

EXHIBIT O-1
Modification Schedule

A. Real Property. Stayton and Purchaser agree that, effective at or prior to Closing, the terms applicable to Existing Real Property Loans shall be modified to reflect the following terms, terms more favorable to the borrower, or terms otherwise agreed by Purchaser in writing:

- (1) The dollar-weighted interest rate applicable to all Assumed Real Property Loans (excluding the CS-20 Loan, CS-27 Loan and GE Loans) taken together shall be no greater than the following annual interest rates (the "**Underwritten Rate**"):

Year 1 – 5.25%

Year 2 – 5.42%

Year 3 – 5.60%

Year 4 – 6.37%

Year 5 – 6.95%

- (2) The interest rate for each individual Assumed Real Property Loan (excluding the CS-20 Loan, CS-27 Loan and GE Loans) shall not exceed the per annum interest rates set forth on Exhibit O-2 applicable to such loan by more than 50 basis points during any loan year.
- (3) The principal balance of the applicable Existing Real Property Loan shall not be increased above the amounts set forth on Exhibit O-9, other than with respect to the capitalization of (i) accrued interest and (ii) expenses incurred by the lenders.
- (4) Except as set forth on Exhibit O-10, each loan shall be interest only for one year following the applicable Closing Date and thereafter shall amortize based on a 25 year standard amortization schedule (i.e. not “straightline” amortization).
- (5) Collateral to remain unchanged from pre-receivership status (other than (i) the removal of properties which are not Properties from the collateral of the Assumed Real Property Loans and any equity pledges made by principals of the Sunwest borrower (e.g. pledges by Jon Harder) and (ii) the addition of certain personal property located at the Property owned by Stayton). Except as set forth on Exhibit O-10, no Existing Real Property Loan shall be modified to be cross-collateralized or cross-defaulted with any other Existing Real Property Loan.
- (6) Each loan comprising the Assumed Real Property Loans to have a new term of at least (i) five years or (ii) three years with two one-year extension options and except as set forth on Exhibit O-10, such extension options shall not be subject to any extension fees, financial covenants or other conditions to extension (other than no continuing event of default).
- (7) Existing guarantees to be terminated and any existing guarantors to be released, other than any existing customary recourse carve-out guarantees. Purchaser (including, if applicable, any Successful Bidder at the Auction) to provide customary recourse carve-out guarantees, if required.
- (8) Due on sale and transfer provisions to be nullified to the extent they would be triggered by the Transaction.
- (9) Existing defaults to be waived and any unpaid interest accrued (other than default rate interest) will be capitalized.

- (10) There shall be no debt yield tests, loan-to-value tests, minimum revenue/income requirements, limitations on income derived from Medicare or any other financial covenants.
- (11) The only financial covenant which may be included in the Assumed Real Property Loan Documents is a debt service coverage ratio for the Properties securing such loan ("**DSCR Test**"), provided that such DSCR Test shall not (i) exceed the applicable ratios set forth on Exhibit O-8 and (ii) be required to be tested during some or all of the years of the term for the loans, as more particularly set forth on Exhibit O-8. The loans shall provide that in the event that the DSCR Test is not satisfied, the only consequence shall be a cash trap which shall be subject to cure (i.e. the failure to satisfy the DSCR Test shall not constitute a default under the loan and shall not result in any mandatory prepayment of the loan).
- (12) No Assumed Real Property Loan shall provide for a reserve (i) for capital expenditures in excess of \$350 per bed / per year (and any such reserve shall only be required to be funded from cash flow on a monthly basis) or (ii) for deferred maintenance items.
- (13) The loans shall provide for only customary and reasonable reporting covenants.
- (14) There shall be no covenants related to the maintenance of a minimum occupancy at the Property.
- (15) The loan shall be prepayable in whole or in part at any time without payment of any prepayment fee, exit fee, yield maintenance or other fee. There shall be no other fees required to be paid to Lender in connection with the Closing (other than assumption, modification or similar fees which are the responsibility of Sellers pursuant to Section 14.13) or at any time during the term of the loan.
- (16) Except as set forth on Exhibit O-10, there shall be no defaults which are tied to the occurrence of a "material adverse effect" or a determination by lender that it is not fully secured.
- (17) The existing manager/operator of the Property shall be permitted to be replaced with Emeritus or an Affiliate.

The modification terms described above shall not be applicable to the CS-20 Loan, CS-27 Loan or GE Loans,, which shall be modified only (i) as contemplated by the term sheets attached as Exhibits O-4, O-5 and O-6 or (ii) as mutually agreed to by the parties hereto. The applicable interest rates under the GE Loans, CS-20 Loan and CS-27 Loan shall not be taken into account when determining whether the Underwritten Rate for all of the Assumed Real Property Loans has been satisfied.

B. Personal Property. Existing Personal Property Loans to be reinstated in accordance with the existing contractual terms applicable to such loans, with the following exceptions:

- Any existing guarantees to be terminated and any existing guarantors to be released, other than existing customary recourse guarantees; Purchaser to provide customary recourse carve-out guarantees.
- Due on sale and transfer provisions to be (i) nullified to the extent they would be triggered by the Transaction and (ii) modified to reflect the owner of the applicable Property must be a Qualified Owner and the operator of each Property must be a Qualified Operator.
- All existing defaults to be waived and any unpaid interest accrued at a rate higher than the contract interest rate (including any default interest) to be forgiven.

- Any unpaid installments and any accrued and unpaid interest to be paid in monthly installments in the amount provided in the applicable agreement, which installments to be added to end of the contract term and to continue until paid in full.
- Holders of such Assumed Personal Property Debt to have no unsecured claims against Sellers.