Net Operating Margin (%)		-8.36%	-2.90%	1.72%	2.51%	1.63%	1.63%	1.63%	1.63%	1.63%	↑
3. Net Operating Margin - Adjusted (%)		-8.36%	-2.90%	1.72%	2.51%	1.63%	1.63%	1.63%	1.63%	1.63%	↓
LIQUIDITY INDICATORS											
4. Unrestricted Cash and Investments		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	↑
5. Days Cash on Hand (Unrestricted)		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	↑
CAPITAL STRUCTURE INDICATORS											
6. Deferred Reveue from Entrance Fees		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	N/A
7. Net Annual E/F Proceeds		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	N/A
8. Unrestricted Net Assets		$ 9,922,644	$ 6,435,485	$ 6,252,360	$ 5,001,456	$ 4,783,790	$ 4,595,824	$ 4,407,858	$ 4,219,892	$ 4,031,926	N/A
9. Annual Capital Asset Expenditures		$ 51,153	$ 5,323	$ 128,055	$ -	$ 12,500	$ 6,000	$ 6,000	$ 6,000	$ 6,000	N/A
10. Annual Debt Service Coverage - Revenue Basis (x)		-12.84	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	↑
11. Annual Debt Service Coverage (x)		-14.06	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	↑
12. Annual Debt Service/Revenue (%)		4.13%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	↓
13. Average Annual Effective Interest Rate (%)		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	↓
14. Unrestricted Cash & Investments/Long Term Debt (%)		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	↑
15. Average Age of Facility (years)		16	17	18	19	20	21	22	23	24	↓

Annual reports were not required from this licensee prior to 2009.
Therefore, no prior year's activity is reported.
To see prior year's reported data, refer to Sunrise Senior Living Inc. Annual Provider Reports

Financial Statements

Sunrise Carlisle, LP
As of and for the Years Ended December 31, 2012 and 2011
With Report of Independent Auditors

Ernst & Young LLP

ERNST & YOUNG

SUNRISE CARLISLE, LP

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Report of Independent Auditors

To the Partners of
Sunrise Carlisle, LP

We have audited the accompanying financial statements of Sunrise Carlisle, LP (the "Partnership"), which comprise the balance sheets as of December 31, 2012 and 2011, and the related statements of operations, changes in partners' capital, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sunrise Carlisle, LP at December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

April 23, 2013

SUNRISE CARLISLE, LP

BALANCE SHEETS
AS OF DECEMBER 31, 2012 AND 2011

	2012	2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 252	$ 420
Accounts receivable — Net of allowance for doubtful accounts of $0 and $31 for 2012 and 2011, respectively	25,037	63,376
Prepaid expenses and other assets	15,853	3,713
Condominiums in inventory	-	1,009,056
Total current assets	41,142	1,076,565
UTILITY DEPOSIT	36,200	36,200
PROPERTY AND EQUIPMENT, Net of accumulated depreciation of $149,059 and $130,412 for 2012 and 2011, respectively	349,760	371,276
MANAGEMENT RIGHTS INTANGIBLE, Net of accumulated amortization of $1,244,612 and $1,050,647 for 2012 and 2011, respectively	4,574,354	4,768,319
TOTAL ASSETS	$ 5,001,456	$ 6,252,360
LIABILITIES AND PARTNERS' CAPITAL		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 371,230	$ 331,827
Deferred revenue	172,406	127,814
Investments accounted for under the profit-sharing method of accounting	33,361	-
Total current liabilities	576,997	459,641
TOTAL LIABILITIES	576,997	459,641
PARTNERS' CAPITAL	4,424,459	5,792,719
TOTAL LIABILITIES AND PARTNERS' CAPITAL	$ 5,001,456	$ 6,252,360

See notes to financial statements.

SUNRISE CARLISLE, LP

STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
OPERATING REVENUE:		
Resident revenue	$ 4,626,215	$ 4,508,216
Other revenue	305,295	255,294
Total operating revenue	4,931,510	4,763,510
OPERATING EXPENSES:		
Labor	3,009,390	2,882,795
General and administrative	629,287	625,701
Food	426,973	363,629
Management fees to affiliate	295,891	274,137
Utilities	248,147	242,472
Depreciation and amortization	212,612	220,551
Advertising and marketing	142,418	126,817
Insurance	115,845	131,387
Repairs and maintenance	91,103	90,290
Taxes and licenses	37,194	47,765
Impairment loss	30,566	179,471
Ancillary expenses	12,494	131,894
Bad debt recovery	(31)	(28,490)
Total operating expenses	5,251,889	5,288,419
NET LOSS	$ (320,379)	$ (524,909)

See notes to financial statements.

SUNRISE CARLISLE, LP

STATEMENTS OF CHANGES IN PARTNERS' CAPITAL
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

PARTNERS' CAPITAL — December 31, 2010	$ 5,979,491
Net loss	(524,909)
Contributions, net	338,137
PARTNERS' CAPITAL — December 31, 2011	5,792,719
Net loss	(320,379)
Distributions, net	(1,047,881)
PARTNERS' CAPITAL — December 31, 2012	$ 4,424,459

See notes to financial statements.

