Exhibit 18

CLASSIC RESIDENCE BY HYATT®

www.hyattclassic.com

Classic Residence by Hyatt
620 Sand Hill Road
Palo Alto, CA 94304

Telephone (650) 838-0300
Toll Free: 1-866-345-1234
Facsimile (650) 838-0311

October 9, 2008

Dear Friends,

We are all aware of the uncertainty of our times. The value of our homes is unpredictable, energy costs are rising and the price of gas seems to change by the hour.

At Classic Residence by Hyatt in Palo Alto, our residents feel a sense of security knowing that they have made a good choice. They know their entrance fee refund will not fluctuate with changes in the market. Monthly fees cover utilities, weekly housekeeping, one meal a day, transportation and a wide array of cultural, academic and fitness programs. Our Continuum of Care feature also helps you beat future health care inflation.

Our residents enjoy a vibrant and enriching lifestyle with the knowledge that they have planned wisely to secure their future.

Call us today to take another look at Classic Residence by Hyatt to consider why "sooner rather than later" is a wise choice for your future. We can be reached at 650-838-0300.

Maryellen

Maryellen Conner
Sales Director

Mike Wilson

Mike Wilson
Sales Associate

Exhibit 19

Office of the Assessor
County of Santa Clara

County Government Center, East Wing
70 West Hedding Street, 5th Floor
San Jose, CA 95110-1771
(408) 299-5500 www.scc-assessor.org

Lawrence E. Stone, Assessor

April 1, 2011

SEND VIA CERTIFIED MAIL

Leland Stanford Jr. University Board
c/o Palo Alto, Inc./Neal, Gerber & Eisenberg
Two North Lasalle Street, Suite 2200
Chicago, IL 60602
Attn: Mr. David Martin

Re: Appeal #s: 07.2906, 07.2907, 07.2908, 07.2909, 07.1287 (Duplicate of 07.2909)
APNs: 142-02-020 & 021

Dear Mr. Martin::

Pursuant to the requirements of California Revenue and Taxation Code Section 1609.4 of the California Revenue and Taxation Code, this correspondence is to serve as formal notification of the Assessor's intent to seek an increase in the total assessed value for the following designated appeals:

APN	Appeal #	Valuation Date	Roll Year	Total Current Roll Reads	Total Proposed Assessment	Proposed Increase
142-02-020	07.2906	11/3/2005	2005/2006 SU	281,577,435	324,707,580	43,130,145
142-02-021	07.2908	11/3/2005	2005/2006 SU	37,704,143	45,792,420	8,088,277
142-02-020	07.2907	1/1/2006	2006/2007 RR	285,114,920	325,876,500	40,761,580
142-02-021	07.2909	1/1/2006	2006/2007 RR	38,031,956	46,116,576	8,084,620
142-02-020	07.2907	1/1/2007	2007/2008 RR	290,817,218	332,394,029	41,576,811
142-02-021	07.2909	1/1/2007	2007/2008 RR	38,792,595	47,038,907	8,246,312

The information enclosed to support the increase in the total assessed value also serves to fulfill the requirements of the formal Exchange of Information under Revenue and Taxation Code Section 1606.

It was mutually agreed by both parties on March 3, 2011 that the valuation issue pertaining to appeals 08.3499 and 08.3500 for the January 1, 2008 lien date will not be discussed before the Board at the scheduled special hearing. Both parties have agreed that the values pertaining to appeals 08.3499 and 08.3500 will follow the methodology(ies)/value(s) established by the Board for appeals 07.2906 through 07.2909.

It is our understanding that on March 7, 2008, Gary Smith of Classic Residence by Hyatt designated your law firm (specifically you and Mr. Thomas McNulty) as its tax agent for this matter. According to the California State Bar website, neither you nor Mr. McNulty is a member of the California Bar. Business and Professions Code Section 6125 states "No person shall practice law in California unless the person is an active member of the State Bar."

Courts often have *pro hac vice rules* that would allow out of state attorneys to appear on a temporary basis. However, the California Revenue and Taxation Code and Property Tax Rules do not have such *pro hac vice* rules for assessment appeal hearings. Therefore, it is our expectation that Classic Residence by Hyatt will either retain a California attorney, or that you will not represent Classic Residence by Hyatt in a attorney-client capacity.

If you have any questions, please contact the undersigned appraiser at (408) 299-5369.

