

2013 ANNUAL REPORT
SUNRISE STRATFORD, LP

FORM 1-1
RESIDENT POPULATION

<u>Line</u>	<u>Continuing Care Residents</u>	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	74
[2]	Number at end of fiscal year	78
[3]	Total Lines 1 and 2	152
[4]	Multiply line 3 by ".50" and enter result on line 5	0.5
[5]	Mean number of continuing care residents	76
All Residents		
[6]	Number at beginning of fiscal year	80
[7]	Number at end of fiscal year	83
[8]	Total Lines 6 and 7	163
[9]	Multiply line 8 by ".50" and enter result on line 10	0.5
[10]	Mean number of <i>all</i> residents	81.5
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	0.93

FORM 1-2
ANNUAL PROVIDER FEE

<u>Line</u>	<u>ANNUAL PROVIDER FEE</u>	<u>TOTAL</u>
[1]	Total Operating Expenses (including depreciation and debt service - interest or	\$ 5,409,481
[a]	Depreciation	\$ 10,895
[b]	Debt Service (Interest only)	\$ -
[2]	Subtotal (add Line 1a and 1b)	\$ 10,895
[3]	Subtract Line 2 from Line 1 and enter result	\$ 5,398,586
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	0.93
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	\$ 5,034,264
		x .001
[6]	Total Amount Due	\$ 5,034.26

PROVIDER: Sunrise Stratford LP

COMMUNITY: The Stratford



April 30, 2014

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 a certification on behalf of Sunrise Stratford LP to the California Department of Social Services for the following matters regarding the enclosed annual report for 2013 that Sunrise Stratford LP is submitting as the holder of a certificate of authority for The Stratford:

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 Stratford has been approved by the Department.
3. Sunrise Stratford 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 Stratford, is responsible for meeting the liquid reserve requirements in the California continuing care statute on behalf of Sunrise Stratford 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 2013. A copy of the relevant portions of that statement is included with Form 5-5. See Form 5-5 and footnotes 1 and 5 to the 2013 audited financial statement of Sunrise Stratford LP regarding the assumption by Sunrise Senior Living, LLC in 2014 of Sunrise Senior Living, Inc.'s responsibilities as co-holder of the certificate of authority at The Stratford.

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

Sincerely,

Chris Winkle
Chief Executive Officer, Sunrise Senior Living, LLC

Community Support Office
7900 Westpark Drive, Suite T-900, McLean, Virginia 22102
Main: (703) 273-7500
www.sunriseseniorliving.com



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: _____													
	<table border="1"> <tr> <th>INSURER(S) AFFORDING COVERAGE</th> <th>NAIC #</th> </tr> <tr> <td>INSURER A : National Union Fire Ins Co Pittsburgh PA</td> <td>19445</td> </tr> <tr> <td>INSURER B :</td> <td></td> </tr> <tr> <td>INSURER C :</td> <td></td> </tr> <tr> <td>INSURER D :</td> <td></td> </tr> <tr> <td>INSURER E :</td> <td></td> </tr> <tr> <td>INSURER F :</td> <td></td> </tr> </table>	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 :
INSURER(S) AFFORDING COVERAGE	NAIC #													
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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:** XXXXXXXX

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

10809309 State of California Dept. of Social Services CA	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 
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CERTIFICATE OF PROPERTY INSURANCE

DATE (MM/DD/YYYY)
04/29/2014

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.

If this certificate is being prepared for a party who has an insurable interest in the property, do not use this form. Use ACORD 27 or ACORD 28.