SUNRISE CARLISLE, LP

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (320,379)	$ (524,909)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Bad debt recovery	(31)	(28,490)
Depreciation and amortization	212,612	220,551
Impairment loss	30,566	179,471
Changes in operating assets and liabilities:		
Accounts receivable	38,370	19,161
Prepaid expenses	(12,140)	10,117
Restricted cash	0	690,463
Accounts payable and accrued expenses	39,403	(661,630)
Deferred revenue	44,592	(25,187)
Net cash provided by (used in) operating activities	32,993	(120,453)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Re-purchase of condominium	-	(304,900)
Sales of condominiums	1,003,674	96,972
Purchases of property and equipment, net of discounts received	11,046	(9,836)
Net cash provided by (used in) investing activities	1,014,720	(217,764)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Distributions, net to partners	(1,047,881)	-
Contributions, net from partners	0	338,137
Net cash (used in) provided by financing activities	(1,047,881)	338,137
NET DECREASE IN CASH AND CASH EQUIVALENTS	(168)	(80)
CASH AND CASH EQUIVALENTS — Beginning of year	420	500
CASH AND CASH EQUIVALENTS — End of year	$ 252	$ 420
DISCLOSURE FOR NON CASH ITEM:		
Transfer from Condominiums in Inventory to Property and Equipment	$ 0	$ 118,560

See notes to financial statements.

1. ORGANIZATION

Organization — On August 1, 2006, Sunrise Carlisle, LP (the "Partnership"), a Delaware limited partnership, acquired all easements and rights for The Carlisle and title to ten of the building's 102 condominium units from Raiser Resources, LLC. Sunrise Senior Living Investments, Inc. ("SSLII") holds a 99% interest in the Partnership. Sunrise Carlisle GP, LLC, a wholly owned subsidiary of SSLII, holds a 1% interest in the Partnership. SSLII funds the Partnership through its capital account as needed.

The Carlisle filed a declaration as a condominium and a continuing care retirement community ("CCRC") in San Francisco City and County, California on August 28, 1992. As a condition of ownership, each owner of a condominium is required to enter into a residence and care agreement with St. Mary's Community Care Corporation, St Mary's Hospital and Medical Center and Catholic Healthcare West (collectively "St. Mary's"). In 1998, the interests held by St. Mary's were transferred to Raiser Senior Services, LLC, an affiliate of Raiser Resources, LLC and were subsequently transferred to the Partnership. The Partnership manages The Carlisle and markets vacant units on behalf of the owners. The Partnership is entitled to transfer fees on the sale of a condominium unit in accordance with the CCRC agreements.

On August 21, 2012, Sunrise Senior Living, Inc. ("SSLI") and Health Care REIT, Inc. ("HCN") entered into an agreement for HCN to acquire all of the outstanding common stock of SSLI for $14.50 per share in an all-cash transaction.

On September 13, 2012, in conjunction with the August 21, 2012 agreement, Red Fox Management, LP ("Red Fox"), a new entity formed by Kohlberg Kravis Roberts & Co. L.P., Beecken Petty O'Keefe & Company and Coastwood Senior Housing Partners LLC, entered into a Membership Interest Purchase Agreement with SSLI to acquire SSLI's management business which includes Sunrise Senior Living Management, Inc. ("SSLMI") and SSLII's equity interests in the Partnership for approximately $130,000,000, with HCN investing approximately $26,000,000 for a 20% ownership interest. The Partnership has management agreements with SSLMI to manage the facility (Note 4). On January 9, 2013, SSLI consummated the transactions with HCN and Red Fox.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting — The Partnership's financial statements are prepared in accordance with U.S. generally accepted accounting principles. The Partnership reviewed subsequent events through April 23, 2013, the date the financial statements were issued, for inclusion in these financial statements.

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 amounts reported in the financial statements and accompanying notes. Significant estimates and assumptions have been made with respect to the useful lives of assets, recoverability of condominiums in inventory, recoverability of management rights, recoverability of property and equipment, recoverable amounts of receivables, amortization rate of deferred revenue, and present value of estimated costs to be incurred under continuing care agreements. Actual results could differ from those estimates.

Cash and Cash Equivalents — The Partnership only had a petty cash account in 2012 and 2011 and cash transactions were generally processed by SSLII. The distributions to partners of $1,047,881 in 2012 and the contributions from partners of $338,137 in 2011 represent the net cash generated by the Partnership and retained by SSLII or the net cash paid on behalf of the Partnership by SSLII.

Allowance for Doubtful Accounts — The Partnership provides an allowance for doubtful accounts on its outstanding receivables balance based on its collection history and an estimate of uncollectible accounts.

Property and Equipment — Property and equipment are recorded at cost. Maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

Leasehold improvements	30 years
Furniture, fixtures, and equipment	3-10 years

Property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value may not be recoverable. Impairment is recognized when the asset's undiscounted expected cash flows are not sufficient to recover its carrying amount. The Partnership measures an impairment loss for such assets by comparing the fair value of the asset to its carrying amount. No impairment charges were recorded in 2012 or 2011.

Management Rights— The Partnership acquired all easements and rights for The Carlisle as a part of the acquisition from Raiser Resources, LLC. The rights included the right to manage The Carlisle for a management fee and the right to transfer fees including a commission of a percentage of the sale price on each condominium unit sold by an owner plus a percentage of the appreciation in price. Management rights were recorded at fair value at acquisition and are being amortized using the straight-line method over the estimated useful life of 30 years. Amortization expense was $193,966 for each year ended December 31, 2012 and 2011. Amortization expense will be $193,966 per year until the management rights are fully amortized.

Management rights are reviewed for impairment whenever events or circumstances indicate that the carrying value may not be recoverable. Impairment is recognized when the asset's undiscounted expected cash flows are not sufficient to recover its carrying amount. The Partnership measures an impairment loss for such assets by comparing the fair value of the asset to its carrying amount. No impairment charges were recorded in 2012 or 2011.

Revenue Recognition and Deferred Revenue — Operating revenue consists of resident fee revenue. Generally, resident fee revenue is recognized when services are rendered. The Partnership bills the residents one month in advance of the services being rendered, and therefore, cash payments received for services are recorded as deferred revenue until the services are rendered and the revenue is earned.

