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MAY 01 2014
CONTINUING CARE
CONTRACTS BRANCH

2013 ANNUAL REPORT
SUNRISE STRATFORD, LP

SUNRISE
SENIOR LIVING

RECEIVED
MAY 01 2014
CONTINUING CARE
CONTRACTS BRANCH

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

ACORD® CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)
4/30/2013 5/2/2012

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

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 :	

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

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

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

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)

*For non-owned locations; client property has a sublimit of $500,000 with a $25,000 deductible. RE: The Carlisle; 1450 Post Street; San Francisco, CA 94109; The Stratford; 601 Laurel Avenue; San Mateo, CA 94401; Fountains at Carlotta; 41-505 Carlotta Drive; Palm Desert, CA 92211

CERTIFICATE HOLDER	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 Charles M. McDaniel

ACORD®

CERTIFICATE OF PROPERTY INSURANCE

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

RECEIVED MAY 0 1 2014 CONTINUING CARE CONTRACTS BRANCH

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:		
INSURER F:		

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
	PROPERTY CAUSES OF LOSS / DEDUCTIBLES BASIC / BUILDING BROAD / CONTENTS SPECIAL EARTHQUAKE WIND FLOOD				BUILDING PERSONAL PROPERTY BUSINESS INCOME w/o Extra Expense EXTRA EXPENSE RENTAL VALUE BLANKET BUILDING BLANKET PERS PROP BLANKET BLDG & PP	
	INLAND MARINE CAUSES OF LOSS NAMED PERILS	TYPE OF POLICY POLICY NUMBER				
A	X CRIME TYPE OF POLICY Crime - Primary	021446663	04/30/2013	04/30/2014	X Employee Dishonesty X Deductible	$5,000,000 $100,000
	BOILER & MACHINERY / EQUIPMENT BREAKDOWN					

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

CERTIFICATE NUMBER: 570053603413

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
Aon Risk Services Central, Inc.

FORM 1-1
RESIDENT POPULATION

Line	Continuing Care Residents	TOTAL
[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 *all* residents	**81.5**
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of *all* residents (Line 10) and enter the result (round to two decimal places).	**0.93**

FORM 1-2
ANNUAL PROVIDER FEE

Line			TOTAL
[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

Consolidated Financial Statements

Red Fox Holding Corporation and its Wholly Owned Subsidiary
Sunrise Senior Living, LLC
As of December 31, 2013 and for the Period January 9, 2013 (inception) to December 31, 2013
With Report of Independent Auditors

Ernst & Young LLP

Building a better
working world

EY
Building a better working world

Ernst & Young LLP
Westpark Corporate Center
8484 Westpark Drive
McLean, VA 22102

Tel: +1 703 747 1000
Fax: +1 703 747 0100
ey.com

Report of Independent Auditors

Management of Red Fox Holding Corporation and Sunrise Senior Living, LLC

We have audited the accompanying consolidated financial statements of Red Fox Holding Corporation and its wholly owned subsidiary Sunrise Senior Living, LLC, which comprise the consolidated balance sheet as of December 31, 2013, and the related consolidated statements of operations, comprehensive income, changes in members' equity and cash flows for the period from January 9, 2013 (inception) to December 31, 2013, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Red Fox Holding Corporation and its wholly owned subsidiary Sunrise Senior Living, LLC at December 31, 2013, and the consolidated results of their operations and their cash flows for the period from January 9, 2013 (inception) to December 31, 2013 in conformity with U.S. generally accepted accounting principles.

RED FOX HOLDING CORPORATION AND ITS WHOLLY OWNED SUBSIDIARY
SUNRISE SENIOR LIVING, LLC
CONSOLIDATED BALANCE SHEET

(In thousands)		December 31, 2013
ASSETS		
Current Assets:		
Cash and cash equivalents	$	34,703
Accounts receivable, net		33,893
Notes receivable		553
Due from affiliates (see Note 14)		13,440
Deferred income taxes, net		10,537
Restricted cash		46,307
Prepaid insurance		2,476
Prepaid expenses and other current assets		9,669
Total current assets		151,578
Property and equipment, net		97,437
Notes receivable		4,247
Intangible assets, net		101,703
Restricted cash		76,741
Restricted investments in marketable securities		3,347
Due from affiliates (see Note 14)		17,906
Other assets, net		10,937
Total assets	$	463,896
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts payable and accrued expenses	$	105,012
Due to affiliates (see Note 14)		836
Deferred revenue		7,171
Entrance fees		12,856
Self-insurance liabilities		44,540
Total current liabilities		170,415
Self-insurance liabilities		42,212
Deferred income tax liabilities		12,602
Other long-term liabilities, net		63,618
Total liabilities		288,847
Equity:		
Members' equity		167,228
Accumulated other comprehensive loss		(404)
Total members' equity		166,824
Noncontrolling interests		8,225
Total equity		175,049
Total liabilities and equity	$	463,896

See accompanying notes

RED FOX HOLDING CORPORATION AND ITS WHOLLY OWNED SUBSIDIARY
SUNRISE SENIOR LIVING, LLC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(In thousands)		For the Period January 9, 2013 (inception) to December 31, 2013
Net income	$	180,709
Other comprehensive income (loss)		
Foreign currency translation adjustments		(943)
Unrealized gain on investments		539
Comprehensive income		180,305
Less: Comprehensive loss attributable to noncontrolling interests		642
Comprehensive income attributable to members	$	180,947

See accompanying notes

RED FOX HOLDING CORPORATION AND ITS WHOLLY OWNED SUBSIDIARY
SUNRISE SENIOR LIVING, LLC
CONSOLIDATED STATEMENT OF CASH FLOW

