

Exhibit 11

CONTINUING CARE RESIDENCY CONTRACT

VI AT PALO ALTO

PALO ALTO, CALIFORNIA

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VI AT PALO ALTO

CONTINUING CARE RESIDENCY CONTRACT

This Continuing Care Residency Contract (this "Contract") is made between CC-Palo Alto, Inc., a Delaware corporation (the "Provider"), through its agent, Classic Residence Management Limited Partnership, an Illinois limited partnership, and **Thomas C. Merigan** (individually and collectively, "You" or "Resident.") If two Residents sign this Contract, "You" refers to each of you individually and to both of you together, and the obligation of each of you are joint and several.

RECITALS

A. The Provider is licensed by the State of California to provide continuing care services at the community known as Vi at Palo Alto, located at 620 Sand Hill Road, Palo Alto, California 94304.

B. The "Community" is comprised of 388 residential living apartments; a "Care Center" with private skilled nursing suites, assisted living residences, and private rooms for memory support; common areas including an indoor pool and spa, library, bank, exercise room, activity rooms, dining venues; and administrative offices.

C. The land upon which the Community is situated is subject to a ground lease (the "Ground Lease") between Stanford University ("Stanford") as lessor, and the Provider, as lessee. Stanford's sole relationship with the Provider and the Community is as ground lessor of the land on which the Community is located, and Stanford shall have no obligations, duties, or liabilities whatsoever to You or any other residents at any time.

D. The Provider is solely responsible for providing services to You under this Contract. While the Community is located on land leased from Stanford, the Provider is not in any way affiliated with Stanford or with any religious or charitable entity. Neither Stanford nor any entity related to either Provider or Classic Residence Management Limited Partnership is responsible for the performance of this Contract or payment of any obligation to You under this Contract or any other agreement related to it.

E. The Provider has entered into a Management Agreement with Classic Residence Management Limited Partnership, an affiliated entity, to operate and manage the Community in accordance with all continuing care and other applicable laws and to provide services to You as set forth in this Contract.

F. The Community is operated on a nondiscriminatory basis and affords equal treatment and access to services to eligible persons, regardless of race, color, religion, national origin, marital status, or ancestry.

G. On the terms set forth in this Contract, the Provider will provide You with residential accommodations and assisted living, memory support, and skilled nursing services. This Contract sets forth those services in detail, and provides a statement of Your legal rights and obligations with respect to the Provider.

1. ACCOMMODATIONS AT THE COMMUNITY

1.1 Your Home

You have chosen to live in Apartment 214E at the Community ("Your Home"). Your responsibilities with respect to Your Home are described in Section 5 (*Provisions with Respect to Your Home*) and elsewhere in this Contract.

1.2 Fixtures and Furnishings Provided by the Provider

Your Home is furnished with a refrigerator, microwave, range with surface cooking units and oven, garbage disposal, dishwasher, smoke alarm, emergency call system, patio furniture, washer and dryer, and window and floor coverings. All such fixtures and furnishings, Your Home, and the Community are the property of the Provider.

1.3 Your Furnishings

The Community's standards regarding furnishing homes are described in the Resident Handbook. You may furnish Your Home in accordance with these standards. You agree, at the Provider's request and at Your cost, to remove any furnishings or equipment from Your Home that do not meet the Community's standards.

1.4 Eligibility

To be eligible to occupy Your Home and receive the services described in this Contract, You must be at least 62 years of age and meet the health and financial criteria established by the Provider at the time You enter into this Contract. The Provider reserves the

right, at its discretion, to modify and vary from these admission criteria, from time to time, in connection with other residents at the Community.

1.5 Term of Contract

This Contract will take effect on the date that it has been signed by both parties and will be in effect for the duration of Your life, provided You comply with Your obligations hereunder and unless this Contract is cancelled or terminated as provided in Section 8 (*Termination of Contract*).

2. GENERAL SERVICES

2.1 Services Included in Monthly Fee

You will receive the following services and amenities as part of Your Monthly Fee [defined below in Section 3.3 (*Monthly Fee*)], unless otherwise noted.

2.1.1 Dining Services. The Provider will serve three nutritionally well-balanced meals per day at designated times. Snacks will also be made available daily at locations and times designated by the Provider from time to time. Your cost of these meals and snacks depends upon the dining service program You select. The Provider offers three dining service programs at the Community as described in **Appendix A**. Your Monthly Fee covers the meal program that You have selected in **Appendix A** for Your individual dining needs. Additional meals will be charged to You separately (see **Appendix B** for a Schedule of Fees for Optional Services). In addition, the Provider will accommodate customary and reasonable special diets that are prescribed by Your personal physician as a medical necessity for an additional fee. All meals will be served in the dining venue(s) in the Community. You may change Your dining service program only once during the Provider's fiscal year (ending 12/31), by giving at least sixty (60) days prior written notice.

2.1.2 In-Home Meal Delivery. During Your temporary illness, after notice to and authorization from the Wellness Coordinator, meals will be delivered to Your Home, without a delivery charge. There will be a charge for all other meal deliveries to Your Home (see **Appendix B**).

2.1.3 Housekeeping. The Provider will perform weekly light housekeeping services for Your Home as part of Your Monthly Fee. Refer to the Resident Handbook for further details regarding housekeeping services.

2.1.4 Laundry. The Provider will launder Your bed linens weekly as part of Your Monthly Fee.

2.1.5 Activity Programs. The Provider offers various social, cultural, and recreational activities at and away from the Community, some of which may involve an extra charge. These activity programs are offered with the intention that some of them may meet the spiritual, physical, social, or intellectual interests of residents. You are welcome to participate in these activities as You wish.

2.1.6 General Observation. The Provider will make reasonable efforts to remain generally aware of Your health condition and functional status to help You recognize and attempt to respond to Your dietary and social needs, and needs for special services.

2.1.7 Transportation. Your Monthly Fee includes scheduled transportation services to local destinations as determined by the Provider and scheduled transportation to Your appointments with professionals offering medical, dental, and other health care services within the local area and within designated times. Transportation may be on a shared-ride basis.

2.1.8 Community Areas. The Provider maintains a variety of common areas and amenities at the Community for use by residents. Use of some amenities, such as the beauty salon, may require reservations and may involve an extra charge. The Provider may modify the availability and configuration of facilities and amenities from time to time.

2.1.9 Parking. One car per Home may be kept at the Community, provided You have a valid driver's license, insurance, and a currently registered automobile. This right is not assignable. The Provider may make additional parking spaces available for an extra one-time fee and an additional monthly fee, space permitting. The additional monthly fee for parking may be modified from time to time, upon thirty (30) days' notice to You. The Provider may require some or all parking to be on a valet basis.

2.1.10 Storage. Limited storage space is available within each Home. The Provider may make additional storage spaces available for an extra charge, space permitting. Such extra charge may be modified, from time to time, upon thirty (30) days' advance notice to You.

2.1.11 Utilities and Insurance. Electricity, water, sewer, trash/garbage disposal, heating and air conditioning, liability and casualty insurance for the Community (to the extent commercially available), and basic cable television services are included in Your Monthly Fee.

2.1.12 Maintenance. The Provider will perform maintenance of buildings and grounds, including routine maintenance and repairs of Your Home. Your Monthly Fee does not include the cost of maintenance and repairs of Your Home made necessary by causes other than ordinary wear and tear, and those costs, if any, will be charged to You separately. You are also responsible for maintaining or arranging for the maintenance and repair of Your personal property.

2.1.13 Emergency System. Your Home is equipped with an emergency call system.

2.1.14 Long-Term Care. The Provider offers a long-term care program, which includes assisted living, memory support, and skilled nursing care, as described in Section 4.1 (*Long-Term Care Services Offered in the Care Center*). The cost of long-term care services and supplies are discussed in Section 4.8 (*Cost of Long-Term Care Services*).

2.1.15 Real Estate Taxes. The Provider will annually estimate the real estate taxes, special taxes or assessments, and any other taxes that it believes may be levied by the City of Palo Alto, County of Santa Clara, or State of California on the Community. These taxes will be included in the determination of Your Monthly Fee.

2.2 Services Not Included in Monthly Fee

You will pay an additional charge, referred to throughout this Contract as "Miscellaneous Expenses," for optional services offered by the Provider that are not covered by Your Monthly Fee. See **Appendix B** for a Schedule of Fees for Optional Services.

2.2.1 Meals. You will be charged for snacks and any additional meals not included in the dining service program You selected in **Appendix A**. You will also be responsible for paying for Your guests' meals, in-home delivery meals not covered by Your Monthly Fee, and any special diet that Your physician orders. [See Section 2.1.1 (*Dining Services*) and Section 2.1.2 (*In-Home Meal Delivery*).] Credit for unused meals in a month may not be carried forward into the next month or used for guest meals.

2.2.2 Special Services. Upon Your request and subject to availability, additional housekeeping, guest accommodations, special activities, home health care, and other special services may be offered for an extra charge.

2.2.3 Personal Property and Liability Insurance. Your Monthly Fee will not include the cost of insuring Your personal property or liability insurance for damage or injury

that You or Your guests or invitees cause to the Community or individuals. [See Section 5.2 below (*Damage to Your Home or the Community*).]

2.2.4 Other Optional Services. The Provider may offer additional optional services in the future.

2.2.5 Health Care. Your Monthly Fee will not include physician-care, home health care, hospital care, or rehabilitative services. [See Section 4.10 (*Excluded Services*).]

2.3 Changes in Scope and Cost of Services.

The Provider will strive to be responsive to the needs and desires of residents concerning the scope of services provided at the Community. Accordingly, the Provider may make changes in the nature and scope of services available to You at the Community or in the scope of services included in the Monthly Fee upon thirty (30) days' written notice to You. Additionally, the Provider may change the charges for optional services upon thirty (30) days written notice to You.

3. FEES

Occupancy of Your Home, use of the accommodations at the Community, and the right to receive the services described in this Contract are contingent upon Your timely and full payment of the following fees:

3.1 Entrance Fee

3.1.1 Entrance Fee Amount. You agree to pay the sum of \$1,223,900.00, plus, if this Contract relates to a couple, a Second Person Entrance Fee of \$n/a for a total entrance fee of \$1,223,900.00 (collectively, the "Entrance Fee").

3.1.2 Deposit. You paid a \$122,390.00 deposit when you signed a Deposit Agreement. [Fill in the prior blank with "n/a" if you did not sign a Deposit Agreement and pay a deposit.] The Deposit will be applied against the Entrance Fee.

Also, if you paid a wait list deposit to place your name on the Community's wait list, then that wait list deposit will be applied against the Entrance Fee.

3.1.3 Due Date for Balance of Entrance Fee. You shall pay the balance of the Entrance Fee upon signing this Contract. You shall pay the balance of Your Entrance Fee by check made payable to CC-Palo Alto, Inc.

3.1.4 Payment of Entrance Fee by a Third Party. If someone other than the Resident is paying the Entrance Fee, that payor (i.e., the "Transferor") is identified on the

signature page of this Contract. See also, Section 9.4 (*Making Refunds/Repayments Payable to a Third Party*) regarding naming the Transferor on the Entrance Fee Promissory Note.

3.1.5 Entrance Fee Promissory Note. Upon payment of the balance of your Entrance Fee, the Provider will issue You a promissory note (the "Entrance Fee Promissory Note") representing the Provider's repayment obligation under this Contract.

3.1.6 Entrance Fee Minimum Repayment Percentage. The "Minimum Repayment Percentage" to be used when calculating any entrance fee repayment due to You under this Contract shall be eighty percent (80%). Any refund or repayment of the Entrance Fee which is due to You will be paid as described in Section 9.1 (*Amount and Timing of Refund or Repayment*) and, if there are two Residents, allocated as described in Section 9.6 (*Refunds or Repayments to Couples*).

3.2 Processing Fee

You have paid or will pay upon signing this Contract a Two Hundred Fifty Dollar (\$250.00) Processing Fee to cover the administrative costs of processing your application for residence at the Community. The Processing Fee is not refundable or applicable to the Entrance Fee or any other charge.

3.3 Monthly Fee

3.3.1 Amount to Pay. You agree to pay a monthly fee (the "Monthly Fee") to the Provider, commencing on the date You sign this Contract. Your Monthly Fee will be prorated for the first month if the date payment is first due is not the first day of the month. The Monthly Fee initially shall be \$4,860.00 for single occupancy of Your Home, and \$6,597.00 for double occupancy. The Monthly Fee may be adjusted by the Provider upon thirty (30) days' written notice.

3.3.2 Calculation of Monthly Fees. In this Contract, the phrase "Community Operating Revenues" shall be defined as the total of: (a) all monthly fees collected from residents, and (b) all other Community revenues collected excluding entrance fees, one-time fees for an additional parking space, and payments for alterations to units. Community Operating Revenues for a fiscal year are intended to pay all costs of operating the Community, including capital and operating reserves. In calculating the monthly fee for each year, the Provider considers, among other things, prior year costs, economic indicators, and projected costs as determined by the Provider. The Provider will forecast, on an annual basis, anticipated costs of

operating the Community and anticipated Community Operating Revenues for the next year and future years. Typically, the forecasting occurs in October and the Provider will establish monthly fees on or before January 1st of each year for such year.

