

EXHIBIT O-3
Form Modification Documents

[see attached]

RESTATED LOAN AGREEMENT

dated as of

_____, 20__

between

_____,
a(n) _____,
as Lender,

and

_____,
a(n) _____,
as Borrower.

PROPERTY: _____

RESTATED LOAN AGREEMENT

THIS RESTATED LOAN AGREEMENT is made as of _____, 20__ (the "Effective Date"), between _____, a _____ ("Borrower"), and _____, a _____ ("Lender").

RECITALS

A. Borrower previously borrowed from Lender the principal amount of \$ _____ (the "Original Obligation") pursuant to a [NAME OF PREVIOUS LOAN AGREEMENT] dated _____, among _____ (the "Original Loan Agreement"). In connection with the Original Loan Agreement, Borrower executed, among other instruments, a [NAME OF PREVIOUS NOTE], dated _____, in the principal amount of the Original Obligation (the "Original Note"). **[The Original Note was held originally by _____, but is currently held by Lender.]**

B. The Original Loan Documents, and the obligations thereunder, were modified and replaced by this Restated Loan Agreement and the Restated Note pursuant to a plan of reorganization in In re Stayton SW Assisted Living, L.L.C., USDC Case No. 09-CV-6056-HO (the "Plan of Reorganization") confirmed by the Oregon Federal District Court (bankruptcy reference withdrawn).

C. As part of restating the Original Obligation, Lender and Borrower wish to restate the Original Loan Agreement as set forth in this Restated Loan Agreement.

AGREEMENT

The parties therefore agree as follows:

ARTICLE 1 DEFINITIONS AND INTERPRETATION

1.1 Definitions. As used herein, the following terms have the following meanings:

"Borrower" has the meaning set forth in the first paragraph of this Agreement, and includes its successors and assigns.

"Business Day" means any day other than (a) Saturday or Sunday, (b) a day recognized by the United States government as a public holiday for federal employees or (c) a day recognized by the Oregon state government as a public holiday for state employees.

"Collateral" means (a) all real property of Borrower encumbered by Lender under the Original Loan Documents to secure the Original Loan and (b) the personal property of Borrower in which it grants Lender a security interest pursuant to Sections 4.1.16 or 8.3, to the extent those provisions apply. "Collateral" specifically does not include (i) any personal property

encumbered by Lender under the Original Loan Documents to secure the Original Loan or (ii) any lease, license or other agreement to which Borrower is not a direct party.

"Confirmation Order" means the order of the Oregon Federal District Court confirming the Plan of Reorganization.

"Default Rate" has the meaning set forth in the Restated Note.

"Effective Date" has the meaning set forth in the first paragraph of this Restated Agreement, which will be the same date as the effective date of the Plan of Reorganization.

"Encumbrance" means any mortgage, deed of trust, pledge, lien, security interest, hypothecation, charge or encumbrance granted or imposed to secure an obligation.

"Environmental Proceedings" means any civil, criminal, or administrative proceedings that (a) relate to environmental matters and (b) affect the Real Property.

"Event of Default" has the meaning set forth in Section 9.1.

"Facility" means the senior living facility located on the Real Property.

"GAAP" means generally accepted U.S. accounting principles consistently applied.

"Government Authority" means any federal, state, county or municipal government, or political subdivision thereof, any government or quasi-government agency, authority, board, bureau, commission, department, instrumentality, or public body, or any court or administrative tribunal.

"Hazardous Material" means any: (a) "hazardous waste" or "hazardous substance" defined as such in the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C.A. § 9601 *et seq.*, or any so-called "superfund" or "superlien" Law; (b) "pollutant or contaminant" as defined in 42 U.S.C.A. § 9601(33); (c) material now defined as "hazardous waste" pursuant to 40 C.F.R. Part 260; (d) petroleum, including crude oil or any fraction thereof; (e) natural gas, natural gas liquids, or synthetic gas usable for fuel; (f) "hazardous chemical" as defined pursuant to 29 C.F.R. Part 1910; (g) substance which contains gasoline, diesel fuel or other petroleum hydrocarbons or volatile organic compounds; (h) substance which contains polychlorinated biphenyls (PCBs) or asbestos or urea formaldehyde foam insulation; and (i) other substance that is subject to any other Law relating to protecting human health, plant or animal life, natural resources or property from the presence in the environment of any solid, liquid, gas, odor or any form of energy.

"Hazardous Materials Claim" means any claim made by any third party against Borrower or the Real Property relating to damage, contribution, cost recovery, compensation, loss or injury resulting from any Hazardous Material.

"Law" means any applicable federal, state or local, rule, regulation, statute or requirement of any Government Authority.

"Lender" has the meaning set forth in the first paragraph of this Agreement.

"Lease" means any lease, Residency Agreement, license or other agreement pursuant to which any Person is granted a possessory interest in, or right to occupy, any part of the Real Property. Notwithstanding the foregoing, the term "Lease" does not include any Master Lease.

"Lessee" means the lessee under a Master Lease.

"Master Lease" means any lease or other agreement pursuant to which Borrower leases all or substantially all of the Real Property to a Lessee.

"Maturity Date" means the date on which the outstanding principal balance and all accrued interest is due pursuant to the Restated Note.

"Notice" means any notice, request or demand required or permitted to be given or served under any Restated Loan Document.

"Obligations" means all loans, liabilities, obligations, covenants and duties of any kind, due to Lender from Borrower arising under any Restated Loan Documents.

"Oregon Federal District Court" means the United States District Court for the District of Oregon.

"Original Loan" means the loan from Lender to Borrower under the Original Loan Documents.

"Original Loan Agreement" has the meaning set forth in Recital A.

"Original Loan Documents" means the Original Loan Agreement, the Original Note, and each other agreement, instrument, certificate and other document executed by any Person in connection with making the Original Loan, including any guaranty of the Original Loan.

