

THE STRATFORD

2014 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	78
[2]	Number at end of fiscal year	81
[3]	Total Lines 1 and 2	159
[4]	Multiply line 3 by ".50" and enter result on line 5	0.5
[5]	Mean number of continuing care residents	79.5
All Residents		
[6]	Number at beginning of fiscal year	83
[7]	Number at end of fiscal year	88
[8]	Total Lines 6 and 7	171
[9]	Multiply line 8 by ".50" and enter result on line 10	0.5
[10]	Mean number of <i>all</i> residents	85.5
[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	\$ 5,789,174
[a]	Depreciation	\$ 11,336
[b]	Debt Service (Interest only)	\$ -
[2]	Subtotal (add Line 1a and 1b)	\$ 11,336
[3]	Subtract Line 2 from Line 1 and enter result	\$ 5,777,838
[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)	\$ 5,372,376
		x .001
[6]	Total Amount Due	\$ 5,372.38

PROVIDER: Sunrise Stratford LP

COMMUNITY: The Stratford



April 30, 2015

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 2014 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 2014. 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 2014 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 PROPERTY INSURANCE

DATE (MM/DD/YYYY)
05/19/2014

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:		

COVERAGES **CERTIFICATE NUMBER:** 570053796418 **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 <input type="checkbox"/> CAUSES OF LOSS <input type="checkbox"/> DEDUCTIBLES <input type="checkbox"/> BASIC <input type="checkbox"/> BUILDING <input type="checkbox"/> BROAD <input type="checkbox"/> 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 <input type="checkbox"/> CAUSES OF LOSS <input type="checkbox"/> NAMED PERILS	TYPE OF POLICY POLICY NUMBER				
A	<input checked="" type="checkbox"/> CRIME TYPE OF POLICY Crime - Primary	084223033	04/30/2014	04/30/2015	<input checked="" type="checkbox"/> Employee Dishonesty <input checked="" type="checkbox"/> Deductible	\$5,000,000 \$100,000
	<input type="checkbox"/> BOILER & MACHINERY / EQUIPMENT BREAKDOWN					

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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Holder Identifier : 570053796418 CERTIFICATE NUMBER: 570053796418

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:					

(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:					

(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)	\$ -
[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 Stratford, LP

Form 5-4 -
Calculation of Net Operating Expenses

Line		Amounts	Total
[1]	Total operating expenses from financial statements		<u>5,789,174</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	11,336	
	d Amortization	489,100	
	e Revenues received during the fiscal year for services to persons who did not have a continuing care contract	84,472	
	f Extraordinary expenses approved by the Department	-	
[3]	Total Deductions	<u>-</u>	<u>\$ (584,908)</u>
[4]	Net Operating Expenses		<u>\$ 5,204,266</u>
[5]	Divide Line 4 by 365 and enter the result		<u>\$ 14,258.26</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: 5px; display: inline-block;">\$ 1,069,350</div>

**Form 5-5
Annual Reserve Certification**

Provider Name: Sunrise Stratford LP
 Fiscal Year Ended: December 31, 2014

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended December 31, 2014 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	\$ 1,069,350
[3]	Total Liquid Reserve Amount	\$ 1,069,350

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

	<u>Amount</u>	
<u>Qualifying Asset Description</u>	<u>Debt Service Reserve</u>	<u>Operating Reserve</u>
[4] Cash and Cash Equivalents*		\$ 29,182,000
[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:		
<hr/> (describe qualifying asset)		
Total Amount of Qualifying Assets Listed for Liquid Reserve:	[11] \$ -	[12] \$ 29,182,000
Total Amount Required	[13] \$ -	[14] \$ 1,069,350
Surplus/(Deficiency)	[15] \$ -	[16] \$ 28,112,650

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 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)
 CFO

 (Title)

4/28/15

 (Date)

