Sunrise Carlisle, LP

Financial Statements as of and for the
Year Ended December 31, 2018,
Other Financial Information, and
Independent Auditors' Reports

SUNRISE CARLISLE, LP

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Deloitte & Touche LLP
7900 Tysons One Place,
Suite 800
McLean, VA 22102
USA

Tel: 703-251-1000
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

To the Partners of
Sunrise Carlisle, LP:

We have audited the accompanying financial statements of Sunrise Carlisle, LP (the "Partnership"), which comprise the balance sheet as of December 31, 2018, and the related statements of operations, changes in partners' capital, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sunrise Carlisle, LP as of December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

April 19, 2019

SUNRISE CARLISLE, LP

BALANCE SHEET
AS OF DECEMBER 31, 2018

ASSETS

CURRENT ASSETS:	
Accounts receivable—net of allowance for doubtful accounts of $23,634	$ 235,247
Prepaid expenses	20,257
Other receivable	6,717,377
Total current assets	6,972,881
UTILITY DEPOSIT	36,200
PROPERTY AND EQUIPMENT:	
Condominium units	391,442
Furniture, fixtures, and equipment	170,850
Construction in progress	65,466
Total property and equipment	627,758
Less accumulated depreciation	(275,012)
Property and equipment—net	352,746
MANAGEMENT RIGHTS INTANGIBLE—Net of accumulated amortization of $2,408,405	3,410,561
TOTAL ASSETS	$ 10,772,388

LIABILITIES AND PARTNERS' CAPITAL

CURRENT LIABILITIES:	
Accounts payable and accrued expenses	$ 3,233,975
Deferred revenue	156,467
Total current liabilities	3,390,442
TOTAL LIABILITIES	$ 3,390,442
PARTNERS' CAPITAL	7,381,946
TOTAL LIABILITIES AND PARTNERS' CAPITAL	$ 10,772,388

See notes to financial statements.

SUNRISE CARLISLE, LP

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2018

OPERATING REVENUE:	
Resident revenue	$ 5,889,975
Other revenue	318,869
Total operating revenue	6,208,844
OPERATING EXPENSES:	
Labor	3,935,287
General and administrative	762,944
Food	384,609
Management fees to affiliate	372,531
Utilities	280,475
Depreciation and amortization	216,007
Insurance	135,244
Advertising and marketing	123,051
Repairs and maintenance	118,601
Taxes and licenses	28,075
Ancillary expenses	25,368
Bad debt expense	18,980
Total operating expenses	6,401,172
NET LOSS	$ (192,328)

See notes to financial statements.

SUNRISE CARLISLE, LP

STATEMENT OF CHANGES IN PARTNERS' CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018

PARTNERS' CAPITAL—January 1, 2018	$ 3,974,117
Net loss	(192,328)
Contributions	10,334,551
Distributions	(6,734,394)
PARTNERS' CAPITAL—December 31, 2018	$ 7,381,946

See notes to financial statements.

SUNRISE CARLISLE, LP

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from residents who had a continuing care contract	$ 5,884,872
Cash received from residents who did not have a continuing care contract	75,337
Cash received from other sources	318,869
Cash paid for labor	(3,893,002)
Cash paid for administrative expenses	(1,401,453)
Cash paid for insurance	(123,636)
Cash paid for food	(384,609)
Cash paid for management fees	(372,531)
Net cash provided by operating activities	103,847
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(59,100)
Net cash used in investing activities	(59,100)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Contributions	6,689,647
Distributions	(6,734,394)
Net cash used in financing activities	(44,747)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	-
CASH AND CASH EQUIVALENTS—Beginning of year	-
CASH AND CASH EQUIVALENTS—End of year	$ -
SUPPLEMENTAL DISCLOSURES FOR NONCASH ITEM:	
Accrued capital expenditures	$ (2,769,966)
Noncash—intercompany receivable	$ (3,644,904)

(Continued)

SUNRISE CARLISLE, LP

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

RECONCILIATIN OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Net loss	$ (192,328)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Provisions for bad debt	18,980
Depreciation and amortization	216,007
Changes in operating assets and liabilities:	
Accounts receivable	13,688
Prepaid expenses and other assets	7,559
Accounts payable and accrued expenses	(16,605)
Deferred revenue	56,546
Net cash provided by operating activities	$ 103,847