PRODUCER Aon Risk Services Central, Inc. Philadelphia PA Office One Liberty Place 1650 Market Street Suite 1000 Philadelphia PA 19103 USA	CONTACT NAME: PHONE (A/C. No. Ext): (866) 283-7122 FAX (A/C. No.): (800) 363-0105	
	E-MAIL ADDRESS: PRODUCER CUSTOMER ID #: 570000060194	
INSURED Sunrise Senior Living, LLC 7900 Westpark Drive McLean VA 22102-4217 USA	INSURER(S) AFFORDING COVERAGE NAIC #	
	INSURER A: National Union Fire Ins Co of Pittsburgh 19445	
	INSURER B:	
	INSURER C:	
	INSURER D:	
	INSURER E:	

Holder Identifier :

COVERAGES **CERTIFICATE NUMBER:** 570053603413 **REVISION NUMBER:**

LOCATION OF PREMISES / DESCRIPTION OF PROPERTY (Attach ACORD 101, Additional Remarks Schedule, if more space is required)
 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

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

INSR LTR	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YYYY)	POLICY EXPIRATION DATE (MM/DD/YYYY)	COVERED PROPERTY	LIMITS
	<input type="checkbox"/> PROPERTY CAUSES OF LOSS DEDUCTIBLES <input type="checkbox"/> BASIC BUILDING <input type="checkbox"/> BROAD CONTENTS <input type="checkbox"/> SPECIAL <input type="checkbox"/> EARTHQUAKE <input type="checkbox"/> WIND <input type="checkbox"/> FLOOD				<input type="checkbox"/> BUILDING <input type="checkbox"/> PERSONAL PROPERTY <input type="checkbox"/> BUSINESS INCOME w/o Extra Expense <input type="checkbox"/> EXTRA EXPENSE <input type="checkbox"/> RENTAL VALUE <input type="checkbox"/> BLANKET BUILDING <input type="checkbox"/> BLANKET PERS PROP <input type="checkbox"/> BLANKET BLDG & PP	
	<input type="checkbox"/> INLAND MARINE CAUSES OF LOSS <input type="checkbox"/> NAMED PERILS	TYPE OF POLICY POLICY NUMBER				
A	<input checked="" type="checkbox"/> CRIME TYPE OF POLICY Crime - Primary	021446663	04/30/2013	04/30/2014	<input checked="" type="checkbox"/> Employee Dishonesty <input checked="" type="checkbox"/> Deductible	\$5,000,000 \$100,000
	<input type="checkbox"/> BOILER & MACHINERY / EQUIPMENT BREAKDOWN					

CERTIFICATE NUMBER: 570053603413

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

CERTIFICATE HOLDER State of California Dept. of Social Services 6167 Bristol Pkwy, Suite 400 Culver City CA 90230 USA	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
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Sunrise Stratford, LP

Form 5-1 -
 Long-Term Debt Incurred In a Prior Fiscal Year
 (Including Balloon Debt)

	(a)	(b)	(c)	(d)	(e)
Long-Term Debt Obligation	Date Incurred	Principal Paid During Fiscal Year	Interest Paid During Fiscal Year	Credit Enhancement Premiums Paid in Fiscal Year	Total Paid (columns (b)+(c)+(d))
None					
TOTAL:					\$0

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

Sunrise Stratford, LP

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

	(a)	(b)	(c)	(d)	(e)
Long-Term Debt Obligation	Date Incurred	Total Interest Paid During Fiscal Year	Amount of Most Recent Payment on the Debt	Number of Payments over next 12 months	Reserve Requirement (see instruction 5) (Columns (c) x (d))
None					
TOTAL:					\$0

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

Sunrise Stratford, LP

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

Line		Total
[1]	Total from Form 5-1 bottom of Column (e)	\$ 0
[2]	Total from Form 5-2 bottom of Column (e)	\$ 0
[3]	Facility leasehold or rental payment paid by provider during fiscal year. (Including related payments such as lease insurance)	\$ 0
[4]	Total Amount Required For Long-Term Debt Reserve:	\$ 0

Sunrise Stratford, LP

Form 5-4 -
Calculation of Net Operating Expenses

Line	Amounts	Total
[1] Total operating expenses from financial statements		<u>5,409,481</u>
[2] Deductions		
a Interest paid on long term debt (see instructions)	\$ -	
b Credit enhancement premiums paid for long-term debt (see instructions)	-	
c Depreciation	10,895	
d Amortization	489,100	
e Revenues received during the fiscal year for services to persons who did not have a continuing care contract	88,208	
f Extraordinary expenses approved by the Department	<u>-</u>	
[3] Total Deductions		<u>\$ (588,203)</u>
[4] Net Operating Expenses		<u>\$ 4,821,278</u>
[5] Divide Line 4 by 365 and enter the result		<u>\$ 13,208.98</u>
[6] Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.		<div style="border: 1px solid black; padding: 2px;">\$ 990,675</div>

**Form 5-5
Annual Reserve Certification**

Provider Name: Sunrise Stratford LP
 Fiscal Year Ended: December 31, 2013

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for for the period ended December 31, 2013 and are in compliance with those requirements.