PROVIDER: Sunrise Stratford LP

COMMUNITY: The Stratford

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

Date Prepared: 04/10/2018

FACILITY NAME: The Stratford
 ADDRESS: 601 Laurel Avenue, San Mateo ZIP CODE: 94401 PHONE: 650.342.4100
 PROVIDER NAME: Sunrise Stratford LP FACILITY OPERATOR: Sunrise Senior Living Management LLC
 RELATED FACILITIES: _____ RELIGIOUS AFFILIATION: Name
 YEAR OPENED: 1992 # OF _____ SINGLE MULTI- MILES TO SHOPPING CTR: 0.28
 ACRES: 1.4 STORY _____ STORY _____ OTHER: _____ MILES TO HOSPITAL: 0.25

NUMBER OF UNITS: **RESIDENTIAL LIVING** **HEALTH CARE**
 APARTMENTS — STUDIO: 0 ASSISTED LIVING: 0
 APARTMENTS — 1 BDRM: 3 SKILLED NURSING: _____
 APARTMENTS — 2 BDRM: 51 SPECIAL CARE: _____
 COTTAGES/HOUSES: 11 DESCRIPTION: _____
 RLU OCCUPANCY (%) AT YEAR END: 98.5%

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

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

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

RANGE OF ENTRANCE FEES: \$ 325,000 - \$ 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(S) TO 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 checked="" 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 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 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.

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 (SSLLLC) (the ultimate owner of Sunrise Stratford, LP and of Sunrise Stratford GP, LLC). SSLLLC 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 makes decisions about The Stratford on which a resident might serve, either as a resident representative or a full-fledged member. The regional and local managers employed by Sunrise Senior Living Management, Inc. (SSLMI), also a subsidiary of SSLLLC, make decisions regarding matters like fee increases, expansion or contraction of services, or other changes that would result in budget variances. Accordingly, residents can best convey their concerns, and ensure that their opinions are effectively relayed, to the COA holders by meeting 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 on a semi-annual basis with a resident 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. In addition, they are meeting with the resident to discuss any specific changes to in the foregoing areas.

PROVIDER NAME: Sunrise Stratford, 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
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

	2011	2012	2013	2014
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME (excluding amortization of entrance fee income)	<u>\$ 4,646,040</u>	<u>\$ 4,850,560</u>	<u>\$ 5,504,913</u>	<u>\$ 6,012,954</u>
LESS OPERATING EXPENSES (excluding depreciation, amortization & interest)	<u>\$ 4,667,919</u>	<u>\$ 4,653,839</u>	<u>\$ 4,909,486</u>	<u>\$ 5,288,738</u>
NET INCOME (LOSS) FROM OPERATIONS	<u>\$ (21,879)</u>	<u>\$ 196,721</u>	<u>\$ 595,427</u>	<u>\$ 724,216</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>\$ (21,879)</u>	<u>\$ 196,721</u>	<u>\$ 595,427</u>	<u>\$ 724,216</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)	2012	2013	2014
Debt to Asset ratio		0.00%	0.00%	0.00%
Operating Ratio		95.94%	96.07%	87.96%
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**

	2011	%	2012	%	2013	%	2014
STUDIO							
ONE BEDROOM	\$ 4,692	0.0%	\$ 4,692	4.0%	\$ 4,879	2.0%	\$ 4,977
TWO BEDROOM	\$ 9,384	0.0%	\$ 9,384	4.0%	\$ 9,758	2.0%	\$ 9,954
COTTAGE/HOUSE							
ASSISTED LIVING							
SKILLED NURSING							
SPECIAL CARE							

COMMENTS FROM PROVIDER:

RESIDENT REPRESENTATIVE ON BOARD (SEE ATTACHED)

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	\$	10,672,061

OPERATING RATIO

$$\frac{\text{Total Operating Expenses - Depreciation Expense - Amortization Expense}}{\text{Total Operating Revenues - Amortization of Deferred Entrance Fees}} = 87.96\%$$

Total Operating Expenses	\$	5,789,174
Depreciation Expense	\$	11,336
Amortization Expense	\$	489,100
Total Operating Revenues	\$	6,012,954
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	\$	223,780
Interest Expense	\$	-
Depreciation Expense	\$	11,336
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	\$	5,789,174
Depreciation & Amortization Expense	\$	500,436

**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)	\$4,977 to \$9,954		
[2] Indicate percentage of increase in fees imposed during reporting period: (Indicate range, if applicable)	2.00%	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: 1/1/2014

[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 \$4,879 to \$4,977 or by \$98 which constituted 2.0% increase. Residential Living fees for two-bedroom units were increased from \$9,758 to \$9,954 or by \$196 which constituted 2.0% increase. An increase in monthly service fees was driven by an increase in operational costs.