The costs of operating the Community intended to be paid from Community Operating Revenues include, but are not limited to: (i) the costs to provide the services and amenities under this Contract and under all other resident agreements; (ii) the costs to provide services and amenities to all residents of the Care Center; (iii) the amount paid to outside care facilities with whom the Provider has a referral agreement pursuant to Section 4.2 (*Priority Access to the Care Center and Outside Care*); (iv) the costs of insurance policies (including property, casualty, and liability insurance policies); (v) employee expenses (including salaries, benefits, and taxes); (vi) all costs of maintenance, repairs, and replacements of capital items (including furnishings, fixtures, and equipment - whether purchased or leased); (vii) real estate taxes, special taxes or assessments, and any other taxes that may be levied against the Provider or the Community (excluding income taxes that are attributed to the net income of the Community); (viii) operating and capital reserves (including without limitation the Capital Item Replacement Reserve which is defined in Section 3.3.3 below); (ix) marketing costs; (x) base rent payments under the Ground Lease for the Community; and (xi) a management fee to Classic Residence Management Limited Partnership or its successor. No debt service of any kind will be included in the costs of operating the Community intended to be paid from Community Operating Revenues, except for Shortfall Loans, if any, as described in **Appendix C**, and leases entered into in the normal course of operations (these leases typically are obtained for all of the community's vehicles and certain of the community's dishwashing and office equipment).

3.3.3 Capital Item Replacement Reserve. The Community will maintain a reserve account ("the Capital Item Replacement Reserve") which will be funded by a portion of Community Operating Revenues, which currently is five percent (5%) and is subject to increase from time to time as determined by the Provider and is expected to increase to six percent (6%) over time. The Community policies related to the Capital Item Replacement Reserve will be set forth in the Resident Handbook.

3.3.4 Responsibility for Operating Surpluses and Deficits. At the end of a year, any deficit between Community Operating Revenues and the costs of operating the Community may be funded by a Shortfall Loan as described in **Appendix C** and/or the Provider's policies on

surpluses and deficits. At the end of a year, any surplus of Community Operating Revenues over the costs of operating the Community shall be treated as described in **Appendix C** and/or the Provider's policies on surpluses and deficits.

3.3.5 Historic Schedule of Monthly Fees. An historic schedule of the Monthly Fees for the past five (5) years (or such lesser number of years that the Community has operated as a continuing care retirement community) is attached as **Appendix D**.

3.3.6 Meal Credit During Absences. If You give advance written notice to the Provider that You will be absent (including an absence for medical reasons) from the Community for more than fifteen (15) consecutive days, You will receive a credit equal to the Provider's estimate of the direct food costs per meal for the meals You miss under Your meal plan. The credit will begin on the sixteenth (16th) day of Your absence and will continue for the period of Your absence for which You have given notice. The balance of Your Monthly Fee shall remain payable in accordance with the terms of this Contract.

3.4 Fees for Optional Services

You agree to pay an additional charge for all services or supplies You use that are not included in Your Monthly Fee. [See Sections 2.1 (*Services Included in Monthly Fee*) and 2.2 (*Services Not Included in Monthly Fee*) above.] The current fees for such services are included in **Appendix B** in the Schedule of Fees for Optional Services. The Provider will bill You for these additional charges as Miscellaneous Expenses.

3.5 Payment Procedure for Monthly Fees and Miscellaneous Expenses

The Provider shall bill You monthly in advance for Your Monthly Fee and monthly in arrears for the Miscellaneous Expenses you have incurred. You will receive the monthly statement at least fourteen (14) days before the due date. You must make payment by the tenth (10th) day of the month to avoid a late payment charge of Twenty Five Dollars (\$25.00) per delinquent payment. The late payment charge is not intended to be a penalty, but is an estimate of, and is intended to defray, the administrative costs of collecting delinquent payments. Any Monthly Fee, Miscellaneous Expense or other payment due that is paid after the fifteenth (15th) day of the month shall bear interest at the lesser of ten percent (10%) per year or the maximum legal rate from the due date until the date paid. The amounts and basis for imposing late payment charges and accrued interest on delinquent payments will appear on your monthly statement.

3.6 Fees for Upgrades to Your Home

You have paid \$-0- for upgrades, special features, and/or modifications to Your Home. [See Section 5.3 (*Alterations*).] Upon cancellation or termination of this Contract by the Provider, a portion of such costs may be refundable, but only on the terms described in Section 9.3 (*Refundability of Payments for Upgrades*).

4. LONG-TERM CARE

4.1 Long-Term Care Services Offered in the Care Center

4.1.1 Skilled Nursing. The Provider will provide routine levels of supportive and restorative skilled nursing care to You, as needed, in a private room at the Community's skilled nursing facility located in the Care Center. Such services shall include, as needed, all services available in assisted living, together with care planning, medication administration, skin and wound care, incontinence care, arranging for diagnostic and therapeutic services, dietary services, housekeeping services, social services, and an activity program. If You are admitted to the skilled nursing facility or an outside nursing facility, You agree to sign a separate skilled nursing facility admission agreement in its then-current form (the "SNF Admission Agreement"). The SNF Admission Agreement contains a detailed description of the nursing services covered by Your Monthly Fee and the services that are available for an additional fee. By signing the Acknowledgment Form (which follows the signature page of this Contract), You acknowledge that You have received a sample of the current SNF Admission Agreement, which is incorporated by reference into this Contract and made an express part of it.

4.1.2 Assisted Living. The Provider will provide You with assistance, as needed, with such daily activities as bathing, dressing, grooming, and assistance with storage and distribution of medications in a private assisted living apartment located in the Care Center. Each assisted living apartment will be furnished with window treatments, wall-to-wall carpeting in living and bedroom areas, vinyl flooring in the bathroom, along with a small refrigerator, freezer, microwave oven and sink in the kitchen area. A limited number of two bedroom units are available for an extra charge.

4.1.3 Memory Support. The Provider will provide memory support services, as needed, to residents who have Alzheimer's disease, dementia or other cognitive impairments requiring specialized care. Such services include, as indicated, all services available in assisted

living, plus protective supervision and a specialized activity program. If You need such services, they will be provided to You in a private memory support apartment located in the Care Center.

4.2 Priority Access to the Care Center and Outside Care

You will receive first priority access to the Care Center, including the skilled nursing facility, assisted living residences, and memory support residences over non-residents. If no space is available at the Care Center, You will receive skilled nursing care, assisted living care, or memory support services, as appropriate, at a nearby outside facility with which the Provider has a referral agreement. You will have first priority over non-residents for admission to the Care Center at the Community when space becomes available. Priority for admission to the Care Center among residents will be established upon a first-in-time basis with respect to each type of unit in the Care Center. You agree to move promptly to the Care Center upon the Provider's notice that a unit at the Care Center is available. See Section 4.8.2 (*Costs of Care at an Outside Facility*).

4.3 Care During Absence from the Community

Except when no space is available in the Care Center as set forth in Section 4.2 (*Priority Access to the Care Center and Outside Care*) above, your Monthly Fee will not cover the cost of any care or services rendered to You outside the Community and You must be physically located at the Community in order to receive benefits under this Contract.

4.4 Medical Director

The Provider contracts, on a consulting basis, with a physician licensed to practice medicine under the laws of the State of California who serves as Medical Director of the skilled nursing facility.

4.5 Level of Care Determinations

The Community has an interdisciplinary team consisting of the Executive Director, Care Center Administrator, Director of Nursing and possibly the consulting Medical Director (the "Care Team"). The Care Team will monitor care at the Community and participate in decisions regarding Your care and transfer. All decisions regarding Your need for care, the appropriate level of care, the appropriate location for the provision of such care, and whether Your transfer from your Home is temporary or permanent will be made in the reasonable discretion of the Provider in consultation with the Care Team and You (and/or, as applicable, your physician, representative, or family member). You acknowledge and agree that, from time

to time, Provider may conduct assessments of your condition and care needs so that Provider can make these decisions.

4.6 Home Health Care/Private Duty Aides

You may arrange for licensed home health care or private duty aide services in Your Home, provided that: (i) such care is consistent with all applicable laws, including California laws and regulations pertaining to assisted living services; (ii) You accept full responsibility for the cost of such home health care or private duty aide services; (iii) all providers of home health care or private duty aide services agree in writing to adhere to and actually do comply with the Community's home health care/private duty aide policies and procedures then in effect, including any limits on the number of hours per day that such an aide may provide services to You; (iv) all providers of home health care and private duty aide services are employed by a licensed agency; (v) You understand and agree that the Provider shall not be liable for any loss, damage, or injury to You, another resident of the Community, or any other person caused by providers of home health care or private duty aide services; and (vi) You agree to indemnify and hold harmless the Provider for any loss, damage or injury to You, another resident, or any other person caused by providers of home health care or private duty aide services.

4.7 Specialized Rehabilitative Services

At Your request, the Provider will assist You in obtaining specialized rehabilitative services from independent providers, such as physical therapy, occupational therapy, speech therapy, and audiology. Such care shall be at Your expense.

4.8 Cost of Long-Term Care Services

4.8.1 Coverage of the Continuing Care Plan. When You transfer to the Care Center, You will continue paying the Monthly Fee that You paid when living in Your Home [as modified per Section 7.3 (*Temporary/Permanent Transfers to the Care Center*), if applicable], plus a charge for additional meals at the then-current meal rates. If Your transfer is permanent, You must "make Your Home available" to the Provider (that is, You must vacate Your Home, remove Your belongings from it, and restore it to its original clean condition, excepting normal wear and tear). You will be responsible for paying the fees for any optional services and supplies that You receive at the Care Center, as well as for any ancillary services, such as medications, therapies, and home health or private duty care, that are not covered by Your

Monthly Fee. Once You transfer to the Care Center, basic skilled nursing care, memory support services, assisted living care, the Medical Director's services, and the Care Team services are included as a part of Your regular Monthly Fee.

4.8.2 Costs of Care at an Outside Facility. As provided in Section 4.2 (*Priority Access to the Care Center and Outside Care*), if space is not available at the Care Center, You may receive such services at a facility with which the Provider has a referral agreement. When receiving care at such a facility, You must continue paying to the Provider Your Monthly Fee and the charges for additional meals. If Your transfer is permanent, You must "make Your Home available" to the Provider (as defined in Section 4.8.1). The charges for the services You receive at the outside facility providing Your care, to the extent that such services would be covered by Your Monthly Fee if You had received the care at the Community, will be paid by the Provider and included in the costs of operating the Community. You will be responsible for paying the fees for any services and supplies that You receive at the outside facility and that are not ordinarily covered by Your Monthly Fee. When space becomes available at the Community's Care Center, the Provider will notify You, and You must return to the Community as promptly after the date of the notice as medical circumstances allow in order to continue to receive long-term care benefits under this Contract. The Provider's payment obligation to the outside facility shall end three (3) days after the date You are obligated to return to the Community. All obligations regarding the provision and quality of care at the outside facility shall be the responsibility of that facility and not the Provider, and You agree to hold harmless the Provider for any injury or damage You incur at the outside facility.

4.9 Enrollment in Medicare

You agree, at your own expense, to enroll in and maintain coverage under (1) Medicare (Parts A and B) or a substitute policy that is acceptable to the Provider; and (2) a Medicare supplemental insurance policy in a form and with an insurer reasonably acceptable to the Provider or, as an alternative to (1) and (2), a private insurance policy providing equivalent coverage. At the Provider's request, You agree to provide evidence of such coverage. You will be responsible for paying all premiums, co-payments, deductibles and shares of cost, as applicable, associated with your Medicare and other insurance coverage. The coverages provided to You under this Contract are supplemental to, and not duplicative of, Medicare and any other public or private benefits for which You may be eligible. You agree to take any action

and to sign any forms necessary to secure payment of all charges that You incur that are reimbursable under Medicare or any other public assistance or private insurance program for which You qualify. The Provider shall not pay or cover any costs for any items or services for which reimbursement is available from these programs. You agree to exhaust all Medicare benefits and any other public or private insurance coverage for which You qualify before the Provider is obligated to cover any costs of your care that are reimbursable under Medicare or any other public or private assistance or insurance programs. If You fail to take action to secure payment from public or private assistance or insurance programs for which You qualify, the Provider may purchase such coverage on your behalf and at your expense.

If you are enrolled in a Medicare HMO, that HMO must be willing to pay for your nursing services at the Community at rates acceptable to the Provider. If the Provider is unable to negotiate an acceptable rate with the HMO, you may be required to receive nursing care at an outside facility that has a contract with the HMO.

4.10 Excluded Services

The following are examples of services that are not included in your Monthly Fee and are not part of the Provider's obligations under this Contract: (1) care provided by individuals such as physicians, private duty caregivers, chiropractors, dentists, optometrists, podiatrists, osteopaths, or faith healers; (2) ancillary supplies and services (such as prescriptions, drugs, medications, vitamins, eyeglasses, contact lenses, hearing aids, orthopedic and prosthetic appliances, bandages, oxygen, respiratory equipment and personal hygiene products); (3) home health care services, private duty aide services, and rehabilitation services; (4) hospital care and other acute care; (5) dental work or care; (6) care that the Provider is not licensed or equipped to provide or does not routinely provide; (7) any services or supplies that the Provider determines, in its reasonable discretion, are not medically necessary; (8) treatment of pre-existing conditions that were not disclosed to the Provider prior to executing this Contract; (9) cosmetic surgery or related cosmetic services or products; (10) experimental treatments; (11) organ transplants; (12) medical techniques not approved by the American Medical Association; (13) psychiatric or psychological care or services, including, without limitation, treatment of mental illness, behavioral or emotional disorders, nervous disorders, alcoholism, drug addiction, or chronic substance abuse; (14) care of Alzheimer's disease or other dementias that exceeds the care routinely offered by the Provider or that imposes an undue burden on the Community's staff,

facilities, or other resources; and (15) emergency medical care not covered under this Section. If You have Medicare or other insurance which covers the excluded services described under this Section, the Provider will cooperate with You in a reasonable manner to file an insurance claim, but You will ultimately remain responsible for the payment of such services.