Sincerely,

Trinh Luu-Nguyen

Trinh Luu-Nguyen
Senior Auditor-Appraiser

Enclosures (see Listing of Attachments)

cc: Clerk of the Board (attachments included)

Exhibit 20

MIGUEL MÁRQUEZ, County Counsel (S.B. #184621)
SUSAN B. SWAIN, Lead Deputy County Counsel (S.B. #157181)
OFFICE OF THE COUNTY COUNSEL
70 West Hedding Street, East Wing, Ninth Floor
San Jose, California 95110-1770
Telephone: (408) 299-5900
Facsimile: (408) 292-7240

Attorneys for Assessment Appeals Board,
Board I

ASSESSMENT APPEALS BOARD, COUNTY OF SANTA CLARA

In re the Matter of Leland Stanford Jr., University c/o CC Palo Alto, Inc. Applicant.	No. 07.2906-07.2909 **FINDINGS AND CONCLUSIONS**

I.

INTRODUCTION

This matter came on for hearing on April 18-20, 2011 before Assessment Appeals Board I. Trinh Luu-Nguyen, Senior Auditor-Appraiser, and Craig Cooper, Supervising Appraiser (both with the Real Property Division) appeared for the Assessor. Deputy County Counsel Robert Nakamae represented the Assessor's Office. Gary Smith, Chief Financial Officer for Vi Living (formerly Classic Residence by Hyatt), John Van Santen, MAI, and Norman Lezotte, MAI, appeared for the Applicant. Thomas J. McNulty and David Martin represented the Applicant in the capacity of attorney and agent, respectively.

Appeal Nos. 07.2906-07299 pertain to APNs 142-02-020 and 142-02-021. At issue are the base year value of the property as of the completion of new construction on November 3, 2005 (supplemental roll) and Proposition 8 values for the lien dates January 1, 2006 and January 1, 2007.

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II.

THE SUBJECT PROPERTY

The subject property is a continuing care retirement community ("CCRC") that provides a continuum of senior housing and care options consisting of independent living, assisted living, memory care, and skilled nursing care. It is on a 22.405-acre site surrounded by a mix of single-family residential and commercial properties such as Stanford Shopping Center, Stanford Medical Center and Stanford University. Applicant CC-Palo, Inc. is a wholly owned subsidiary of Vi Living.

The improvements consist of a 388 unit, four-story independent living facility of 747,631 s.f.[1] over an underground parking garage of 171,374 s.f. on APN 142 04 020; and a 1 and 2 story health center of 87,931 s.f. with 38 assisted living units, 24 memory care units, and 44 skilled nursing suites on APN 142 04 021. Total gross building area is 835,562 s.f. excluding the parking garage.

Applicant entered into a 75 year ground lease with Stanford University for the site on August 1, 2000, with an effective starting lease date of July 15, 2003. The project was construction complete on November 3, 2005 and achieved stabilized occupancy as of December, 2006. The independent living facility and the health care center are self-contained on their respective parcels. The property is currently operated as an entry-fee CCRC with monthly fees sufficient to cover property maintenance and health care services on a break-even basis.

Mr. Van Santen, testifying for the Applicant, testified that the highest and best use of the property was the existing use. (See Applicant's 3, at pp. 26-28.) He further testified that the entry fee guaranteed access to healthcare services and gave a right to live at the CCRC for life.

III.

ISSUES PRESENTED

Applicant filed a base-year appeal for lien date November 3, 2005 and Proposition 8 appeals for lien dates January 1, 2006 and January 1, 2007, and raised the following issues within the context

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[1] The Board has adopted the building areas from the Summary Appraisal Report by Wellspring Partners (Applicant's Exhibit 3) as they were reported to have been obtained from management from the original blueprints (Exhibit 3, p.1).

of the valuation hearing: 1) Whether the subject is a special use property; if so, no entrepreneurial profit (EP) is attributable; 2) Whether EP is supported by market evidence if the subject is not a special use property; 3) Whether there was any extraordinary obsolescence associated with the subject property; 4) Whether it is appropriate to include imputed interest on the refunded portion of the entrance fees in the income approach.

IV.

OPINIONS OF VALUE

A. Applicant's opinions of value for the lien dates in question are as follows:

<u>November 3, 2005</u> $200,610,000

<u>January 1, 2006</u> $200,610,000

<u>January 1, 2007</u> $208,500,000

B. The Assessor's opinions of value for the lien dates in question are as follows:

<u>November 3, 2005</u> $370,500,000 total:

Application No. 07.2906, the Assessor proposed an increase from the current roll of $281,577,435 to $324,707,580 (Assisted Living).

Application No. 07.2908, the Assessor proposed an increase from the current roll of $37,704,143 to $45,792,420. (Healthcare Center).

<u>January 1, 2006</u> $371,993,076[2] total:

Application No. 07.2907, the Assessor proposed an increase from $285,114,920 to $325,876,500 (Assisted Living).