PROVIDER: Sunrise Stratford, LP

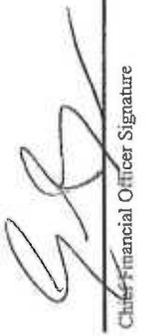
COMMUNITY: The Stratford

KEY INDICATORS REPORT

Sunrise Stratford, LP

Date Prepared: 4/27/15

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



Chief Financial Officer Signature

	Historical										Forecast			Preferred Trend Indicator	
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019					
OPERATIONAL STATISTICS															
1. Average Annual Occupancy by Site (%)	89%	92%	96%	99%	99%	99%	99%	99%	99%	99%	99%	99%	99%	99%	N/A
MARGIN PROFITABILITY INDICATORS															
2. Net Operating Margin (%)	2.71%	2.81%	5.54%	4.84%	5.16%	6.69%	6.69%	6.69%	6.69%	6.69%	6.69%	6.69%	6.69%	6.69%	↑
3. Net Operating Margin - Adjusted (%)	2.71%	2.81%	5.54%	4.84%	5.16%	6.69%	6.69%	6.69%	6.69%	6.69%	6.69%	6.69%	6.69%	6.69%	↓
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	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	\$12,712,957	\$12,165,693	\$11,793,298	\$11,191,745	\$10,672,061	\$10,166,824	\$9,685,224	\$9,203,624	\$8,722,024	\$8,240,424	\$7,750,000	\$7,268,000	\$6,786,000	\$6,302,000	N/A
9. Annual Capital Asset Expenditures	\$ -	\$ 1,997	\$ -	\$ 1,740	\$ 10,785	\$ 15,000	\$ 15,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 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	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	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%	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%	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%	0.00%	0.00%	0.00%	↑
15. Average Age of Facility (Years)	19	20	21	22	23	24	25	26	27	28	29	30	31	32	↓

Sunrise Stratford, LP

Financial Statements as of and for the
Year Ended December 31, 2014, and
Independent Auditors' Report

SUNRISE STRATFORD, LP

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INDEPENDENT AUDITORS' REPORT

To the Partners of
Sunrise Stratford, LP:

We have audited the accompanying financial statements of Sunrise Stratford, LP (the Partnership), which comprise the balance sheet as of December 31, 2014, and the related statements of operations, changes in partners' capital, and cash flows for the year 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 accounting principles generally accepted in the United States of America; 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.

Auditors' 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 of America. 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 Partnership'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 Partnership'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, 2014, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

April 17, 2015

SUNRISE STRATFORD, LP

BALANCE SHEET

AS OF DECEMBER 31, 2014

	2014
ASSETS	
CURRENT ASSETS:	
Accounts receivable, net of allowance for doubtful accounts of \$0 for 2014	\$ 43,909
Prepaid expenses and other assets	<u>12,056</u>
Total current assets	55,965
UTILITY DEPOSIT	31,137
FURNITURE AND EQUIPMENT, Net of accumulated depreciation of \$129,446 for 2014	28,553
MANAGEMENT RIGHTS INTANGIBLE, Net of accumulated amortization of \$4,116,591 for 2014	<u>10,556,406</u>
TOTAL	<u>\$ 10,672,061</u>
 LIABILITIES AND PARTNERS' CAPITAL	
CURRENT LIABILITIES:	
Accounts payable and accrued expenses	\$ 445,434
Deferred revenue	<u>101,085</u>
Total current liabilities	<u>546,519</u>
Total liabilities	546,519
PARTNERS' CAPITAL	<u>10,125,542</u>
TOTAL	<u>\$ 10,672,061</u>

See notes to financial statements.