Upon sale of a condominium by an owner, the Partnership receives a commission of 7% of the sale price plus a percentage of the appreciation in price of the condominium. These fees are recognized when received.

Healthcare revenue is recognized as basic assisted living and activities of daily living services are provided.

Condominium sales by the Partnership — The Partnership owns condominium units that are held for sale. The sales contracts stipulate that there is a 90–day right of rescission on purchased units ("rescission period") where from the date that the resident occupies the purchased unit, there is a period of 90 days, during which either the Partnership or the resident can cancel the Care Agreement, with or without cause. The cancellation of the Care Agreement will automatically cause the cancellation of the purchase agreement of the condominium unit as well. The Partnership will repurchase the condominium unit and refund all amounts paid by the resident, except the processing fee and a portion of the monthly fee representing services provided during the resident's stay. Accordingly, units sold are accounted for under the profit sharing method and gain is not recognized until the expiration of the 90-day period.

Income Taxes — No provision has been made for federal or state income taxes, since the liability for such taxes, if any, is that of the partners and not the Partnership. The Partnership is subject to franchise taxes in California. These taxes are expensed as incurred and are included in taxes and licenses in the accompanying statements of operations.

ASC 740-10-25, Income Taxes, Overall Recognition describes a comprehensive model for the measurement, recognition, presentation and disclosure of uncertain tax positions in the financial statements. Under the interpretation, the financial statements will reflect expected future tax consequences of such positions presuming the tax authorities have full knowledge of the position and all relevant facts, but without considering time values. The Partnership has no uncertain tax positions that require accrual at December 31, 2012 and 2011.

Fair Value Measurement — Fair value is based on 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. In order to increase consistency and comparability in fair value measurements, ASC Fair Value Measurements Topic establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels. These levels, in order of highest priority to lowest priority, are described below:

Level 1 — Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities.

Level 2 — Observable prices that are based on inputs not quoted on active markets, but corroborated by market data.

Level 3 — Unobservable inputs are used when little or no market data is available.

3. CONDOMINIUMS IN INVENTORY

The Partnership acquired ten condominium units from Raiser Resources, LLC in 2006. In July 2007, the Partnership purchased an additional 37 units. These 47 units were renovated and converted into 35 saleable units. The total costs associated with the 35 units were $13,420,649. During 2012 and 2011, the Partnership sold seven units and one unit, respectively. In 2011, a resident who purchased a unit in 2010 exercised their right of rescission and Partnership reacquired the unit and another unit was transferred to Property and Equipment to use as an office. At December 31, 2012 and 2011, zero units and seven units were available for sale, respectively. Three units sold in 2012 are within the 90-day rescission period as of December 31, 2012 and are being accounted for under the profit-sharing method. As of December 31, 2012, the carrying value of the profit sharing liability relating to these sales was $33,361. As of April 23, 2013, the rescission period for these sales has expired and the Partnership is no longer required to account for the sales under the profit-sharing method. Gains of $33,361 were recognized in 2013.

During 2012 and 2011, declining sales prices indicated a potential impairment. Impairment charges of $30,566 and $179,471 were recorded in 2012 and 2011, respectively. The Partnership's estimate of the fair value of the condominium units was based upon the expected sales price for each unsold condominium unit representing Level 3 inputs. The assumptions included sales price projections and marketing and sales cost estimates.

4. TRANSACTIONS WITH AFFILIATES

Throughout 2012 and 2011, the Partnership had a management agreement with SSLMI to manage the facility. The agreement provided for a monthly fee of 6% of gross operating revenue. Total management fees incurred were $295,891 and $274,137 in 2012 and 2011, respectively.

The Partnership obtained worker's compensation, professional and general liability and property coverage through Sunrise Senior Living Insurance, Inc., an affiliate of SSLII. Related expenses totaled $115,845 and $131,387 in 2012 and 2011, respectively.

5. CONTINUING CARE AGREEMENTS

Residents of the community are required to sign a continuing care agreement ("Care Agreement") with the Partnership. The Care Agreements stipulate, among other things, monthly fees, the terms of resale of condominiums, transfer fees due at resale, and an initial payment to The Carlisle Reserve Fund. In addition, the Care Agreements provide the Partnership with the right to increase future monthly fees.

The Carlisle Reserve Fund Trust (the "Trust") was established on April 16, 2011, to assist The Carlisle of San Francisco Homeowners' Association (the "HOA") in monitoring and having input regarding the uses of The Carlisle Reserve Fund. The Trust is administered in accordance with the Declaration of Trust, which requires that the income and principal of the Trust be used to support The Carlisle Reserve Fund for the exclusive benefit of The Carlisle and the residents of The Carlisle, including (but not limited to) structural upgrades and replacement of fixtures and equipment. The Trust is administered by three trustees, two of whom are appointed by SSLII and one of whom is appointed by the HOA.

Because SSLII has the right to appoint two of the three trustees, it is deemed to control the Trust and consolidates the Trust in its financial statements. The Partnership has no direct interest in the Trust and does not have the right to appoint a trustee.

6. CONTINGENCIES

The Partnership is involved in claims and lawsuits incidental to the ordinary course of business. While the outcome of these claims and lawsuits cannot be predicted with certainty, management of the Partnership does not believe the ultimate resolution of these matters will have a material adverse effect on the Partnership's financial position.

7. SUBSEQUENT EVENT

On January 9, 2013, SSLI consummated the transaction with HCN and Red Fox (Note 1).

* * * * * *

Other Financial Information

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Report of Independent Auditors

To Partners of
Sunrise Carlisle, LP

We have audited the accompanying schedules of long-term debt, net operating expenses, and liquid reserve amount on Forms 5-1 through 5-5 (the Schedules) of Sunrise Carlisle, LP as of December 31, 2012, and for the year then ended and the related notes.

Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of the Schedules on the basis of the financial reporting provisions of the California Health and Safety Code section 1792, as instructed under the State of California Department of Social Services Annual Report Instructions dated January 1, 2007. Management also is responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedules that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the Schedules referred to above present fairly, in all material respects, the long-term debt, net operating expenses, and liquid reserve amount on Forms 5-1 through 5-5 of Sunrise Carlisle, LP at December 31, 2012 and for the year then ended, on the basis of financial reporting provisions of the California Health and Safety Code section 1792 as instructed under the State of California Department of Social Services Annual Report Instructions dated January 1, 2007.

ERNST & YOUNG

Contractual Basis of Accounting

As described in Note 2 to the Schedules, the Schedules were prepared by Sunrise Carlisle, LP as instructed under the State of California Department of Social Services Annual Report Instructions dated January 1, 2007, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Restriction on Use

This report is intended solely for the information and use of management and the partners of Sunrise Carlisle, LP and the State of California Department of Social Services and is not intended to be and should not be used by anyone other than these specified parties.

Ernst + Young LLP

April 23, 2013

Sunrise Carlisle, LP

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))
None					
		TOTAL:			

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

Sunrise Carlisle, LP

Form 5-2 -
Long-Term Debt Incurred During the Fiscal Year
(Including Balloon Debt)

Long-Term Debt Obligation	**(a)** Date Incurred	**(b)** Total Interest Paid During Fiscal Year	**(c)** Amount of Most Recent Payment on the Debt	**(d)** Number of Payments over next 12 months	**(e)** Reserve Requirement (see instruction 5) (Columns (c) x (d))
None					
		TOTAL:			

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

Sunrise Carlisle, LP

Form 5-3 -
Calculation of Long-Term Debt Reserve Amount

Line		Total
[1]	Total from Form 5-1 bottom of Column (e)	$ -
[2]	Total from Form 5-2 bottom of Column (e)	$ -
[3]	Facility leasehold or rental payment paid by provider during fiscal year. (Including related payments such as lease insurance)	$ -
[4]	Total Amount Required For Long-Term Debt Reserve:	$ -

Sunrise Carlisle, LP

Form 5-4 -
Calculation of Net Operating Expenses

Line		Amounts	Total
[1]	Total operating expenses from financial statements		5,251,889 (A)
[2]	Deductions		
	a Interest paid on long term debt (see instructions)	$ -	
	b Credit enhancement premiums paid for long-term debt (see instructions)	-	
	c Depreciation	18,646	
	d Amortization	193,966	
	e Revenues received during the fiscal year for services to persons who did not have a continuing care contract	33,649	
	f Extraordinary expenses approved by the Department	-	
[3]	Total Deductions		$ (246,261)
[4]	Net Operating Expenses		$ 5,005,628
[5]	Divide Line 4 by 365 and enter the result		$ 13,714
[6]	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.		$ 1,028,550

(A) Total operating expenses include $30,566 of impairment loss, which is a non-cash expense.

Sunrise Carlisle, LP

Form 5-5 -
Annual Reserve Certification

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

		Amount
[1]	Debt Service Reserve Amount	$ -
[2]	Operating Expense Reserve Amount	$ 1,028,550
[3]	Total Liquid Reserve Amount	$ 1,028,550

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

		Amount			
	Qualifying Asset Description		Debt Service Reserve		Operating Reserve
[4]	Cash and Cash Equivalents				
[5]	Investment Securities				
[6]	Equity Securities				
[7]	Unused/Available Lines of Credit				
[8]	Unused/Available Letters of Credit				
[9]	Debt Service Reserve				(not applicable)
[10]	Other:				
	Total Amount of Qualifying Assets Listed for Liquid Reserve:	[11]	$ -	[12]	$ -
	Total Amount Required	[13]	$ -	[14]	$ 1,028,550
	Surplus/(Deficiency)	[15]	$ -	[16]	$ (1,028,550)

SUNRISE CARLISLE, LP

NOTES TO ANNUAL RESERVE CALCULATION
YEAR ENDED DECEMBER 31, 2012

1. ORGANIZATION

Organization — On August 1, 2006, Sunrise Carlisle, LP (the "Partnership"), a Delaware limited partnership, acquired all easements and rights for The Carlisle and title to ten of the building's 102 condominium units from Raiser Resources, LLC. The Partnership acquired an additional 37 condominium units in July 2007. The 47 units were renovated and converted into 35 saleable units. At December 31, 2012, zero condominium units were available for sale. Sunrise Senior Living Investments, Inc. ("SSLII") holds a 99% interest in the Partnership. Sunrise Carlisle GP, LLC, a wholly owned subsidiary of SSLII, holds a 1% interest in the Partnership. The Partnership valued the acquired assets at fair value as of the date of acquisition. SSLI funds the Partnership through its capital account as needed.

The Carlisle filed a declaration as a condominium and a continuing care retirement community ("CCRC") in San Francisco City and County, California on August 28, 1992. As a condition of ownership, each owner of a condominium is required to enter into a residence and care agreement with St. Mary's Community Care Corporation, St Mary's Hospital and Medical Center and Catholic Healthcare West (collectively "St. Mary's"). In 1998, the interests held by St. Mary's were transferred to Raiser Senior Services, LLC, an affiliate of Raiser Resources, LLC and were subsequently transferred to the Partnership. The Partnership manages and operates The Carlisle and markets vacant units on behalf of the owners. The Partnership is entitled to transfer fees on the sale of a condominium unit in accordance with the CCRC agreements.