5. PROVISIONS WITH RESPECT TO YOUR HOME

5.1 Your Responsibilities With Respect to Your Home

You agree to keep Your Home in a clean and orderly condition. You agree to use and occupy Your Home solely as your residence and to maintain it in compliance with all applicable governmental requirements, including all public health and police regulations. You agree not to: (i) permit another person to reside in Your Home without the prior approval of the Provider; (ii) use or operate any equipment or machinery or engage in any conduct that may cause loss or damage to the Community, may harm residents or staff, or is disturbing to other residents or the effective administration of the Community; (iii) engage in any commercial activity at the Community; (iv) employ any person in or about Your Home whose employment or presence may create a liability on the part of the Provider; or (v) hire any of the Community's employees for any purpose without the consent of the Provider.

5.2 Damage to Your Home or the Community

The Provider will maintain insurance on the Community, including property damage and business interruption insurance, in amounts and with coverages it shall determine in its reasonable discretion.

If all or part of the Community is destroyed or damaged by fire or other loss and in the Provider's reasonable discretion the insurance proceeds are sufficient to rebuild the Community to its previous condition, then the Provider will proceed to have the Community restored, unless then-existing laws or other circumstances would not permit prompt reconstruction and restoration or other circumstances make reconstruction and restoration not feasible. If the Provider proceeds to restore the Community, it will restore affected units with the standard fixtures and floor plans for such units, unless otherwise agreed in writing. If the Provider proceeds to restore the Community and Your Home is not suitable for occupancy during such restoration, the Provider will pay and include in the costs of operating the Community, the costs of renting reasonably comparable or lesser quarters at or near the Community, provided You continue to pay Your Monthly Fees. During the period of

restoration, the Provider will use reasonable efforts to find suitable housing for such period, but if no such housing can be procured by the Provider despite such efforts, the responsibility for locating such housing will be Yours. The Provider cannot guarantee that such temporary alternative accommodations will be located at or near the Community or near any other residents of the Community. Throughout such time and to the extent reasonably practicable, the Provider will continue to furnish You or arrange for You to be furnished with the services that it has agreed to provide to You under this Contract or with appropriate substitutes. You will continue to be responsible for the payment of Your Monthly Fees if temporary accommodations and services are being provided to You. There may be an equitable allocation of Your Monthly Fee as reasonably determined by the Provider.

If the casualty insurance proceeds are insufficient to restore the premises or the Provider determines not to or is otherwise unable to rebuild the Community for any other reason, the Provider may terminate this Contract under Section 8.4.2.h (*Termination Rights of The Provider*). In that case, You shall receive a repayment of Your Entrance Fee in accordance with Section 9.1.2 (*Amount and Timing of Refunds or Repayments*) regardless of the availability of insurance proceeds and without any contingency for entering into a residency contract covering Your former Home with a new resident, within ninety (90) days after the date the Provider determines not to rebuild the Community.

5.3 Alterations

The Provider may make any alterations, addition, improvements, replacements or repairs to Your Home at any time to meet legal requirements, Community needs, or as necessary in the judgment of the Provider. Also, the Provider may make any alteration to the Community it deems appropriate.

You agree not to make any structural alteration to Your Home or the Community. You may make nonstructural alterations, additions or improvements to Your Home, provided You obtain the prior written consent of the Provider. The Provider may condition its consent upon Your prior written agreement that: (i) such work will be performed by the Provider or under its direction; (ii) You will bear the costs of all labor, materials, plans, permits, approvals and incidental expenses necessary to make such alterations; (iii) if the alterations are other than the Provider's standard or upgrade materials, upon termination of Your occupancy of Your Home for any reason, the Provider may require You, at Your expense, to remove such alterations

and to restore Your Home to its original condition (if the Provider performs such restoration, the costs shall be deemed a Miscellaneous Expense hereunder); and (iv) all such work shall be performed diligently and in a first-class, workmanlike and lien-free manner. See Section 9.3 (*Refundability of Payments for Upgrades*) regarding the treatment of any amounts You pay to upgrade Your Home.

5.4 Maintenance, Repairs and Replacement

The Provider will be responsible for maintaining and making all repairs to the Community and replacement of furniture, fixtures, and equipment at the Community (the cost of which repairs and replacements will be included in Community operating costs). However, You will be responsible for reimbursing the Provider directly for the cost of repairing any damage that You cause to the Community, beyond ordinary wear and tear.

5.5 Right of Entry; Licensure

The Provider and its agents shall have the right, upon reasonable notice where practicable, to enter Your Home to respond to emergencies, perform services, make repairs, display Your Home to prospective residents (for example, if You have given the Provider a notice of cancellation or termination), and for all other lawful purposes. In addition, because each home at the Community is part of a continuing care retirement community that is licensed by the California Department of Social Services as a residential care facility for the elderly, any duly authorized agent of the Department may, upon stating the purpose of his or her visit, enter and inspect any portion of the Community, including Your Home, at any time, without advance notice. The Provider will make reasonable efforts to preserve Your privacy in Your Home.

6. MARRIAGE/DIVORCE; JOINT OCCUPANCY

6.1 Joint Occupancy by Residents

In the event this Contract covers one Resident and You wish to live with another resident of the Community, then Your Monthly Fee will change only if You vacate one of Your Homes and move in with the other resident at the Community. If You move in together into another resident's home, then You must "make Your Home available" (as defined in Section 4.8.1) to the Provider.

Both residents and the Provider will execute an amendment to this Contract and the other applicable residency agreement (or, at Provider's sole discretion, will sign the then-current form of residency agreement for the Community) which acknowledges that one of the

homes was surrendered. The resident who is vacating his or her Home (the "second resident") will receive a repayment of the unamortized portion of his/her entrance fee. The refund will be payable in accordance with Section 9.1.2 (*Amount of Timing of Refund or Repayment*).

The second resident who is moving in with the first resident must pay the then-current second person entrance fee for the unit he/she will occupy after moving. After the second resident moves into the apartment, for purposes of amortizing the entrance fee, the additional entrance fee that the second resident pays at the time he/she takes occupancy will be amortized separately from the original entrance fee paid by the first resident. The lowest minimum refund percentage offered by the Provider at the time of the move will apply to the additional entrance fee that the second resident pays. After the two individuals move in together, the entrance fees paid by each of them will be treated as a single payment such that no refund of the entrance fees, or any portion of such fees, shall be calculated or due until this Contract is terminated with respect to both Residents (as described in Section 9.6 (*Refunds or Repayments to Couples*)). After the two of you move in together, you will both be jointly and severally responsible to pay the then current monthly fee applicable to double occupancy of the retained home.

6.2 Occupancy by Resident and Non-Resident

If You wish to live with a person who is not a resident (including a spouse) at the Community, such person must apply for admission to the Community and meet the admission requirements of a new resident. The decision whether or not to accept the applicant will be made by the Provider in its reasonable discretion. If the applicant is not accepted for residency, he/she will be deemed a guest, subject to the then-current Community guest policies and charges. If the applicant is accepted for residency, the applicant, You and Provider will execute an amendment to this Agreement or enter into a new agreement, at Provider's sole discretion.

You and the applicant will pay the then-current Second Person Entrance Fee for the unit he/she will occupy. For purposes of amortizing the entrance fee, the additional entrance fee that the second resident pays at the time he/she takes occupancy will be amortized separately from the original Entrance Fee paid by the first Resident. The lowest minimum refund percentage offered by Provider at the time of the move will apply to the additional entrance fee that the second resident pays. After the two individuals move in together, the Entrance Fees of each Resident will be treated as a single payment such that no refund of the Entrance Fees, or

any portion of such fees, shall be calculated or due until this Agreement is terminated with respect to both Residents (as described in Section 9.6 (*Refunds or Repayments to Couples*)). You will both be jointly and severally responsible to pay the then-current monthly fee applicable to double occupancy of your Home.

6.3 Divorce or Separation

If Residents covered under this Contract separate or divorce and one person moves out and surrenders the Home to the other Resident, this Contract shall stay in effect for the remaining Resident at the Monthly Fee for single occupancy and the Entrance Fee shall remain on deposit. No refund or repayment will be paid until the last remaining resident terminates this Contract. Any refund or repayment due will be allocated between the divorced or separated residents as described in Section 9.6 (*Refunds or Repayments to Couples*). Subject to availability and upon paying the then-current Entrance Fee for a new home and executing a separate residency contract similar in form to this Contract, the vacating Resident may move to another home in the Community.

7. TRANSFERS FROM YOUR HOME

7.1 Transfers Generally

You may request a transfer to another residence within the Community or another care setting within the Community. In addition, the Provider reserves the right to substitute Your Home with another comparable home if it is necessary to do so to meet any requirement of law or the lawful order or direction of the Fire Marshal or another authorized public official. You will then pay the then-current Monthly Fee applicable to Your new Home and that fee will be deemed Your "Monthly Fee" hereunder.

7.2 Transfers to a Higher Level of Care

The Provider may transfer You to a higher level of care if any of the grounds in this Section exist. In making this decision, the Provider shall take into consideration the appropriateness and necessity of the transfer, and the goal of promoting resident independence.

7.2.1 Statutory Grounds for Transfer. The Provider may transfer you to a higher level of care if it determines that any of the following statutory grounds (stated in Health and Safety Code § 1788(a)(10)(A)) exist:

- a. You become nonambulatory as this term is defined in Section 13131 of the California Health and Safety Code. A copy of Section 13131 of the California Health and Safety Code is available to You upon request; or
- b. You develop a physical or mental condition that endangers Your health, safety, or well-being or that of another person; or
- c. Your condition or needs require that You be transferred to an assisted living care unit or skilled nursing facility, because the level of care required by You exceeds that which may be lawfully provided in Your Home; or
- d. Your condition or needs require that You be transferred to a nursing facility, hospital, or other facility, and the Provider has no facilities available to provide that level of care at the Community.

7.2.2 Other Grounds for Transfer. In addition to the statutory transfer grounds set forth above, the Provider may transfer You to a higher level of care if it determines in its discretion that there are other reasonable grounds for transfer.

7.2.3 Transfer and Review Procedure. If You require transfer to a higher level of care, the Provider will follow the transfer and review procedure described in **Appendix F**. If You request review of the Provider's transfer decision, You agree to pay for any extra care that the Provider determines in writing to be necessary to allow You to remain in Your Home during the review process (see **Appendix F**).

7.2.4 Notice of Residents' Rights. Whenever it is proposed that You be moved to a higher level of care, You will receive a copy of the Statement of Residents' Rights (**Appendix G**.)

7.3 Temporary/Permanent Transfers to the Care Center

7.3.1 Temporary Transfers to the Care Center. If You temporarily transfer from Your Home to the Care Center (or outside the Community), You will not be required to vacate Your Home and You will continue to pay Your regular Monthly Fee. You will also be responsible for paying a charge for additional meals outside the meal plan You have selected and for any optional services and supplies and ancillary services You receive that are not covered by Your Monthly Fee. If You occupy Your Home with another Resident who is covered under this Contract and one of You is temporarily transferred to the Care Center, the remaining Resident may continue to occupy Your Home. In that case, there shall be no change in the payment of

both Residents' regular Monthly Fee, except that the transferred Resident will also be responsible for paying for additional meals, services and supplies, and ancillary services received that are not ordinarily covered by the Monthly Fee.

7.3.2 Permanent Transfers to the Care Center. The Provider will determine, in consultation with the Care Team and You (and/or, as applicable, Your physician, representative, or family member), whether Your transfer is permanent. If You (or, if this Contract covers two Residents, both of You) permanently transfer to the Care Center, You must "make Your Home available" (as defined in Section 4.8.1) to the Provider within thirty (30) days. If You do not make Your Home available to the Provider within the thirty (30) day period, You will pay double Your Monthly Fee from the 31st day on a pro rata basis until Your Home is made available. If You occupy Your Home with another Resident who is covered under this Contract and one of You is permanently transferred to the Care Center, the remaining Resident may continue to occupy Your Home.

7.3.3 Monthly Fees After Permanent Transfer to the Care Center. Following the permanent transfer of one or both of You from Your Home to the Care Center (or, if applicable, to an outside care facility as referenced in Section 4.2 (*Priority Access to the Care Center and Outside Care*)), You will continue to pay Your regular Monthly Fee plus any additional expenses required by this Contract, the SNF Admission Agreement or other applicable agreement.

However, if within the twelve (12) months prior to Your transfer, You moved from one non-care-center residence to another non-care-center residence in the Community, then Your "regular Monthly Fee" will be deemed to be the highest of Your previous Monthly Fees during that twelve (12) month period.