See notes to financial statements. (Concluded)

1. ORGANIZATION

Organization—On August 1, 2006, Sunrise Carlisle, LP (the "Partnership"), a Delaware limited partnership, acquired all easements and rights for The Carlisle ("Carlisle"), a licensed residential care facility for the elderly, and title to 10 of the building's 102 condominium units from Raiser Resources, LLC. Sunrise Senior Living Investments, Inc. (SSLII) held a 99% interest in the Partnership. Sunrise Carlisle GP, LLC ("GP"), a wholly owned subsidiary of SSLII, held a 1% interest in the Partnership. SSLII was a wholly owned subsidiary of Sunrise Senior Living, Inc. (SSLI). Immediately prior to the conversion of SSLI mentioned below, SSLII distributed its interest in the Partnership and in GP to SSLI. SSLI then contributed its interest in the Partnership and in the GP to another wholly owned subsidiary, Sunrise Senior Living Services, Inc., which funds the Partnership through its capital account for operation shortfalls.

Sunrise Senior Living, LLC ("Sunrise") was formed as successor by conversion of SSLI on January 9, 2013. Red Fox Holding Corporation ("Red Fox") acquired SSLI's management business through Sunrise on January 9, 2013, from Welltower, Inc., f/k/a Health Care REIT, Inc. ("Welltower"), with Welltower retaining an approximate 20% interest in Red Fox.

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

On April 28, 2017, Revera sold 12.5% of its interest in RFAC to the Welltower affiliate that already owned a 5% interest. Following this sale of interest, Welltower's indirect interest in Red Fox increased to 34% and Revera's indirect interest decreased to 65.3% with Sunrise LLC's senior management indirect interest in Red Fox remaining unchanged at 0.7%.

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

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

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

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. Based on such and other applicable criteria, the Partnership does not consolidate the Trust.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Use of Estimates—The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant estimates and assumptions have been made with respect to the useful lives of assets, recoverability of management rights, recoverability of property and equipment, recoverable amounts of receivables, and amortization rate of deferred revenue. Actual results could differ from those estimates.

Cash and Cash Equivalents—Cash transactions are processed by Sunrise and balances are maintained in Sunrise's cash concentration account.

Allowance for Doubtful Accounts—The Partnership provides an allowance for doubtful accounts on its outstanding receivables based on an analysis of collectibility, including collection history, age of the account, and payer type and generally do not require collateral to support outstanding balances. Write-offs of accounts are made after collection efforts have been exhausted.

Other Receivables—Receivables from the Trust to fund structural upgrades to the building and replace fixtures and equipment are recorded when the Partnership incurs the repair costs. In 2016, it was determined that repairs to the exterior walls of the building were necessary with an estimated total cost of approximately $15 million to be funded from available funds in the Trust and monthly fee increases and special assessment payments from the condominium owners. The HOA of Carlisle subsequently filed a lawsuit against the Company and others alleging that the Company breached the management agreement by failing to properly maintain the exterior walls of the building (see Note 4, Contingencies). Repairs to the building have been ongoing since the discovery of the damage with the Partnership paying for the cost of the repairs.

As of December 31, 2018, the Partnership had spent approximately $6.7 million for repairs to the building, which is recorded as an outstanding receivable balance due from the Trust and the condominium owners at Carlisle.

Property and Equipment—Property and equipment are recorded at cost. Maintenance and repairs are charged to expense as incurred. Depreciation expense was $22,041 in 2018. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

Condominium units	30 years
Furniture, fixtures, and equipment	3–10 years

We assess the carrying value of held for use assets when events or changes in circumstances indicate that the carrying value may not be recoverable. We test the related assets held for use for impairment by comparing the sum of the expected future undiscounted cash flows to the carrying value of the related assets. The expected future undiscounted cash flows are calculated utilizing the lowest level of identifiable cash flows that are largely independent of the cash flows of other assets and liabilities. If the carrying value exceeds the expected future undiscounted cash flows, an impairment loss will be recognized to the extent that the carrying value of the real estate and related assets are greater than their fair values. No impairment charge was recorded in 2018.