(In thousands)	For the Period January 9, 2013 (inception) to December 31, 2013
Operating activities	
Net income	$ 180,709
Less: net loss from discontinued operations	8,062
Adjustments to reconcile net income to net cash provided by operating activities:	
Bargain purchase gain	(183,211)
Interest income on release of restricted cash	(17,972)
Depreciation and amortization	19,127
Provision for doubtful accounts	1,087
Loss from deferred income taxes	(187)
Amortization of deferred financing costs	408
Amortization of leases, including above and below market lease asset and liability	5,703
Stock-based compensation	2,577
Changes in operating assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	8,885
Due from/due to affiliate	2,863
Prepaid expenses and other current assets	1,867
Captive insurance restricted cash	4,512
Other assets	(414)
Increase (decrease) in:	
Accounts payable, accrued expenses and other liabilities	(4,811)
Entrance fees	(4,517)
Self-insurance liabilities	2,101
Deferred revenue	3,187
Net cash provided by discontinued operations	532
Net cash provided by operating activities	30,508
Investing activities	
Acquisition of Sunrise Senior Living, LLC, net of cash acquired	(46,503)
Capital expenditures	(13,206)
Change in restricted cash	91,391
Payments from notes receivable	567
Net cash provided by discontinued operations	12,317
Net cash provided by investing activities	44,566
Financing activities	
Borrowings on credit facility	5,000
Repayments of credit facility	(5,000)
Issuance of membership units	75,694
Distributions to members	(92,933)
Distributions to noncontrolling interests	(559)
Financing costs paid	(1,978)
Net cash used in discontinued operations	(20,595)
Net cash used in financing activities	(40,371)
Net increase in cash and cash equivalents	34,703
Cash and cash equivalents at beginning of period	-
Cash and cash equivalents at end of period	$ 34,703
Supplemental Disclosure of Noncash Information:	
Accrued capital expenditures	$ 1,298

See accompanying notes

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

Sunrise Inc. provided KeyBank with cash collateral of $85.0 million as security for its Letter of Credit obligations. In January 2013 in association with the acquisition, we recorded the balance of the $85.0 million restricted cash collateral at a fair value of $67.0 million (see Note 3). In May 2013 as a part of the KeyBank revolver (See Note 9), $75.0 million of the $85.0 million in restricted cash relating to the Letter of Credit became unrestricted. Accordingly, income of approximately $18.0 million was recorded and reflected in the consolidated statement of operations as interest income, including income on release of restricted cash.

The details of our restricted cash as of December 31, 2013 are as follows (in millions):

	2013
Self insurance restricted cash	$ 88.0
Cash collateral for letters of credit	10.0
Cash held by controlled entities	14.0
Other restricted cash	11.0
	$ 123.0

Allowance for Doubtful Accounts

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

Due from and Due to Affiliates

Due from affiliates represents amounts due from HCN and the communities we manage for them for management fees, payroll, insurance and other operating costs that are reimbursed to us, generally within 30 days. Due to affiliates is primarily net tax refunds due to HCN under an indemnification agreed to as part of Red Fox's purchase of Sunrise LLC from HCN (as discussed in Note 3). Amounts due from affiliates, long term, represents an indemnification receivable from HCN related to our uncertain tax positions (as discussed in Note 3).

Notes Receivable

The collectability of the notes is monitored based on the credit worthiness of the issuer. If circumstances were to suggest that any amounts with respect to these notes would be uncollectible, we would establish a reserve to record the notes at their net realizable value.

Property and Equipment

At acquisition, property and equipment was recorded at fair value as required by purchase accounting. Thereafter, property and equipment is recorded at cost. Depreciation is computed using the straight-line method over the lesser of the estimated useful lives of the related assets or the remaining lease term. Repairs and maintenance are charged to expense as incurred.

We review the carrying amounts of long-lived assets for impairment when indicators of impairment are identified. If the carrying amount of the long-lived asset exceeds the undiscounted expected cash flows that are directly associated with the use and eventual disposition of the asset, we record an impairment charge to the extent the carrying amount of the asset exceeds the fair value of the asset. We determine the fair value of long-lived assets based upon valuation techniques that include prices for similar assets.

We believe that the allowance for outstanding losses and expenses is appropriate to cover the ultimate cost of losses incurred at December 31, 2013 based on our best estimate at that date. The allowance may ultimately be settled for a greater or lesser amount. Any subsequent changes in estimates are recorded in the period in which they are determined and will be shared with the communities participating in the Insurance Programs based on the proportionate share of any changes.

Employee Health, Dental and Short Term Disability Benefits

We offer employees an option to participate in our self-insured health, dental and short term disability plans. The cost of our employee health and dental benefits, net of employee contributions, is shared between us and the communities based on the respective number of participants working either at our community support office or at the communities. Funds collected are used to pay the actual program costs including estimated annual claims, third-party administrative fees, network provider fees, communication costs, and other related administrative costs incurred by us. Claims are paid as they are submitted to the plan administrator. We also record a liability for outstanding claims and claims that have been incurred but not yet reported. This liability is based on the historical claim reporting lag and payment trends of health insurance claims. We believe that the liability for outstanding losses and expenses is adequate to cover the ultimate cost of losses incurred at December 31, 2013, but actual claims may differ. Any subsequent changes in estimates are recorded in the period in which they are determined and will be shared with the communities participating in the program based on their proportionate share of any changes. The self-insured short term disability plan only includes eligible community support office team members.

Continuing Care Agreements and Future Service Obligation

We lease communities under operating leases and own communities that provide life care services under various types of entrance fee agreements with residents ("Entrance Fee Communities" or "Continuing Care Retirement Communities"). Residents of Entrance Fee Communities are required to sign a continuing care agreement with us. The care agreement stipulates, among other things, the amount of all entrance and monthly fees, the type of residential unit being provided, and our obligation to provide both health care and non-health care services. In addition, the care agreement provides us with the right to increase future monthly fees. The care agreement is terminated upon the receipt of a written termination notice from the resident or the death of the resident. Refundable entrance fees are returned to the resident or the resident's estate depending on the form of the agreement either upon re-occupancy or termination of the care agreement.

