

EXHIBIT O-4
CS-20 Term Sheet

[see attached]

**SETTLEMENT TERM SHEET
COLUMBIA PACIFIC LOAN a/k/a CS 20
(SUNWEST)**

This Settlement Term Sheet ("Term Sheet") has been prepared to facilitate settlement concerning a loan (the "Loan") evidenced by a Promissory Note dated May 30, 2007 in the original principal amount of \$159,250,000 and certain related documents (collectively, the "Loan Documents") held by Columbia Pacific SW/CS, LLC ("Columbia Pacific") and its participants ("Lender" or "Lenders") to 20 limited liability company borrowers (each an "Existing Borrower" and together the "Existing Borrowers") which is secured by first priority liens on 20 projects (the "Facilities"). The Existing Borrowers are Receivership Entities as that term is defined in that certain Order Granting Preliminary Injunction and Appointing Receiver entered by the United States District Court for the District of Oregon (the "District Court") in case no. 09-6056 (the "SEC Proceeding") on March 10, 2009 (the "Receiver Order") which entities are also subject to a bankruptcy case known as In re Stayton SW Assisted Living, case no. 08-36637 (the "Bankruptcy Proceeding"). On October 2, 2009, the Court entered an order in the SEC Proceeding (the "Approval Order") approving the Distribution Plan of Receiver and Chief Restructuring Officer for the Sunwest Enterprise (the "Distribution Plan") that found that the Receivership Entities were operated as a "unitary enterprise" and ordered that the assets and liabilities of the Receivership Entities, including Existing Borrowers, be consolidated and reorganized in the Bankruptcy Proceeding. The Approval Order provides that the "unitary enterprise" known as Stayton SW LLC ("Stayton") holds equitable title to the Facilities, although each Existing Borrower retains legal title. Lender has filed a notice of appeal of the Approval Order contesting, among other things, the rulings related to separateness and title. This Term Sheet is to facilitate settlement and mediation, and is for discussion purposes only. Nothing in this Term Sheet is binding on any party and no party will be bound to any agreement until such time, if any, as a formal written loan modification agreement shall have been executed and delivered among the parties and the District Court has entered an order approving the transaction all of its terms agreed to by Lender. The Transaction will be effected pursuant to amendments to the Loan Documents necessary to reflect the changes set forth herein, and such other changes as are agreed to, with the understanding that the general form and substance of the Loan Documents will remain in place after the Closing Date (as hereinafter defined).

The goal of this Term Sheet is to facilitate a transaction (the "Transaction") modifying and extending the Loan. The date on which the Transaction becomes fully effective ("Closing Date") is the date that the parties execute and deliver all Loan Modification Documents (as defined below) following the "Settlement Date" and all other conditions precedent to the closing as set forth herein have been satisfied. The date on which the Transaction is approved by the Court by the Settlement Order (defined below) shall be the "Settlement Date".

- **Borrowers.** The "Borrowers" under the Loan shall be (i) Stayton together with the Existing Borrowers, on a joint and several basis, until a final order confirming the Plan (as defined below) shall be issued by the District Court ("Plan Confirmation") and (ii) solely the Existing Borrowers thereafter. Upon Plan Confirmation, legal and equitable title to the Properties shall be re-vested in the respective Existing Borrowers and Stayton

shall have no further right, title and interest therein except as to the Facility owned by Stayton.

- Facility Dispositions. Borrowers may at anytime receive a release of the lien of the Loan Documents encumbering the following properties provided Lender is paid cash in the following amounts (the "Allocated Loan Amounts") at the time of the release of such properties:

Colonial Gardens	\$2,541,000
Plaza at Sun Mountain	\$7,897,000

Additionally, with respect to Plaza at Sun Mountain, Borrower may surrender such property to Lender or its designee in a deed-in-lieu of foreclosure (a "Deed-in-Lieu Transfer") pursuant to an order entered by the District Court and, upon completion of such transaction, the principal amount of the loan shall be reduced by the Allocated Loan Amount for such property (i.e. \$7,897,000) (the "Credit Amount") (as same may be adjusted as provided below). It shall be a condition precedent to any such Deed-in-Lieu Transfer that the property shall be transferred to Lender or its designee free and clear of all liens and encumbrances other than exceptions set forth in Lender's existing mortgagee title insurance policy for such property. If there shall be any unpaid taxes or other liens encumbering such property in violation of the foregoing sentence as of the date of the Deed-in-Lieu Transfer, Lender may elect to take title to such property and reduce the Credit Amount by the amount of such taxes or liens.