Similarly, this restriction applies for twelve (12) months after moving to a Care Center unit. Thus, if this Agreement covers two Residents, and one Resident moves to a Care Center unit (for purposes of this paragraph, referred to as the "first resident"), the second resident may move to another non-care-center residence in the Community. However, if the second resident moves to another non-care-center residence within twelve (12) months after the first resident transferred to a Care Center unit, then Your "regular Monthly Fee" will be deemed to be the highest of Your Monthly Fees during the twelve (12) month period after the first resident transferred to the Care Center.

Further, while You reside in the Care Center (or, if applicable, in an outside care facility as referenced in Section 4.2 (*Priority Access to the Care Center and Outside Care*)), Your Monthly Fee will be adjusted based on any adjustments of the monthly fee applicable to the type of non-care-center residence You occupied prior to Your transfer.

7.4 Transfers to a New Residence Which is Not in the Care Center

You may elect to move from Your Home to a different non-care-center residence at the Community upon the Provider's approval, which will not be unreasonably withheld, and subject to availability. When You move, You will execute the Provider's form amendment to this Contract or the Provider's then-current form of residency contract for the Community, at the Provider's sole discretion.

If the then-current Entrance Fee for the new home at the time of transfer is higher than the Entrance Fee You originally paid for Your Home, You will pay to the Provider the additional amount, which will be added to Your Entrance Fee pursuant to the amendment or new residency contract. The Provider will also sign a second Entrance Fee Promissory Note in the amount of the additional entrance fee. For refund and repayment purposes, the additional entrance fee amount that You pay at the time You transfer to Your new Home shall be amortized separately from Your original Entrance Fee. The lowest minimum refund percentage offered by the Provider at the time of transfer will apply to the additional entrance fee.

If the new Home to which You transfer has a lower Entrance Fee at the time of transfer than the Entrance Fee You originally paid for Your prior Home, then You shall receive a partial repayment of the Entrance Fee as follows: The difference between the two Entrance Fees shall be calculated. The Provider will prepay the product of the amount of such difference and the Minimum Repayment Percentage, and the balance of such difference shall be deemed earned by Provider and not repayable. Such prepayment shall be due only upon the resale of Your prior Home to a new resident and the expiration of the new resident's ninety (90) day cancellation period. Upon the prepayment referred to above, the amount of Your Entrance Fee Promissory Note for all purposes thereafter shall be the amount of the lower Entrance Fee of Your new Home.

After Your transfer, Your Monthly Fee will be adjusted so that it equals the then-current Monthly Fee for Your new Home. At the time You transfer, you must pay the transfer fee set forth in **Appendix B** in the Schedule of Fees for Optional Services.

7.5 Return to Home After Permanent Transfer

If You vacate Your Home pursuant to what was expected to be a permanent transfer, and, in the judgment of the Provider, You become able to return to a non-care-center residence at the Community, the Provider will offer You an apartment as soon as one becomes available. You will then pay the applicable Monthly Fee for Your new apartment. Moving costs shall be Your responsibility.

8. TERMINATION OF CONTRACT

8.1 Cancellation Period/Refund

There shall be a Cancellation Period of ninety (90) days beginning on the "Cancellation Period Commencement Date" during which You or the Provider may cancel this Contract, with or without cause. The "Cancellation Period Commencement Date" shall mean that date that is the earlier of: (a) the date that You first occupy Your Home or (b) sixty (60) days after the date You sign this Contract. If You cancel this Contract, You will give the Provider a written notice of cancellation. (An unsigned form entitled "Notice of Cancellation" is attached in duplicate to this Contract as **Appendix H.**) If the Provider cancels this Contract without cause pursuant to this Section, it will provide You with thirty (30) days written notice of such cancellation. In the event of cancellation, You shall be entitled to a refund of the amounts You paid under this Contract in accordance with California law, which provides that the Provider may deduct from Your refund the reasonable value of the services rendered. Your Application Processing Fee will not be refunded. The refund shall be made within fourteen (14) days after You "make Your Home available" to the Provider (as defined in Section 4.8.1). You must make Your Home available to the Provider within twenty (20) days after the date of the Notice of Cancellation.

8.2 Termination After Occupancy

You may terminate this Contract after the Cancellation Period for any reason, upon not less than ninety (90) days written notice to the Provider, sent by certified mail (or by a reputable commercial courier with signature of receipt required). The termination shall be effective on the date set forth in the termination notice (but not sooner than the ninety-first (91st) day following such notice), provided You "make Your Home available" (as defined in Section 4.8.1) to the Provider by that date. If You terminate this Contract under this Section, the

repayment provisions set forth below in Section 9.1.2 (*Amount and Timing of Refunds or Repayments*) shall apply.

8.3 Termination Resulting from Resident's Death

If You die during or after the Cancellation Period, this Contract shall automatically terminate effective as of the date that the Your Home is "made available" to Provider (as set forth in Section 4.8.1). If this Agreement covers two Residents, the termination shall apply only to the decedent and shall be effective immediately upon the death of the decedent. In the event of termination of this Agreement as to both Residents pursuant to this Section, the refund provision set forth in Section 9.1.2 (*Amount and Timing of Refund or Repayment*) below shall apply.

8.4 Termination Rights of The Provider

8.4.1 Resident's Financial Difficulty. After Your initial occupancy of Your Home, the Provider will not terminate this Contract based on Your financial inability to pay Your Monthly Fee or other charges if the conditions set forth in this Section are satisfied. You may be allowed to remain at the Community, at the reasonable discretion of the Provider, with a portion of Your Monthly Fee and other charges deferred, based on Your ability to pay, provided that: (i) You establish facts that justify deferral of the usual charges; (ii) You have not misrepresented Your income or assets; (iii) You have not impaired Your ability to meet Your financial obligations under this Contract by making gifts or other transfers of Your assets; (iv) the deferral may, in the sole discretion of the Provider, be granted without impairing the Provider's ability to operate on a sound financial basis; and (v) the amount of any Monthly Fees or other charges deferred under this Section ("Deferred Charges") shall be deemed a loan to You from the Provider with interest on the outstanding amount at a rate of prime plus one percent (1%) per annum or the maximum legal rate, whichever is less, compounded annually. Under these conditions, the Provider will pay the Deferred Charges on Your behalf as and when they become due. The Provider will have a first security interest and lien against Your estate and the portion of Your Entrance Fee which is refundable or repayable hereunder, and the outstanding loan balance and interest shall be deducted when the Provider calculates Your refund or repayment under Section 9.1 (*Amount and Timing of Refunds or Repayments*) below. As a condition to allowing You to remain at the Community, the Provider may require You to execute and deliver upon request promissory notes, security agreements, and any other document to

secure or evidence the loan of the Deferred Charges. The Provider reserves the right to terminate or reduce Your deferral if Your financial circumstances improve.

8.4.2 Termination for Just Cause. After the Cancellation Period, the Provider will not terminate this Contract unless it has just cause to do so. Just cause to terminate this Contract shall include, but not be limited to, the following circumstances:

- a. You fail to pay Your Monthly Fee or any other charges that are due, and You fail to make such payment within ten (10) days after You have received written notice from the Provider of the possibility of termination and the Provider determines that no basis for deferral exists under Section 8.4.1 above;
- b. You fail or refuse to comply with the rules and regulations of the Community;
- c. Your continued residency at the Community poses a danger to Community property or to the health, safety, or property of Yourself, other residents or staff;
- d. You refuse to be transferred in accordance with Section 7.2 (*Transfers to a Higher Level of Care*) of this Contract;
- e. Your continued residence at the Community interferes with the peaceful lodging of other residents or the administration of the Community;
- f. You materially breach this Contract, or made a material misrepresentation in Your application to the Community or by executing this Contract;
- g. You willfully divest, transfer for less than fair market value, or mismanage a material portion of Your assets that are needed for Your payment of Your Monthly Fee and other charges due under this Contract;
- h. The Community is damaged or destroyed by casualty and the Contract is terminated pursuant to Section 5.2 (*Damage to Your Home or the Community*) above;
- i. There is a partial or total condemnation, appropriation or similar taking of the Community or your Home; or
- j. You permanently transfer outside of the Community or vacate or abandon your residence.

8.4.3 Limitation on Termination. The Provider shall not have good cause for termination under this Section solely on the basis of, and will not retaliate or discriminate against You, if: (i) You (or Your representative) file or lodge a formal or informal complaint with the

Department of Social Services, or any other State, county, or city agency, or any elected or appointed government official or other appropriate authority; or (ii) You participate in an organization, affiliation or association of residents or engage in other similar lawful activity. This provision does not limit the rights of the Provider to contest or dispute any such complaint or to otherwise enforce the provisions hereof.

8.4.4 Written Notice of Termination. The Provider may terminate this Contract under Section 8.4.2 by giving You ninety (90) days written notice of the termination. Upon the termination of this Contract under Section 8.4.2, You must “make Your Home available” to the Provider (as defined in Section 4.8.1).

8.4.5 Refund Due if the Provider Terminates. If the Provider terminates this Contract under this Section 8.4 (excluding Section 8.4.2.h and 8.4.2.i which are addressed in Section 9.1.2), You will be entitled to a refund of the amounts paid under this Contract, minus the reasonable value of the services, care, and residence actually provided to You by the Provider, in accordance with California law. The refund will be made to You within fourteen (14) days after You “make Your Home available” to the Provider (as defined in 8.4.1) or within ninety (90) calendar days after the date of the notice of termination, whichever is later. Your Application Processing Fee will not be refunded to You.

9. REPAYMENT OF ENTRANCE FEE & OTHER EFFECTS OF TERMINATION

9.1 Amount and Timing of Refund or Repayment

Your Entrance Fee is intended to be a loan to the Provider, with a portion of that loan being repaid to You as determined by the length of time that You are a resident of the Community. When You pay Your Entrance Fee, the Provider will give You a promissory note which evidences this loan (the “Entrance Fee Note”). (See Section 3.1.5 *Entrance Fee Promissory Note*.)

9.1.1 Sections 8.1 and 8.4. Refunds of Entrance Fees pursuant to Section 8.1 (*Cancellation Period/Refund*) and Section 8.4 (*Termination Rights of The Provider*), excluding Sections 8.4.2.h and 8.4.2.i, shall be in the amounts and paid within the time periods set forth in those Sections.

9.1.2 Sections 8.2., 8.3., 8.4.2.h and 8.4.2.i When this Contract is terminated pursuant to Section 8.2 (*Termination After Occupancy*), Section 8.3 (*Termination Resulting from Resident's Death*), Section 8.4.2.h, or Section 8.4.2.i, You or Your estate will be entitled to

repayment of a portion of Your Entrance Fee (the "Repayment Amount"). Your Repayment Amount shall be calculated as follows: (a) the greater of (i) Your Entrance Fee times the Minimum Repayment Percentage (stated in Section 3.1.6 *Entrance Fee Minimum Repayment Percentage*), and (ii) Your Entrance Fee minus 2% of the Entrance Fee for each month or part thereof (with "month" meaning a 30 day period) from the date You signed this Contract through the date of termination.

For an 80% Minimum Repayment Percentage, this formula results in a declining repayment during the first 10 months of Your residency and a repayment equal to 80% of the amount of Your Entrance Fee if the Contract terminates at any time after 10 months.

Repayments shall be paid to You on the earlier of: (i) fourteen (14) calendar days after the Provider enters into a residency contract covering Your former home with a new resident who has executed a continuing care residency contract and paid the applicable entrance fee for Your former home; or (ii) ten (10) years after the date You "make Your Home available" to the Provider. However, notwithstanding the forgoing repayment mechanism, (1) repayments upon a termination of this Contract due to a fire or other casualty (See Section 8.4.2.h) shall be paid in accordance with Section 5.2 (*Damage to Your Home or the Community*) without any contingency for entering into a residency contract covering Your former home with a new resident and (2) repayments upon termination of this Contract due to a condemnation or appropriation (See Section 8.4.2.i) shall be paid within ninety (90) days after termination of this Contract without any contingency for entering into a residency contract covering Your former Home with a new resident.

9.2 Cancellation of Entrance Fee Note

Upon the receipt of the refund or repayment of Your Entrance Fee as provided under this Contract, Your Entrance Fee Note shall be deemed cancelled and You or Your representative will deliver to the Provider the Entrance Fee Note marked "Cancelled."

9.3 Refundability of Payments for Upgrades

If You paid for any approved alteration, addition, or modification to Your Home [see Sections 3.6 (*Fees for Upgrades to Your Home*) and 5.3 (*Alterations*)], and the Provider cancels or terminates this Contract, You will receive a refund equal to the amount You paid for Your upgrades minus two percent (2%) of that amount for each month or part thereof (with "month" meaning a 30 day period) from the date that You paid that amount or the date You

signed this Contract (whichever is earlier) through the date of termination. Once the amount You paid for any alteration, addition or modification to Your Home has fully amortized, You will receive no refund related to such items. You shall receive the refund of such upgrade amount, if any, at the time You receive a refund or repayment of Entrance Fees. You shall not be entitled to any refund of such upgrade amount if You transfer from Your Home, cancel or terminate this Contract, or upon Your death.