Application No. 07.2909, the Assessor proposed an increase from $38,031,956 to $46,116,576 (Healthcare Center)

<u>January 1, 2007</u> $379,432,936 total:

Application No. 07.2907, the Assessor proposed an increase from $290,817,218 to

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[2] The testimony at the hearing by the Assessor was that this figure included an additional $22,770,065 in personal property, which is also reflected on Assessor's Exhibit A; the Assessor's post hearing brief omitted this amount from its recommended value. Thus, while the testimony by Assessor's representative Ms. Luu-Nguyen was that the total increased value for lien date January 1, 2006 was $394,763,141, the recommended value in the Assessor's post-hearing brief was $371,993,076

$332,394,029 (Assisted Living).

Application No. 07.2909, the Assessor proposed an increase from $38,792,595 to $47,038,907 (Healthcare Center).

V.

BURDEN OF PROOF

Generally, the Applicant has the burden of proof for a base-year and Proposition 8 appeal for the subject property-type, and the Assessor is presumed to have properly performed his or her duties and that a property assessment is correct. However, the Assessor served the Applicant with a timely 10-day "raise letter" prior to the hearing, pursuant to Revenue and Taxation Code section 1609.4, notifying the Applicant of an increase in the assessed value of the subject property. Because the Assessor issued the 10-day raise letter, the Assessor lost this presumption and has the burden of proof. Property Tax Rule 313, subdivision (f). The Assessor acknowledges that he carries the burden of proof. (See "Assessor's Hearing Brief," at p. 6.)

VI.

ANALYSIS

As a preliminary matter, it is noted that the Applicant states that "The facts of this case are virtually agreed or accepted by the parties."[3] Further, the Assessor states in his brief that "Both the Assessor and the Applicant concur that the highest best use for this property is senior housing."[4] Additionally, both parties use $78,000,000 as the value of the land at issue in these appeals. Lastly, both parties agreed that there were insufficient sales comparables in order to rely on this method of valuation to determine the value of the property, though it was used by both parties as an attempt to check their calculations under the cost and income approach methods of valuation. (See e.g. Applicant's Exhibit C, at p. 76.)

A. Business Model

Applicant is a subsidiary of Vi Living, which owns, manages, develops, and markets luxury

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[3] Applicant's initial post-hearing brief, p.2, submitted in lieu of oral closing argument.

[4] "Assessor's Hearing Brief," p.2, line 7, submitted in lieu of oral closing argument.

retirement communities, both rental and entrance fee types, in the United States. The subject property has been developed, marketed, and is operated as an entrance fee type CCRC, for seniors who are 62 years of age or older. This type of facility offers a continuum of care consisting of independent living, assisted living, memory care and skilled nursing care, usually on the same campus. To become a resident of this community, there is an up-front entrance fee, as well as a monthly fee. If the community generates a surplus, that benefits the community rather than the owner, and the excess goes to either a reserve fund or a rebate to the residents. Ninety-percent of the entrance fee is refundable to the resident or to their estate following death, voluntary withdrawal or permanent transfer to the health care facility, with respect to first-generation residents, provided certain other conditions are met, e.g. such as the passage of 10 years from the date of death. The fee ultimately becomes 80% refundable for subsequent generations of residents, and continues to be reduced for ensuing generations until the fee is no longer refundable in out-years.

The entry fee grants each resident a life-care contract with a right of occupancy for the remainder of their lives and certain rights for future health care needs. The responsibility of reselling the unit falls upon the provider. The Assessor characterized this right to occupy as a life estate interest in the residence.

In addition to the pre-paid entry fee, a monthly fee is charged which varies based on the size of the unit. The monthly fees are intended to cover facility operating costs on a break even basis. The monthly fee typically covers a meal plan, weekly housekeeping, activities, transportation, utilities, insurance, maintenance, real estate taxes, base ground rent, 1 car parking and operational costs of the community. If the resident requires assisted living, memory care or skilled nursing care in the future, the resident can move to the community's on-site care center. There, the resident continues to pay the same monthly fee charged for his/her independent living unit, plus additional charges for ancillary items such as additional meals.

For a move in date during calendar year 2005, Applicant's data indicates that entry fees ranged from $559,400 for an 826 SF, 1 bedroom unit to $3,954,000 for a 4,212 SF 3 bedroom, 3.5 bath unit. If the unit is occupied by a couple, there is an additional second person entry fee of $25,000. The monthly fees ranged from $3,100 for the 1 bedroom unit to $7,430 for the largest 3 bedroom unit, with an additional fee per month if the unit is occupied by a couple.