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

		<u>Amount</u>
[1]	Debt Service Reserve Amount	\$ -
[2]	Operating Expense Reserve Amount	\$ 990,675
[3]	Total Liquid Reserve Amount	\$ 990,675

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

	<u>Qualifying Asset Description</u>	<u>Amount</u>	
		<u>Debt Service Reserve</u>	<u>Operating Reserve</u>
[4]	Cash and Cash Equivalents*		\$ 34,214,000
[5]	Investment Securities		
[6]	Equity Securities		
[7]	Unused/Available Lines of Credit	\$ -	\$ -
[8]	Unused/Available Letters of Credit		
[9]	Debt Service Reserve		(not applicable)
[10]	Other: _____		
	(describe qualifying asset)		
	Total Amount of Qualifying Assets Listed for Liquid Reserve:	[11] \$ -	[12] \$ 34,214,000
	Total Amount Required	[13] \$ -	[14] \$ 990,675
	Surplus/(Deficiency)	[15] \$ -	[16] \$ 33,223,325

NOTE No cash and cash equivalents are held by Sunrise Stratford, LP. Cash is consolidated and held by Sunrise Senior Living, LLC. In order to provide a more complete portrayal of the assets available to meet the required reserves, DSS has requested the 2013 Form 5-5 be revised to reflect the qualifying assets from the audited financial statements of Sunrise Senior Living, LLC.

SCHEDULE REVISIONS- UNAUDITED

(Authorized Representative)

(Date)

(Title)

PROVIDER: Sunrise Stratford LP

COMMUNITY: The Stratford

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

Date Prepared: 4/30/14

FACILITY NAME: The Stratford
 ADDRESS: 601 Laurel Avenue ZIP CODE: 94401 PHONE: 650-342-4106
 PROVIDER NAME: Sunrise Stratford, LP FACILITY OPERATOR: Sunrise Senior Living Management, LLC
 RELATED FACILITIES: _____ RELIGIOUS AFFILIATION: None
 YEAR OPENED: 1992 # OF ACRES: 1 +/- SINGLE STORY MULTI-STORY OTHER: _____ MILES TO SHOPPING CTR: 0.6
 MILES TO HOSPITAL: 0.6

NUMBER OF UNITS:	RESIDENTIAL LIVING	HEALTH CARE
APARTMENTS - STUDIO:	_____	ASSISTED LIVING: <u>9</u>
APARTMENTS - 1 BDRM:	<u>3</u>	SKILLED NURSING: _____
APARTMENTS - 2 BDRM:	<u>51</u>	SPECIAL CARE: _____
COTTAGES/HOUSES:	<u>11</u>	DESCRIBE SPECIAL CARE: _____
KLU OCCUPANCY (%) AT YEAR END:	<u>95%</u>	

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

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

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

RANGE OF ENTRANCE FEES: \$ 325,000 TO \$ 2,000,000 LONG-TERM CARE INSURANCE REQUIRED? YES NO

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: No

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

RESIDENT REPRESENTATIVE ON THE BOARD (briefly describe their involvement): see attached

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

All providers are required by Health and Safety Code section 17199.1 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.