9.4 Making Refund/Repayment Payable to a Third Party

The Provider will pay any Entrance Fee refund or repayment to the Resident unless otherwise instructed in writing. However, if a third-party payor/Transferor is identified on the signature page of this Agreement as paying the Entrance Fee, then any Entrance Fee refund/repayment will be payable directly to the Transferor (rather than the Resident), unless the Transferor provides written instructions to the Provider otherwise. If You (or the Transferor, if applicable) wish to have your refund/repayment paid to a third party (e.g., a trust or relative), You (or the Transferor, if applicable) must provide written instructions on a form acceptable to the Provider.

9.5 Continued Payment of Monthly Fee and Deductions from Repayment

You shall be responsible for continuing to pay Your Monthly Fee and any other expenses You incur through the effective cancellation or termination date of this Contract or the date You "make Your Home available" to the Provider (as defined in Section 8.4.1), whichever is later.

You are also responsible for paying such amount as will cover any repairs to or replacement of the Provider's property for damage caused by You, excepting ordinary wear and tear. These amounts, along with all outstanding and unpaid Monthly Fees, Miscellaneous Expenses, Deferred Charges, and other charges, will be offset against Your refund or repayment amount due under this Contract.

9.6 Refund or Repayment to Couples

If this Contract covers two Residents and terminates as to both Residents at the same time, then any refund or repayment due will be allocated one half (1/2) to each of You, unless the Residents otherwise agree in writing.

If this Contract covers two Residents and terminates as to only one Resident, then this Contract shall continue in full force as to the remaining Resident, and the Monthly Fee will

be adjusted to the amount then charged to a single resident for a home comparable to Your Home. No refund or repayment of the Entrance Fee will be calculated or due until this Contract is terminated with respect to the remaining Resident. When this Contract terminates as to the remaining resident, the repayment provision set forth in Section 9.1 (*Amount and Timing of Refunds or Repayments*) that is applicable to the reason for the second Resident's termination shall govern. Any refund or repayment due will be paid one hundred percent (100%) to the remaining resident (or his/her estate) at that time unless the Residents have agreed otherwise in writing.

10. RESIDENT AFFAIRS AND EFFECTS

10.1 Resident's Personal Obligations

The Provider will not be responsible for any expenses, debts or obligations incurred by You or on your account either at the Community or elsewhere. The Provider is likewise not responsible for giving You support, maintenance, care, board, or lodging when You are absent from the Community, except as stated in Sections 3.3.5, 4.2, and 4.8.2.

10.2 Application for Guardianship

In the event You become unable to handle Your personal or financial affairs and do not have a duly authorized representative, You authorize the Provider to apply to a court of competent jurisdiction for the appointment of a guardian for your person and estate. All fees and costs incurred by the Provider in connection with the appointment shall be paid by You.

10.3 Relocation of Personal Property; Restoration of Your Home

If You transfer or give up Your Home for any reason, You agree to "make your Home available" to the Provider (as defined in Section 4.8.1). You or Your legal representative shall pay all expenses (including those incurred by the Provider) incurred to make Your Home available for occupancy. Upon move-out, the Provider shall have the right to remove and dispose of or store Your property, at Your expense.

11. RESPECTIVE RIGHTS OF RESIDENT AND THE PROVIDER

11.1 Agreements With Other Residents

The Provider may enter into continuing care residency contracts, service contracts, or other agreements with other people and entities that contain terms different from those contained in this Contract. Despite any such differences, this Contract sets forth Your rights and obligations with respect to the Provider and the Community.

11.2 Guests

The Provider will provide Your family and other guests with opportunities to visit and participate in activities at the Community, if You desire. All guests must abide by all applicable rules (which may be contained in the Resident Handbook), including any limitations on the length of stay or frequency of visits. If Your guest exceeds the limitations on the length of stay, he or she must apply and qualify for residency at the Community. [See Section 6.2 (*Occupancy by Resident and Non-Resident*).] You will be responsible for assuring that Your guests abide by these rules and are not disruptive. Your guests may be denied access to the Community if they fail to observe the Resident Handbook rules.

11.3 Community Policies and Resident Handbook

The Provider may adopt policies to preserve the health, safety, and peaceful enjoyment of the Community by all residents, to repair and maintain the building(s) and grounds in a pleasant, clean and orderly condition, to administer services at the Community, and for all other reasonable and lawful purposes. Many of these policies and rules are set forth in the Resident Handbook. You acknowledge receipt of a copy of the Resident Handbook. You agree to abide by the rules and regulations of the Community as they now exist or as they may later be amended by the Provider in its discretion. The Provider reserves the right to amend its policies from time to time in its reasonable discretion.

11.4 No Lease or Assignment

Your rights and privileges to use and enjoy Your Home and the facilities at the Community and to receive care and services under this Contract are personal, and they may not be transferred or assigned by You, by any proceeding at law, or otherwise. In addition, You may not lease Your Home to any person or entity.

11.5 Resident Advisory Council

Residents of the Community have a right of self-organization pursuant to California law. Residents are encouraged to form a resident association. The association may, among other things, make recommendations to management regarding resident issues that impact the residents' quality of life, quality of care, exercise of rights, safety and quality of the physical environment, concerns about the contract, fiscal matters, and other issues of concern to residents. However, the role of the resident association is advisory only, without any right to manage or dictate policy (including establishing budgeting and staffing guidelines) at the Community.

11.6 Resident's Rights

Residents shall also have the right to join in group activities, to use Community amenities for group meetings, and to obtain current copies of legally-required disclosure statements, financial audits and inspections of the Community.

The Provider's representative will meet with residents annually (or more frequently if required by the State of California) in a general assembly to discuss the current status of the Community. The Provider will also maintain an internal procedure for addressing residents' concerns.

Your rights under this Contract are limited to those rights expressly granted in it and do not include any proprietary interest in the assets of the Provider or in the Community, any managerial or other interest in the Provider or any third-party contractor, or any interest in any payments made under this Contract.

Attached to this Contract, as **Appendix G**, is a statement of Your statutory rights under California law.

11.7 Mortgage Loans

No debt service of any kind will be included in the Monthly Fees, except for Shortfall Loans, if any, as described in **Appendix D**. In the event any mortgage loan encumbers the Community, Your rights under this Contract are senior to and will have priority over the rights of the mortgage lender.

12. MISCELLANEOUS

12.1 Your Liability Claims Against Third-Parties

If You are injured as the result of any act or omission of a third party, You hereby grant the Provider a first lien against any judgment, settlement or recovery for any expense that the Provider incurs in caring for You as the result of such injury. You shall cooperate in the pursuit of any claim or action against the third party.

12.2 Your Personal Property and Liability Insurance Responsibilities

You shall be responsible for maintaining, with a reputable insurer, insurance to cover the full replacement value of Your personal property at the Community. You shall also be

responsible for obtaining liability insurance for bodily injury or property damage to others caused by You or Your guests, invitees or employees.

The Provider will not be responsible for the loss of any property belonging to You due to Your own negligence or carelessness, theft, fire, water damage, or any cause beyond the Provider's control, including property placed in a storage unit at the Community.

12.3 Interruption in Services

An interruption in services or failure to maintain services under this Contract shall not constitute a breach of this Contract, if the interruption is caused by factors beyond the reasonable control of the Provider, including, but not limited to, strikes, lockouts, or other labor disturbances, government orders, acts of terror, embargoes, shortages of labor or materials, inclement weather, fire, flood, earthquake or other casualties, power outages or the conduct of residents. In the event of an interruption in services, the Provider shall use reasonable efforts to restore the services or to provide substitute services.

12.4 Your Liability for Injury or Damage

You agree to indemnify, defend, and hold the Provider and Classic Residence Management Limited Partnership and their respective partners, affiliates, shareholders, directors, officers, agents, attorneys, and employees and their respective directors, officers, and employees, harmless from all costs and liability for injury or damage caused by Your acts or omissions and those of Your guests, licensees, employees, and invitees, including attorneys' fees and costs.

12.5 Limitation on Liability

Nothing in this Contract limits either the Provider's obligation to provide adequate care and supervision for You as the resident or any liability on the part of the Provider which may result from the Provider's failure to provide this care and supervision.

12.6 Resident's Representations

12.6.1 Representations. By executing this Contract, You represent and warrant, which representations and warranties shall be deemed remade when You take occupancy of Your Home (except as You otherwise notify the Provider in writing prior to taking occupancy), that: (i) You meet all the criteria for residency at the Community and performance of all Your obligations under this Contract; (ii) You have assets and income sufficient under foreseeable circumstances to meet Your ordinary and customary living expenses incurred after You assume occupancy at the Community; and (iii) all representations made by You or on Your behalf,

whether written or verbal, with respect to Your admission to the Community, were true when made.

12.6.2 Changed Circumstances. If Your circumstances (health, financial, or personal status) materially change prior to Your taking occupancy, You must notify the Provider of those changed circumstances prior to occupying Your Home. In such event, the Provider will determine in its discretion whether (i) Your changed circumstances prevent You from being qualified to enter the Community and (ii) to terminate this Contract. If such changed circumstances are health related, the Provider will not terminate this Contract if You begin occupancy in the appropriate care setting within the Community and doing so complies with California law. If Your financial circumstances have changed after the Provider approved You for admission to the Community, the Provider will permit You to move into the Community only if You demonstrate You have (a) total net assets equal to at least two times the amount of Your Entrance Fee payable under Section 3.1 (*Entrance Fee*); (b) monthly income equal to a minimum of two times the Monthly Fee payable under Section 3.3 (*Monthly Fee*).

12.6.3 Misrepresentation or Omission. You understand and agree that any material misrepresentation or omission made by You or on Your behalf in connection with the application for residency, including personal data forms and statements of financial condition and health history submitted by You or on Your behalf to the Provider, shall make this Contract voidable at the Provider's option. Your application for admission and all related documents are incorporated by reference into this Contract and made an express part of it.

12.7 Motorized Assistive Devices

You may use motorized assistive devices (such as motorized wheelchairs, carts and scooters) approved by the Provider for Your personal transportation at the Community, provided You adhere to the Provider's motorized assistive device policies that are, from time to time, in effect.

12.8 Audited Financial Statement and Disclosure Statement

A copy of the Provider's most recent audited financial statement is attached to this Contract as **Appendix J**. The Provider will make available to You for inspection at the Community, at all reasonable business hours and upon reasonable notice, its current audited financial statement for the Community. You have also received a copy of a disclosure statement containing general information about the Provider and the Community.

12.9 Possible Imputed Interest Tax Liability

In 1984, Congress passed legislation (Internal Revenue Code Section 7872) that permitted the IRS to classify entrance fees paid to certain continuing care retirement communities as below market interest rate loans to the continuing care retirement community. If the IRS classified an entrance fee as a below market interest rate loan, the IRS could then impute interest to the resident. This meant that the resident could be taxed on interest income (as if the entrance fee were an interest bearing loan), even though the resident did not receive any interest payment.

In May 2006, the IRS revised Section 7872 of the Internal Revenue Code to alter and clarify the tax treatment of entrance fees made to continuing care retirement communities. The revisions specify that the imputed interest rules will not apply to entrance fees paid to qualified continuing care retirement communities.

The Provider, by this discussion, does not undertake to provide any tax advice or opinion to you. The Provider makes no representations and renders no advice as to the likelihood of the IRS successfully imputing interest income to you. The Internal Revenue Code and Regulations may be amended from time to time and the Provider will not monitor or provide notices to you of any such amendments. You are urged to seek independent tax advice concerning any tax consequences associated with this Contract.

12.10 Notices

All notices required or permitted under this Contract shall be delivered to:

Vi at Palo Alto
620 Sand Hill Road
Palo Alto, CA 94304
Attn: Executive Director

With a copy to:

Classic Residence Management Limited Partnership
71 S. Wacker Dr.
Suite 900
Chicago, IL 60606
Attn: General Counsel

Any notice sent to You shall be sent to Your Home (or, if appropriate, to Your legal representative at the address furnished by You to the Provider). All such notices shall be effective when personally delivered or received.

12.11 Entire Contract

This Contract, including all attached Appendices and documents incorporated by reference, constitutes the entire agreement between You and the Provider and may not be amended unless executed in writing and signed by an authorized representative of the Provider and by You or Your legal representative.

12.12 Severability

If a court deems any term of this Contract invalid, the remainder of this Contract shall remain in full force and effect.

12.13 Waiver of One Breach Not a Waiver of Any Other

The Provider's failure on any occasion to insist upon Your strict compliance with any term of this Contract shall not be deemed a waiver of its right to insist upon Your strict compliance with all terms of this Contract on any other occasion.

12.14 The Provider's Right to Contract for Services

The Provider reserves the right to contract for services, enter into lease arrangements and management agreements, and delegate certain of its responsibilities under this Contract, which may be with affiliates of the Provider (e.g., Classic Residence Management Limited Partnership) (collectively, the "Arrangements"). Notwithstanding the Provider's right to enter into the Arrangements, the Provider shall retain the ultimate responsibility to carry out the provisions of this Contract for You and for the benefit of the Community and its other residents.

12.15 Assignment by Provider

This Contract shall be assignable by the Provider if it transfers its interest in the Community. The Provider shall be released from its obligations under this Contract from and after the effective date of such assignment.

12.16 Counterparts

This Contract may be executed in counterparts.