Per the testimony of Vi CFO, Mr. Gary Smith, the first-generation entry fees were used to: 1) repay construction loans; 2) after the construction loans were fully repaid, some proceeds were used to pay private costs; 3) money was deposited into reserves; and 4) money was distributed to the parent company. Per the testimony of Mr. Van Santen, as of 2007, the occupancy of the subject property was 97.1%. Further, the Applicant had collected $347,000,000 in entrance fees as of the first year.

Per Mr. Smith, the entry fees would not be "stabilized" for 10-15 years. He also testified the turnover rate in independent living units was much lower than the actuarial study had indicated. As a result, entrance fees for 2008-2010 were only $20,000,000 rather than the $69,000,000 forecast.

Under the lease, after 30 years, only 50% of the entrance fees would be refundable as to new residents; after 45 years, 0% of the fees would be refundable to new entrants; and after 60 years, the CCRC has to convert to a rental CCRC, so that at the end of the 75-year lease, no refunds are anticipated. Applicant's witness Mr. John Van Santen testified this was a complex business model.

B. Cost Approach.

Per the testimony of Mr. Gary Smith, proceeds from the sale of the subject property's initial entrance fees were used to pay off the construction loan of $226,168,879 (Applicant's Exhibit 10, page 5), plus transfer a total of $174,176,865 in cash to the Applicant's parent company (a total of $400,345,744). Mr. Smith testified that cash payments were made to the parent company over a three-year period as follows: $91,316,222 in 2005; $55,218,549 in 2006 (Applicant's Exhibit 10, page 4); and $27,641,694 in 2007 (Applicant's Exhibit 2, page 5). The Applicant reported actual construction costs of $223,638,977 (Assessor's Exhibit C, pages 2-6)[5] and Applicant's witness, Mr. John Van Santen, MAI, estimated the market land value to be $78,080,000 in his appraisal (Applicant's Exhibit 3, page 41).

Mr. Smith testified that the payments to the parent company were made because that was

[5] Assessor's witness Ms. Trinh Luu-Nguyen testified the Assessor used the Applicant's reported costs of actual construction in developing the Assessor's cost approach valuation, removing personal property and pre-marketing pre-operating expenses.

how the CCRC business model worked; any excess cash generated was intended to go to the parent company. The parent company then uses those proceeds for any general purpose the parent company chooses to do so.

Ms. Luu-Nguyen testified for the Assessor that the Assessor used the Applicant's reported costs of actual construction in developing the Assessor's cost approach valuation, removing personal property and pre-marketing pre-operating expenses, while adding a 25% addition for EP. Using this method, Ms. Trinh testified the value of the subject property as of the November 3, 2005 lien date was $373,700,000 (See Assessor's Exhibit C, pp. 2-6.) Assessor's witness, Mr. Craig Cooper, testified for the Assessor that EP is the value for the developer's risk, what someone would expect to receive back as profit for the risk. Ms. Luu-Nguyen testified that a CCRC is not a unique use of a senior housing property.

The Assessor also performed a cost approach for the November 3, 2005 lien date using Marshall and Swift (M&S) guidelines as a check against the Assessor's actual cost of construction approach. (See Assessor's Exhibit C, pp.7-10) The Assessor used the M&S "Luxury High-Rise Apartment," Class B Good, to value the independent living facility and the "Homes for the Elderly," for the healthcare center, Class A Good. Ms. Luu-Nguyen testified that the difference in cost between these two classifications added approximately 30% to value when using the Luxury High-Rise Apartment classifications. Utilizing this method of valuation, the Assessor concluded an indicated value of $390,200,000. A similar M&S cost approach valuation was undertaken for lien date January 1, 2006, in which the Assessor concluded the indicated value of the subject property was $401,600,000. (See Assessor's Exhibit C, pp. 7, 11.) Lastly, the Assessor arrived at an assessed value of $426,300,000, for lien date January 1, 2007 using the M&S approach. (See Assessor's Exhibit E, p. 3) Applying the factored-base year value, the actual Assessor's recommendation as to assessed value, were lower as indicated above.

AAB Chair Stan Tish questioned Applicant's witness Mr. Gary Smith regarding the 90% refundable fee with respect to EP, noting that after the construction loan is paid off and the costs of development, there is some profit. Specifically, Mr. Smith was asked at what rate of return a CCRC project was undertaken, to which he responded that a 20% rate of return would be expected before proceeding. Member Anderson noted that by taking over $170,000,000 plus and distributing to the parent company, was not that profit?