THE STRATFORD

RESIDENT REPRESENTATION

The COA holders at The Stratford are Sunrise Stratford GP, LLC (as general partner of Sunrise Stratford, LP, the owner of the easements) and Sunrise Senior Living, LLC (SSLLC) (the ultimate owner of Sunrise Stratford, LP and of Sunrise Stratford GP, LLC). SSLLC is itself subject to ultimate ownership by Public Sector Pension Investment Board, a Canadian crown corporation, and Health Care REIT, Inc., a publicly traded corporation. Given this structure, there is no governing body as such that controls The Stratford on which a resident representative might serve. Decisions are made by the regional and local managers employed by Sunrise Senior Living Management, Inc. (SSLMI), also as subsidiary of SSLLC. Accordingly, a resident representative can best provide input into decisions by meeting periodically with the regional and local managers responsible for The Stratford. With this in mind, the Sunrise Senior Living Regional Director of Operations for the Western Region and the Executive Director of The Stratford are meeting a semi-annual basis with a resident representative selected by the Board of The Stratford of San Mateo Homeowners' Association in order to obtain input on relevant matters such as economic performance, building and plant issues, and general resident service questions.

PROVIDER NAME: Sunrise Stratford, LP

	<u>Community*</u>	<u>CCRC/MLRC/ LIFECARE</u>	<u>Street</u>	<u>City</u>	<u>State</u>	<u>Zip</u>
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 owned/operated communities in the State of California only.
A complete list of all Sunrise owned/operated communities is available upon request.

PROVIDER NAME: Sunrise Stratford, LP

	2010	2011	2012	2013
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)	<u>\$ 4,539,647</u>	<u>\$ 4,646,040</u>	<u>\$ 4,850,560</u>	<u>\$ 5,504,913</u>
LESS OPERATING EXPENSES (excluding depreciation, amortization & interest)	<u>\$ 4,478,592</u>	<u>\$ 4,667,919</u>	<u>\$ 4,653,839</u>	<u>\$ 4,909,486</u>
NET INCOME (LOSS) FROM OPERATIONS	<u>\$ 61,055</u>	<u>\$ (21,879)</u>	<u>\$ 196,721</u>	<u>\$ 595,427</u>
LESS INTEREST EXPENSE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
PLUS CONTRIBUTIONS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
PLUS NONOPERATING INCOME (EXPENSES) (excluding extraordinary items)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
NET INCOME (LOSS) BEFORE ENTRANCE FEES, DEPRECIATION AND AMORTIZATION	<u>\$ 61,055</u>	<u>\$ (21,879)</u>	<u>\$ 196,721</u>	<u>\$ 595,427</u>
NET CASH FLOW FROM ENTRANCE FEES (Total Deposits less Refunds)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END

<u>LENDER</u>	<u>OUTSTANDING BALANCE</u>	<u>INTEREST RATE</u>	<u>DATE OF ORIGINATION</u>	<u>DATE OF MATURITY</u>	<u>AMORTIZATION PERIOD</u>
None	\$ -	0.000%			

PROVIDER NAME: Sunrise Stratford, LP

FINANCIAL RATIOS

	2010 CCAC Medians 50th percentile (optional)	2011	2012	2013
Debt to Asset ratio		0.00%	0.00%	0.00%
Operating Ratio		100.47%	95.94%	89.18%
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**

	2010	%	2011	%	2012	%	2013
STUDIO							
ONE BEDROOM	\$ 4,555	3.0%	\$ 4,692	0.0%	\$ 4,692	4.0%	\$ 4,879
TWO BEDROOM	\$ 9,110	3.0%	\$ 9,384	0.0%	\$ 9,384	4.0%	\$ 9,758
COTTAGE/HOUSE							
ASSISTED LIVING							
SKILLED NURSING							
SPECIAL CARE							

COMMENTS FROM PROVIDER: _____

PROVIDER NAME: Sunrise Stratford, 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	\$	11,192,335

OPERATING RATIO

$$\frac{\text{Total Operating Expenses - Depreciation Expense - Amortization Expense}}{\text{Total Operating Revenues - Amortization of Deferred Entrance Fees}} = 89.18\%$$

Total Operating Expenses	\$	5,409,481
Depreciation Expense	\$	10,895
Amortization Expense	\$	489,100
Total Operating Revenues	\$	5,504,913
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	\$	95,433
Interest Expense	\$	-
Depreciation Expense	\$	10,895
Amortization Expense	\$	489,100
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	\$	5,409,481
Depreciation & Amortization Expense	\$	499,995

**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)	\$4,879 to \$9,758		
[2] Indicate percentage of increase in fees imposed during reporting period: (Indicate range, if applicable)	4.00%	0.00%	0.00%

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: 1/1/2013

[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 Stratford, LP

COMMUNITY: The Stratford

**FORM 7-1
REPORT ON CCRC MONTHLY SERVICE FEES**

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

Residential Living fees for one-bedroom units were increased from \$4,692 to \$4,879 or by \$187 which constituted 4.0% increase. Residential Living fees for two-bedroom units were increased from \$9,384 to \$9,758 or by \$374 which constituted 4.0% increase. An increase in monthly service fees was driven by an increase in operational costs.