Management Rights—The Partnership acquired all easements and rights for Carlisle as a part of the acquisition from Raiser Resources, LLC. The rights included the right to manage Carlisle for a management fee and the right to transfer fees, including a commission of a percentage of the sale price on each condominium unit sold by an owner. Management rights were recorded at fair value at acquisition and are being amortized using the straight-line method over the estimated useful life of 30 years. Amortization expense was $193,966 for the year ended December 31, 2018.

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 2018.

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

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

Upon sale of a condominium by an owner, the Partnership receives a commission of 7% of the sale price, net of transaction costs. These fees are recognized when received and are recorded in other revenue.

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

The Partnership has no uncertain tax positions that require accrual at December 31, 2018.

The statute of limitations for the State of California to perform audit on the Partnership is four years and expires on October 15, 2022. The Partnership is currently not under an audit by any tax authorities. Tax years December 31, 2014, through December 31, 2018, are open and subject to California state audit.

On December 22, 2017, the Tax Cuts and Job Act (HR.1), the tax reform bill (the "Act"), was signed into law. The new Act took effect on January 1, 2018. The Act adopts a new territorial tax system and subjects US parent corporation to current tax on its "global intangible low-taxed income (GILTI)" and imposes a base erosion and anti-abuse tax ("BEAT") that taxes certain payments from corporations subject to US tax to related foreign subsidiaries. The new territorial tax system went into effect for tax years beginning after January 1, 2018. We have analyzed the impact of the Act and it did not have a material impact on the Partnership for the year 2018. To the extent that we incur tax expense related to GILTI, we will account for GILTI in the year that tax is incurred.

New Accounting Standards

The following Accounting Standards Update (ASU) was issued in 2015:

ASU No. 2015-14, *Revenue from Customers (Topic 606): Deferral of the Effective Date*, deferred the effective date of ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, by one year. ASU No. 2014-09 supersedes the revenue recognition requirements in Accounting Standards Codification 605, *Revenue Recognition*, as well as most industry-specific guidance and significantly enhances comparability of revenue recognition practices across entities and industries by providing a principles-based comprehensive framework for addressing revenue recognition issues. In order for a provider of promised goods or services to recognize as revenue the consideration that it expects to receive in exchange for the promised goods or services, the provider should apply the following five steps: (1) identify the contract with a customer(s), (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. ASU No. 2014-09 also specifies the accounting for some costs to obtain or fulfill a contract with a customer and provides enhanced disclosure requirements. ASU No. 2014-09 will now be effective for us on January 1, 2019, on a retrospective basis using either a full retrospective or modified retrospective method. We are still in the process of assessing all of the potential impact that ASU No. 2014-09 (and related clarifying guidance issued by the Financial Accounting Standards Board (FASB) and FASB Transition Group) will have on our consolidated financial position, results of operations, cash flows, and disclosures.

3. TRANSACTIONS WITH AFFILIATES

The Partnership has a management agreement with Sunrise Senior Living Management, Inc. (SSLMI) to manage the facility. The agreement provided for a monthly fees of 6% of gross operating revenue. Total management fees incurred was $372,531 in 2018.

The Partnership obtained worker's compensation, professional and general liability, and property coverage through Sunrise Senior Living Insurance, Inc., an affiliate of Sunrise. Related expenses totaled $135,244 in 2018.

The Partnership and SSLMI do not settle cash received or paid in affiliated transactions at the subsidiary level; therefore, the affiliated activity between SSLMI and the Partnership for the year 2018 has been included in contributions and distributions in the statements of changes in partners' capital for the year ended December 31, 2018. Distributions represent cash collected from residents and subsequently remitted to Sunrise. Contributions represent the net of all other operating activities recorded through intercompany and paid by Sunrise, in addition to noncash financing activities.

4. 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.