Mr. Smith testified that under this business model, they pay down the construction debt, pay for project costs, and cover start up operating costs (e.g. marketing), until they are at the break-even point of 80%, then they cover any required expenses and return the rest to the parent company for general expenditure purposes.

Mr. Van Santen performed a cost approach valuation, choosing to use replacement cost new (RCN), rather than using the actual costs, and utilizing different M&S cost classifications from the Assessor, e.g. he did not believe "Luxury High-Rise Apartment" was an appropriate classification to use given the numerous common areas in a CCRC. He chose to use the RCN approach because he felt that there were "extraordinary" costs associated with the development of the CCRC that did not contribute to value. Using this approach, he arrived at a value of $208,500,000 for the January 1, 2007 lien date. (See Applicant's Exhibit 8, at p. 51.) He did not include the first-generation entrance fees in his analysis; further, he deducted $83,990,977 from the value of the property, attributing it to economic/functional obsolescence. (See Applicant's Exhibit 8, at p. 47.) He testified the functional obsolescence was attributable to the insufficient cash flow coming in from an investor's standpoint. Board members questioned whether that was not created by distributing $174,000,000 to the parent company.

C. Income Approach.

1. The Assessor

With respect to the November 3, 2005 and January 1, 2006 lien date, the Assessor employed the income approach, using "Method I" and "Method II." (See Assessor's Exhibit E.) Method I, which did not include the estimated amount of income to the business enterprise, concluded with a recommended value for lien dates November 3, 2005 and January 1, 2006 of $367,300,000 and $370,700,000 respectively. (See Assessor's Exhibit E, at p. 16.) Method II differed from Method I in that it captured the entire refundable portion of the initial entrance fee; Method I only captured interest on the Applicant's use of the refundable entrance fee. Method II indicated a substantially higher value than Method I, i.e. $595,700,000 and $599,100,000 for lien dates November 3, 2005 and January 1, 2006, respectively. (See Assessor's Exhibit E, at p. 21.) Using Method II, the value of the subject property was $617,600,000 for the January 1, 2007 lien date. (See Assessor's Exhibit E, at p. 22.)

2. The Applicant

Mr. Smith testified that his charge was to determine the fee simple value of the subject, based on the stabilized value of the subject property. Mr. Smith testified that an investor would not consider imputed income on the refundable fees as suggested by the Assessor, nor EP. Rather a potential developer would look to the anticipated cash flow in valuing the property. Applicant's witness Norm Lezotte similarly testified that he had never imputed income in his CCRC appraisals.

Mr. Van Santen performed an income method approach to valuation for lien date January 1, 2007. In undertaking this approach, he did not include the income from the first-generation entrance fees. With respect to the capitalization rate, he looked at three sources of the rate: 1) market sales (9.5%); 2) industry (9.3%); and 3) band of investment (9.6%). For this entrance fee CCRC, he felt a 10% capitalization rate was appropriate; adding in the effective tax rate, he used 11.1% (O.A.R 10% + 1.1 %E.T.R) as the capitalization rate. (See Applicant's Exhibit 3, at pp. 47, 70.) He felt that a higher capitalization rate was appropriate because in guaranteeing healthcare for life, the operator of a CCRC takes on a higher risk. He also found the subject property had a net operating income of $23,145,369. Analyzing these factors, he concluded a value of $208,500,000 as of January 1, 2007. (See Applicant's Exhibit 3, at p. 70.) As of lien date January 1, 2006, the indicated value was $200,610,000. (See Applicant's Exhibit 4, at p. 3). Applicant attributed the same value to the lien date of November 3, 2005.

With respect to the capitalization rate, Chair Tish questioned the high rate, noting that the subject property was on prime real estate in the Bay Area, i.e. on Stanford land, near the high-end Stanford Shopping Center, Stanford Research Park (the premiere R&D location on the Peninsula) and Stanford Hospital.

D. Special Use Property

Ms. Luu-Nguyen testified that the subject property is not a special use property; rather, while the operation is unique, the property is not in any way special, noting similar senior living properties such as "The Forum" in Cupertino and "Webster House," in Palo Alto. Ms. Luu-Nguyen further testified that a CCRC is a distinct property-type from other forms of senior living facilities, such as an assisted living facility, or a nursing home. She further testified that she had previously appraised Webster House as a CCRC, including imputing income, as part of the income approach to value.

Mr. Smith testified that the design of the subject property does not lend itself to some other use, comparing it to an Arizona property owned by Vi. Vi had started development of a CCRC in Arizona in 2008, and when the real estate market dropped, found itself with significant cancellations in residency contracts. Vi explored other uses for the property, but concluded that there was no other alternate use, given all the common areas in a CCRC.