"Original Obligation" has the meaning set forth in Recital A, plus any additional loans or other obligations incurred by Borrower to Lender pursuant to the Original Loan Documents, and any additions thereto or modifications thereof.

"Original Note" has the meaning set forth in Recital A.

"Original Security Document" means any Original Loan Document that grants Lender an interest in Collateral to secure the Original Loan, including any mortgage, deed of trust or security agreement.

"Permitted Encumbrances" means, with respect to the Collateral, collectively:
 (a) the Encumbrances created pursuant to the Restated Loan Documents; (b) all Encumbrances that are of public record as of the Effective Date; (c) all Encumbrances imposed by a Government Authority that are not yet delinquent; and (d) any restrictions, covenants, reservations, easements, licenses or other agreements granted by Borrower to a Government

Authority, public utility or private person after the Effective Date which do not have a material adverse effect on the Facility's operation.

"Person" means an individual, Government Authority, corporation, partnership, limited liability company, trust, bank, trust company, unincorporated association, joint venture or other legal entity.

"Plan of Reorganization" has the meaning set forth in Recital B, as it may be supplemented, amended, restated or otherwise changed from time to time.

"Property Documents" means all agreements, documents, schedules, and all attachments thereto, related to operating or using the Real Property, along with all agreements and/or documents relating to rights of access, support and utilities for the Real Property.

"Real Property" means the real property, which is improved with the Facility, described in attached Exhibit A.

"Reserve Account" means one or more accounts in a financial institution selected by Borrower.

"Residency Agreements" means the agreements entered into in the ordinary course of business with the Facility residents to occupy the Facility.

"Restated Agreement" means this Restated Loan Agreement.

"Restated Loan" means the Original Loan as restated pursuant to the Restated Loan Documents.

"Restated Loan Documents" means this Restated Agreement, the Restated Note, any other document or instrument executed in connection with the Restated Loan, and any Original Loan Document that is amended or otherwise modified in connection with the Restated Loan pursuant to Section 2.2.1(d) (as so amended or otherwise modified).

"Restated Note" means the Restated Promissory Note, dated as of the Effective Date, executed by Borrower and Lender to evidence the Restated Loan.

"Taxes" means any taxes, fees, assessments or other charges imposed by a Government Authority on any Collateral.

"Transfer" means any transfer, sale, conveyance or assignment, excluding the (a) entry into a Master Lease or Lease and (b) the grant of a Permitted Encumbrance.

1.2 Interpretation. In this Restated Agreement:

1.2.1 All pronouns will be deemed to refer to masculine, feminine, or neuter, singular or plural, as the identity of the person or persons require.

1.2.2 Section and other headings contained in this Restated Agreement are for reference purposes only.

1.2.3 The words "include," "includes," "included" and "including" are deemed to be followed by the phrase "without limitation."

1.2.4 The term "and/or" means each and all of the words or items connected by that term.

1.2.5 Lender may not unreasonably withhold, delay or condition its consent in any instance in which Lender's consent is required.

1.2.6 Whenever any action is to be taken on or before on a day other than a Business Day, the action may be taken without default on the next succeeding Business Day.

1.2.7 Any reference to a law, agreement or other document, includes that law, agreement or other document as it may be supplemented, amended, restated or otherwise changed from time to time.

1.2.8 This Restated Agreement was approved by the Oregon Federal District Court through the Confirmation Order, is part of the Plan of Reorganization, and will be interpreted according to the fair meaning of its terms. No rule of construction or interpretation that disfavors the party drafting this Restated Agreement or any of its provisions will apply to this Restated Agreement's interpretation.

ARTICLE 2 RESTATEMENT OF ORIGINAL LOAN

2.1 General Effect of Restatement. Except as provided in Section 2.2, the Restated Loan Documents restate and replace the Original Loan Documents in their entirety. Except as provided in Section 2.2, on the Effective Date:

2.1.1 All the Original Loan Documents will be void and of no effect irrespective of any language to the contrary in any Original Loan Document;

2.1.2 No party will have any claim under or with respect to any Original Loan Document;

2.1.3 The Restated Loan Documents will control the parties' rights and obligations with respect to the Restated Loan; and

2.1.4 No guarantor or co-obligor of the Original Loan (including any recourse carveout guarantor) will be liable for any obligation under the Original Loan Documents, and no guaranty of the Original Loan (including any recourse carveout guarantee) will be effective to guaranty the obligations of any Person under any Restated Loan Document.

2.2 Effect of Restatement on Security and Collateral.

2.2.1 Terms. Notwithstanding Section 2.1:

- (a) The restatement of the Original Loan pursuant to the Restated Loan Documents will not affect the priority of Lender's lien on the Collateral;
- (b) The Collateral will secure the Restated Loan in the same manner and to the same extent as it secured the Original Loan;
- (c) Lender's lien on and security interest in the Collateral securing the Restated Loan will have the same priority as it had with respect to the Original Loan; and
- (d) Subject to Section 2.3, each Original Security Document will continue in effect and will apply to the Restated Loan; provided, however, that any covenant, default, requirement, restriction or other obligation affecting Borrower or any Collateral in any Original Security Document will be void and of no effect:
 - (i) If it is not directly related to obtaining or maintaining Lender's Encumbrance on Collateral;
 - (ii) If it is inconsistent with any provision of the Plan of Reorganization, this Restated Agreement or the Restated Note;
 - (iii) If it addresses a subject that is also addressed in this Restated Agreement or the Restated Note; or
 - (iv) To the extent it grants an Encumbrance on personal property.