SUNRISE STRATFORD, LP

STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2014

	2014
OPERATING REVENUE:	
Resident revenue	\$5,082,032
Other revenue	<u>930,922</u>
Total operating revenue	<u>6,012,954</u>
OPERATING EXPENSES:	
Labor	3,069,312
General and administrative	777,936
Depreciation and amortization	500,436
Management fees to affiliate	431,632
Food	382,108
Insurance	187,736
Utilities	170,615
Repairs and maintenance	163,636
Advertising and marketing	63,448
Ancillary expenses	24,049
Taxes and licenses	<u>18,266</u>
Total operating expenses	<u>5,789,174</u>
NET INCOME	<u>\$ 223,780</u>

See notes to financial statements.

SUNRISE STRATFORD, LP

STATEMENT OF CHANGE IN PARTNERS' CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2014

PARTNERS' CAPITAL—January 1, 2014	\$ 10,730,293
Net income	223,780
Distributions—net	<u>(828,531)</u>
PARTNERS' CAPITAL—December 31, 2014	<u>\$ 10,125,542</u>

See notes to financial statements.

SUNRISE STRATFORD, LP

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2014

	2014
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income	\$ 223,780
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	500,436
Changes in operating assets and liabilities:	
Accounts receivable	3,921
Prepaid expenses and other assets	25,969
Accounts payable and accrued expenses	66,131
Deferred revenue	<u>14,806</u>
Net cash provided by operating activities	<u>835,043</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of property and equipment	<u>(7,102)</u>
Net cash used in investing activities	<u>(7,102)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Distributions	<u>(828,531)</u>
Net cash used in financing activities	<u>(828,531)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(590)
CASH AND CASH EQUIVALENTS—Beginning of year	<u>590</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ -</u>
SUPPLEMENTAL DISCLOSURE NONCASH ITEMS:	
Accrued capital expenditures	<u>\$ 3,540</u>

See notes to financial statements.

SUNRISE STRATFORD, LP

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

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 (Stratford), a licensed residential care facility for the elderly, 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.

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 continuing care agreement (CCRC Agreement) with JHR Trust, an affiliate of Raiser Resources, LLC. The Partnership manages 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, Health Care REIT, Inc. (HCN) acquired Sunrise Senior Living, Inc. (SSLI) and its wholly owned subsidiary SSLII. 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, acquired the management business of Sunrise Senior Living, LLC (Sunrise), the successor entity to SSLI and 100% owner of Sunrise Senior Living Management, Inc. (SSLMI). The Partnership has a management agreement with SSLMI to manage the facility (Note 3).

On April 21, 2014, pursuant to a unit purchase and merger agreement dated December 20, 2013, Red Fox Acquisition Company, Inc., an entity primarily owned by Revera Health Services, Inc. (Revera), and an affiliate of HCN and a member of Sunrise LLC senior management, acquired the remaining 80% interest in Red Fox. After the transaction, HCN owns a 24% indirect interest in Red Fox with Revera owning a 75.3% indirect interest and a member of Sunrise LLC senior management owning the remaining 0.7% indirect interest in Red Fox.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting—The Partnership's financial statements are prepared in accordance accounting principles generally accepted in the United States of America (GAAP).

Use of Estimates—The preparation of financial statements in conformity with GAAP 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 2014 and cash transactions were generally processed 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 2014.

Management Rights—The Partnership acquired all easements and rights for Stratford as a part of the acquisition from Raiser Resources, LLC. The rights included the right to manage 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 value. 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 the year ended December 31, 2014.

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 2014.

Revenue Recognition and Deferred Revenue—Operating revenue primarily 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.

Health care revenue is recognized as basic assisted living, and activities of daily living services are provided and are recorded in resident fee revenue.

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 and are recorded in other revenue.

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 statement of operations.