Mr. Van Santen testified there are approximately 1,800 CCRC's in the country; of these approximately 80% are non-profits, often run by religious groups, such as Jewish and Catholic groups. He testified the subject property was a limited market property, noting that there are not that many CCRC sales.

Mr. Van Santen did not include EP as it is usually seen with speculative developments, such as office buildings, and the developer is taking the risk that they will not be able to lease it out. When you have a build-to-suit, or a special purpose building like the subject, he testified it does not warrant the inclusion of EP. In contrast, Mr. Lezotte testified that he had considered 5% -15% EP when doing valuations of CCRC's.

VII.

FINDINGS AND CONCLUSIONS

Said applications having been heard, evidence both oral and documentary having been introduced and considered, the Assessment Appeals Board, having rendered a final determination based on the weight of the evidence, now makes the following findings of fact and conclusions of law:

1. All objections were overruled, withdrawn, or the question was restated.
2. The Assessor had the burden of proof for all lien dates at issue.
3. Under the Revenue and Taxation Code the Assessor is required to assess real property according to the full cash value of the fee simple interest.

4. The independent living units and the health center are on separate Assessor's parcels and are physically capable of operating independently. However, the health center is required to provide services to residents of the independent living units as required. Therefore, the facilities are complementary and comprise a single economic unit and single appraisal unit under the current use.

5. By virtue of the residency contracts and payment of the initial entry fees and monthly service fees, residents have certain rights of occupancy, possession, and use.

6. The economic potential of the fee simple interest in the property consists of the initial entry fees and the capitalized value of the subsequent entry fees at turnover.

7. The Applicant, through Mr. John Van Santen, MAI submitted a competent, detailed, and thorough summary appraisal of the property as of January 1, 2007 and two supplemental reports as of November 3, 2005 and January 1, 2006. Mr. Van Santen purports to be estimating the full cash value of the fee simple interest. However, by not including the initial entry fees in the appraisal he is excluding the greater portion of the residents? bundle of rights from the valuation and is, therefore, appraising something less than the fee simple interest.

8. The subject property is not a special use property, but is a limited market property.

9. As a limited market property, there is an insufficient quantity and quality of market data to estimate full cash value by sales comparison. Therefore, the Board has relied upon the cost and income capitalization approaches, as have both the Applicant and the Assessor, which are appropriate and reliable methodologies for the valuation of this property type.

10. As the property is not a special use property, it is appropriate to include a developer's or entrepreneurial profit (EP) in the application of the cost approach. EP is represented by the $174,176,865 transferred to the parent company for its unrestricted use.

11. The Board finds that there is no credible evidence of functional or external obsolescence as of any of the value dates in question. For the January 1, 2007 lien date the Board estimates the full cash value of the fee simple interest by the cost approach,

relying upon historical costs and the Applicant's figures (rounded) as follows:

Land value (fee simple)	$ 78,000,000
Development costs/loan payoff	226,000,000
Developer's profit/distribution to parent	174,000,000
Indicated value by cost approach	$ 478,000,000

12. In the income capitalization approach for the January 1, 2007 lien date, the Board relies upon Applicant reporting that the project achieved stabilized occupancy as of December 31, 2006; initial entry fees of $433,536,859 from Assessor's Exhibit C, pp. 23-24; development costs/loan payoff of $226,168,879 from Applicant (Applicant's Exhibit 10, p.5); and net operating income of $23,145,369 from Applicant's Exhibit 3, p.70. As the ground lease term is for 75 years, it is appropriate to rely upon direct capitalization to value the income stream from ongoing operations after payment of the initial entry fees. With regard to the overall rate of capitalization, Mr. Van Santen cites the Senior Housing Investment Survey, Spring 2006 to the effect that rates for CCRC's range from 8.0% to 11.0% with an average of 9.3% (Applicant's Exhibit 3, p. 67). Given the premier quality of subject's Stanford location and market area (with an affluent customer base drawn from Stanford University alumni and professors), the appropriate overall rate is at the lower end of the range, or 8.5%. Accordingly, the Board's income capitalization approach can be summarized as follows:

Initial entry fees:	$433,536,859;	
Less: development costs	($226,168,879)	
Net income from initial sales		$207,367,980
Plus:		
Net operating income	$23,145,369	
Overall rate of capitalization	8.5%	
Capitalized value of ongoing operations	$272,298,459	
Indicated value by income capitalization		$479,666,439
(Rounded)		$480,000,000

13. The results of the cost and income capitalization approaches exhibit a variation of 1.0%. The cost approach confirms the results of income capitalization. The Board concludes that the full cash value of the fee simple interest in the subject real property as of January 1, 2007 is $480 million.

