

EXHIBIT O-5  
CS-27 Term Sheet

[see attached]

**SETTLEMENT TERM SHEET**  
**COLUMBIA PACIFIC LOAN a/k/a CS 27**  
**(SUNWEST)**

This Settlement Term Sheet ("Term Sheet") has been prepared to facilitate settlement and, if necessary or appropriate, mediation, concerning a loan (the "Loan") evidenced by a Promissory Note dated July 12, 2006 in the original principal amount of \$128,334,000 and certain related documents (collectively, the "Loan Documents") held by Columbia Pacific Distressed Fund, L.P. ("Columbia Pacific") and its participants ("Lender" or "Lenders") to 27 limited liability company borrowers (each an "Existing Borrower" and together the "Existing Borrowers") which is secured by first priority liens on 27 facilities (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") and 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 District 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. 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.

- 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 property: (a) Weatherly Springs - \$2,000,000, (b) Willows at Sherman - \$1,700,000 and (c) Deer Meadows - \$2,000,000 (the "Deer Meadows Allocated Loan Amount"). Additionally, Borrowers may surrender such properties, other than Deer Meadows, 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 respective Allocated Loan Amounts for such properties (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 applicable 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 any property in violation of the foregoing sentence as of the date of a 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. In connection with the release of the Deer Meadows property, upon payment of the Deer Meadows Allocated Loan Amount on the Closing Date, Lender will bifurcate the promissory note evidencing the Loan into two notes: (i) a first note in the amount of \$2,000,000 evidencing the Deer Meadows Allocated Loan Amount and (ii) a second note evidencing the remaining principal balance of the Loan, and Lender will assign and transfer the Deer Meadows Note and modify and assign the mortgage on the Deer Meadows property to the Deer Meadows Borrower, in each case without recourse, representation or warranty.
- Loan Modification Documents; 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 (collectively, the "Loan Modification Documents") which shall modify the terms of the Loan Documents as provided herein 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 three years from the Closing Date. In addition, the Loan may be extended, at the option of the Borrower, for two additional one-year terms, provided the Borrowers are then in compliance with the debt service coverage ratio and there is no other default existing and continuing as of the maturity date and Borrower pays an extension fee of 25 basis points in cash for each extension payable on the extension date.

- Interest Rate. The interest rate for the initial three-year term of the Loan shall be a fixed rate equal to 5.25 percent. In the event Borrowers exercise their right to extend the Loan, then the interest rate on the Loan shall be adjusted to a fixed annual interest rate for the term of the extension equal to 30-day LIBOR as of the first day of each extension plus 500 basis points; provided, however, that the interest rate will not be less than 5.75 percent nor more than 8 percent for the term of any extension. The default rate will be 500 basis points in excess of the non-default rate.
- Revised Loan Balance. The principal balance of the Loan on the Closing Date will be equal to the sum of (i) \$128,334,000, (ii) any accrued and unpaid interest thereon as of the Closing Date and (iii) Lender's attorneys fees and costs in the amount of \$960,000.
- 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.
- 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.
- Fees. Borrowers will pay a modification fee of \$641,670 (50 basis points) in cash on the Closing Date.
- Amortization; Payments. Monthly payments shall be payable on the 10th day of each month, with a five-day grace period. Monthly payments shall be in an amount necessary to amortize all principal and interest (calculated at an assumed 5.25 fixed rate) owing on the Loan in 300 equal, monthly payments of principal and interest.
- 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 \$480,000 (which amount is equal to three months of required deposits for (i) ordinary capital expenditures of \$135,000 (\$45,000 per month (the "Cap-x Monthly Amount")) and (ii) deferred maintenance of \$345,000 (\$115,000 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.
- Financial Projections. Borrowers will deliver to Lender financial projections that will include projections for capital expenditures, deferred maintenance and real estate taxes.

- Management. Stayton shall continue to serve as property manager for the Facilities through the date of approval by the Court of a plan of reorganization. The management fee 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 Borrower's discretion upon 60-90 days' notice to the manager. Lender will enter into a Lender/Manager agreement on typical industry terms, including a consent by manager to the collateral assignment of the agreement such that Lender shall have the absolute right to enforce and terminate 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 revised principal amount set forth in "Revised Loan Balance" above (including any accrued and unpaid interest and Lender's attorneys fees, 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 Proceedings are lifted and permanently and irrevocably 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 a separate appeal of the Receiver Order which has been assigned Ninth Circuit Case No. 09-35250 (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 its Settlement Order approving the definitive agreements and the transactions contemplated thereby.


COLUMBIA PACIFIC DISTRESSED  
FUND, L.P.

CLYDE HAMSTREET, CRO

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

By \_\_\_\_\_  
Its \_\_\_\_\_

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

By  \_\_\_\_\_  
Its MEMBER \_\_\_\_\_

MICHAEL GRASSMUECK, RECEIVER

MANAGEMENT COMMITTEE


By \_\_\_\_\_  
Its \_\_\_\_\_

By \_\_\_\_\_  
Its Chairman

COLUMBIA PACIFIC DISTRESSED  
FUND, L.P.

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By: Columbia Pacific Distressed GP, LLC, a  
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general partner

By   
Its CRO

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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By \_\_\_\_\_  
Its \_\_\_\_\_

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By   
Its \_\_\_\_\_

By \_\_\_\_\_  
Its Chairman

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Its \_\_\_\_\_

By  \_\_\_\_\_  
Its Chairman