- Loan Modification Agreement; Closing Conditions. On the Closing Date, Borrowers and Lender shall enter into a loan modification agreement and related modifications of the mortgages and deeds of trust on the Facilities and the other Loan Documents which shall modify the terms of the Loan Documents as provided herein (collectively, the "Loan Modification Documents") but shall otherwise leave the terms of the Loan Documents in place and in full force and effect. The parties shall use reasonable efforts to enter into the Loan Modification Documents promptly after the Settlement Date. It shall be a condition precedent to the closing and the effectiveness of the Loan Modification Documents that Borrowers deliver to Lender on the Closing Date officers certificates of the Borrowers certifying that execution, delivery and performance of the Loan Modification Documents have been duly authorized by all necessary actions and the persons executing the Loan Modification Documents are duly authorized to do so.
- Term. The term for the Loan shall be five years from the Closing Date.
- Interest Rate. The interest rate for the term of the Loan shall be a fixed rate equal to 6.00 percent per annum (the "Interest Rate"). The default rate will be 500 basis points in excess of the non-default rate.
- Revised Loan Balance; Upfront Payment of Accrued Unpaid Interest. The principal balance of the Loan on the Closing Date will be equal to the sum of (i) \$159,250,000, (ii)

Lender's attorneys fees and costs in the amount of \$1,850,000 and (iii) a fee to Lender in the amount of \$2,300,000 for extending the Loan and for the reduction of Lender's existing interest rate. Borrowers shall pay to Lender in cash accrued and unpaid interest in the amount of \$1,400,000 within three business days of the Approval Date.

- **Interest Only Payments (No Amortization).** Monthly payments during the five-year term of the Loan shall be limited to interest only. Monthly payments shall be payable on the 10th day of each month, with a five-day grace period.
- **Taxes, Cap-x and Deferred Maintenance Reserves.** Borrowers will make monthly payments of reserves for taxes and capital expenditures as directed by the Loan Servicer and as provided below. All such reserves shall be available to be drawn on by Borrowers as needed, subject to the terms and conditions of the Loan Documents. Borrowers shall cause the initial balance of the Replacement Reserve (as defined in the Loan Documents) as of the Closing Date to be not less than [\$360,000] (which amount is equal to three months of required deposits for (i) ordinary capital expenditures of \$120,000 (\$40,000 per month (the "Cap-x Monthly Amount")) and (ii) deferred maintenance of \$240,000 (\$80,000 per month (the "Deferred Maintenance Monthly Amount")). Borrowers shall be required to make monthly deposits into the Replacement Reserve for (a) capital expenditures in the Cap-x Monthly Amount during the term of the Loan (as same may be extended) and (b) deferred maintenance in the Deferred Maintenance Monthly Amount for 24 months following the Closing.
- **Cash Management.** Cash management procedures currently in place under the Loan Documents (including current lockbox arrangements) shall be continued so that Lender maintains a perfected security interest in Facility revenue, provided that excess cash flow shall be released to Borrowers so long as no Cash Trap Event (as defined below) or event of default has occurred.
- **Financial Projections.** Borrowers will deliver to Lender financial projections that will include projections for capital expenditures, deferred maintenance and real estate taxes.
- **Capital Budgets; Property Inspections.** Lender shall have the right to review capital budgets for each property, and the ability to conduct property inspections for any property in connection therewith, which inspections shall be payable by Lender.
- **Management.** Stayton shall continue to serve as property manager through the date of approval by the Court of a plan of reorganization. The management expense allocation to the Facilities shall remain at 7 percent until approval by the Court of a plan of reorganization. Thereafter, the plan of reorganization will govern as it relates to the property manager; provided, that upon such Court approval the management agreement will look more like a standard industry management contract, including that it will be terminable by the applicable Borrower (i) upon a manager default, and (ii) in Borrowers' discretion, upon 60-90 days' notice to the manager. Lender will enter into a Lender/Manager agreement on typical industry terms, including the consent by manager to the collateral assignment of the agreement such that Lender shall have the right to enforce the management agreement in the event of a Borrower loan default.