14. The economic potential of the fee simple interest in the subject property is the same on the date of construction completion (November 3, 2005) and the January 1, 2006 lien date as on the lien date January 1, 2007. Accordingly, the Board concludes that the full cash value of the fee simple interest in the subject property as of the referenced dates is $480 million as of each date.

15. The allocation of the $480 million full cash value as to each lien date is: 1) $78 million land; and 2) $402 million improvements. The Assessor is directed to enroll $402 million for the improvements for each lien date at issue in this hearing, those being: November 3, 2005, January 1, 2006, and January 1, 2007. The Assessor is further direct to enroll the factored base year value of the land for each lien date at issue in this hearing, those being: November 3, 2005, January 1, 2006 and January 1, 2007.

16. As the Board relied upon direct capitalization and not a discounted cash flow analysis in our income approach, the issue of whether to impute interest income is rendered moot, and we render no finding on that question.

Dated: Mar 22, 2012

Stan Tish, Chairperson

Dated: March 26, 2012

William Anderson

Dated: ____________

~~John Howe~~

540597.DOC

13. The results of the cost and income capitalization approaches exhibit a variation of 1.0%. The cost approach confirms the results of income capitalization. The Board concludes that the full cash value of the fee simple interest in the subject real property as of January 1, 2007 is $480 million.

14. The economic potential of the fee simple interest in the subject property is the same on the date of construction completion (November 3, 2005) and the January 1, 2006 lien date as on the lien date January 1, 2007. Accordingly, the Board concludes that the full cash value of the fee simple interest in the subject property as of the referenced dates is $480 million as of each date.

15. The allocation of the $480 million full cash value as to each lien date is: 1) $78 million land; and 2) $402 million improvements. The Assessor is directed to enroll $402 million for the improvements for each lien date at issue in this hearing, those being: November 3, 2005, January 1, 2006, and January 1, 2007. The Assessor is further direct to enroll the factored base year value of the land for each lien date at issue in this hearing, those being: November 3, 2005, January 1, 2006 and January 1, 2007.

16. As the Board relied upon direct capitalization and not a discounted cash flow analysis in our income approach, the issue of whether to impute interest income is rendered moot, and we render no finding on that question.

Dated: Mar 22, 2012 — Stan Tish, Chairperson

Dated: ____________ — William Anderson

Dated: 3/27/12 — John Howe

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Exhibit 21

Randal J. Richardson
President
71 South Wacker Drive, Ste 900
Chicago, IL 60606
P: 312.803.8458
F: 312.873.4311
rrichardson@viliving.com

August 31, 2012

Dear Residents of Vi at Palo Alto

As you may know, after a hearing before the Santa Clara County Assessment Appeals Board (AAB), the AAB determined the assessed value of the Community to be $480 million as of November 2005, January 2006 and January 2007 As we communicated to you by Memorandum dated May 7, 2012, we believe that the AAB made numerous mistakes in reaching that decision and we are pursuing all available legal remedies to challenge the assessment. Residents have raised concerns about the impact that the assessment will have on the resident monthly fees. Our Management Company and the Provider have studied this issue in depth and have determined that the Provider will relieve the Community of most of the burden of the impact of the AAB's decision during the course of our legal challenge to the base year valuation.

What this means is that the Community will only be charged for real estate taxes based on the level of assessment of the Community that was in place prior to our appeal (approximately $319 million), as increased each year by the Office of the Assessor by no more than 2% (collectively, the Current Base Year Assessment), until the finalization of our appeal of the base year valuation. All back taxes through June 30, 2012 (approximately $12 million), including the $1.4 million that we previously stated would be converted to a shortfall loan after payment, will be borne by the Provider, with no impact on future monthly fees. Further, the Provider will incur all of the real estate tax expense after June 30, 2012 in excess of the Current Base Year Assessment, based on the decision of the AAB, until our legal challenge is completed, the excess of which we estimate could be approximately $1 9 million per year By taking this approach, it will not be necessary to reduce the Capital Item Replacement Reserve (CIRR) funding level from 5% to 4% on January 1, 2013, as we had planned. As previously discussed, we will suspend the crediting to residents of any excess amounts in the Cumulative Operating Surplus, as provided for in the COS policy, until the appeal of the base year assessment is completed. In this letter we would also like to address a few of the issues that have been communicated to us regarding the AAB decision.