12.17 Temporary Evacuation Due to Natural Disaster

If the Provider is required to evacuate residents because of a threat or occurrence of a natural disaster, the Provider will reimburse You for Your reasonable out-of-pocket costs for Your transportation and/or lodging only if the Provider is reimbursed by its insurance carrier for such amounts. The Provider may set a maximum daily reimbursable amount. Also, if the Provider receives reimbursement from its insurance carrier of some portion of residents'

submitted out-of-pocket expenses, the Provider will allocate the insurance proceeds among affected residents in its discretion.

12.18 Use of Your Home In an Emergency

You acknowledge and agree that after the Provider's attempt to seek Your prior approval and in the event of an emergency or other circumstance requiring immediate attention, Your Home may be utilized in a temporary manner to house other residents, employees, officials or other persons. Any damage caused by such temporary usage will be repaired (or items replaced) at no cost to You.

12.19 Continuing Obligations

All of the Provider's and Your obligations which expressly or by their nature survive this Contract's expiration or termination will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Contract and until such obligations are satisfied in full or by their nature expire.

12.20 Mediation

In the event any dispute arises between the parties under this Contract, either party may request that the dispute be the subject of non-binding mediation. The mediation shall be held in Palo Alto, California and shall be conducted by a mediator selected in accordance with the procedures of the American Arbitration Association ("AAA"). The mediation shall be conducted pursuant to the rules of the AAA and shall be held within 90 days of notice by one party to the other demanding mediation, and stating the general nature of the dispute and the remedy or resolution being requested. Each party shall bear its or their own costs and attorney's fees related to the mediation, and the costs of the mediating entity and mediator shall be split by the parties.

12.21 Closure

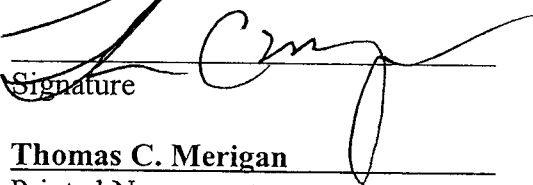
Attached as **Appendix I** is a summary of the procedure Provider would follow in the unlikely event of a closure of the Community.

[signature page follows]

"You, the resident or transferor, may cancel the transaction without cause at any time within ninety (90) days from the date You first occupy Your living unit. See the attached "Notice of Cancellation" form for an explanation of this right."

For purposes of the foregoing notice, the phrase "date you first occupy Your living unit" shall mean the "Cancellation Period Commencement Date" as defined in Section 8.1 of this Contract. The Notice of Cancellation form is attached as **Appendix H**.

RESIDENT:


 Signature
Thomas C. Merigan
 Printed Name
7/27/10
 Date

RESIDENT:

 Signature

 Printed Name

 Date

TRANSFEROR (i.e., Entrance Fee payor if different from Resident) if any:

 Signature

 Printed Name

 Address

 Date

THE PROVIDER:

CC-Palo Alto, Inc., a Delaware corporation

By: Classic Residence Management
Limited Partnership, an Illinois
limited partnership

Its: Agent

By: Steve B le

Steve Brudnick, Executive Director

Date: 7/27/10

NOTICE

Date: 7/27/10

This is a continuing care contract as defined by paragraph (8) of subdivision (c), or subdivision (l) of Section 1771, of the California Health and Safety Code. This continuing care contract form has been approved by the State Department of Social Services as required by subdivision (b) of Section 1787 of the California Health and Safety Code. The basis for this approval was a determination that the Provider has submitted a contract that complies with the minimum statutory requirements applicable to continuing care contracts. The Department does not approve or disapprove any of the financial or health care coverage provisions of this Contract. Approval by the Department is NOT a guaranty of performance or an endorsement of any continuing care contract provisions. Prospective transferors and residents are strongly encouraged to carefully consider the benefits and risks of this continuing care contract and to seek financial and legal advice before signing.

VI AT PALO ALTO

ACKNOWLEDGEMENT

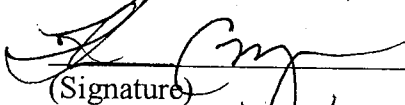
I hereby acknowledge receipt from CC-Palo Alto, Inc., a Delaware corporation (the "Provider"), through its agent Classic Residence Management Limited Partnership of an executed copy of the Continuing Care Residency Contract and all related Appendices for residence at Vi at Palo Alto located at 620 Sand Hill Road, Palo Alto, California. I also acknowledge that I have received a copy of the following documents, which have been incorporated by reference into this Contract and made an express part of it:

1. Skilled Nursing Facility Admission Agreement;
2. Resident Application Documents;
3. Disclosure Statement dated April 1, 2010;
4. Entrance Fee Promissory Note; and
5. Resident Handbook.

RESIDENT:

Thomas C. Merigan

(Printed or typed name)


(Signature)

Date:

7/27/10

RESIDENT:

(Printed or typed name)

(Signature)

Date:

TRANSFEROR (i.e., Entrance Fee Payor if different from Resident):

(Printed or typed name)

(Signature)

Date:

APPENDIX A

DINING SERVICE PROGRAMS

Your initials below indicate the dining service program option You have selected. The costs for additional meals and credits described below are based on the Provider's estimates for those costs; those costs and credits may change from time to time. In addition, there may also be a meal surcharge when You participate in special brunches or theme events.

Meal Plan 1 - Standard Meal Plan:

_____ One main meal per day (either lunch or dinner daily). This plan is included in Your Monthly Fee.

Meal Plan 2 - The 21 Meal Plan:

_____ Twenty-one (21) main meals per month (an aggregate of 21 lunches or dinners). With this option You will receive a credit on Your monthly statement of fees. The current amount of this credit is stated on Appendix B: Schedule of Fees. Each extra lunch or dinner in excess of twenty-one (21) per person will be charged at the posted rate.

Meal Plan 3 - A La Carte Meal Plan:

_____ With this option You will receive a credit on Your monthly statement of fees. The current amount of this credit is stated on Appendix B: Schedule of Fees. Each meal will be charged at the posted rate.

If You transfer to the Care Center, the Provider will provide you 3 meals per day. At the time of transfer, You will be changed to meal plan #1 (the daily meal plan) and any meal credit being deducted from Your Monthly Fee will be adjusted accordingly. The Provider deems Your one meal per day to be dinner. Thus, the Provider will charge You an additional fee for each breakfast and lunch. The current charge for each additional meal is \$10.50, but this charge may changed from time to time.

APPENDIX B**SCHEDULE OF FEES FOR OPTIONAL SERVICES**

(Effective January 1, 2010)

The fees listed below represent the current fees for these services. The Provider may change these fees upon 30 days' advance written notice.

1. Copy and Fax Services

Standard copies	\$.10 per side
Over-sized copies	\$.15 per side
Domestic faxes	\$ 1.00 per page for send or receive
International faxes	\$ 2.00 per page for send or receive

2. Dining Services**A. Cocktail Lounge**

Beer	\$ 2.75
Premium beer	\$ 3.75
Wine (please see wine list)	N/A
Cocktails	\$ 4.75
Premium liquor	\$ 6.50
Corkage per 750 ml bottle	\$15.00

B. Extra and Guest Meal Charges:**The Colonnade**

	Residents	Guests
Dinner	\$20.00	\$25.00
Sunday brunch	\$22.00	\$29.00
Holidays brunches	\$24.00	\$31.00

The Club Room

	Residents	Guests
Lunch	\$12.00	\$16.00
Dinner	\$20.00	\$25.00

The Bistro

	Residents	Guests
Breakfast	<i>A la carte</i>	<i>A la carte</i>
Lunch	<i>A la carte</i> <i>or \$12.00</i>	<i>A la carte</i>

Brunch and dinner meals for children under the age of 10 are charged at a flat rate of \$13.00.

C. In-Home Meal Delivery

Meal delivery is provided for \$5.25 per meal.

D. Service for Private Dining Room and Wine Tasting Room

For all private parties there is a labor charge of \$75.00 per server. There is no charge for use of the room. You will be billed for all applicable meal costs and the expense of any additional service staff. Elaborate or special purchase menu items involve an additional food charge, and at least a two-week advance notice is required. The charges for any special or additional services will be established at the time of your request and will appear on your next month's statement. Please see the Catering Manager for your arrangements.

In addition, for parties when more than 20 guest vehicles will be expected, additional valets will need to be hired to cover the event. The valet company requires at least 48 hours notice to accommodate private events. The fees charged depend on the number of guests and is based on a rate of \$30 per hour / per valet for every 20 guests. There is also a \$50 charge to cover the cost of insurance.

E. Meal Plan Credits

The daily meal plan (Meal Plan A) is included in your monthly fee and provides one meal (lunch or dinner) per day. Monthly credits per resident choosing other meal plans are as follows:

Monthly credit amount for residents on Meal Plan A (1 meal daily):	\$N/A
Monthly credit amount for residents on Meal Plan B (21 meals per month):	\$74
Monthly credit amount for residents on Meal Plan C (a la carte):	\$246

F. Meal Credit During Absence from the Community

If you have chosen Meal Plan A or B, and will be absent from the Community for 15 or more consecutive days, and you provide advance written notification to the Accounting Department, you will receive a meal credit adjustment beginning on the 16th day of your absence.

The meal credit will be \$8.20 per day, up to the number of meals in your meal plan that month.

G. Special Diets and Snacks

Special diets prescribed by physician	Priced determined case by case
Nutritional supplements	Priced per item
Snacks	Priced per item

3. Guest Suites

Single occupancy	\$150/night plus tax
Additional rollaway single bed	\$ 15.00/night

If your guest suite reservation is not cancelled 24 hours prior to scheduled arrival, you will be charged for the first night.

Guest charges include all applicable state and local taxes.

4. Housekeeping and Laundry

Extra housekeeping (e.g., cleaning oven or refrigerator interiors) See the Housekeeping Department to make arrangements.	\$ 25.00/hour
Heavy housekeeping (e.g., carpet shampooing or moving furniture)	\$37.50 per hour
Additional laundry picked up and delivered during your normally scheduled housekeeping service	\$ 5.00/pound
All charges will be in quarter hour increments	

5. Replacement Keys, Key Cards, and Lifeline Pendants

Replacement key card	\$16.00
Mailbox key	\$5.00
Lifeline pendant	\$60.00

6. Engineering Services

Engineering service calls (for all items other than preventive)	\$ 50.00/hour
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7. Transportation

Private transportation rates for the car are quoted door to door.
There is a \$15 cancellation fee.

Flat fee time of departure no earlier than 7:30am return to community by 5:00pm	
Round-trip rides to personal appts within the local catchment area	\$15.50
Round-trip rides (for personal appts or medical appts) outside of the local catchment area	\$31.00

Cal-Train (drop-off service only)	\$7.50
Bus and driver for private excursion	
4 hour minimum	Ask for quote, starting at \$75.00 per hour

8. Transfer Fee

The fee for a transfer to a different residence by personal preference is \$2,000 per move.

9. Pet Fee

The pet fee is \$500 per pet.

10. Fees for Wellness Center Services

Most Wellness Center services are priced on an individual basis.

11. Additional Charges for Care Center**A. Meals.**

If you transfer to the Care Center, you will be provided 3 meals per day. At the time of your transfer, you will be changed to meal plan A (the 30 meal plan) and any meal credit being deducted from your monthly fee will be adjusted accordingly. We deem your one meal per day to be dinner. Thus, we will charge you an additional fee for your daily breakfast and lunch. The current charge for additional meals is \$10.75 (\$21.50 per day), but this may change from time to time.

B. Ancillary Services and Supplies.

You will also be responsible for paying for additional services (i.e., physical therapy, etc.) and ancillary supplies.

C. Upgrade to a Two Bedroom Apartment in Assisted Living

Your monthly fee covers a one bedroom assisted living apartment. If you transfer to assisted living and wish to occupy a two bedroom apartment, you will pay an extra monthly charge. Currently this amount is \$3,355. This extra monthly charge applies only if a single occupant occupies a two-bedroom assisted living apartment.

12. Miscellaneous

returned check fee	\$35.00 per check
late payment charge (after the 10 th of the month)	\$25.00
Notary Public (by appointment)	No charge

All service rates quoted on an hourly basis are billed in quarter-hour increments. Fractions are billed as a quarter-hour. All applicable costs of materials are billed in addition to the per hour labor rates as quoted above.

APPENDIX C

POLICY ON SURPLUSES AND DEFICITS

Community Operating Revenues are intended to pay all costs of operating the Community, including funding the Capital Item Replacement Reserve. However, there is no assurance or guarantee that Community Operating Revenues will equal or exceed the costs of operating the Community.

A. Deficits and Shortfall Loans

Any deficit remaining at the end of a fiscal year (after first applying any previously established operating reserves) between the Community Operating Revenues during that fiscal year and the costs of operating the Community during that fiscal year may be funded by a loan (the "Shortfall Loan") to the residents from Provider. Each Shortfall Loan that Provider determines will not be fully repaid by including it as a cost of operations in the following year shall be repaid by residents over a period not to exceed ten (10) years, as determined by Provider. Regardless of the repayment term of the Shortfall Loan, loan repayments to Provider will commence with the first month of the fiscal year immediately following the fiscal year in which the shortfall occurred, and the Shortfall Loan will begin accruing interest on the first day of that month. Such interest will be established for the year of funding at the prime lending rate as of the beginning of the fiscal year (as published in the Wall Street Journal) plus one percent (1%), compounded annually, and will be reset to the prime lending rate plus one percent (1%) as of the beginning of the fiscal year for each subsequent year. Provider will provide residents with notice of the loan amount(s) and the repayments required. A Shortfall Loan will be a binding obligation of all of the residents when made, while they reside in the Community, but will not be evidenced by an executed promissory note. The amount, interest rate, loan term, and other terms of the loan shall be as evidenced in and in accordance with the books and records of Provider.