- Excess Cash Flow. After funding of debt service, required reserves and other amounts required under the Loan Documents, provided no Cash Trap Event (as defined below) or event of default exists, any excess cash shall be distributed to the Borrowers.
- Financial Covenants. Commencing on March 31, 2012 and as of the last day of each calendar quarter through and including December 31, 2012, there shall be a debt service coverage ratio covenant of 1.2 to 1.0, and as of the last day of each calendar quarter thereafter, 1.3 to 1.0, in each case calculated as of the end of such calendar quarter for the trailing twelve month period. In the event that the Projects do not satisfy the applicable DSCR ratio as of the end of any calendar quarter based on the trailing twelve month period (a "Cash Trap Event"), it shall not constitute an event of default, but all excess cash flow shall be trapped in an account held by Lender until the Projects satisfy the applicable quarterly DSCR ratio for two consecutive calendar quarters thereafter, based on the trailing twelve month period.
- Bankruptcy Rule 9019 Settlement Order; Releases. This proposed Transaction will be approved by the District Court as bankruptcy settlement under Federal Bankruptcy Rule 9019 by a stand-alone approval order (the "Settlement Order") prior to confirmation of any chapter 11 plan for Stayton and the Borrowers (the "Plan") in the Bankruptcy Proceeding. The Settlement Order will be effective immediately upon its entry and shall: (a) allow a secured claim of Lender in the Bankruptcy Proceeding under sections 506(a) and (b) of the Bankruptcy Code without offset, counterclaim, charge off or reduction of any kind or nature, equal to the revised principal amount set forth in "Revised Loan Balance" above (including Lender's attorneys fees and the extension fee due to Lender, each as described therein); (b) require Borrowers to incorporate the terms set forth herein and in the Settlement Order in the proposed Plan without amendment or modification; (c) include a release of Lender from all claims, known and unknown, by Stayton, the Receiver, the Receivership Entities, and the Borrowers; (d) recognize the validity, enforceability and first priority position (subject only to liens for real property taxes) of Lender's liens under each of its deeds of trust and mortgages on the respective Facilities; (e) provide that Lender shall be entitled to exercise its rights and remedies upon the occurrence of an event of default without interference from the District Court whether in the SEC Proceeding or the Bankruptcy Proceeding or other proceeding and that the injunction issued in the SEC Proceeding and the automatic stay imposed by the Bankruptcy Proceeding are lifted and permanently vacated as to Lender and the Facilities; (f) approve the Interest Rate for Lender and other terms of the Transaction; and (g) provide that the Transaction and execution, delivery and performance of the Loan Modification Documents have been duly authorized by all necessary action on the part of Borrowers and that the Loan Modification Documents are enforceable against the Borrowers in accordance with their terms.
- Payments Pending Confirmation of Plan/Segregation of Facility Cash. Through entry of an order confirming a plan of reorganization in the Bankruptcy Proceeding, each Facility will be required to maintain segregated accounts and all revenues generated by and proceeds received by each Facility shall be used solely (except as described above under "Excess Cash Flow") for the payment of ordinary operating expenses of such Facility or

the other Facilities subject to Lender's liens (including the funding of the reserves contemplated herein) and the payment of interest to Lender.

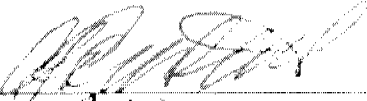
- Guarantees. Lender and all guarantors will execute mutual releases, effective as of the Approval Date.
- Withdrawal from Appeals by Lender. Lender is a party to the appeal of the District Court's October 2, 2009 order entered in the SEC Case approving the Plan of Distribution in such case, which has been assigned Ninth Circuit Case No. 09-35876 and to a separate appeal of an order extending the exclusivity period (together the "Appeals"). On the Closing Date, Lender shall withdraw from the Appeals and agrees that it will not pay or contribute towards fees for the Appeals (except for fees and expenses which accrued prior to the entry of the Settlement Order).

By its signature below, each party indicates that it approves this Term Sheet. Signature below does not bind any party, but indicates the intent of each such party to proceed to documentation of definitive agreements memorializing the Transaction. It is understood that the Transaction is not binding until definitive documents have been executed and delivered by all parties and the Court has entered the Settlement Order approving the definitive agreements and the transactions contemplated thereby.

COLUMBIA PACIFIC SW/CS, LLC

CLYDE HAMSTREET, CRO

By: Columbia Pacific Distressed Fund, L.P., a Delaware limited partnership, its sole member

By 
Its _____
CRO

By: Columbia Pacific Distressed GP, LLC, a Washington limited liability company, its general partner

By: Columbia Pacific Advisors, LLC, a Washington limited liability company, its sole member

By _____
Its _____

MICHAEL GRASSMUECK, RECEIVER

MANAGEMENT COMMITTEE

By _____
Its _____

By _____
Its Chairman

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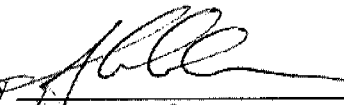
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