When the present value of estimated costs to be incurred under care agreements exceeds the present value of estimated revenues, the present value of such excess costs is accrued. The calculation is performed annually and assumes a future increase in the monthly revenue commensurate with the monthly costs. The calculation currently results in an expected positive net present value cash flow and, as such, no liability has been recorded as of December 31, 2013.

Refundable entrance fees are primarily non-interest bearing and, depending on the type of plan, can range from between 30% to 100% of the total entrance fee less any additional occupant entrance fees. As these obligations are considered security deposits, interest is not imputed on these obligations. Deferred entrance fees were $12.9 million at December 31, 2013.

Non-refundable portions of entrance fees are deferred and recognized as revenue using the straight-line method over the actuarially determined expected term of each resident's contract.

Asset Retirement Obligations

In accordance with ASC Asset Retirement and Environmental Obligations Topic, we record a liability for a conditional asset retirement obligation if the fair value of the obligation can be reasonably estimated.

Certain of our operating real estate assets contain asbestos. The asbestos is appropriately contained, in accordance with current environmental regulations, and we have no current plans to remove the asbestos. When, and if, these properties are demolished, certain environmental regulations are in place that specify the manner in which the asbestos must be handled and disposed of. Because the obligation to remove the asbestos has an indeterminable settlement date, we are not able to reasonably estimate the fair value of this asset retirement obligation.

In addition, one of our long-term ground leases includes a clause that may require us to dispose of the leasehold improvements constructed on the premises at the end of the lease term. These costs, however, are not estimable due to the range of potential settlement dates and variability among properties. Further, we believe the present value of any such costs would be insignificant as the remaining term of the lease is more than forty years.

We considered the indicators in ASC Revenue Recognition Topic, in making our determination that revenues should be reported gross versus net. Specifically, we are the primary obligor for certain expenses incurred at the communities, including payroll costs, insurance and items such as food and medical supplies purchased under national contracts entered into by us. We, as manager, are responsible for setting prices paid for the items underlying the reimbursed expenses, including setting pay-scales for our employees. We select the supplier of goods and services to the communities for the national contracts that we enter into on behalf of the communities. We are responsible for the scope, quality and extent of the items for which we are reimbursed. Based on these indicators, we have determined that it is appropriate to record revenues gross versus net.

We generated management fees and reimbursed costs incurred on behalf of managed communities from the following significant owners for the period from January 9, 2013 to December 31, 2013:

	Percent of total revenues
HCN	22%
Ventas	26%
HCP	15%

Stock-Based Compensation

We record compensation expense for our employee stock options in accordance with ASC Equity Topic. This Topic requires that all share-based payments to employees be recognized in the consolidated statements of operations based on their grant date fair values with the expense being recognized over the requisite service period. We use the Black-Scholes model to determine the fair value of our awards at the time of grant.

Foreign Currency Translation

Our reporting currency is the U.S. dollar. Certain of our subsidiaries' functional currencies are the local currency of their respective country. In accordance with ASC Foreign Currency Matters Topic, balance sheets prepared in their functional currencies are translated to the reporting currency at exchange rates in effect at the end of the accounting period except for stockholders' equity accounts and intercompany accounts with consolidated subsidiaries that are considered to be of a long-term nature, which are translated at rates in effect when these balances were originally recorded. Revenue and expense accounts are translated at a weighted average of exchange rates during the period. The cumulative effect of the translation is included in "Accumulated other comprehensive loss" in the consolidated balance sheet. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at the balance sheet date. These differences are recorded as "Other expense" in the consolidated statement of operations. In 2013, we recorded $0.7 million in net foreign exchange gains related to the British pound.

Advertising Costs

We expense advertising costs as incurred. Total advertising expense for the period from January 9, 2013 to December 31, 2013 was $0.7 million.

3. Acquisition

On January 9, 2013, we acquired Sunrise Inc.'s management business from HCN for $129.5 million plus transaction costs of $8.3 million. Adjustments to the purchase price included $49.4 million for the assumption of net negative working capital and a $16.1 million discount on management contracts resulting in a cash payment of $54.8 million, net of $17.5 million cash acquired. The purchase price allocations for the acquisition were final as of December 31, 2013.

The following table summarizes the recording, at fair value, of the assets and liabilities at acquisition (in thousands):

	Amounts Recognized as of Acquisition Date
Cash	$ 17,450
Real estate assets	77,128
Personal property assets	39,967
Intangibles	91,200
Below market lease intangible	20,300
Restricted cash	210,849
Other assets	105,639
Debt	(13,001)
Above market lease liability	(11,500)
Entrance fees	(24,967)
Self-insurance liabilities	(84,905)
Other liabilities	(171,824)
Non-controlling interests	(9,172)
Net assets acquired	247,164
Bargain purchase gain	(183,211)
Total consideration transferred, excluding transaction costs	63,953
Transaction costs	8,324
Total consideration transferred	$ 72,277
Total consideration, excluding transaction costs	$ 63,953
Cash acquired	(17,450)
Total consideration transferred, net of cash	$ 46,503

The estimated fair value of the real estate assets at acquisition was approximately $77.1 million. The fair value of the real estate was calculated by estimating the current replacement cost for those assets based on cost estimates from a construction cost estimating service.

The fair value of personal property assets of $40.0 million was determined primarily using the cost approach.

Intangibles acquired consist of management contracts of $67.9 million, leaseholds of $17.7 million and a trademark intangible of $5.6 million. The estimated fair value of the intangibles was based on contract terms. The fair value of the management contracts was based on the revenue and expense projections related to each management contract. The projections were then present valued using an adjusted discount rate to calculate fair value. Lease contracts were reviewed for payment terms and remaining lease terms. The inherent value, the right to manage the leased communities, of the leases was recognized at fair value and recorded as leasehold intangibles. Our company trade name or trademark is used by the senior living communities that we manage. Therefore the communities earn additional profits from increased sales and have the ability to charge higher prices due to our brand recognition in the marketplace. The fair value of our trademark was based on a 1% royalty rate applied to revenue projections and an indefinite remaining economic life.