2.2.2 Examples. For example and without limitation, each of the following restrictions or provisions in an Original Security Document will be void and of no effect under Section 2.2.1(d):

- (a) Pursuant to subsection 2.2.1(d)(i), any: (i) financial requirement or financial covenant imposed on Borrower; (ii) provision restricting the transfer of an interest in Borrower; (iii) requirement relating to the Facility manager, including restrictions relating to the terms, termination or amendment of the management agreement with the Facility manager; (iv) restrictions on additional indebtedness of Borrower; (v) restriction on Borrower making alterations to the Collateral; and (vi) indemnity to be provided by Borrower.
- (b) Pursuant to subsection 2.2.1(d)(iii), any: (i) insurance requirements imposed on Borrower – see Section 4.1.3; (ii) representations or warranties – see Article 5; and (iii) event of default or remedy upon default – see Article 9.

2.3 Release of Certain Collateral. Lender releases any collateral granted under the Original Loan Documents to secure the Original Loan that does not fall within the definition of "Collateral" under this Restated Loan Agreement.

2.4 Waiver of Any Previous Default. Any default of any party under any Original Loan Document is waived as of the Effective Date.

2.5 Inconsistencies with Plan of Reorganization. The Restated Loan Documents are made binding pursuant to the Confirmation Order. To the extent there are any inconsistencies, the terms of the Plan of Reorganization and Confirmation Order will control over the terms of the Restated Loan Documents.

ARTICLE 3 RESTATED LOAN TERMS

3.1 Restated Note. The Restated Loan is evidenced by the Restated Note. The aggregate principal balance of the Restated Loan on the Effective Date is the principal amount stated in the Restated Note. Borrower will pay interest on the Restated Loan in accordance with the Restated Note.

3.2 Payment.

3.2.1 Monthly Payments. Borrower will make monthly payments of interest only beginning on the 10th day of the first full month after the Effective Date, and on the 10th day of each month thereafter until the first full month to begin after the first anniversary of the Effective Date. Borrower will make equal monthly payments, consisting of principal and interest, based on a 30-year amortization of the outstanding principal of the Restated Loan as of the first anniversary of the Effective Date, beginning on the 10th day of the first full month following the first anniversary of Effective Date, until the Maturity Date.

3.2.2 At Maturity. On the Maturity Date, Borrower will pay Lender a balloon payment equal to the entire remaining principal balance under the Restated Loan, all due but unpaid interest, and all other sums owing to Lender under the Restated Loan Documents.

ARTICLE 4 BORROWER'S COVENANTS

4.1 Affirmative Covenants. So long as any portion of the Restated Note remains unpaid, Borrower will, unless Lender otherwise consents:

4.1.1 Books and Records. Keep adequate records and books of account substantially in accordance with GAAP.

4.1.2 Inspection by Lender. Permit Lender or its designee, upon reasonable written notice to Borrower and during Borrower's business hours, to inspect or appraise (as appropriate) any of (a) the Collateral, wherever located and (b) Borrower's records relating to the Facility at Borrower's or the Facility manager's office (as applicable). Each inspection or appraisal will be at Lender's Expense unless it takes place during the occurrence of an Event of Default, in which case it will be at Borrower's expense.

4.1.3 Insurance. Maintain the following with respect to insurance:

(a) Property insurance against loss customarily included under "all risk" policies including flood, vandalism, and malicious mischief, boiler and machinery, and such other insurable hazards as are typically insured against for other property and buildings similar in nature, use, location, height, and type of construction, excluding anti-terrorism insurance. The insurance policy will: (i) insure the additional expense of demolition and increased cost of construction due to the enforcement of Laws regulating reconstruction at the time of rebuilding after a loss; (ii) be not less than 100% of the replacement cost; (iii) contain a replacement cost value endorsement; and (iv) cover all tenant improvements that Borrower is required to insure in accordance with any Lease.

(b) Business interruption insurance for a minimum interruption period of 12 months;

(c) Flood insurance for the Real Property if the Real Property is located in an area designated by the Secretary of Housing and Urban Development as having special flood hazards;

(d) During the course of any construction or repair of Collateral, builder's completed value risk insurance against "all risks of physical loss," including collapse and transit coverage, theft and vandalism, and offsite storage during construction, in non-reporting form, covering the total value of work performed and equipment, supplies and materials furnished;

(e) Boiler and machinery insurance covering pressure vessels, air tanks, boilers, machinery, pressure piping, heating, air conditioning and elevator equipment and escalator equipment, provided the Collateral includes fixtures of that nature, and insurance against loss of occupancy or use arising from any breakdown, in an amount reasonably determined by Borrower; and

(f) Certificates evidencing worker's compensation, employer's liability, and comprehensive general liability insurance (including contractual liability) and, in the case of the comprehensive liability insurance, naming Lender as an additional insured, with liability insurance limits of not less than \$1,000,000 combined single limit for personal injury and property damage. The liability policy will also contain a so-called "products-completed operations endorsement."

All insurance required under this Section 4.1.3 will be with companies and in form, amounts and deductibles reasonably satisfactory to Lender and with a mortgagee's loss payable clause attached naming Lender as mortgagee and loss payee. All companies will be qualified to do business in the state in which the Real Property is located. All required policies will provide that the insurance will not be cancelled or modified without at least 30 days' prior written notice from the insurance carrier to Lender and will provide that no claims will be paid thereunder without 10 days' advance written notice to Lender. Borrower will deliver renewal certificates of all insurance required under this Section 4.1.3, together with written evidence of full payment of the

annual premiums, within a commercially-reasonable time after renewal. Borrower will timely pay all premiums on all insurance policies required under this Restated Agreement. If additional insurance is required during the term of the Restated Loan and when any insurance policies expire, Borrower will furnish to Lender, upon Lender's written request, copies of additional and renewal insurance policies in accordance with the foregoing standards.