The Partnership has no uncertain tax positions that require accrual at December 31, 2014.

The statute of limitations for the State of California to perform audits on the Partnership is four years. The Partnership is currently not under an audit by any tax authorities. Tax years December 31, 2010, through December 31, 2014, are open and remain subject to California State audit.

New Accounting Standards

Accounting Standard Update (ASU) issued in 2014 was as follows:

ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, supersedes the revenue recognition requirements in Accounting Standards Codification Topic 605, *Revenue Recognition*, as well as most industry-specific guidance, and significantly enhances comparability of revenue recognition practices across entities and industries by providing a principles-based, comprehensive framework for addressing revenue recognition issues. In order for a provider of promised goods or services to recognize as revenue the consideration that it expects to receive in exchange for the promised goods or services, the provider should apply the following five steps: (1) identify the contract with a customer(s); (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the entity satisfies a performance obligation. ASU 2014-09 also specifies the accounting for some costs to obtain or fulfill a contract with a customer and provides enhanced disclosure requirements. ASU 2014-09 is effective for us on January 1, 2017, on a retrospective basis using either a full retrospective or modified retrospective method. We are in the process of assessing the impact that ASU 2014-09 will have on our financial position, results of operations, cash flows, and disclosures.

ASU issued in 2012 was as follows:

ASU 2012-01, *Health Care Entities (Topic 954), Continuing Care Retirement Communities—Refundable Advance Fees*, clarifies the recognition of deferred revenue for refundable advance fees in situations in which continuing care retirement communities that have resident contracts that provide for a payment of a refundable advance fee upon reoccupancy of that unit by a subsequent resident, which is limited to the proceeds of reoccupancy. Refundable advance fees that are contingent upon reoccupancy by a subsequent resident, but are not limited to the proceeds of reoccupancy, should be accounted for and reported as a liability. ASU 2012-01 was effective for us on April 21, 2014, and did not have a material impact on our financial position, results of operations, and cash flows.

Subsequent Events—The Partnership evaluated subsequent events for disclosure from the balance sheet date through April 17, 2015, the date at which the financial statements were available to be issued and determined that there are no items to disclose.

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 \$431,632 in 2014.

The Partnership obtained worker's compensation, professional and general liability, and property coverage through Sunrise Senior Living Insurance, Inc., an affiliate of Sunrise. Related expenses totaled \$187,736 in 2014.

The Partnership and SSLMI do not settle cash received or paid in intercompany transactions at the subsidiary level; therefore, the intercompany activity between SSLMI and the Partnership for 2014 has been included in contributions and distributions in the statement of changes in partners' capital for the year ended December 31, 2014.

4. CONTINUING CARE AGREEMENTS

Residents of the community are required to sign a CCRC Agreement with the Partnership. The CCRC 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 nonhealth care services. In addition, the CCRC Agreements provide the Partnership with the right to increase future monthly fees.

When the present value of estimated costs to be incurred under CCRC 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, 2014, 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 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. For the year ended December 31, 2014, the Partnership agreed to transfer to the Trust \$77,287, 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 statement 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.

* * * * *

OTHER FINANCIAL INFORMATION

INDEPENDENT AUDITORS' REPORT

To Partners of
Sunrise Stratford, LP:

We have audited the accompanying schedules of long-term debt, net operating expenses, and liquid reserve amount in Forms 5-1 through 5-5 (the Schedules) of Sunrise Stratford, LP as of December 31, 2014, 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.

Auditors' 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 of America. 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 in Forms 5-1 through 5-5 of Sunrise Stratford, LP at December 31, 2014, 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.

Basis of Accounting

We draw attention to Note 2 of the Schedules, which describes the basis of accounting. The Schedules are prepared under the instruction from the State of California Department of Social Services Annual Report Instructions dated January 1, 2007, which is a basis of accounting other than accounting principles generally accepted in the United States of America. 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 Stratford, 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.