Additionally, the lease contracts above were reviewed for payment terms and remaining lease terms and compared to prevailing market terms. To the extent that each lease contract was favorable or unfavorable relative to market terms, a below market lease intangible or above market lease liability was recognized at fair value.

The estimated fair value of restricted cash approximated book value with the exception of the $85 million of restricted cash pledged as collateral as security for our Letter of Credit obligations (See Notes 2 and 13). We estimated the fair value of this cash collateral to be $67 million based on the present value of the expected cash flows.

The fair value of other assets acquired consisting of accounts receivable, due from affiliates, prepaid insurance, prepaid expenses and other assets approximated book value. Also included in other assets are notes receivable (See note 6) with a fair

4. Fair Value Measurements

Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The ASC Fair Value Measurements Topic established a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels. These levels, in order of highest priority to lowest priority, are described below:

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

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

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

Restricted Investments in Marketable Securities

The following table details the restricted investments in marketable securities measured at fair value as of December 31, 2013 (in thousands):

		Fair Value Measurements at Reporting Date Using		
	December 31, 2013	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Restricted investments in marketable securities	$ 3,347	$ 3,347	$ -	$ -

The restricted investments in marketable securities relates to a consolidated entity in which we have control but no ownership interest.

Other Fair Value Information

Cash equivalents, accounts receivable, accounts payable and accrued expenses and other current assets and liabilities are carried at amounts which reasonably approximate their fair values.

5. Allowance for Doubtful Accounts

Allowance for doubtful accounts consists of the following (in thousands):

	Accounts Receivable
Balance at January 9, 2013 (inception)	$ 8,749
Provision for doubtful accounts (1)	1,194
Write-offs	(2,299)
Balance at December 31, 2013	$ 7,644

(1) Includes provision associated with discontinued operations

6. Notes Receivable

We have two notes receivable related to the sale of certain subsidiary companies ("Companies") in 2009. The first note is a $6.0 million note bearing interest at 10% per annum for the first five years and 12% per annum thereafter, due to mature on March 18, 2016, secured by a security interest in the Companies. The second note is a $2.5 million earn-out, non-interest bearing note due to mature on March 31, 2029. The combined estimated fair value of the notes at January 9, 2013 was approximately $5.3 million. In 2013, we received payments of $0.6 million and $0.4 million in principal and interest, respectively, on the $6.0 million note. The notes have a remaining balance of $4.8 million at December 31, 2013, including accrued interest of $0.1 million.

9. Intangible Assets

Intangible assets consist of the following (in thousands):

	Estimated Useful Life	December 31, 2013
Management contracts less accumulated amortization of $3,837	15 - 30 years	$ 64,037
Leaseholds less accumulated amortization of $2,549	5 - 21 years	15,151
Below market lease intangible less accumulated amortization of $3,385	5 - 6 years	16,915
Trademark	indefinite	5,600
		$ 101,703
Above market lease liability less accumulated amortization of $1,636 (see Note 15)	5 - 53 years	$ 9,864

We recognized $6.4 million of amortization expense related to our acquired management contracts and leaseholds and $1.7 million related to our above and below market lease asset and liability (and recorded as lease expense) for the period from January 9, 2013 to December 31, 2013.

Estimated aggregate amortization expense for next five years is as follows (in thousands):

	Management Contracts Amortization	Leaseholds Amortization	Below Market Lease Intangible Amortization	Above Market Lease Liability Amortization
2014	$ 3,442	$ 2,549	$ 3,385	$ 1,636
2015	3,027	2,549	3,385	1,636
2016	2,788	2,549	3,385	1,636
2017	2,733	2,549	3,385	1,636
2018	2,733	2,247	3,375	775
Thereafter	49,314	2,708	-	2,545
	$ 64,037	$ 15,151	$ 16,915	$ 9,864

10. Debt

Credit Facility

On May 20, 2013 we entered into a $115.0 million Credit Facility with KeyBank consisting of a $30.0 million revolver ("Revolver"), of which $15.0 million is available for letters of credit and an $85.0 million senior standby letter of credit extension ("LOC"). The Credit Facility has an initial term of 36 months from closing and has one 12-month extension option subject to: (i) no defaults or events of default; (ii) compliance with all covenants; (iii) written notice of not more than 240 days but not less than 60 days prior to the extension; and (iv) payment of a 35 basis point extension fee. The Revolver has an interest rate, at our option, of LIBOR plus 4.25% or Base Rate (Prime Rate) plus 3.25%. The unused fee is 0.45% if usage is less than 50% and 0.35% if usage is greater than or equal to 50%, paid quarterly in arrears. Interest only payments on the Revolver are due monthly with all principal due at maturity. The Revolver may be prepaid at any time with the provision to make whole resulting from breakage of LIBOR contracts. The LOC commitment reduces on a quarterly basis beginning in 2014 based dollar for dollar on the quarterly lease payments made to HRPT (see Note 2).

The major components of the provision for income taxes attributable to continuing operations are as follows (in thousands):

	Year Ended December 31, 2013
Current:	
Federal	$ (1,767)
State	40
Foreign	-
Total current expense	(1,727)
Deferred:	
Federal	-
State	-
Foreign	(172)
Total deferred benefit	(172)
Provision for (benefit from) income taxes	$ (1,899)

There was no income tax benefit allocated to discontinued operations for 2013. No income taxes were paid in 2013.

The differences between the amount that would have resulted from applying the domestic federal statutory tax rate (35%) to pre-tax income from continuing operations and the reported income tax expense from continuing operations recorded include state income taxes; change in the valuation allowance; tax contingencies; foreign rate differentials; tax exempt entities; and purchase accounting adjustments.

Included in the balance of unrecognized tax benefits at December 31, 2013 was approximately $10.2 million of tax positions that, if recognized, would decrease our effective tax rate.