4.1.4 Maintenance. Maintain the tangible Collateral in at least as good a condition as on the Effective Date, reasonable wear and tear excepted.

4.1.5 Compliance With Laws. Comply in all material respects with all Laws, noncompliance with which would materially and adversely affect Borrower's ability to perform any Obligations, including paying all Taxes before delinquency, provided that Borrower will have the right to contest any of the same in good faith and with due diligence so long as Borrower posts security or other assurances reasonably satisfactory to Lender. Lender shall make any such security available to satisfy Borrower's obligations with respect to the matter being contested.

4.1.6 Other Agreements. Comply in all material respects with any other agreement to which Borrower is a party, noncompliance with which would materially and adversely affect Borrower's ability to perform any of its Obligations.

4.1.7 Liens and Contest Thereof. Discharge or cause to be released or expunged of record any claim for lien, bonded notice to withhold or stop notice, or any proceeding for the enforcement thereof that is filed or commenced, in each case within 90 days after receiving written notice from Lender demanding the release or discharge of the lien or bonded notice to withhold or stop notice. If Borrower fails to promptly discharge any such lien claim filed or otherwise asserted, or to contest any such claim, or having commenced to contest the same, fails to prosecute the contest with due diligence, Lender may in its discretion after at least 10 days notice to Borrower: (a) procure the release or discharge of the claim, judgment or decree; (b) settle or compromise the claim, judgment or decree; or (c) furnish any security or indemnity to the title company or post a surety bond with respect to the claim, judgment or decree. Any amounts expended by Lender under this Section 4.1.7 will be deemed to constitute additional indebtedness evidenced by the Restated Note. Notwithstanding the foregoing, this Section 4.1.7 does not apply to any lien, bonded notice to withhold or stop notice, or any proceeding for the enforcement thereof that is of public record as of the Effective Date or is otherwise prorated for payment of claims in the Plan of Reorganization.

4.1.8 Tax Payments. Pay all Taxes before they become delinquent, subject to Borrower's right to contest Taxes and other charges pursuant to Section 4.1.5. If Borrower fails to pay a Tax before it becomes delinquent, Lender may, upon at least five days written notice to Borrower and subject to Borrower's rights under Section 4.1.5, at Lender's election, pay and discharge the Tax and any interest or penalty thereon, and any amounts so expended by Lender will constitute additional indebtedness evidenced by the Restated Note. Borrower will promptly provide Lender, upon Lender's written request, with copies of Tax receipts relating to the Real Property from all taxing authorities. If any Tax or other payment becomes due in respect of issuing the Restated Note, Borrower will pay the Tax or other payment in the manner required by Law. Notwithstanding the foregoing, this Section 4.1.8 does not apply to any Taxes owed by

Borrower that are addressed in the Plan of Reorganization (which will be paid in accordance with the Plan of Reorganization).

4.1.9 Lender's Attorney Fees. Pay all reasonable legal fees and reasonable actual disbursements incurred by Lender during the occurrence of an Event of Default to (a) protect, collect, lease, sell, take possession of or liquidate the Collateral, (b) enforce any Encumbrance on any Collateral or (c) enforce any other rights of Lender against Borrower. Any amount owed by Borrower for attorney fees and disbursements that are actually paid by Lender will constitute additional indebtedness evidenced by the Restated Note.

4.1.10 Furnishing Reports. Provide Lender promptly after receipt with copies of all inspections, reports and other written information received by Borrower from its employees, agents, representatives, architects, engineers, and any other parties involved in the ownership or operation of the Collateral, which may materially and adversely affect the value of the Collateral, including all environmental and engineering reports.

4.1.11 Lease Reports. Deliver to Lender, or cause any Lessee to deliver to Lender, (a) a copy of each new Lease other than Residency Agreements, and (b) within 30 days after the end of each quarter, a report showing the status of the leasing of space in the Real Property (including under Residency Agreements) certified as accurate and complete by Borrower, or by Lessee, if any, in Borrower's or Lessee's standard form of certification (as applicable).

4.1.12 Furnishing Notices. Promptly deliver to Lender copies of all notices of default received or given by Borrower under any Lease other than Residency Agreements. Borrower will promptly provide Lender with copies of all violation notices pertaining to the Real Property received by Borrower from any Government Authority.

4.1.13 Lost Note. If the Restated Note is mutilated, destroyed, lost, or stolen, promptly deliver to Lender upon Lender's request, a substitute promissory note containing the same terms and conditions as the Restated Note with a notation thereon of the unpaid principal accrued and unpaid interest. At the time Borrower executes the substitute promissory note, Lender will deliver to Borrower (a) the mutilated Restated Note if the Restated Note is mutilated or (b) a customary lost note indemnity if the Restated Note is destroyed, lost, or stolen.

4.1.14 Hazardous Material. Keep, or cause others to keep, the Real Property, free from any potentially harmful Hazardous Material contamination. Borrower will comply with all Laws with respect to Hazardous Material, will pay when due the costs of removing any such Hazardous Material, and will keep the Real Property free of any lien imposed pursuant to such Laws. Borrower will not release or dispose, or allow the release or disposal, of any Hazardous Material at the Real Property in violation of any Law. Borrower will promptly advise Lender in writing after Borrower's discovery of:

- (a) Any enforcement, cleanup, removal or other government or regulatory actions instituted pursuant to any Law;
- (b) Any Hazardous Materials Claim; and

(c) Borrower's discovery of any occurrence or condition on any property adjoining or in the vicinity of the Real Property that likely would result in any part of the Real Property being subject to any restrictions on its ownership, occupancy, transferability or use under any Law. Lender will have the right to join and participate in any legal proceedings or actions initiated in connection with any Hazardous Materials Claim and to have its reasonable attorney fees and expenses incurred in connection therewith constitute additional indebtedness evidenced by the Restated Note.