On November 10, 2016, the HOA of Carlisle, an assisted living community in San Francisco managed by the Company, filed a lawsuit against the Company and others in the Superior Court of the State of California in the County of San Francisco, alleging, inter alia, that the Company purportedly breached the management agreement by failing to properly maintain the exterior walls of the building, which purportedly resulted in water intrusion damage and necessitates replacement of the building's cladding. Defendants have filed their response to plaintiff's allegations and the court has dismissed several counts with leave to amend. On March 30, 2018, plaintiff filed a second amended complaint adding a claim for purported fraudulent accounting practices to which the Company responded. Discovery is underway and the trial is scheduled for June 10, 2019. The company submitted a motion for summary judgment, which is scheduled to be heard prior to trial. The parties have agreed on a plan of resolution, and the litigation will be stayed while the parties progress on this plan and timetable to resolve this litigation. In the event this matter does go to trial, the Company intends to defend itself vigorously. Because additional facts need to be further developed, we cannot at this time estimate an amount or range of potential loss in the event of an unfavorable outcome.

5. SUBSEQUENT EVENTS

The Partnership evaluated subsequent events for disclosure from the balance sheet date through April 19, 2019, the date at which the financial statements were available to be issued and determined that there are no items to disclose.

* * * * * *

OTHER FINANCIAL INFORMATION

Deloitte.

Deloitte & Touche LLP
7900 Tysons One Place,
Suite 800
McLean, VA 22102
USA

Tel: 703-251-1000
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

To the Partners of
Sunrise Carlisle, LP:

We have audited the accompanying schedules of long-term debt, net operating expenses, and liquid reserve amount in Forms 5-1 through 5-5 (the "Schedules"), which comprise the Long-Term Debt Incurred in a Prior Fiscal Year, Long-Term Debt Incurred During the Fiscal Year, Calculation of Long-Term Debt Reserve Amount, Calculation of Net Operating Expenses, and Annual Reserve Certification, respectively, of Sunrise Carlisle, LP (the "Partnership"), as of December 31, 2018, and for the year then ended, and the related notes to the Schedules.

Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of these Schedules in accordance with 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 is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedules that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the Schedules based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedules are free from 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 Partnership'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 Partnership's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Schedules.

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

Opinion

In our opinion, the Schedules referred to above present fairly, in all material respects, the long-term debt, net operating expenses, and liquid reserve amount in Forms 5-1 through 5-5 of Sunrise Carlisle, LP as of December 31, 2018, and for the year then ended, on the basis of financial reporting provisions of the California Health and Safety Code section 1792 as instructed under the State of California Department of Social Services Annual Report Instructions dated January 1, 2007.

Basis of Accounting

We draw attention to Note 3 of the Schedules, which describes the basis of accounting. As described in Note 3 to the Schedules, the Schedules are prepared by the Partnership on the basis of the State of California Department of Social Services Annual Report Instructions dated January 1, 2007, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of California Department of Social Services. Our opinion is not modified with respect to this matter.

Restriction on Use

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

Deloitte & Touche LLP

April 19, 2019

SUNRISE CARLISLE, LP

FORM 5-1
LONG-TERM DEBT INCURRED IN A PRIOR FISCAL YEAR (INCLUDING BALLOON DEBT)

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

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

SUNRISE CARLISLE, LP

FORM 5-2
LONG-TERM DEBT INCURRED DURING THE FISCAL YEAR (INCLUDING BALLOON DEBT)

	(a)	(b)	(c)	(d)	(e)
Long-Term Debt Obligation	**Date Incurred**	**Total Interest Paid During Fiscal Year**	**Amount of Most-Recent Payment on the Debt**	**Number of Payments over Next 12 Months**	**Reserve Requirement (See Instruction 5) (Columns (c)×(d))**
None					
		TOTAL:			

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

SUNRISE CARLISLE, LP

FORM 5-3
CALCULATION OF LONG-TERM DEBT RESERVE AMOUNT

Line		Total
[1]	Total from Form 5-1 bottom of Column (e)	$ -
[2]	Total from Form 5-2 bottom of Column (e)	-
[3]	Facility leasehold or rental payment paid by provider during fiscal year (Including related payments, such as lease insurance)	-
[4]	Total amount required for long-term debt reserve	$ -

SUNRISE CARLISLE, LP

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line		Amounts	Total
[1]	Total operating expenses from financial statements		$6,401,172
[2]	Deductions		
	a. Interest paid on long-term debt (see instructions)	$ -	
	b. Credit enhancement premiums paid for long-term debt (see instructions)	-	
	c. Depreciation	22,041	
	d. Amortization	193,966	
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	75,337	
	f. Extraordinary expenses approved by the Department	-	
[3]	Total deductions		(291,344)
[4]	Net operating expenses		6,109,828
[5]	Divide Line 4 by 365 and enter the result		16,739
[6]	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.		$1,255,425