PROVIDER: Sunrise Stratford, LP

COMMUNITY: The Stratford

KEY INDICATORS REPORT
Sunrise Stratford, LP

Date Prepared: 4/30/14

Chief Financial Officer Signature

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

	Forecast										Preferred Trend Indicator	
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018		
OPERATIONAL STATISTICS												
1. Average Annual Occupancy by Site (%)	91%	89%	92%	96%	99%	99%	99%	99%	99%	99%	99%	N/A
MARGIN PROFITABILITY INDICATORS												
2. Net Operating Margin (%)	7.16%	2.71%	2.81%	5.54%	4.84%	4.44%	4.44%	4.44%	4.44%	4.44%	4.44%	↑
3. Net Operating Margin - Adjusted (%)	7.16%	2.71%	2.81%	5.54%	4.84%	4.44%	4.44%	4.44%	4.44%	4.44%	4.44%	↓
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	0.00	0.00	↑
CAPITAL STRUCTURE INDICATORS												
6. Deferred Revenue from Entrance Fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	N/A
7. Net Annual E/F Proceeds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	N/A
8. Unrestricted Net Assets	\$13,202,944	\$ 12,712,957	\$12,165,693	\$ 11,793,298	\$ 11,192,335	\$ 10,687,098	\$ 10,205,498	\$ 9,723,898	\$ 9,242,298	\$ 8,760,698	\$ 8,760,698	N/A
9. Annual Capital Asset Expenditures	\$ -	\$ -	\$ 1,997	\$ -	\$ 1,740	\$ 15,000	\$ 7,500	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	N/A
10. Annual Debt Service Coverage - Revenue Basis (x)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	↑
11. Annual Debt Service Coverage (x)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	↑
12. Annual Debt Service/Revenue (%)	0.00%	0.00%	0.00%	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%	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%	0.00%	0.00%	↑
15. Average Age of Facility (years)	17	18	19	20	22	23	24	25	26	26	27	↓

FINANCIAL STATEMENTS

Sunrise Stratford, LP
Years Ended December 31, 2013 and 2012
With Report of Independent Auditors

Ernst & Young LLP



Building a better
working world

SUNRISE STRATFORD, LP

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Report of Independent Auditors

To the Partners of
Sunrise Stratford, LP

We have audited the accompanying financial statements of Sunrise Stratford, LP (the "Partnership"), which comprise the balance sheets as of December 31, 2013 and 2012, 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 Stratford, LP at December 31, 2013 and 2012, 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 18, 2014

SUNRISE STRATFORD, LP**BALANCE SHEETS
AS OF DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 590	\$ 185
Accounts receivable, Net of allowance for doubtful accounts of \$0 for 2013 and 2012	47,830	180,936
Prepaid expenses and other assets	<u>38,025</u>	<u>7,980</u>
Total current assets	86,445	189,101
UTILITY DEPOSIT	31,137	31,137
FURNITURE AND EQUIPMENT, Net of accumulated depreciation of \$119,845 and \$117,050 for 2013 and 2012, respectively	29,247	38,454
MANAGEMENT RIGHTS INTANGIBLE, Net of accumulated amortization of \$3,627,491 and \$3,138,391 for 2013 and 2012, respectively	<u>11,045,506</u>	<u>11,534,606</u>
TOTAL	<u>\$ 11,192,335</u>	<u>\$ 11,793,298</u>
 LIABILITIES AND PARTNERS' CAPITAL		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 375,763	\$ 344,900
Deferred revenue	<u>86,279</u>	<u>150,095</u>
Total current liabilities	<u>462,042</u>	<u>494,995</u>
TOTAL LIABILITIES	462,042	494,995
 PARTNERS' CAPITAL	<u>10,730,293</u>	<u>11,298,303</u>
TOTAL	<u>\$ 11,192,335</u>	<u>\$ 11,793,298</u>

See notes to financial statements.