We have been informed that some residents contend that we should never have appealed the assessment, that we hired substandard counsel and that the tax increase is somehow beyond the scope of what is covered by the plain language of the Residency Agreements. We strongly disagree with each and all of those assertions. First, the decision to appeal the tax assessment was a sound and reasonable business decision. Our management company has extensive experience in this area and has had great success in the past at other communities which produced meaningful benefits to our residents We have no doubt that if we had failed to challenge the assessment we would have been criticized for that decision Second, our counsel is highly experienced, competent and well regarded in this area We have no reason to believe that their being from Chicago rather than California contributed in any way to the actions of the AAB. In fact, residents who attended the hearing were unanimously complimentary of their performance Lastly, the plain language of the Residency Agreements provides that real estate taxes are part of the operating cost of the Community. How that valuation is reached, or what the AAB chooses to base it on is irrelevant.

We further understand that the use of the term "Entrepreneurial Profit" in the AAB decision has caused some consternation among some of the residents. As we and our attorneys have explained to the RAC/RFC, the AAB misused the concept of Entrepreneurial Profit in order to reach a grossly inflated property value In fact, we believe that it should not have been applied at all to this type of property and the AAB's application of it here violates California law As we have previously explained to the RAC/RFC, there are three methods to value real property (cost approach, income approach, and comparable sales approach) Entrepreneurial profit is only relevant to the cost method. The basic concept is that a "cost approach" valuation of a new project cannot be limited to only an accumulation of the costs to build the project. A cost approach valuation must also consider the appropriate compensation to the developer for his expertise and risk incurred in developing the project. However, for a cost valuation of real estate, the entrepreneurial profit should be limited to just the developer's profit on the real estate It should be documented with market evidence on transactions limited to real estate, and is best evidenced by the profit percentage (on direct and indirect costs) that a real estate developer earns when he sells a newly completed project Entrepreneurial profit should not include profits and returns from the sale of an ongoing business that includes real estate.

A good example of a transaction that would measure entrepreneurial profit would be a developer, buying a plot of land, building out a commercial office building, and selling the finished office building to a real estate investor The developer's entrepreneurial profit would be the profit percentage earned on his total cost of the project. Conversely, entrepreneurial profit would not be documented by a restaurant operator building a new facility on a plot of land, operating the new restaurant to build up a clientele, and then selling the restaurant business along with the real property That transaction would be the sale of an ongoing business, and it would be difficult to separate the entrepreneurial profit attributable to the real estate, and the profit that was attributable to the sale of an ongoing business.

In this case any potential increase to assessable value under the cost method would be limited to entrepreneurial profit that documents increased value in the structural improvements in the real property Entrepreneurial profit increases to assessed value, should not include ongoing business value of CC-Palo Alto operating a continuing care retirement community ("CCRC") Using CC-Palo Alto's entrance fees as a measure of entrepreneurial profit is flawed in that a resident entrance fee transaction is not a purchase of a fee interest in real estate It clearly includes certain realty rights (i.e., the resident's lifetime occupancy right for a unit in the real estate) however the entrance fee also includes the purchase of more privileges and benefits beyond just an occupancy right. Using the gross entrance fee as a measure of realty value fails to reflect CC-Palo Alto's obligations to deliver various services and amenities, including certain long term health care services to each resident throughout his or her life time and most importantly, CC-Palo Alto's obligation to refund a significant portion of the entrance fee when the resident departs the project and his or her unit is sold In fact, the obligation to refund a significant portion of entrance fee is for accounting, income tax, and regulatory purposes treated as a loan from the resident. Calling it "entrepreneurial profit" defies common sense and strains credibility

A more proper market documentation of entrepreneurial profit attributable to the realty would be transactions in which a real estate developer, building a new CCRC facility, sold the facility immediately after completion, prior to any entrance fee transactions, to an operator like CC-Palo Alto Unfortunately, there are virtually no such transactions in the market-place as CCRC facilities are typically built by owner-operators who retain and operate the facility Without these standard market measures of entrepreneurial profit, the Assessor and the Board reverted to using entrance fees as a proxy for the market value of the realty Assessable entrepreneurial profit, if any, should be limited to the compensation for developer expertise and risks associated with building the structural improvements, and not include any entrepreneurial profit associated with the operating business or the underlying land

We will continue to challenge the AAB's improper valuation through all legal means available to us. While we are hopeful that our legal challenge will generate a successful result, there can be no assurances. Please be advised that the Provider's decision to bear the costs of real estate taxes attributable to the AAB's assessment in excess of the Current Base Year Assessment during the appeal period is not intended to waive, and the Provider reserves, its rights under the terms of the Residency Agreements after the appeal period ends. Further, if the appeal is successful, the Provider will be entitled to refunds until it receives a return of the payments it has made in respect of the taxes.

Sincerely,

Randy Richardson

Randy Richardson