Deloitte & Touche LLP

April 17, 2015

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		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

SUNRISE STRATFORD, 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		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(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)	<u>\$ -</u>
[2] Total from Form 5-2 bottom of Column (e)	<u>\$ -</u>
[3] Facility leasehold or rental payment paid by provider during fiscal year. (Including related payments such as lease insurance)	<u>\$ -</u>
[4] Total amount required for long-term debt reserve	<u>\$ -</u>

SUNRISE STRATFORD, LP

FORM 5-4—CALCULATION OF NET OPERATING EXPENSES

Line		Amounts	Total
[1]	Total operating expenses from financial statements		\$ 5,789,174
[2]	Deductions		
	a. Interest paid on long term debt (see instructions)	\$ -	
	b. Credit enhancement premiums paid for long-term debt (see instructions)		
	c. Depreciation	11,336	
	d. Amortization	489,100	
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	84,472	
	f. Extraordinary expenses approved by the Department		
[3]	Total deductions		<u>(584,908)</u>
[4]	Net operating expenses		<u>\$ 5,204,266</u>
[5]	Divide Line 4 by 365 and enter the result		<u>\$ 14,258</u>
[6]	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.		<u>\$ 1,069,350</u>

SUNRISE STRATFORD, LP

FORM 5-5—ANNUAL RESERVE CERTIFICATION

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

[1] Debt service reserve amount	\$ -
[2] Operating expense reserve amount	<u>1,069,350</u>
[3] Total liquid reserve amount	<u>\$ 1,069,350</u>

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

Qualifying Asset Description	Amount 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] <u>\$ -</u>	[12] <u>\$ -</u>
 Total amount required	[13] <u>\$ -</u>	[14] <u>\$ -</u>
 Surplus (deficiency)	[15] <u>\$ -</u>	[16] <u>\$ -</u>

SUNRISE STRATFORD, LP

NOTES TO ANNUAL RESERVE CALCULATION AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

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 (Stratford), a licensed residential care facility for the elderly, from Raiser Resources, LLC. Sunrise Senior Living Investments, Inc. (SSLII) holds a 99% interest in the Partnership. Sunrise Stratford GP, LLC, a wholly owned subsidiary of SSLII, holds a 1% interest in the Partnership.

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 continuing care agreement (CCRC Agreement) with JHR Trust, an affiliate of Raiser Resources, LLC. The Partnership manages and operates 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, Health Care REIT, Inc. (HCN) acquired Sunrise Senior Living, Inc. (SSLI) and its wholly owned subsidiary SSLII. 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, acquired the management business of Sunrise Senior Living, LLC (Sunrise), the successor entity to SSLI and 100% owner of Sunrise Senior Living Management, Inc. (SSLMI). The Partnership has a management agreement with SSLMI to manage the facility (Note 3).

On April 21, 2014, pursuant to a unit purchase and merger agreement dated December 20, 2013, Red Fox Acquisition Company, Inc., an entity primarily owned by Revera Health Services, Inc. (Revera), and an affiliate of HCN and a member of Sunrise LLC senior management, acquired the remaining 80% interest in Red Fox. After the transaction, HCN owns a 24% indirect interest in Red Fox with Revera owning a 75.3% indirect interest and a member of Sunrise LLC senior management owning the remaining 0.7% indirect interest in Red Fox.

2. PURPOSE OF THE ANNUAL RESERVE CALCULATION

As the Partnership 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, 2014. The purpose of the Schedules is to determine the amount the Partnership must hold in its liquid reserves for debt service and operating expense.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting—The Partnership's Schedules are prepared on an accrual basis.

Cash and Cash Equivalents—The Partnership has only a petty cash account. Cash transactions are generally processed by Sunrise and balances are maintained in Sunrise's cash concentration account.

Subsequent Events—The Partnership evaluated subsequent events for disclosure from the balance sheet date through April 15, 2015, the date at which the Schedules were available to be issued and determined that there are no items to disclose.

4. REVENUE FROM NONCONTINUING CARE RESIDENTS

The Partnership has deducted \$84,472 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 nonresident revenues and short-term respite stays in Assisted Living for noncontinuing care residents.

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