2. PURPOSE OF THE ANNUAL RESERVE CALCULATION

As the Company operates as a CCRC, the Partnership is required to file Forms 5-1 through 5-5 of the California Health and Safety Code section 1792 (the Schedules) as instructed under the State of California Department of Social Services Annual Report Instructions issued on January 1, 2007 for the year ended December 31, 2012. The purpose of the Schedules is to determine the amount the Company must hold in its liquid reserves for debt service and operating expense.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting — The Partnership's financial statements are prepared in accordance with U.S. generally accepted accounting principles. The Partnership reviewed subsequent events through April 23, 2013, the date the financial statements were issued, for inclusion in these financial statements and Schedules.

Cash and Cash Equivalents — The Partnership has only a petty cash account. Cash transactions are generally processed by SSLII. The distributions to partners of $1,047,881 represent the net cash generated by the Partnership and retained by SSLII for the year ended December 31, 2012.

4. REVENUE FROM NON-CONTINUING CARE RESIDENTS

The Partnership has deducted $33,649 on Form 5-4 line 2 (e) for revenues received during the fiscal year for services to persons who did not have a continuing care contract. The revenue represents service fees received for guest suite rentals and meals for non-continuing care residents.

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Consolidated Financial Statements

Sunrise Senior Living, Inc.
As of December 31, 2012 and 2011 and for the Years Ended
December 31, 2012, 2011 and 2010
With Report of Independent Auditors

Ernst & Young LLP

Ernst & Young

SUNRISE SENIOR LIVING, INC.
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Report of Independent Auditors

Management of Sunrise Senior Living, LLC

We have audited the accompanying consolidated financial statements of Sunrise Senior Living, Inc., which comprise the consolidated balance sheet as of December 31, 2012, and the related consolidated statements of operations, comprehensive income (loss), changes in stockholders' equity and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sunrise Senior Living, Inc. at December 31, 2012, and the consolidated results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Ernst + Young LLP

March 4, 2013

Ernst & Young

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Report of Independent Registered Public Accounting Firm

Stockholders and Board of Directors
Sunrise Senior Living, Inc.

We have audited the accompanying consolidated balance sheet of Sunrise Senior Living, Inc. as of December 31, 2011, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for each of the two years in the period ended December 31, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sunrise Senior Living, Inc. as of December 31, 2011 and the consolidated results of its operations and its cash flows for each of the two years in the period ended December 31, 2011, in conformity with U.S. generally accepted accounting principles.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Sunrise Senior Living, Inc.'s internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 29, 2012 expressed an unqualified opinion thereon.

Ernst + Young LLP

February 29, 2012

SUNRISE SENIOR LIVING, INC.
CONSOLIDATED BALANCE SHEETS

(In thousands, except per share and share amounts)	December 31, 2012	December 31, 2011
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 103,447	$ 49,549
Accounts receivable, net	45,194	40,538
Due from unconsolidated communities	4,529	17,926
Deferred income taxes, net	23,713	19,912
Restricted cash	50,481	47,873
Assets held for sale	4,728	1,025
Prepaid expenses and other current assets	14,975	12,290
Total current assets	247,067	189,113
Property and equipment, net	1,854,372	624,585
Intangible assets, net	38,226	38,726
Investments in unconsolidated communities	15,347	42,925
Investments accounted for under the profit-sharing method	1,844	-
Restricted cash	193,780	183,622
Restricted investments in marketable securities	2,596	2,479
Assets held in the liquidating trust	-	23,649
Other assets, net	9,751	13,269
Total assets	$ 2,362,983	$ 1,118,368
LIABILITIES AND EQUITY		
Current Liabilities:		
Current maturities of debt	$ 487,022	$ 77,861
Outstanding draws on bank credit facility	-	39,000
Liquidating trust notes, at fair value	-	26,255
Accounts payable and accrued expenses	142,957	134,157
Due to unconsolidated communities	469	404
Deferred revenue	19,822	11,804
Entrance fees	17,564	19,618
Self-insurance liabilities	44,947	42,004
Total current liabilities	712,781	351,103
Debt, less current maturities	1,193,783	450,549
Investments accounted for under the profit-sharing method	18,756	12,209
Self-insurance liabilities	40,226	43,611
Deferred gains on the sale of real estate and deferred revenues	-	8,184
Deferred income tax liabilities	23,713	19,912
Interest rate swap	69,737	21,359
Other long-term liabilities, net	94,655	109,548
Total liabilities	2,153,651	1,016,475
Equity:		
Preferred stock, $0.01 par value, 10,000,000 shares authorized, no shares issued and outstanding	-	-
Common stock, $0.01 par value, 120,000,000 shares authorized, 61,677,427 and 57,634,010 shares issued and outstanding, net of 759,040 and 515,577 treasury shares, at December 31, 2012 and 2011, respectively	617	576
Additional paid-in capital	509,088	487,277
Retained loss	(308,724)	(385,294)
Accumulated other comprehensive (loss) income	2,248	(5,932)
Total stockholders' equity	203,229	96,627
Noncontrolling interests	6,103	5,266
Total equity	209,332	101,893
Total liabilities and equity	$ 2,362,983	$ 1,118,368