B. Surpluses

If the Community generates Community Operating Revenues in excess of its operating costs for a fiscal year, such surplus will be applied as a prepayment of outstanding principal under any Shortfall Loan(s). Such prepayment will not change the minimum payments that are due under the repayment schedule of any Shortfall Loan. If there is not a Shortfall Loan to be repaid, such surplus will be retained by the Community and may be used at the discretion of the Provider as

an operating reserve or to lower future monthly fees (or some combination thereof), subject to Provider's policies regarding surpluses.

APPENDIX D**HISTORIC SCHEDULE OF MONTHLY FEES**

The following is a history of the increases in monthly fees charged to residents of the Community.

Effective Date of Increase	Percentage Increase Over Prior Year	Average monthly fee for a 1 bedroom apartment	Average monthly fee for a 2 bedroom apartment
January 1, 2006	0%	\$3,484	\$5,083
January 1, 2007	5.5%	\$3,675	\$5,362
January 1, 2008	3.5%	\$3,804	\$5,550
January 1, 2009	3.5%	\$3,937	\$5,744
January 1, 2010	2.5%	\$4,036	\$5,888

Based on the annual increases shown above, from 2006 through 2010, the compounded annual growth rate of the monthly fee was approximately 3.2%.

APPENDIX E

ASSISTED LIVING AND MEMORY SUPPORT SERVICES

ASSISTED LIVING PROGRAM

The Provider will furnish assisted living services, as needed, for residents who require assistance with activities of daily living. The assisted living services will be provided in the Assisted Living Center. The level of assisted living services that You shall receive will depend on the frequency and intensity of Your care needs and the type of personal care services You require.

In addition to the services described in the Continuing Care Residency Contract, You may receive one or more of the following services in the Assisted Living Center without additional charge, as needed:

1. Assistance with showering or bathing, daily dressing, grooming and other personal hygiene activities;
2. Limited incontinence care;
3. Assistance with dining, including monitoring and supervision at meal and snack times;
4. Walk-along assistance to meals;
5. Food tray deliveries, as needed, during a temporary illness;
6. Assistance with self-administration of medications, including orders, central storage, and scheduling and distribution of medications;
7. Assistance with toilet activities, as needed;
8. Supervised assistance with ambulation;
9. Nursing interventions and care, including monitoring, evaluation and supervision;
10. Monitoring of Your health status;
11. Temporary illness or post hospitalization monitoring;
12. Nutritional supervision;
13. Weekly clinic programs, offering blood pressure, vital signs measurements and weight checks;
14. Daily tidying of Your Home or assisted living apartment, including trash removal;
15. Daily bedmaking;
16. Mail delivery to Your Home or assisted living apartment;

17. Escort to recreational, social, or religious activities provided on-site; and
18. Assistance with accessing higher levels of care as needed and prescribed by Your primary care physician and the Provider's care team.

MEMORY SUPPORT PROGRAM

The Provider's memory support program is designed for residents with mild dementia or cognitive impairment who may benefit from additional structure and supervision and residents who require special care for mild to moderate Alzheimer's disease or another dementia. This program is provided in the Memory Support Venue.

Mild to Moderate Levels of Dementia

For residents who require special care for mild to moderate levels of Alzheimer's disease or related dementias, the memory support program supplements the assisted living program, as appropriate, with the following services, as needed:

- individualized service plan;
- wellness programming and activities;
- limited to extensive assistance as needed with bathing, dressing, grooming, toileting, transferring and ambulating;
- monitoring of nutritional status/assistance with dining;
- coordination of medical appointments/health care needs;
- nursing care with specific procedures (where allowed by law);
- assistance to and from the dining room, programs and events;
- incontinence management (including more frequent laundry and more frequent housekeeping services as needed) as allowed by state regulation;
- behavior management;
- group-oriented and one-on-one programs available 24 hours a day provided by our specially trained staff based on individual needs and preferences; and
- medication administration.

APPENDIX F
TRANSFER AND REVIEW PROCEDURE

The following Transfer and Review Procedure shall apply to transfers of residents to a higher level of care. This Transfer and Review Procedure shall not apply with respect to residents who are transferred from a skilled nursing room. All transfer decisions made by the Provider shall take into account the appropriateness and necessity of the transfer and the goal of promoting resident independence.

I. TRANSFER PROCEDURE

Before transferring a resident, the Provider shall:

A. Involvement of Responsible Person. Notify the resident that, if the resident does not have impairment of cognitive abilities, the resident may request that his or her responsible person not be involved in the transfer process.

B. Assessment Process. Involve the resident and the resident's responsible person in the assessment process that forms the basis for the level of care transfer decision by the Provider. Upon the resident's or responsible person's request, also involve family members, or the resident's physician or other appropriate health professional. The Provider shall offer the resident and the resident's responsible person an explanation of the assessment process. If any assessment tools, including scoring and evaluating criteria, are used in the determination of the appropriateness of the transfer, the Provider shall make copies of the completed assessment available upon the request of the resident or the resident's responsible person.

C. Care Conference. Prior to sending a formal notification of transfer to the resident and the resident's responsible person, the Provider shall conduct a care conference with the resident and the resident's responsible person to explain the reasons for transfer. Upon the resident's or responsible person's request, family members, and the resident's health care professionals shall be included in the care conference.

II. WRITTEN NOTICE OF TRANSFER

Before the Provider transfers a resident, the Provider will give the resident and the resident's responsible person a written notice of transfer that meets the following requirements:

A. The notice of transfer shall be made at least 30 days before the transfer is expected to occur, except as provided below.

B. If the Provider determines that the health or safety of the resident or other residents is in danger, or the transfer is required by the resident's urgent medical needs, the Provider may give the resident and the resident's responsible person less than 30 days notice of the transfer. In that case, the written notice shall be made as soon as practicable before the transfer.

C. The Provider's written notice of transfer shall contain the reasons for the transfer, the effective date of the transfer, the designated level of care or location to which the resident will be transferred, a statement of the resident's right to a review of the transfer decision at a care conference, and, for disputed transfer decisions following such care conference, the resident's right to have the transfer process reviewed by the Continuing Care Contracts Branch of the Department of Social Services. The transfer notice shall also contain the name, address, and telephone number of the Department of Social Services' Continuing Care Contracts Branch ("DSS").

III. REVIEW OF TRANSFER DECISION

After the resident has received the Provider's written notice of transfer, but before the resident is transferred, the resident shall have the following rights to review of the transfer decision:

A. Second Care Conference Review. The resident has the right to a review of the transfer decision at a second care conference which shall include the resident, the resident's responsible person, and, upon the resident's or responsible person's request, family members, the resident's physician or other appropriate health care professional, and members of the Provider's interdisciplinary team. The local ombudsperson may also be included in the care conference, upon the request of the resident, the resident's responsible person, or the Provider.

(i) If the resident or the resident's responsible person desires a review of the transfer decision at a second care conference, the resident or the resident's responsible person shall submit a request in writing to the Provider at the following address:

Vi at Palo Alto
Attn: Executive Director
620 Sand Hill Road
Palo Alto, California 94304

(ii) If the resident wishes to have the local ombudsperson present at the care conference review, the resident may directly contract the local ombudsperson at telephone number: (408) 944-0567.

(iii) While the Provider's transfer decision is being reviewed at the care conference, and during any subsequent DSS review, the Provider may specify any additional care that the Provider believes is necessary for the resident to remain in his or her unit during such review. The resident shall be required to pay for the extra care, as provided in his or her continuing care contract.

B. DSS Review. After the care conference review, the resident or the resident's responsible person has the right to a prompt and timely review of the transfer process by DSS.

(i) If the resident or the resident's responsible person wishes to have DSS review the transfer process, the resident or the resident's responsible person shall submit a request in writing to DSS at the following address:

Continuing Care Contracts Branch
Department of Social Services
744 P Street, MS 10-90
Sacramento, CA 95814
Tel #: (916) 657-2592

(ii) DSS will determine whether the Provider has complied with the transfer process requirements set forth in Health and Safety Code §1788(a)(10)(A) through (C). DSS shall notify resident of its decision in writing

(iii) Pending the decision of DSS, the Provider shall specify any additional care that the Provider believes is necessary for the resident to remain in his or her unit. The resident shall be required to pay for the extra care, as provided in his or her continuing care contract.

IV. IMPLEMENTATION OF TRANSFER DECISION

A. Promptly after the Provider's transfer decision is made, or at the conclusion of a second care conference review or DSS Review, as applicable, the resident shall take steps to prepare for the transfer in accordance with the terms of his or her continuing care contract.

B. The transfer shall occur no earlier than the date set forth in the written notice of transfer given to the resident by the Provider or, if applicable, on the date that the transfer decision is upheld by the Provider and DSS.

C. The Provider shall offer sufficient preparation and orientation to the resident to ensure a safe and orderly transfer and to minimize trauma.

APPENDIX G

STATEMENT OF RESIDENTS' RIGHTS

(If more than one person will occupy a unit, one form must be signed by each resident)

The Provider shall give a copy of this Statement of Residents' Rights to each resident at or before the time the resident signs a continuing care contract, and at any time when the resident is proposed to be moved to a different level of care within or outside the continuing care retirement community.

1. CONTINUING CARE CONTRACT STATUTES

Health and Safety Code Section 1771.7 grants the following rights to residents of continuing care retirement communities:

A. No resident of a continuing care retirement community shall be deprived of any civil or legal right, benefit, or privilege guaranteed by law, by the California Constitution, or by the United States Constitution solely by reason of status as a resident of a community. In addition, because of the discretely different character of residential living unit programs that are a part of continuing care retirement communities, the continuing care contract statute resident rights shall augment Chapter 3.9 (commencing with Section 1599), Sections 72537 and 87572 of Title 22 of the California Code of Regulations, and other applicable state and federal law and regulations.

B. A prospective resident of a continuing care retirement community shall have the right to visit each of the different care levels and to inspect assisted living and skilled nursing home licensing reports including, but not limited to, the most recent inspection reports and findings of complaint investigations covering a period of no less than two years, prior to signing a continuing care contract.

C. All residents in residential living units shall have all of the following rights:

- (1) To live in an attractive, safe, and well maintained physical environment.
- (2) To live in an environment that enhances personal dignity, maintains independence, and encourages self-determination.
- (3) To participate in activities that meet individual physical, intellectual, social, and spiritual needs.

- (4) To expect effective channels of communication between residents and staff, and between residents and the administration or provider's governing body.
- (5) To receive a clear and complete written contract that establishes the mutual rights and obligations of the resident and the continuing care retirement community.
- (6) To manage his or her financial affairs.
- (7) To be assured that all donations, contributions, gifts, or purchases of provider-sponsored financial products shall be voluntary, and may not be a condition of acceptance or of ongoing eligibility for services.
- (8) To maintain and establish ties to the local community.
- (9) To organize and participate freely in the operation of independent resident organizations and associations.
- (10) To freely exercise all rights pursuant to Section 1771.7 of the Health and Safety Code, in addition to political rights, without retaliation by the Provider.

II. RESIDENTIAL CARE FACILITY FOR THE ELDERLY LAW

Pursuant to Section 87572 of Title 22 of the California Code of Regulations, you shall have personal rights, which include, but are not limited to, the following:

1. To be accorded dignity in your personal relationships with staff, residents and other persons.
2. To be accorded safe, healthful and comfortable accommodations, furnishings, and equipment.
3. To be free from corporal or unusual punishment, humiliation, intimidation, mental abuse, or other actions of a punitive nature, such as withholding of monetary allowances or interfering with daily living functions such as eating or sleeping patterns or elimination.
4. To be informed by the licensee of the provisions of law regarding complaints and of procedures to register complaints confidentially, including, but not limited to, the address and telephone number of the complaint receiving unit of the Department of Social Services.
5. To have the freedom of attending religious services or activities of your choice and to have visits from the spiritual advisor of your choice. (Attendance at religious services, in or outside the facility, shall be voluntary.)