4.1.15 Defaults Under Property Documents. If Borrower materially defaults under any Property Document, and the default materially and adversely affects the Collateral or Borrower's ability to perform the Obligations, Lender will have the right to cure the default. If curing the default requires that Lender enter and/or take possession of the Real Property, Lender may do so for the purpose of curing the default. Notwithstanding the foregoing, Lender will not be entitled to exercise its rights under this Section until any applicable grace periods expire under the applicable Property Documents and Lender has given Borrower at least 30 days prior written notice and an opportunity to cure. Any costs actually expended in good faith by Lender in curing the default will constitute additional indebtedness evidenced by the Restated Note.

4.1.16 Reserve Account.

(a) Deliver monthly, or cause Lessee to deliver monthly, to one or more Reserve Accounts, cash equal to 1/12 of the amount reasonably estimated by Borrower necessary to pay:

- (i) Taxes during the next 12-month period; and
- (ii) deferred Facility maintenance, repairs and capital expenditures during the next 12-month period based on projections provided by Borrower to Lender.

(b) If no Master Lease is in place: (i) each Reserve Account, whether now existing or hereafter created, is pledged by Borrower to Lender as additional security for the Loan; and (ii) upon Lender's request, Borrower will work with Lender and each financial institution where a Reserve Account is maintained to enter into a three-party deposit account control agreement to perfect Lenders' interest in the Reserve Account(s). Absent an uncured or unwaived Event of Default, Borrower will have full access to each pledged Reserve Account and may withdraw funds from the Reserve Account to pay Taxes and deferred Facility maintenance, repairs and capital expenditures.

(c) Notwithstanding Sections 4.1.16(a) and 4.1.16(b): (i) if a tax reserve account was not required by the Original Loan Documents, then neither Borrower nor any Lessee will be required to maintain a separate tax reserve account under this Section 4.1.16; and (ii) if a reserve account for deferred Facility maintenance, repairs and capital expenditures was not required by the Original Loan Documents, then neither Borrower nor any Lessee will be required

to maintain a separate reserve account for deferred Facility maintenance, repairs and capital expenditures under this Section 4.1.16.

4.2 Negative Covenants. So long as any portion of the Restated Note remains unpaid, Borrower will not, without Lender's written consent:

4.2.1 No Additional Encumbrances. Create, incur, assume, or suffer to exist, any Encumbrance upon the Collateral, other than Permitted Encumbrances.

4.2.2 No Waste. Commit physical waste in any material respect, or permit impairment or deterioration in any material respect of the Collateral.

ARTICLE 5 REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants to Lender as of the Effective Date that:

5.1 No Conflict. The execution, delivery and performance of Restated Loan Documents, and the continuation of all Encumbrances by Borrower provided for under any Restated Loan Documents do not contravene any Law or agreement by which Borrower is bound.

5.2 Enforceability. Each Restated Loan Document executed by Borrower is a legal, valid and binding obligation of Borrower, enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to the enforcement of creditors rights generally.

5.3 Title. Borrower has good and marketable fee simple title to the Real Property, free of any Encumbrance, except for Permitted Encumbrances.

5.4 Validity of Restated Loan Documents. Borrower's execution, delivery and performance of the Restated Loan Documents: (a) are duly authorized by Borrower and do not require the consent or approval of any other Person which has not been obtained; and (b) will not violate any Law or result in the imposition of any Encumbrance upon the assets of Borrower, except as contemplated by the Restated Loan Documents.

5.5 Restricted Persons. Borrower is not a Person with whom Lender is restricted from doing business under regulations of the Office of Foreign Asset Control ("OFAC") of the Department of the Treasury of the United States of America (including those Persons named on OFAC's Specially Designated and Blocked Persons list) or under any statute, executive order (including, the September 24, 2001 Executive Order Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism), or other government action and is not engaged in any dealings or transactions or otherwise associated with such Persons.

ARTICLE 6
STATEMENTS AND INFORMATION

So long as Borrower has any outstanding Obligations, Borrower will deliver, or cause to be delivered, the following to Lender upon Lender's written request to Borrower:

6.1 Annual Financial Statements. Within 120 days after the close of the fiscal year, copies of Borrower's annual financial statements, certified by Borrower, in Borrower's standard form of certification, as true and correct representations of the financial condition of Borrower in all material respects, which will include a balance sheet and, for the Real Property, a cash flow statement for the year just ended, and a statement of contingent liabilities (excluding contingent liabilities as a recourse carve-out guarantor/indemnitor on non-recourse commercial mortgage loans). The financial statements will fairly present Borrower's financial position for the period covered substantially in accordance with GAAP.

6.2 Tax Returns. Within 30 days after filing, copies of Borrower's federal tax returns.

6.3 Projections. Within 120 days after the beginning of the fiscal year, a projection of income and expenses for the Real Property for that year.

6.4 Operating Statements. Within 30 days after the end of each month, the operating statements for the Real Property for that month. Within 30 days after the end of each quarter, the person issuing the Real Property operating statements will certify, in its standard form of certification, that the operating statements for that quarter are true and correct in all material respects.

6.5 Rent Rolls. Within 30 days after the end of each quarter, the rent roll for the Real Property for that quarter. Each rent roll will be certified by the person generating the rent roll, in its standard form of certification, as true and correct in all material respects.

6.6 Litigation. Prompt notification and a summary of any action, suit or proceeding at Law or in equity or by or before any Government Authority pending or threatened against or affecting Borrower where the amount in controversy exceeds \$500,000, as well as prompt notification of the entry of any judgment or award against Borrower that exceeds \$500,000.

6.7 Other Information. Any other information respecting the financial or other condition of Borrower's business affairs that Lender reasonably requests.

Lender will treat all information it obtains from Borrower as confidential.