See accompanying notes

SUNRISE SENIOR LIVING, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)	Twelve Months Ended December 31, 2012	2011	2010
Operating revenue:			
Management fees	$ 98,457	$ 96,132	$ 107,832
Buyout fees	1,450	3,685	63,286
Resident fees for consolidated communities	460,423	348,438	245,959
Ancillary fees	30,867	30,544	43,136
Professional fees from development, marketing and other	1,630	2,498	4,278
Reimbursed costs incurred on behalf of managed communities	670,567	715,290	827,240
Total operating revenue	1,263,394	1,196,587	1,291,731
Operating expenses:			
Community expense for consolidated communities	306,362	238,273	174,273
Community lease expense	63,087	57,931	41,424
Depreciation and amortization	48,225	31,114	34,785
Ancillary expenses	23,636	28,396	40,504
General and administrative	124,892	114,474	126,566
Carrying costs of liquidating trust assets	2,889	2,456	3,146
Accounting Restatement, Special Independent Committee inquiry, SEC investigation and stockholder litigation	-	-	(1,305)
Restructuring costs	-	-	11,690
Provision for doubtful accounts	1,534	3,220	5,843
(Gain) loss on financial guarantees and other contracts	-	(2,100)	518
Impairment of long-lived assets	1,969	12,734	5,647
Costs incurred on behalf of managed communities	675,825	719,159	831,008
Total operating expenses	1,248,419	1,205,657	1,274,099
Income (loss) from operations	14,975	(9,070)	17,632
Other non-operating income (expense):			
Interest income	1,103	2,054	1,096
Interest expense	(47,940)	(18,987)	(8,375)
Gain on investments	-	-	932
Gain on fair value of pre-existing equity interest from a business combination	58,097	11,250	-
Gain on fair value of liquidating trust notes	-	88	5,240
Other (expense) income	(8,424)	(618)	1,176
Total other non-operating income (expense)	2,836	(6,213)	69
Gain on the sale of real estate and equity interests	4,457	8,185	27,672
Sunrise's share of earnings and return on investment in unconsolidated communities	62,352	2,629	7,521
Loss from investments accounted for under the profit-sharing method	(6,766)	(9,806)	(9,650)
Income (loss) before benefit from (provision for) income taxes and discontinued operations	77,854	(14,275)	43,244
Benefit from (provision for) income taxes	373	(1,771)	(6,559)
Income (loss) before discontinued operations	78,227	(16,046)	36,685
Discontinued operations, net of tax	84	(5,511)	64,141
Net income (loss)	78,311	(21,557)	100,826
Less: Income attributable to noncontrolling interests, net of tax	(1,741)	(1,833)	(1,759)
Net income (loss) attributable to common shareholders	$ 76,570	$ (23,390)	$ 99,067

See accompanying notes

SUNRISE SENIOR LIVING, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)	Twelve Months Ended December 31, 2012	2011	2010
Net income (loss)	$ 78,311	$ (21,557)	$ 100,826
Other comprehensive income (loss)			
Foreign currency translation adjustments	(758)	1,330	(6,940)
Equity interest in investee's other comprehensive income (loss)	426	(1,894)	1,418
Unrealized gain (loss) on investments	187	72	105
Unrealized losses on interest rate swap			
Unrealized holding losses arising during the period	(5,029)	(10,665)	-
Less: Reclassification for losses included in income related to swap discontinuance	9,217	-	-
Less: Reclassification for losses included in income	4,137	2,340	-
Unrealized gains (losses) on interest rate swap, net	8,325	(8,325)	-
Comprehensive income (loss)	86,491	(30,374)	95,409
Less: Comprehensive income attributable to noncontrolling interest	(1,928)	(1,905)	(1,864)
Comprehensive income (loss) attributable to common shareholders	$ 84,563	$ (32,279)	$ 93,545

See accompanying notes

SUNRISE SENIOR LIVING, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(In thousands)	Shares of Common Stock	Common Stock Amount	Additional Paid-in Capital	Retained (Loss) Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Equity Attributable to Noncontrolling Interests	Total Equity
Balance at January 1, 2010	55,752	$ 558	$ 474,158	$ (460,971)	$ 8,302	$ 22,047	$ 4,187	$ 26,234
Net income	-	-	-	99,067	-	99,067	1,759	100,826
Foreign currency translation loss, net of tax	-	-	-	-	(6,940)	(6,940)	-	(6,940)
Sunrise's share of investee's other comprehensive income	-	-	-	-	1,418	1,418	-	1,418
Unrealized gain on investments	-	-	-	-	105	105		105
Distributions to noncontrolling interests	-	-	-	-	-	-	(1,540)	(1,540)
Issuance of restricted stock	475	5	(5)	-	-	-	-	-
Forfeiture or surrender of restricted stock	(39)	(1)	(116)	-	-	(117)	-	(117)
Stock option exercises	265	3	370	-	-	373	-	373
Stock-based compensation expense	-	-	4,348	-	-	4,348	-	4,348
Tax effect from stock-based compensation	-	-	(150)	-	-	(150)	-	(150)
Balance at December 31, 2010	56,453	565	478,605	(361,904)	2,885	120,151	4,406	124,557
Net (loss) income	-	-	-	(23,390)	-	(23,390)	1,833	(21,557)
Foreign currency translation loss, net of tax	-	-	-	-	1,330	1,330	-	1,330
Sunrise's share of investee's other comprehensive income	-	-	-	-	(1,894)	(1,894)	-	(1,894)
Unrealized gain on investments	-	-	-	-	72	72	-	72
Unrealized losses on interest rate swap	-	-	-	-	(8,325)	(8,325)	-	(8,325)
Distributions to noncontrolling interests	-	-	-	-	-	-	(1,778)	(1,778)
Noncontrolling interest reserve fund	-	-	-	-	-	-	805	805
Issuance of restricted stock	337	3	(3)	-	-	-	-	-
Forfeiture or surrender of restricted or common stock	(81)	(1)	(409)	-	-	(410)	-	(410)
Stock option exercises	931	9	1,470	-	-	1,479	-	1,479
Stock-based compensation expense	-	-	7,614	-	-	7,614	-	7,614
Balance at December 31, 2011	57,640	576	487,277	(385,294)	(5,932)	96,627	5,266	101,893
Net income	-	-	-	76,570	-	76,570	1,741	78,311
Foreign currency translation gain, net of tax	-	-	-	-	(758)	(758)	-	(758)
Sunrise's share of investee's other comprehensive loss	-	-	-	-	426	426	-	426
Unrealized gain on investments	-	-	-	-	187	187	-	187
Realized losses on interest rate swap	-	-	-	-	8,325	8,325	-	8,325
Distributions to noncontrolling interests	-	-	-	-	-	-	(904)	(904)
Issuance of restricted stock	298	3	(3)	-	-	-	-	-
Forfeiture or surrender of restricted or common stock	(258)	(3)	(1,901)	-	-	(1,904)	-	(1,904)
Stock option exercises	3,997	41	11,716	-	-	11,757	-	11,757
Stock-based compensation expense	-	-	11,999	-	-	11,999	-	11,999
Balance at December 31, 2012	$ 61,677	$ 617	$ 509,088	$ (308,724)	$ 2,248	$ 203,229	$ 6,103	$ 209,332