We reflect interest and penalties, if any, on unrecognized tax benefits in the consolidated statements of operations as income tax expense. The amount of interest recognized in the consolidated statements of operations for 2013 related to unrecognized tax benefits was a pre-tax expense of $0.6 million. The amount of penalties recognized in the consolidated statements of operations for 2013 related to unrecognized tax benefits was a pre-tax expense of $0.5 million.

The total amount of accrued liabilities for interest recognized in the consolidated balance sheets related to unrecognized tax benefits as of December 31, 2013 was $5.8 million. The total amount of accrued liabilities for penalties recognized in the consolidated balance sheets related to unrecognized tax benefits as of December 31, 2013 was $2.0 million. To the extent that uncertain matters are settled favorably, this amount could reverse and decrease our effective tax.

Within the next twelve months, it is reasonably possible that approximately $6.8 million of uncertain tax positions may be released into income due to the expiration of state statute of limitations.

Taxing Jurisdictions Audits

There are no income tax returns under audit by the U.S. Internal Revenue Service with the years after 2010 remaining open and subject to audit. There are no income tax returns under audit by the Canadian Government with the years after 2010 remaining open and subject to audit. There are no income tax returns under audit by the U.K. government with the years after 2010 remaining open and subject to audit. The German government is currently performing a desk audit of the 2011 income tax return. Upon completion of the audit the government will allow for the dissolution of the German management company. At this time, we do not expect the results from any income tax audit to have a material impact on our financial statements. We do not believe that it is reasonably possible that the amount of unrecognized tax benefits will significantly change in 2014.

12. Stock Based Compensation

Stock Options

We account for stock options issued to employees using a fair value-based method under which we measure the cost of employee services received in exchange for an award of equity instruments, including stock options, based on the grant-date fair value of the award. The resulting cost is recognized for the awards expected to vest over the period during which an employee is required to provide service in exchange for the award, usually the vesting period.

We provided KeyBank with cash collateral of $85.0 million as security for our Letter of Credit obligations. In May 2013 as a part of the KeyBank revolver (refer to Note 9), $75.0 million of the $85.0 million in restricted cash relating to the Marriott letter of credit became unrestricted.

In December 2013, Marriott consented to a second extension of the term of the four leases for an additional five-year term commencing January 1, 2019 and ending December 31, 2023. In return for its consent to the lease extension and its maintenance of a guarantee, we will need to provide Marriott with a letter of credit (the "Letter of Credit") with a face amount of $87.6 million prior to December 1, 2016 to secure Marriott's exposure under the guarantees. We will be required to pay Marriott an annual payment in respect of the cash flow of the leased facilities, subject to a $1 million annual minimum similar to the terms of the first extension.

Rent expense for communities subject to operating leases was $71.8 million, for the period from January 9, 2013 to December 31, 2013, including contingent rent expense of $4.6 million based on the net cash flow of certain of the leased properties.

Leases for Office Space

Rent expense for office space for 2013 was $3.3 million. We lease our community support office and regional offices under various leases which expire September 2014. In December 2013, we signed a new lease for our community support office. The lease is expected to commence in April 2014 once the construction of the space is completed. The lease is for approximately seven years and four months and includes annual rent increases and the option to renew the lease for either five or seven years.

Future minimum lease payments under office, ground and other operating leases at December 31, 2013 are as follows (in thousands):

2014	$ 58,497
2015	60,990
2016	45,181
2017	45,419
2018	42,865
Thereafter	84,955
	$ 337,907

Letters of Credit

At December 31, 2013, we had $5.1 million in letters of credit relating to operations, $86.1 million relating to our insurance programs and $85.0 million related to the Marriott lease guarantee discussed above. The insurance program letters of credit are fully cash collateralized and the operations and Marriott letters of credit are collateralized by the KeyBank Revolver and $10.0 million cash collateral.

Legal Proceedings

Subpoena From the U.S. Attorney's Office

The U.S. Attorney's Office for the Eastern District of Pennsylvania has issued a subpoena to us for certain documents relating to resident care at one of our Pennsylvania communities. This community had experienced significant publicity due to an incident occurring in the spring of 2011. We cooperated with the U.S. Attorney's Office and produced the requested documents. There has been no claim made against Sunrise and Sunrise has not heard from the U.S. Attorney's Office in this matter since August 2012.

Shareholder Litigation

On September 6, 2012, a complaint, captioned Perricone Family Trust, on behalf of itself and all others similarly situated vs. Sunrise Senior Living, Inc., Health Care REIT, Inc., Paul J. Klaassen, Glyn F. Aeppel, Thomas J. Donohue, Stephen D. Harlan, Lynn Krominga, William G. Little and Mark S. Ordan, Case No. 7837, was filed in the Court of Chancery for the State of Delaware, challenging the proposed Merger of Sunrise with Health Care REIT. The complaint challenges the proposed Merger on behalf of a putative class of Sunrise public stockholders, and names as defendants Sunrise, its directors and HCN. The complaint generally alleges that the individual defendants breached their fiduciary duties in connection with the proposed Merger and that the entity defendants aided and abetted that breach. The complaint seeks, among other things, injunctive relief against the Merger and an award of plaintiffs' expenses.

In addition, on October 15, 2012, a complaint captioned John Price vs. Mark Ordan, Glyn Aeppel, Thomas Donohue, Stephen Harlan, Paul Klaasen, Lynn Krominga, William Little, Sunrise Senior Living, Inc., Health Care REIT, Inc., Brewer Holdco, Inc. and Red Fox Inc., Case No. 1-12ev 1150 LO/JFA, was filed in the United States District Court for the Eastern District of Virginia, also challenging the proposed Merger of Sunrise with Health Care REIT. The complaint challenges the proposed Merger on behalf of a putative class of Sunrise public stockholders, and names as defendants Sunrise, its directors, HCN and their respective subsidiaries party to the proposed Merger. The complaint generally alleges that the individual defendants breached their fiduciary duties in connection with the proposed Merger and violated Section 14(a) of the Exchange Act and Rule 14a-9 promulgated thereunder by omitting material facts from Sunrise's proxy statement and that the entity defendants aided and abetted such breaches. The complaint seeks, among other things, injunctive relief against the merger and an award of plaintiffs' expenses.