SUNRISE STRATFORD, LP

**STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
OPERATING REVENUE:		
Resident revenue	\$ 4,730,721	\$ 4,540,719
Other revenue	774,193	309,841
	<hr/>	<hr/>
Total operating revenue	5,504,914	4,850,560
OPERATING EXPENSES:		
Labor	2,807,267	2,739,582
General and administrative	699,073	669,187
Depreciation and amortization	499,995	496,035
Management fees to affiliate	394,215	349,016
Food	350,329	349,305
Insurance	180,771	154,751
Utilities	164,545	167,855
Repairs and maintenance	180,171	176,039
Advertising and marketing	99,131	70,998
Ancillary expenses	20,257	34,964
Taxes and licenses	13,726	15,549
Bad debt recovery	-	(73,407)
	<hr/>	<hr/>
Total operating expenses	5,409,480	5,149,874
NET INCOME (LOSS)	<u>\$ 95,434</u>	<u>\$ (299,314)</u>

See notes to financial statements.

SUNRISE STRATFORD, LP

**STATEMENTS OF CHANGES IN PARTNERS' CAPITAL
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

PARTNERS' CAPITAL — December 31, 2011	\$ 11,612,892
Net loss	(299,314)
Distributions, net	<u>(15,275)</u>
PARTNERS' CAPITAL — December 31, 2012	11,298,303
Net income	95,434
Distributions, net	<u>(663,444)</u>
PARTNERS' CAPITAL — December 31, 2013	<u>\$ 10,730,293</u>

See notes to financial statements.

SUNRISE STRATFORD, LP

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ 95,434	\$ (299,314)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Bad debt recovery		(73,407)
Depreciation and amortization	499,995	496,035
Changes in operating assets and liabilities:		
Accounts receivable	133,106	(45,485)
Prepaid expenses and other assets	(30,045)	(5,369)
Accounts payable and accrued expenses	30,863	(43,570)
Deferred revenue	(63,816)	(14,236)
Net cash provided by operating activities	<u>665,537</u>	<u>14,654</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment, net of discounts received	<u>(1,688)</u>	<u>540</u>
Net cash (used in) provided by investing activities	<u>(1,688)</u>	<u>540</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Distributions, net to partners	<u>(663,444)</u>	<u>(15,275)</u>
Net cash used in financing activities	<u>(663,444)</u>	<u>(15,275)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	405	(81)
CASH AND CASH EQUIVALENTS — Beginning of year	<u>185</u>	<u>266</u>
CASH AND CASH EQUIVALENTS — End of year	<u>\$ 590</u>	<u>\$ 185</u>

See notes to financial statements.

SUNRISE STRATFORD, LP

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

1. ORGANIZATION AND PRESENTATION

Organization — On August 1, 2006, Sunrise Stratford, LP (the “Partnership”), a Delaware limited partnership, acquired all easements and rights for The Stratford from Raiser Resources, LLC. Sunrise Senior Living Investments, Inc. (“SSLII”) held a 99% interest in the Partnership. Sunrise Stratford GP, LLC, a wholly owned subsidiary of SSLII, held a 1% interest in the Partnership.

The Stratford filed declaration as a condominium and a continuing care retirement community (“CCRC”) in San Mateo City and County, California on July 29, 1992. As a condition of ownership, each owner of a condominium is required to enter into a CCRC agreement with JHR Trust, an affiliate of Raiser Resources, LLC. The Partnership manages The Stratford and markets vacant units on behalf of the condominium owners. The Partnership is entitled to transfer fees on the sale of a condominium unit in accordance with the CCRC agreements.

On January 9, 2013, Healthcare REIT, Inc. (“HCN”) acquired Sunrise Senior Living, Inc. (“SSLI”). In conjunction with the transaction, Red Fox Management, LP (“Red Fox”), a new entity formed by affiliates of 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. The Partnership has a management agreement with SSLMI to manage the facility (Note 4). Sunrise Senior Living, LLC (“Sunrise”) is the successor entity to SSLI. Sunrise indirectly owns 100% of the Partnership and funds the Partner through its capital account as needed.