ARTICLE 7
CLOSING AND POST-CLOSING DELIVERIES

7.1 Restated Loan Documents. Concurrently with executing and delivering this Restated Agreement to Lender, Borrower will deliver to Lender or Lender will have received, a duly executed (as applicable): (a) Restated Note; and (b) copy of the Confirmation Order to evidence that the individuals executing this Restated Agreement and the other Restated Loan

Documents on behalf of Borrower have been duly authorized by all appropriate action to execute and deliver the Restated Loan Documents.

7.2 Reserve Accounts. Promptly after the Effective Date, Lender will return to Borrower all funds in all reserve accounts held by Lender pursuant to the Original Loan Documents.

ARTICLE 8 ADDITIONAL RIGHTS OF LENDER

8.1 Documents of Further Assurance. Borrower will, upon Lender's written request, execute, deliver, record and furnish all documents that Lender reasonably deems necessary to (a) perfect and maintain perfected the Encumbrances upon the Collateral granted or confirmed in any Restated Loan Document, (b) correct any typographical errors in any of the Restated Loan Documents, or (c) consummate fully the transaction set forth in the Restated Loan Documents.

8.2 Lender's Action for its Own Protection Only. Any action taken by Lender to inspect the tangible Collateral or to approve Leases and other documents and instruments submitted to Lender, will be taken by Lender for its own protection only and may not be relied upon by Borrower or any other Person for any purpose.

8.3 Additional Security.

8.3.1 This Section 8.3 will apply only if Borrower has leased the Real Property under a Master Lease.

8.3.2 Subject to Section 8.3.1, Borrower grants to Lender, as additional security for the Loan, a security interest in all Borrower's right, title and interest in the following property, wherever located and whether now existing or hereafter acquired, arising or created:

- (a) The Master Lease;
- (b) All guaranties, security interests and other agreements securing Lessee's obligations to Borrower pursuant to the Master Lease;
- (c) Any interest of Borrower in any tax and/or deferred maintenance reserve account maintained by Lessee with respect to the Facility; and
- (d) All proceeds of any of the foregoing, including cash, deposit accounts, instruments and other documents.

8.3.3 For clarification:

- (a) The property referenced in Section 8.3.2 does not include any "Lease," as that term is defined in Section 1.1; and

(b) If a Master Lease exists, Lender's Encumbrance on Leases and rents arising from the Facility will be (i) void and no longer part of the Collateral and (ii) replaced by the security interest set forth in Section 8.3.2.

ARTICLE 9 EVENTS OF DEFAULT; REMEDIES

9.1 Events of Default. The occurrence of any of the following events will constitute an "Event of Default":

9.1.1 Monetary Obligations. Borrower fails to make any payment when due under the Restated Note and the payment remains unpaid 10 days after Borrower receives Lender's written notice of nonpayment.

9.1.2 Representations and Warranties. Any representation or warranty made by Borrower in any Restated Loan Document was incorrect or untrue in any material respect when made and the incorrect or untrue representation or warranty would materially and adversely affect Borrower's ability to perform any Obligations.

9.1.3 Non-Monetary Obligations. Borrower fails to perform or observe in any material respect any other term, covenant or agreement contained in any Restated Loan Document and the failure continues after 30 days' written notice by Lender to Borrower with respect thereto, however, no Event of Default will exist where, by its nature, the matter would require more than 30 days to cure, and Borrower (a) undertakes within the 30-day period to begin the cure, and (b) thereafter diligently pursues to complete the cure.

9.2 Remedies. During the continuance of an Event of Default:

9.2.1 Acceleration. Lender may demand from Borrower the immediate payment of any or all Obligations, including Obligations arising under the Restated Note in which case interest will accrue on the accelerated Obligations at the Default Rate;

9.2.2 Foreclosure. Lender may proceed to foreclose on the Collateral by judicial or nonjudicial means, as allowed by Law;

9.2.3 UCC Remedies. Lender will have all of the rights and remedies of a secured party under all Laws with respect to the Collateral that is personal property;

9.2.4 Application of Funds. Lender may apply all funds received with respect to the Collateral to pay the Obligations and will remit any excess to Borrower; or

9.2.5 Other Remedies. Lender may exercise any other right or remedy available under any Restated Loan Document or at Law or in equity.

9.3 Nonrecourse Loan. The Restated Loan is nonrecourse and neither Borrower nor any other Person will be personally liable for the Loan or any other amount that may become due and payable under the Restated Loan Documents.

ARTICLE 10
GENERAL PROVISIONS

10.1 No Waiver. No delay or failure on Lender's part in exercising any right or remedy under this Restated Agreement will waive any right or remedy available to Lender. No waiver will be valid unless it is in writing and signed by Lender. No waiver will affect any default other than the default addressed in the waiver. Any waiver of any term or condition contained in this Restated Agreement will not waive any subsequent default of the same term or condition.

10.2 Amendments. This Restated Agreement may be amended or otherwise modified or only in a writing signed by the parties.

10.3 Governing Law. The terms of this Restated Agreement will be governed by and interpreted and construed under the laws of the State of Oregon, without regard to its conflict of laws principles.

10.4 Remedies Cumulative. Lender's rights and remedies under this Restated Agreement will be cumulative and nonexclusive of any other rights or remedies it has under any other agreement or instrument, by operation of Law or otherwise.

10.5 Notices. Any Notice given or served under any Restated Loan Document will be in writing and will be deemed given if personally delivered, sent by United States certified or registered mail (postage prepaid and return receipt requested), or sent by overnight courier service. Each Notice will be effective (a) if mailed, upon the earlier of (i) three Business Days after mailing, or (ii) actual receipt as evidenced by the return receipt, (b) the next Business Day if sent by overnight courier service with all fees prepaid, or (c) if personally delivered, when delivered. All Notices will be addressed to the appropriate party at the address set forth on the signature page of this Restated Agreement. Either party may change its address for purposes of this Restated Agreement by giving written notice to the other party in the manner set forth above.