See accompanying notes.

SUNRISE SENIOR LIVING, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2012	2011	2010
(In thousands)			
Operating activities			
Net income (loss)	$ 78,311	$ (21,557)	$ 100,826
Less: Net (income) loss from discontinued operations	(84)	5,511	(64,141)
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Gain on the sale of real estate and equity interests	(4,457)	(8,185)	(27,672)
Gain on fair value of liquidating trust note	-	(88)	(5,240)
Loss from investments accounted for under the profit-sharing method	6,766	9,806	9,650
Gain on investments	-	-	(932)
Gain on fair value of pre-existing equity interest from a business combination	(58,097)	(11,250)	-
Impairment of long-lived assets	1,969	12,734	5,647
Provision for doubtful accounts	1,534	3,220	5,843
Benefit from deferred income taxes		-	-
(Gain) loss on financial guarantees and other contracts		(2,100)	518
Sunrise's share of earnings and return on investment in unconsolidated communities	(62,352)	(2,629)	(7,521)
Distributions of earnings from unconsolidated communities	89,053	12,826	35,863
Depreciation and amortization	48,225	31,114	34,785
Amortization of financing costs and debt discount	11,629	3,562	1,003
Stock-based compensation	11,999	7,614	4,232
Changes in operating assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	(6,221)	(5,612)	3,252
Due from unconsolidated senior living communities	11,438	1,385	(830)
Prepaid expenses and other current assets	(6,250)	(127)	(4,766)
Captive insurance restricted cash	2,939	8,535	(8,837)
Other assets	1,907	1,768	1,033
Increase (decrease) in:			
Accounts payable, accrued expenses and other liabilities	961	854	(12,392)
Entrance fees	(2,054)	(1,653)	968
Self-insurance liabilities	(165)	(1,493)	(15,725)
Deferred revenue and gains on the sale of real estate	4,786	(7,217)	4,037
Net cash provided by discontinued operations	4,996	2,144	3,331
Net cash provided by operating activities	136,833	39,162	62,932
Investing activities			
Capital expenditures	(13,791)	(9,430)	(10,754)
Net (funding) proceeds for condominium projects	(2,413)	2,521	(61)
Acquisitions of venture partners' interest, net of cash acquired	(569,267)	(45,292)	-
Dispositions of property	138,061	6,226	18,411
Proceeds from the sale of equity interests	-	-	35,936
Change in restricted cash	(4,703)	(75,709)	9,123
Proceeds from short-term investments	-	-	19,618
Proceeds from investments and notes receivable	-	-	1,431
Investments in unconsolidated communities	(3,195)	(13,728)	(5,952)
Distributions of capital from unconsolidated communities	-	963	314
Net cash provided by discontinued operations	3,357	3,885	108,184
Net cash (used in) provided by investing activities	(451,951)	(130,564)	176,250
Financing activities			
Net proceeds from exercised options	11,757	1,479	373
Issuance of junior subordinated convertible debt	-	86,250	-
(Repayments) borrowings on Credit Facility	(39,000)	39,000	-
Additional borrowings of long-term debt	635,547	-	4,010
Repayment of long-term debt	(210,056)	(34,554)	(71,794)
Net repayments on Bank Credit Facility	-	-	(33,728)
Repayment of liquidating trust notes	(26,255)	(11,921)	(11,482)
Distributions to noncontrolling interests	(904)	(1,778)	(1,540)
Financing costs paid	(2,073)	(4,245)	(1,111)
Net cash used in discontinued operations	-	-	(96,473)
Net cash provided by (used in) financing activities	369,016	74,231	(211,745)
Net increase (decrease) in cash and cash equivalents	53,898	(17,171)	27,437
Cash and cash equivalents at beginning of period	49,549	66,720	39,283
Cash and cash equivalents at end of period	$ 103,447	$ 49,549	$ 66,720

See accompanying notes.

Sunrise Senior Living, Inc.
Notes to Consolidated Financial Statements

1. Organization, Merger with Health Care REIT, Inc., Sale of Management Business and Presentation

Organization

We are a provider of senior living services in the United States, Canada and the United Kingdom. At December 31, 2012, we operated 296 communities, including 254 communities in the United States, 15 communities in Canada and 27 communities in the United Kingdom, with a total unit capacity of approximately 27,423. Of our total assets of $2.4 billion, $1.4 billion are located in the United States, $0.9 billion in the United Kingdom and $0.1 billion in Canada.

Founded in 1981 and incorporated in Delaware in 1994, we offer a full range of personalized senior living services, including independent living, assisted living, care for individuals with Alzheimer's and other forms of memory loss, nursing and rehabilitative care. On January 9, 2013, we consummated a merger transaction with Health Care REIT, Inc. ("HCN") (see below.