6. To leave or depart the facility at any time and not to be locked in any room, building, or premises at the facility by day or night. (This does not prohibit the establishment of rules applicable to the facility, such as the locking of doors at night, for the protection of residents; nor does it prohibit, with permission of the Department of Social Services, the barring of windows against intruders).
7. To visit the facility prior to residence, along with your family and responsible persons.
8. To have your family or responsible persons regularly informed by the licensee of activities related to your care or services including ongoing evaluations, as appropriate to your needs.
9. To have communications to the licensee from your family and responsible persons answered promptly and appropriately.
10. To be informed of the facility's policy concerning family visits and other communications with residents as specified in Health and Safety Code Section 1569.313.
11. To have your visitors, including ombudspersons and advocacy representatives, permitted to visit privately during reasonable hours and without prior notice, provided that the rights of other residents are not infringed upon.
12. To wear your own clothes; to keep your own personal possessions, including your toilet articles; and to keep and be allowed to spend your own money.
13. To have access to individual storage space for private use.
14. To have access to telephones in order to make and receive confidential calls. The licensee may require reimbursement from you for long distance calls.
15. To mail and receive unopened correspondence in a prompt manner.
16. To receive or reject medical care or health-related services.
17. To receive assistance in exercising the right to vote.
18. To move from the facility.
19. To be informed of the appropriate licensing agency to contact regarding complaints, which is:

Department of Social Services
Community Care Licensing Office
111 North Market Street, Suite 350

San Jose, California 95113
Telephone: (408) 277-1289

20. To be informed of the procedure for reporting known or suspected elder abuse. *If you wish to report known or suspected elder abuse, you may contact: (a) Provider's Chief Executive Officer or any supervisor; and/or (b) the statewide Ombudsman Toll Free 24-hour CRISIS line at 1-800-231-4024 and/or the local Ombudsman's Office at telephone number: (408) 944-0567.*

By signing below, you acknowledge that you have received a copy of the personal rights delineated above and outlined in Title 22 of the California Code of Regulations at the time of your admission:

Signature of Resident

Resident's Personal Representative, if any

Printed Name

Personal Representative's Relationship to Resident

Date

Printed Name

Date

APPENDIX H

NOTICE OF CANCELLATION

Your first date of occupancy under this Contract is: July 27, 2010. For purposes of this notice, the phrase "Your first date of occupancy" shall mean the "Cancellation Period Commencement Date" as defined in Section 8.1 of this Contract.

You may cancel this transaction, without any penalty within ninety (90) calendar days from the above date.

If You cancel, any property transferred, any payments made by You under this Contract, and any negotiable instrument executed by You will be returned within fourteen (14) calendar days after making possession of the living unit available to the Provider. Any security interest arising out of the transaction will be cancelled.

If You cancel, You are obligated to pay a reasonable processing fee to cover costs and to pay for the reasonable value of the services received by You from the Provider up to the date You canceled or made available to the Provider the possession of any living unit delivered to You under this Contract, whichever is later.

If You cancel, You must return possession of any living unit delivered to You under this Contract to the Provider in substantially the same condition as when You took possession. Possession of the living unit must be made available to the Provider within 20 calendar days of Your notice of cancellation. If You fail to make the possession of any living unit available to the Provider, then You remain liable for performance of all obligations under this Contract.

To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice, or any other written notice, or send a telegram to CC-Palo Alto, Inc., 620 Sand Hill Road, Palo Alto, California 94304, Attention: Executive Director no later than midnight of October 25, 2010.

I (we) hereby cancel this transaction.

(Date)

(Date)

(Resident or Transferor's Signature)

(Resident or Transferor's Signature)

NOTICE OF CANCELLATION

Your first date of occupancy under this Contract is: July 27, 2010. For purposes of this notice, the phrase "Your first date of occupancy" shall mean the "Cancellation Period Commencement Date" as defined in Section 8.1 of this Contract.

You may cancel this transaction, without any penalty within ninety (90) calendar days from the above date.

If You cancel, any property transferred, any payments made by You under this Contract, and any negotiable instrument executed by You will be returned within fourteen (14) calendar days after making possession of the living unit available to the Provider. Any security interest arising out of the transaction will be cancelled.

If You cancel, You are obligated to pay a reasonable processing fee to cover costs and to pay for the reasonable value of the services received by You from the Provider up to the date You canceled or made available to the Provider the possession of any living unit delivered to You under this Contract, whichever is later.

If You cancel, You must return possession of any living unit delivered to You under this Contract to the Provider in substantially the same condition as when You took possession.

Possession of the living unit must be made available to the Provider within 20 calendar days of Your notice of cancellation. If You fail to make the possession of any living unit available to the Provider, then You remain liable for performance of all obligations under this Contract.

To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice, or any other written notice, or send a telegram to CC-Palo Alto, Inc., 620 Sand Hill Road, Palo Alto, California 94304, Attention: Executive Director, no later than midnight of October 25, 2010.

I (we) hereby cancel this transaction.

(Date)

(Date)

(Resident or Transferor's Signature)

(Resident or Transferor's Signature)

APPENDIX I

SUMMARY OF PROCEDURES IN THE EVENT OF CCRC CLOSURE

In the unlikely event that a permanent relocation of residents from the Community is required due to termination or forfeiture of Provider's certificate of authority or license, except in the case of a natural disaster or other event out of Provider's control, (a "Closure"), the following procedures will be followed. These procedures summarize Health & Safety Code §§1793.80 through 1793.83, a copy of which is available from the Community's administrative office.

1. At least 120 days prior to the intended date of any Closure, Provider shall give residents, their designated representatives, and the California Department of Social Services ("DSS") a specific written notice, required by statute, which includes:

(a) The proposed date of Closure,

(b) That no action will be taken to relocate a resident or close the Community until Provider has filed a written closure and relocation plan with DSS, the affected residents of the facility and their designated representatives, and the local long-term care ombudsman program. If all units at the Community are to be closed, Provider will cease to enter into any new continuing care contracts for, and will not admit any residents into, the Community, and

(c) A description of resident rights, including the options ("Resident Options") to: (i) relocate to another continuing care retirement community ("CCRC") owned or operated by Provider; (ii) relocate to a CCRC not owned or operated by Provider on a month-to-month basis; (iii) receive monetary compensation from Provider equal to the value of the remainder of the resident's contract (option expires 120 days after resident selects option (ii) above); or (iv) negotiate another mutually satisfactory resolution with Provider. Replacement housing offered pursuant to paragraph (c)(i) or (ii) shall be, overall, comparable in cost, size, services, features, and amenities to the unit being vacated and shall include compensation by Provider for resident's reasonable costs of moving, storage, if applicable, and transportation.

2. At least 90 days prior to Closure, Provider will provide to DSS, the affected residents of the Community, their designated representatives, and the local long-term care ombudsman program, a written closure and relocation plan ("the Plan") containing all of the following information:

(a) The number of affected residents at each level of care in the Community.

(b) Assessment of unique service and care needs, if applicable, for affected residents in skilled nursing, special care, and assisted living, residents in residential living units who require assistance with three or more activities of daily living, and other residents upon request.

(c) An explanation of how comparable care, if applicable, and comparable replacement housing will be provided.

(d) A detailed description of the services Provider will provide to residents to assist them in relocating, such as, reasonable costs of moving, storage, if applicable, and transportation, arranged by the provider in consultation with the resident and his or her designated representative, and paid for directly by Provider.

(e) The names and addresses of other CCRCs operated by Provider and whether there are openings available to the residents.

(f) The names and addresses of other CCRCs within 30 miles of the Community that provide comparable replacement housing and care, if applicable, to those offered at the Community, and whether the CCRCs have immediate openings available to residents of the Community.

(g) A description of how Provider will offer and implement the Resident Options, including (i) a description of any replacement facility and the procedure by which a resident can select a replacement facility; (ii) that residents will not be required to pay more than they are paying for comparable housing and care at the time of Closure, except for normal rate increases; and (iii) that any proposed monetary compensation shall be fair and reasonable and represent the estimated cost to the resident of securing comparable replacement housing and care under terms similar to the contract between resident and Provider.

(h) A statement that Provider will make available to residents, on request and subject to reasonable cost limitations, a licensed medical or geriatric professional to advise the resident, the resident's representative, and Provider regarding the relocation.

3. Within 30 days of submitting the Plan to DSS, Provider shall establish a reserve or trust fund, or secure a performance bond (the "Security"), in an amount sufficient to cover the cost and to ensure the fulfillment of the obligations and commitments associated with implementing the Plan and the Resident Options. The Security shall be funded with qualifying assets approved by DSS and shall not be subject to any liens, judgments, garnishments, or creditor's claims.

4. Provider shall submit monthly progress reports to DSS detailing the progress and problems associated with the Closure, until all affected residents are relocated and all required payments to, or on behalf of, affected residents are made.

APPENDIX J

AUDITED FINANCIAL STATEMENTS

Copies of the December 31, 2009 and December 31, 2008 audited financial statements of CC-Palo Alto, Inc. are attached.

Exhibit 12

Vi at Palo Alto

Entrance Fee Promissory Note (for repayment to resident)

A. This Entrance Fee Promissory Note (the "Note") is made as of July 27, 2010 (the "Effective Date") by CC-Palo Alto, Inc., a Delaware corporation, (the "Maker") in favor of Thomas C. Merigan (collectively "Resident").

B. On July 27, 2010, Resident executed a Continuing Care Residency Contract (the "Residency Contract") with Maker to reside and receive care and services at Vi at Palo Alto, a continuing care retirement community located at 620 Sand Hill Road, Palo Alto, California (the "Community").

C. The Residency Contract requires Resident to pay to Maker an Entrance Fee in return for the receipt of accommodations, care, and services at the Community (the "Entrance Fee").

D. The Residency Contract provides that the Entrance Fee paid by Resident shall be a loan to Maker, a portion of which is to be repaid to Resident as determined by the length of time that Resident resides at the Community and other factors.

NOW THEREFORE, THE PARTIES AGREE AS FOLLOWS:

1. The Recitals to this Note are incorporated by reference into this Note.
2. Terms not otherwise defined in this Note shall have the meanings set forth in the Residency Contract.
3. On the Effective Date, Resident paid to Maker an Entrance Fee in the amount of One million two hundred twenty three thousand nine hundred dollars (\$1,223,900.00) which Entrance Fee shall be a loan (the "Entrance Fee Loan") from Resident to Maker.
4. Maker promises to pay to the order of Resident the Entrance Fee Loan, or a portion thereof, as follows:
 - (a) If the Residency Contract is cancelled by either Resident or Maker within the Cancellation Period of 90 days beginning on the Cancellation Period Commencement Date, Maker will repay the Entrance Fee Loan to Resident, less the reasonable value of services and care rendered to Resident under the Residency Contract. The Entrance Fee Loan repayment shall be made within fourteen (14) days after Resident makes the Home at the Community available to the Maker in accordance with the terms of the Residency Contract (see Section 8.1 of the Residency Contract).
 - (b) If Resident terminates the Residency Contract after the Cancellation Period (see Section 8.2 of the Residency Contract), or if the Residency Contract terminates as a

result of Resident's death (see Section 8.3 of the Residency Contract), or if Maker terminates the Residency Contract due to casualty or condemnation (see Sections 8.4.2.h and 8.4.2.i of the Residency Contract), then Maker will repay to Resident a portion of the Entrance Fee Loan (the "Entrance Fee Loan Repayment Amount"). Resident's Entrance Fee Loan Repayment Amount will be calculated as follows: (a) the greater of (i) Resident's Entrance Fee Loan times the Minimum Repayment Percentage of 80%, and (ii) Resident's Entrance Fee Loan minus 2% of the Entrance Fee for each month or part thereof (with "month" meaning a 30 day period) from the date the Resident signed the Residency Contract through the date of termination. The Entrance Fee Loan Repayment Amount will be reduced by all outstanding fees and charges due from Resident to Maker

The Entrance Fee Loan Repayment Amount will be due and repaid to Resident on the earlier to occur of (x) fourteen (14) calendar days after Maker enters into a residency contract covering Resident's former Home with a new resident who has executed a continuing care residency contract and paid the then applicable entrance fee or other similar charge for Resident's former Home; or (y) ten (10) years after the date Resident makes his Home available to Maker in accordance with and in the condition required under the Residency Contract. However, notwithstanding the forgoing repayment mechanism, (1) repayment upon a termination due to casualty pursuant to Section 8.4.2.h of the Residency Contract shall be paid in accordance with Section 5.2 of the Residency Contract without any contingency for entering into a residency contract covering Resident's former Home with a new resident and (2) repayment upon a termination due to condemnation pursuant to Section 8.4.2.i of the Residency Contract shall be paid within ninety (90) days after termination without any contingency for entering into a residency contract covering Resident's former Home with a new resident.

(c) If Maker terminates the Residency Contract pursuant to Section 8.4 of the Residency Contract (excluding Sections 8.4.2.h and 8.4.2.i regarding casualty and condemnation which are addressed in (b) above), Maker will repay the Entrance Fee Loan to Resident, less the reasonable value of services, care and residence actually provided to Resident. The Entrance Fee Loan repayment shall be made within fourteen (14) days after Resident surrenders possession of his or her Home at the Community in accordance with and in the condition required under the Residency Contract or within ninety (90) days after the date of Maker's notice of termination, whichever is later.

5. Payments due to Resident under this Note shall be made to Resident at his or her Home, unless Resident otherwise directs in writing.

6. Maker may prepay this Note at any time without payment of penalty or premium.

7. Any notice issued pursuant to this Note shall be sent as set forth in the Residency Contract (see Section 10.9).

8. Other than as negotiated to The Board of Trustees of the Leland Stanford Junior University or its designee this Note is nonnegotiable.

9. In the event of any inconsistencies between the terms of this Note and the terms of the Residency Contract, the terms of the Residency Contract shall prevail. Time is of the essence to every provision hereof.

10. This Note shall be construed in accordance with the laws of the State of California, without regard to its conflicts of law provisions and shall be deemed to be executed and delivered in California.

11. This Note may be amended or terminated only by writing signed by Maker and Resident.

IN WITNESS WHEREOF, Maker has executed this Note as of the Effective Date.

MAKER:

CC-Palo Alto, Inc., a Delaware corporation

By: Classic Residence Management
Limited Partnership, an Illinois
limited partnership

Its: Managing Agent

By: Steve Brudnick

Steve Brudnick, Executive Director

Date: 7/27/10