10.6 Severability. If any part of this Restated Agreement is determined to be illegal, unenforceable or against public policy by a court of competent jurisdiction, then it will be deemed deleted from this Restated Agreement without affecting or impairing any other part hereof.

10.7 Expenses. Borrower will pay all of Lender's costs and expenses of filing fees, stamp and recording taxes, if any, mortgage taxes, and reasonable attorney fees and reasonable actual disbursements of counsel to Lender, in connection with the enforcement of the Restated Loan Documents and all insurance charges with respect to the Collateral.

10.8 Entire Agreement. The Restated Loan Documents constitute the complete agreement of the parties with respect to the subject matters referred to in the Restated Loan Documents, and supersede all prior or contemporaneous negotiations, promises, covenants, agreements or representations of every nature with respect thereto, all of which are integrated into the Restated Loan Documents.

10.9 Counterparts. This Restated Agreement and any amendments, waivers, consents or supplements may be executed in any number of counterparts, each of which when executed and delivered will be deemed an original, but all such counterparts together will constitute one and the same instrument.

10.10 Statutory Notice. UNDER OREGON LAW, MOST AGREEMENTS, PROMISES AND COMMITMENTS MADE BY LENDER, CONCERNING LOANS AND OTHER CREDIT EXTENSIONS WHICH ARE NOT FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES OR SECURED SOLELY BY BORROWER'S RESIDENCE MUST BE IN WRITING, EXPRESS CONSIDERATION AND BE SIGNED BY LENDER TO BE ENFORCEABLE.

(Signatures on Following Page)

The parties have caused this Restated Loan Agreement to be executed on the Effective Date.

BORROWER:

By: _____

Name: _____

Title: _____

Address: _____

Attention: _____

LENDER:

By: _____

Name: _____

Title: _____

Address: _____

Attention: _____

EXHIBIT A

Real Property Description

Address:

Legal Description:

The real property in the City of _____, County of _____, State of _____, legally described as follows:

034845/00001/1802207v4

\$ _____, 20__

RESTATED PROMISSORY NOTE

FOR VALUE RECEIVED, _____, a(n) _____ ("Borrower"), promises to pay _____, a(n) _____ ("Lender"), the principal amount of \$ _____, together with interest on all principal amounts remaining unpaid hereunder from time to time from the Effective Date (as defined in Section 1) until payment in full, to be calculated and paid as set forth below.

RECITALS

A. Borrower previously borrowed from Lender the principal amount of \$ _____ (the "Original Obligation") pursuant to a [NAME OF PREVIOUS LOAN AGREEMENT] dated _____, among _____ (the "Original Loan Agreement"). In connection with the Original Loan Agreement, Borrower executed, among other instruments, a [NAME OF PREVIOUS NOTE], dated _____, in the principal amount of the Original Obligation (the "Original Note").

B. The Original Loan Documents and the obligations thereunder, were modified and replaced by this Restated Note and the Restated Loan Agreement pursuant to a plan of reorganization in In re Stayton SW Assisted Living, L.L.C., USDC Case No. 09-CV-6056-HO (the "Plan of Reorganization") confirmed by the Oregon Federal District Court (bankruptcy reference withdrawn).

C. As part of restating the Original Obligation, Lender and Borrower wish to restate the Original Note as set forth in this Restated Note.

The parties therefore agree as follows:

AGREEMENT

1. Definitions and Interpretation.

a. All capitalized terms not otherwise defined in this Restated Note will have the meanings specified in the Restated Loan Agreement. As used in this Restated Note, the following terms will have the following meanings:

"Base Rate" means an interest rate of 4.75% per annum.

"Business Day" means any day other than (a) Saturday or Sunday, (b) a day recognized by the United States government as a public holiday for federal employees or (c) a day recognized by the Oregon state government as a public holiday for state employees.

"Confirmation Order" means the order of the Oregon Federal District Court confirming the Plan of Reorganization.

"Default Rate" means the Base Rate or Extension Rate, as applicable, plus 2% per annum.

"Effective Date" means the date first written above, which will be the same date as the effective date of the Plan of Reorganization.

"Extension Period" means the period, as applicable, beginning on the (a) third anniversary of the Effective Date and ending at 11:59 p.m. on the day before the fourth anniversary of the Effective Date, or (b) fourth anniversary of the Effective Date and ending at 11:59 p.m. on the day before the fifth anniversary of the Effective Date.

"Extension Rate" means, with respect to an Extension Period, the per annum interest rate equal to the lesser of (a) the Prime Rate on the date Borrower gives notice exercising its right to an Extension Period in accordance with Section 5 (or, if that rate is not published on the date of Borrower's notice, on the last publication date before the date of Borrower's notice), plus 1.5%; and (b) 5.5%.

"Initial Loan Period" means the period beginning on the Effective Date and ending at 11:59 p.m. on the day before the third anniversary of the Effective Date.

"Lender" has the meaning set forth in the first paragraph of this Restated Note.

"Maturity Date" means the (a) third anniversary of the Effective Date, if Borrower does not exercise its right to the First Extension; (b) fourth anniversary of the Extension Date if Borrower exercises its right to the First Extension, but not to the Second Extension; and (c) fifth anniversary of the Effective Date if Borrower exercises its right to the Second Extension.

"Oregon Federal District Court" means the United States District Court for the District of Oregon.

"Original Loan Agreement" has the meaning set forth in Recital A.

"Original Obligation" has the meaning set forth in Recital A, plus any additional or further loans or other obligations incurred by Borrower to Lender pursuant to the Original Loan Documents, and any additions or modifications thereof.