SUNRISE CARLISLE, LP

FORM 5-5
ANNUAL RESERVE CERTIFICATION

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

[1]	Debt service reserve amount	$ -
[2]	Operating expense reserve amount	1,255,425
[3]	Total liquid reserve amount	$ 1,255,425

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

	Qualifying Asset Description		**Amount Debt Service Reserve**		**Operating Reserve**
[4]	Cash and cash equivalents		$ -		$43,185,301
[5]	Investment securities		-		-
[6]	Equity securities		-		-
[7]	Unused/available lines of credit		-		-
[8]	Unused/available letters of credit		-		-
[9]	Debt service reserve				(not applicable)
[10]	Other				
	Total amount of qualifying assets listed for liquid reserve	[11]	$ -	[12]	$43,185,301
	Total amount required	[13]	$ -	[14]	$ 1,255,425
	Surplus (deficiency)	[15]	$ -	[16]	$41,929,876

Cash and cash equivalents reported in Form 5-5 are held by parent company, Sunrise (Note 5, Liquid Reserve Requirement).

1. ORGANIZATION

Organization—On August 1, 2006, Sunrise Carlisle, LP (the "Partnership"), a Delaware limited partnership, acquired all easements and rights for The Carlisle ("Carlisle"), a licensed residential care facility for the elderly, and title to 10 of the building's 102 condominium units from Raiser Resources, LLC. Sunrise Senior Living Investments, Inc. (SSLII) held a 99% interest in the Partnership. Sunrise Carlisle GP, LLC ("GP"), a wholly owned subsidiary of SSLII, held a 1% interest in the Partnership. SSLII was a wholly owned subsidiary of Sunrise Senior Living, Inc. (SSLI). Immediately prior to the conversion of SSLI mentioned below, SSLII distributed its interest in the partnership and in GP to SSLI. SSLI then contributed its interest in the partnership and in the GP to another wholly owned subsidiary, Sunrise Senior Living Services, Inc., which funds the Partnership through its capital account for operation shortfalls.

Sunrise Senior Living, LLC ("Sunrise") was formed as successor by conversion of SSLI on January 9, 2013. Red Fox Holding Corporation ("Red Fox") acquired SSLI's management business through Sunrise on January 9, 2013, from Welltower, Inc., f/k/a Health Care REIT, Inc. ("Welltower"), with Welltower retaining an approximate 20% interest in Red Fox.

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

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

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. Based on such and other applicable criteria, the Partnership does not consolidate the Trust.

2. PURPOSE OF THE ANNUAL RESERVE CALCULATION

As the Partnership operates as a CCRC, the Partnership is required to file Forms 5-1 through 5-5 of the California Health and Safety Code section 1792 (the "Schedules") as instructed under the State of California Department of Social Services' (DSS) Annual Report Instructions issued on January 1, 2007, for the year ended December 31, 2018. The purpose of the Schedules is to determine the amount the Partnership must hold in its liquid reserves for debt service and operating expense.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting—The Partnership's Schedules are prepared as instructed under the State of California DSS's Annual Report Instructions issued on January 1, 2007.

Cash and Cash Equivalents—Cash transactions are processed by Sunrise and balances are maintained in Sunrise's cash concentration account.

4. REVENUE FROM NONCONTINUING CARE RESIDENTS

The Partnership has deducted $75,337 in Form 5-4 line 2 (e) for revenues received during the fiscal year for services to persons who did not have a continuing care contract. The revenue represents service fees received for guest suite rentals and meals for nonresidents.

5. LIQUID RESERVE REQUIREMENT

No cash and cash equivalents are held by the Partnership. Cash is consolidated and held by Sunrise. In order to provide a more complete portrayal of the assets available to meet the required reserves, DSS has requested the Form 5-5 to be adjusted to reflect the qualifying assets from the audited financial statement of Sunrise.

6. SUBSEQUENT EVENTS

The Partnership evaluated subsequent events for disclosure from the balance sheet date through April 19, 2019, the date at which the Schedules were available to be issued and determined that there are no items to disclose.

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