On December 20, 2013, Red Fox entered into a Unit Purchase and Merger Agreement with HCN for HCN and a capital partner to acquire the remaining equity interests of Kohlberg Kravis Roberts & Co. L.P., Beecken Petty O’Keefe & Company and Coastwood Senior Housing Partners LLC in Red Fox. HCN subsequently announced it was partnering with Revera, Inc. (“Revera”) a leading Canadian provider of senior living services, to complete the transaction. The transaction is expected to close in the second quarter of 2014, subject to regulatory approvals.

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 18, 2014, 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 management rights, 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 2013 and 2012 and cash transactions were generally processed by Sunrise. The distributions to partners of \$663,444 and \$15,275 in 2013 and 2012, respectively, represent the net cash paid on behalf of the Partnership by Sunrise.

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.

Furniture and Equipment — Furniture and equipment is 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 three to ten years.

Furniture 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 2013 or 2012.

Management Rights— The Partnership acquired all easements and rights for The Stratford as a part of the acquisition from Raiser Resources, LLC. The rights included the right to manage The Stratford 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 \$489,100 for each year ended December 31, 2013 and 2012. Amortization expense will be \$489,100 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 2013 or 2012.

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 7% of the sale price plus a percentage of the appreciation in price of the condominium. These transfer fees are recognized when received.

Residents receive a healthcare benefit as part of their care agreement ("Care Agreement") although, at varying points depending on their individual contract, a second monthly fee is required which is recorded as revenue to the community when received.

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, 2013 and 2012.

The statute of limitations for the State of California to perform audits on the Partnership are four years. The Partnership is currently not under an audit by any tax jurisdiction. Tax years December 31, 2009 through January 9, 2013 are open and remain subject to California State audit.

3. TRANSACTIONS WITH AFFILIATES

The Partnership has a management agreement with SSLMI to manage the facility. The agreement provided for a monthly fee of 7.1% of gross operating revenue. Total management fees incurred were \$394,215 and \$349,016 in 2013 and 2012, respectively.

The Partnership obtained worker's compensation, professional and general liability and property coverage through Sunrise Senior Living Insurance, Inc., an affiliate of Sunrise. Related payments totaled \$180,771 and \$154,751 in 2013 and 2012, respectively.

4. CONTINUING CARE AGREEMENTS

Residents of the community are required to sign a 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, an initial payment to The Laurel Avenue Trust (the "Trust"), and the Partnership's obligation to provide both health and non-health care services. In addition, the Care Agreements provide the Partnership with the right to increase future monthly fees.

When the present value of estimated costs to be incurred under Care Agreements exceeds estimated revenues, the present values of such excess costs are accrued currently. The estimated future revenues assume a future increase in the monthly revenue commensurate with the monthly cost. The calculations at December 31, 2013 and 2012 resulted in an expected positive net present value cash flow, and as such, no liability has been recorded in the accompanying financial statements.

Certain resident and admission agreements entitle residents to receive limited amounts of health care up to defined maximums.

The Trust is administered in accordance with The Laurel Avenue Trust Agreement, which requires that the principal and income from investment of the principal be used for the benefit of the residents of The Stratford, including (but not limited to) payment for medical and health-related costs, the replacement of fixtures and equipment, structural upgrades, other capital improvements, and interest-bearing loans to residents who become unable to pay their monthly fees or other fees. The Trust is administered by three trustees, two of whom are appointed by Sunrise and one of whom is appointed by The Stratford of San Mateo Homeowners Association (the "HOA"). For the years ended December 31, 2013 and 2012, the Partnership has agreed to transfer to the Trust, \$33,832 and \$51,504, respectively, calculated as net operating income adjusted for marketing expense, wages and benefits, bad debt and commissions received on unit sales. The transfer to the Trust is included in general and administrative expense in the statements of operations.

Because Sunrise 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, and therefore does not consolidate the Trust.

5. 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.

* * * * *