"Original Note" has the meaning set forth in Recital A.

"Plan of Reorganization" has the meaning set forth in Recital B.

"Prime Rate" means the prime rate listed in the morning print edition of the Wall Street Journal.

"Restated Loan Agreement" means the Restated Loan Agreement executed by Borrower and Lender dated as of the Effective Date.

"Restated Note" means this Restated Promissory Note.

b. In this Restated Note:

(i) Section and other headings contained in this Restated Note are for reference purposes only.

(ii) Lender may not unreasonably withhold, delay or condition its consent in any instance in which Lender's consent is required.

(iii) Whenever any action is to be taken on or before on a day other than a Business Day, the action may be taken without default on the next succeeding Business Day.

(iv) Any reference to a law, agreement or other document, includes that law, agreement or other document as it may be supplemented, amended, restated or otherwise changed from time to time.

(v) This Restated Note was approved by the Oregon Federal District Court through the Confirmation Order, is part of the Plan of Reorganization, and will be interpreted according to the fair meaning of its terms. No rule of construction or interpretation that disfavors the party drafting this Restated Note or any of its provisions will apply to this Restated Note's interpretation.

2. Restatement. This Restated Note restates and replaces the Original Note in its entirety. On the Effective Date: (a) the Original Note will be void and of no effect irrespective of any language to the contrary in any Original Loan Document; (b) no party will have any claim under or with respect to the Original Note; and (c) this Restated Note will control the parties' rights and obligations with respect to the matters set forth herein. To the extent there are any inconsistencies, the terms of the Plan of Reorganization and Confirmation Order will control over the terms of this Restated Note. This Restated Note is subject to the terms of the Restated Loan Agreement.

3. Payment.

a. Borrower will make payments under this Restated Note in accordance with the terms of the Restated Loan Agreement.

b. All amounts due under this Restated Note are payable in lawful money of the United States of America to Lender, at the address set forth below Lender's signature, or to any place that Lender designates in writing to Borrower.

4. Interest.

a. Borrower will pay interest on the unpaid principal amount outstanding under this Restated Note from the Effective Date until the repayment in full thereof at the:

(i) Base Rate during the Initial Loan Period and while no Event of Default is occurring;

(ii) Extension Rate during any applicable Extension Period while no Event of Default is occurring; and

(iii) Default Rate during the occurrence of an Event of Default, until the Event of Default is cured or waived.

Interest will be computed on the basis of a year of 365 days for the actual number of days elapsed.

b. Borrower acknowledges that: (i) while any Event of Default exists, Lender will incur losses that are impracticable and costly to ascertain; (ii) the Default Rate is a reasonable sum and is a reasonable estimate of the losses that Lender will incur by reason of an Event of Default; and (iii) proof of actual losses would be costly, inconvenient and impracticable to fix. Acceptance of interest at the Default Rate will not prevent Lender from exercising any of the other rights and remedies available hereunder.

5. Extensions. Borrower may extend the Maturity Date for up to two periods of one year each beginning: (a) on the third anniversary of the Effective Date ("First Extension"); and (b) on the fourth anniversary of the Effective Date if Borrower exercised the First Extension ("Second Extension"). Borrower will give Lender at least 30 days prior notice that Borrower will exercise the First Extension and the Second Extension, as applicable. The Extension Rate for the First Extension will become applicable on the first day of the First Extension. The Extension Rate for the Second Extension will become applicable on the first day of the Second Extension.

6. Default. An Event of Default under this Restated Note will mean any "Event of Default" under the Restated Loan Agreement. Upon the occurrence of an Event of Default: (a) interest determined as provided herein will continue to accrue; and (b) Lender will have all of the rights and remedies granted to Lender under the Restated Loan Documents.

7. Prepayment. Borrower may, at its option and without penalty or premium, prepay the Restated Loan, in whole or in part, with accrued interest through the date of payment on the amounts prepaid. Each partial prepayment of the Restated Loan will be applied to the next maturing installment(s) of principal.

8. Waivers. No term or provision of this Restated Note may be waived, altered, modified or amended except as Lender consents thereto in writing.

9. Usury Laws. Borrower and Lender intend to contract in strict compliance with the usury laws of the State of Oregon with respect to the execution, performance and administration of this Restated Note. Accordingly, none of the terms contained in this Restated Note will be construed to create a contract for the use, forbearance or detention of money requiring payment of interest at a rate that exceeds the maximum interest rate permitted to be charged by the laws of the State of Oregon. Borrower will not be required to pay interest on this Restated Note at a rate that exceeds the maximum interest that may be lawfully charged under the laws of the State of Oregon. If Lender collects any amount under the Restated Note that would cause the effective interest rate to exceed the highest rate permitted by Law, all sums that

exceed the highest rate permitted by Law will be applied to reduce the unpaid principal balance and not to the payment of interest, and if the amount so applied exceeds the outstanding principal balance, Lender will remit the excess to Borrower.

10. Security. This Note is secured by the Collateral and security instruments described in the Restated Loan Agreement.

11. Governing Law. The terms of this Restated Note will be governed by and interpreted and construed under the laws of the State of Oregon, without regard to its conflict of laws principles.

12. Statutory Notice. UNDER OREGON LAW, MOST AGREEMENTS, PROMISES AND COMMITMENTS MADE BY LENDER, CONCERNING LOANS AND OTHER CREDIT EXTENSIONS WHICH ARE NOT FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES OR SECURED SOLELY BY BORROWER'S RESIDENCE MUST BE IN WRITING, EXPRESS CONSIDERATION AND BE SIGNED BY LENDER TO BE ENFORCEABLE.

The parties have executed this Restated Note as of the Effective Date.

BORROWER:

ACCEPTED BY LENDER:

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

Payment Address: _____

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