Merger with Health Care REIT, Inc., Sale of Management Business and Delisting of Sunrise Senior Living, Inc. Stock

On January 9, 2013, we consummated the transactions contemplated by the Agreement and Plan of Merger (the "Merger Agreement") dated August 21, 2012 with HCN and the September 13, 2012 Membership Interest Purchase Agreement (the "Management Business Sale Agreement") with Red Fox Management, LP ("Buyer"), a new entity formed by affiliates of Kohlberg Kravis Roberts & Co. L.P., Beecken Petty O'Keefe & Company and Coastwood Senior Housing Partners LLC.

The Merger Agreement transaction occurred through two mergers. First, we engaged in a holding company merger (the "Holding Company Merger") involving Brewer Holdco, Inc., a newly formed wholly owned subsidiary of Sunrise Senior Living, Inc. ("Holdco"), and Brewer Holdco Sub, Inc., a newly formed wholly owned subsidiary of Holdco ("Holdco Sub"). In the Holding Company Merger, Holdco Sub merged with and into Sunrise, with Sunrise surviving as a wholly owned subsidiary of Holdco. Each issued and outstanding share of Sunrise common stock was converted into one share of Holdco common stock in the Holding Company Merger. Second, promptly after the Holding Company Merger, Red Fox, Inc., a newly formed wholly owned subsidiary of HCN ("Merger Sub"), merged with and into Holdco, with Holdco surviving as a wholly owned subsidiary of HCN (the "Merger"). In the Merger, each share of Holdco common stock was converted into the right to receive $14.50 in cash. Immediately following the Holding Company Merger and prior to the Merger, Sunrise was converted from a corporation into a Delaware limited liability company (the "Management Business LLC") and its real estate business was distributed to Holdco.

The Buyer acquired Holdco's management business for approximately $130 million. HCN also acquired a 20% interest in the Buyer.

On January 8, 2013, we notified the New York Stock Exchange (the "NYSE") of the merger and requested that the NYSE file with the Securities and Exchange Commission (the "SEC") an application on Form 25 to delist and deregister our common stock under Section 12(b) of the Securities Exchange Act of 1934, as amended. Trading of our common stock on the NYSE was suspended prior to the opening of trading on January 9, 2013. The NYSE filed the Form 25 with the SEC on January 9, 2013.

Basis of Presentation

The consolidated financial statements which are prepared in accordance with U.S. generally accepted accounting principles ("GAAP") include our wholly owned and controlled subsidiaries. Variable interest entities ("VIEs") in which we have an interest have been consolidated when we have been identified as the primary beneficiary. Entities in which we hold the managing member or general partner interest are consolidated unless the other members or partners have either (1) the substantive ability to dissolve the entity or otherwise remove us as managing member or general partner without cause or (2) substantive participating rights, which provide the other partner or member with the ability to effectively participate in the significant decisions that would be expected to be made in the ordinary course of business. Investments in ventures in which we have the ability to exercise significant influence but do not have control over are accounted for using the equity method. All intercompany transactions and balances have been eliminated in consolidation.

Discontinued operations consist primarily of 10 communities whose leases were terminated in 2012 and businesses and communities sold prior to 2012.

2. Significant Accounting Policies

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents

We consider cash and cash equivalents to include currency on hand, demand deposits, and all highly liquid investments with a maturity of three months or less at the date of purchase.

Restricted Cash

We utilize large deductible blanket insurance programs in order to contain costs for certain lines of insurance risks including workers' compensation and employers' liability risks, automobile liability risk, employment practices liability risk and general and professional liability risks ("Self-Insured Risks"). We have self-insured a portion of the Self-Insured Risks through our wholly owned captive insurance subsidiary, Sunrise Senior Living Insurance, Inc. (the "Sunrise Captive"). The Sunrise Captive issues policies of insurance on behalf of us and each community we operate and receives premiums from us and each community we operate. The Sunrise Captive pays the costs for each claim above a deductible up to a per claim limit. Cash held by the Sunrise Captive was $92.5 million and $95.4 million at December 31, 2012 and 2011, respectively. The earnings from the investment of the cash of the Sunrise Captive are used to reduce future costs and pay the liabilities of the Sunrise Captive.

Also included in restricted cash is $85.0 million related to a lease extension with a related letter of credit to Marriott International, Inc. ("Marriott"). In 2011, Marriott consented to the extension of the term of four leases for a five-year term commencing January 1, 2014 and ending December 31, 2018. In return for its consent to the lease extension and its maintenance of a guarantee, we provided Marriott with a letter of credit (the "Letter of Credit") issued by KeyBank, NA ("KeyBank") with a face amount of $85.0 million to secure Marriott's exposure under the guarantees. During the lease term, we will be required to pay Marriott an annual payment in respect of the cash flow of the leased facilities, subject to a $1 million annual minimum. Marriott may draw on the Letter of Credit in order to pay any obligations if not paid by us when due. We have provided KeyBank with cash collateral of $85.0 million as security for our Letter of Credit obligations. Marriott has agreed to reduce the face amount of the Letter of Credit proportionally on a quarterly basis during the lease term as we pay our rental obligations.

The details of our restricted cash as of December 31, 2012 and 2011 are as follows (in thousands):

	2012	2011
Self insurance restricted cash	$ 92,467	$ 95,406
Cash collateral for letters of credit	89,172	89,002
AL US restricted cash	14,459	19,313
Other restricted cash	48,163	27,774
	$ 244,261	$ 231,495

Allowance for Doubtful Accounts

We provide an allowance for doubtful accounts on our outstanding receivables based on an analysis of collectability, including our collection history and generally do not require collateral to support outstanding balances.

Due from Unconsolidated Communities

Due from unconsolidated communities represents amounts due from unconsolidated ventures for development and management costs, including development fees, operating costs such as payroll and insurance costs, and management fees. Operating costs are generally reimbursed within thirty days.