On December 5, 2012, the parties to these lawsuits entered into a Memorandum of Understanding settling the claims in principle. Following additional confirmatory discovery, the parties entered into a Stipulation of Settlement on October 24, 2013, which the parties presented to the court for preliminary approval on November 1, 2013. On January 24, 2014, the Court held a fairness hearing and entered the Order and Final Judgment, finding, *inter alia*, the settlement to be fair and reasonable and dismissing the action with prejudice.

Claim of Event of Default By Ventas, Inc.

On January 13, 2014, Ventas sent a letter to Sunrise in which it asserted that HCN's investment in Sunrise violated Section 2.3 of the Master Agreement between the parties and thus an Event of Default had occurred that gave Ventas the right to terminate any or all of the 79 management agreements between Sunrise and Ventas. In that letter, Ventas also asserted that it had the right to terminate the management agreement for the Sunrise of Pacific Palisades facility pursuant to an economic performance test set forth in the Master Agreement. On January 15, 2014, Sunrise responded in writing to Ventas and denied that there had been an Event of Default that gave Ventas the right to terminate the management agreements between the parties. Sunrise believes that Ventas' claim has no merit and intends to defend itself vigorously if a claim is asserted.

Ohio AG Investigation

On January 10, 2014, Sunrise received a letter from the Office of the Attorney General for the State of Ohio, Antitrust Section, indicating its intent to file a complaint against Sunrise in federal district court on or after January 24, 2014, seeking civil forfeitures, injunctive and other equitable relief and treble damages related to alleged antitrust violations in the State of Ohio. The Ohio AG Antitrust Section had issued three Civil Investigative Demands to Sunrise seeking information in connection with its investigation of potential antitrust violations in the provision of assisted living and related services to Ohio senior citizens. The Ohio AG has indicated its willingness to discuss a possible resolution prior to the commencement of litigation. Sunrise believes the allegations are not meritorious and is in communication with the Ohio AG's office to discuss the matter.

In addition to the matters described above, we are involved in various lawsuits and claims and regulatory and other governmental audits and investigations arising in the normal course of business. In the opinion of management, although the outcomes of these other suits and claims are uncertain, in the aggregate they are not expected to have a material adverse effect on our business, financial condition, and results of operations.

16. 401K Plan

We have a 401(k) Plan ("the Plan") covering all eligible employees. Under the Plan, eligible employees may make pre-tax contributions up to 100% of the IRS limits. The Plan provides an employer match dependent upon compensation levels and years of service. The Plan does not provide for discretionary matching contributions. Matching contributions were $1.7 million in 2013.

17. Discontinued Operations

Discontinued operations consist of a VIE entity sold in November 2013 (see Note 7). The following amounts related to the entity have been segregated from continuing operations and reported as discontinued operations (in thousands):

	Year Ended December 31, 2013
Revenue	$ 11,628
Operating expenses	(11,406)
Loss on financial guarantee	(7,309)
Other expense	(975)
Income taxes	-
Loss from discontinued operations	$ (8,062)

18. Supplemental Consolidating Financial Information

The following financial information sets forth our consolidating financial position as of December 31, 2013 and the results of operations, comprehensive income, equity and cash flow for the period from January 9, 2013 to December 31, 2013.

RED FOX HOLDING CORPORATION AND ITS WHOLLY OWNED SUBSIDIARY
SUNRISE SENIOR LIVING, LLC
SUPPLEMENTAL CONSOLIDATING STATEMENT OF OPERATIONS

(In thousands)	Red Fox Holding Corporation	Sunrise Senior Living, LLC	Eliminations	Consolidated Total
	For the period January 9, 2013 (inception) to December 31, 2013			
Operating revenue:				
Management fees (see Note 14)	$ -	$ 106,157	$ -	$ 106,157
Resident fees for consolidated communities	-	275,492	-	275,492
Ancillary fees	-	7,818	-	7,818
Professional fees from development, marketing and other	-	2,012	-	2,012
Reimbursed costs incurred on behalf of managed communities (see Note 14)	-	778,071	-	778,071
Total operating revenue	-	1,169,550	-	1,169,550
Operating expenses:				
Community expense for consolidated communities	-	188,141	-	188,141
Community lease expense	-	71,231	-	71,231
Depreciation and amortization	-	19,127	-	19,127
Ancillary expenses	-	7,263	-	7,263
General and administrative	-	84,024	-	84,024
Transition costs	-	9,321	-	9,321
Transaction costs	8,324	-	-	8,324
Stock compensation expense	-	2,577	-	2,577
Provision for doubtful accounts	-	1,087	-	1,087
Costs incurred on behalf of managed communities	-	787,617	-	787,617
Carrying costs of idle land	-	2,089	-	2,089
Total operating expenses	8,324	1,172,477	-	1,180,801
Loss from operations	(8,324)	(2,927)	-	(11,251)
Other non-operating income (expense):				
Interest income, including income on release of restricted cash	5	18,639	-	18,644
Interest expense	-	(2,644)	-	(2,644)
Other expense	-	(1,088)	-	(1,088)
Total other non-operating income (loss)	5	14,907	-	14,912
Bargain purchase gain	183,211	-	-	183,211
Equity in earnings of subsidiary	6,998	-	(6,998)	-
Income before benefit from income taxes and discontinued operations	181,890	11,980	(6,998)	186,872
Benefit from income taxes	-	1,899	-	1,899
Net income before discontinued operations	181,890	13,879	(6,998)	188,771
Discontinued operations, net of tax	-	(8,062)	-	(8,062)
Net income	181,890	5,817	(6,998)	180,709
Less: Loss attributable to noncontrolling interests, net of tax	-	1,181	-	1,181
Net income attributable to members	$ 181,890	$ 6,998	$ (6,998)	$ 181,890

See accompanying notes

RED FOX HOLDING CORPORATION AND ITS WHOLLY OWNED SUBSIDIARY
SUNRISE SENIOR LIVING LLC
SUPPLEMENTAL CONSOLIDATING STATEMENT OF MEMBERS' EQUITY

(In thousands)	Red Fox Holding Corporation	Sunrise Senior Living, LLC	Noncontrolling Interests	Eliminations	Consolidated Total
Balance at January 9, 2013 (inception)	$ -	$ -	$ -	$ -	$ -
Issuance of membership units	75,694	247,645	-	(247,645)	75,694
Distributions to members	(92,933)	(90,000)	-	90,000	(92,933)
Stock option expense	-	2,577	-	-	2,577
Initial fair value of noncontrolling interests	-	-	9,172	-	9,172
Deconsolidation of controlled entities	-	-	793	-	793
Net income (loss)	181,890	6,998	(1,181)	(6,998)	180,709
Distributions to noncontrolling interests	-	-	(559)	-	(559)
Foreign currency translation loss	-	(943)	-	-	(943)
Unrealized gain on investments	-	539	-	-	539
Share of subsidiary's other equity and accumulated other comprehensive loss	2,173	-	-	(2,173)	-
Balance at December 31, 2013	$ 166,824	$ 166,816	$ 8,225	$ (166,816)	$ 175,049

See accompanying notes

19. Subsequent Events

Subsequent events have been evaluated through March 11, 2014.

We entered into a Purchase and Sale Agreement ("RHA PSA") on November 4, 2013 with RHA Assisted Living of Buckhead, Inc. ("RHA"), a non-for-profit that owns and operates Sunrise of Buckhead ("Buckhead"), a senior living community managed by us. The terms of the RHA PSA include our right to market Buckhead for sale to a third-party buyer and assign our rights under the RHA PSA to such third-party buyer. In addition to managing the community, we are obligated to provide loans to RHA to fund its operating deficits and debt service. At December 31, 2013, RHA owed us approximately $9.8 million which is not reflected as a receivable on our balance sheet. We expect to record a gain for this payment upon closing. On February 11, 2014, we and an affiliate of HCN ("Buyer") entered into a Purchase and Sale Agreement ("HCN PSA") for the Buyer to purchase, acquire and assume our rights and obligations under the RHA PSA for a purchase price of $22.5 million. Sale proceeds will be used to repay outstanding debt of approximately $12.5 million and the full repayment of amounts owed to us. The transaction is expected to close in March 2014.

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FINANCIAL STATEMENTS

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

Ernst & Young LLP

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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

	2013	2012
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	38,025	7,980
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	11,045,506	11,534,606
TOTAL	$ 11,192,335	$ 11,793,298
LIABILITIES AND PARTNERS' CAPITAL		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 375,763	$ 344,900
Deferred revenue	86,279	150,095
Total current liabilities	462,042	494,995
TOTAL LIABILITIES	462,042	494,995
PARTNERS' CAPITAL	10,730,293	11,298,303
TOTAL	$ 11,192,335	$ 11,793,298

See notes to financial statements.

SUNRISE STRATFORD, LP

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

	2013	2012
OPERATING REVENUE:		
Resident revenue	$ 4,730,721	$ 4,540,719
Other revenue	774,193	309,841
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)
Total operating expenses	5,409,480	5,149,874
NET INCOME (LOSS)	$ 95,434	$ (299,314)

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	(15,275)
PARTNERS' CAPITAL — December 31, 2012	11,298,303
Net income	95,434
Distributions, net	(663,444)
PARTNERS' CAPITAL — December 31, 2013	$ 10,730,293

See notes to financial statements.

SUNRISE STRATFORD, LP

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

	2013	2012
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	665,537	14,654
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment, net of discounts received	(1,688)	540
Net cash (used in) provided by investing activities	(1,688)	540
CASH FLOWS FROM FINANCING ACTIVITIES:		
Distributions, net to partners	(663,444)	(15,275)
Net cash used in financing activities	(663,444)	(15,275)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	405	(81)
CASH AND CASH EQUIVALENTS — Beginning of year	185	266
CASH AND CASH EQUIVALENTS — End of year	$ 590	$ 185

See notes to financial statements.

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.

* * * * * *

Other Financial Information

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8484 Westpark Drive
McLean, VA 22102

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Fax: +1 703 747 0100
ey.com

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CONTINUING CARE
CONTRACTS BRANCH

Report of Independent Auditors

To the Partners of
Sunrise Stratford, LP

We have audited the accompanying schedules of long-term debt, net operating expenses, and liquid reserve amount on Forms 5-1 through 5-5 (the Schedules) of Sunrise Stratford, LP as of December 31, 2013, and for the year then ended and the related notes.

Management's Responsibility for the Schedules

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the Schedules referred to above present fairly, in all material respects, the long-term debt, net operating expenses, and liquid reserve amount on Forms 5-1 through 5-5 of Sunrise Stratford, LP at December 31, 2013 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.

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Contractual Basis of Accounting

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

Restriction on Use

This report is intended solely for the information and use of management and the partners of Sunrise 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.

Ernst + Young LLP

April 18, 2014

Sunrise Stratford, LP

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

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

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:			$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		5,409,481
[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	-	
[3]	Total Deductions		$ (588,203)
[4]	Net Operating Expenses		$ 4,821,278
[5]	Divide Line 4 by 365 and enter the result		$ 13,208.98
[6]	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.		$ 990,675

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:

		Amount
[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)**:

	Qualifying Asset Description	Amount: Debt Service Reserve	Amount: Operating Reserve
[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

Marc R. [signature]
(Authorized Representative)

4/30/14
(Date)

CFO
(Title)

PROVIDER: Sunrise Stratford LP

COMMUNITY: The Stratford

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") holds a 99% interest in the Partnership. Sunrise Stratford GP, LLC, a wholly owned subsidiary of SSLII, holds 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 and operates 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. 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. PURPOSE OF THE ANNUAL RESERVE CALCULATION

As the Company operates as a CCRC, the Partnership is required to file Forms 5-1 through 5-5 of the California Health and Safety Code section 1792 (the Schedules) as instructed under the State of California Department of Social Services Annual Report Instructions issued on January 1, 2007 for the year ended December 31, 2013. The purpose of the Schedules is to determine the amount the Company must hold in its liquid reserves for debt service and operating expense.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting — The Partnership's Schedules are prepared on an accrual basis. The Partnership reviewed subsequent events through April 18, 2014, the date the Schedules were issued, for inclusion in these financial statements and Schedules.

Cash and Cash Equivalents — The Partnership has only a petty cash account. Cash transactions are generally processed by Sunrise and balances are maintained in Sunrise's cash concentration account. The distributions to partners of $663,444 represent the net cash generated by the Partnership and retained by Sunrise for the year ended December 31, 2013.

4. REVENUE FROM NON-CONTINUING CARE RESIDENTS

The Partnership has deducted $88,208 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 short term respite stays in Assisted Living for non-continuing care residents.

* * * * * *

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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:

		Amount
[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)**:

	Qualifying Asset Description	Amount: Debt Service Reserve	Amount: Operating Reserve
[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) 4/30/14 (Date)

CFO
(Title)

PROVIDER: Sunrise Stratford LP

COMMUNITY: The Stratford

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:

		Amount
[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)**:

	Qualifying Asset Description	**Amount: Debt Service Reserve**	**Amount: Operating Reserve**
[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

Marc [signature]
(Authorized Representative)

4/30/14
(Date)

CFO
(Title)

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

	2009	2010	2011	2012	2013	Projected 2014	Forecast 2015	2016	2017	2018	Preferred Trend Indicator
OPERATIONAL STATISTICS											
1. Average Annual Occupancy by Site (%)	91%	89%	92%	96%	99%	99%	99%	99%	99%	99%	N/A
MARGIN PROFITABILTIY 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%	↑
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%	↓
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	↑
CAPITAL STRUCTURE INDICATORS											
6. Deferred Revecue 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	N/A
9. Annual Capital Asset Expenditures	$ -	$ -	$ 1,997	$ -	$ 1,740	$ 15,000	$ 7,500	$ 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	↑
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	↑
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%	↓
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%	↓
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%	↑
15. Average Age of Facility (years)	17	18	19	20	22	23	24	25	26	27	↓

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 reporrting 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:

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

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

[X] 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.

[X] 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.

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

[X] 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 constitued 4.0% increase. Residental Living fees for two-bedroom units were increased from $9,384 to $9,758 or by $374 which constitued 4.0% increase. An increase in monthly service fees was driven by an increase in operational costs.

PROVIDER: Sunrise Stratford, LP

COMMUNITY: The Stratford

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CONTINUING CARE
CONTRACTS BRANCH

Date Prepared: 4/30/14

Continuing Care Retirement Community Disclosure Statement General Information

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: [illegible] MILES TO HOSPITAL: 0.[illegible]

NUMBER OF UNITS:

RESIDENTIAL LIVING		HEALTH CARE	
APARTMENTS — STUDIO:		ASSISTED LIVING:	9
APARTMENTS — 1 BDRM:	3	SKILLED NURSING:	
APARTMENTS — 2 BDRM:	51	SPECIAL CARE:	
COTTAGES/HOUSES:	11	DESCRIBE SPECIAL CARE:	
RLU OCCUPANCY (%) AT YEAR END:	95%		

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

FORM OF CONTRACT: (Check all that apply) ☑ CONTINUING CARE ☐ LIFE CARE ☐ ENTRANCE FEE ☐ FEE FOR SERVICE ☐ 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

FACILITY SERVICES AND AMENITIES

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

SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
HOUSEKEEPING (4 TIMES/MONTH)	☑	☐
MEALS (1 /DAY)	☑	☐
SPECIAL DIETS AVAILABLE	☑	☐
24-HOUR EMERGENCY RESPONSE	☑	☐
ACTIVITIES PROGRAM	☑	☐
ALL UTILITIES EXCEPT PHONE	☐	☐
APARTMENT MAINTENANCE	☐	☑
CABLE TV	☑	☐
LINENS FURNISHED	☑	☐
LINENS LAUNDERED	☑	☐
MEDICATION MANAGEMENT	☑	☑
NURSING/WELLNESS CLINIC	☑	☑
PERSONAL HOME CARE	☑	☑
TRANSPORTATION-PERSONAL	☑	☑
TRANSPORTATION-PREARRANGED	☑	☑
OTHER Assisted Living	☑	☑

All providers are required by Health and Safety Code section 1789.1 to provide this report to prospective residents before executing a deposit agreement or continuing care contract, or receiving any payment. Many communities are part of multi-facility operations which may influence financial reporting. Consumers are encouraged to ask questions of the continuing care retirement community that they are considering and to seek advice from professional advisors.

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 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 SSLLLC. 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

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

DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END

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

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

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

KEY INDICATORS REPORT
Sunrise Stratford, LP

Date Prepared: 4/30/14

Chief Financial Officer Signature

RECEIVED
MAY 01 2014
CONTINUING CARE
CONTRACTS BRANCH

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

	2009	2010	2011	2012	2013	Projected 2014	Forecast 2015	2016	2017	2018	Preferred Trend Indicator
OPERATIONAL STATISTICS											
1. Average Annual Occupancy by Site (%)	91%	89%	92%	96%	99%	99%	99%	99%	99%	99%	N/A
MARGIN PROFITABILTIY 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%	↑
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%	↓
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	↑
CAPITAL STRUCTURE INDICATORS											
6. Deferred Revcue 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	N/A
9. Annual Capital Asset Expenditures	$ -	$ -	$ 1,997	$ -	$ 1,740	$ 15,000	$ 7,500	$ 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	↑
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	↑
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%	↓
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%	↓
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%	↑
15. Average Age of Facility (years)	17	18	19	20	22	23	24	25	26	27	↓