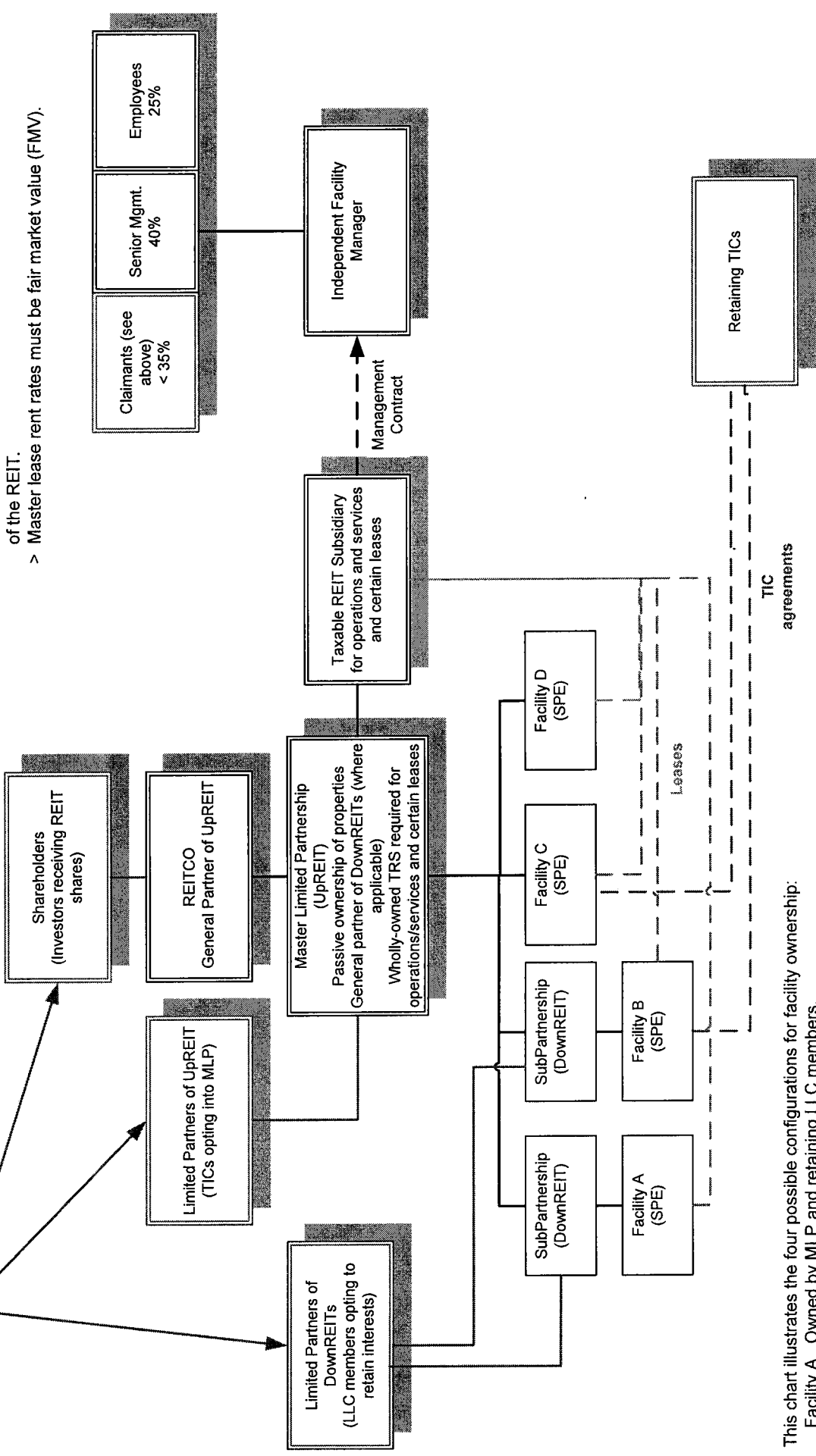




# Sunwest REIT Structure with options for tax deferral and property interest retention

## INVESTOR OPTIONS:

- Investors elect REIT, UpREIT (MLP), or DownREIT based on tax issues and whether they want to retain property interests.
- TICs electing to preserve tax-deferral status go into the MLP.
- LLC members electing to retain property interests go into property-specific DownREITs.
- TICs wishing to retain bare legal title remain outside the structure (1031 status will not be preserved).
- All others exchange existing claims or interests for securities and go into REITCO in a taxable transaction.



This chart illustrates the four possible configurations for facility ownership:

- Facility A. Owned by MLP and retaining LLC members.
- Facility B. Owned by MLP, retaining LLC members, and retaining TICs.
- Facility C. Owned by MLP and retaining TICs.
- Facility D. Owned by MLP only.

## KEY REIT RULES

- Maximum of 35% common ownership of REIT and Management Company. (Subject to certain circumstances, the structure may be revised to provide that the TRS rather than the Claimants holds this part of the ownership.)
- Required to distribute 90% of income annually.
- Passive ownership only; all qualified healthcare properties must be leased to a taxable REIT subsidiaries.
- Value of all TRS cannot exceed 25% of overall value of the total assets of the REIT.
- Master lease rent rates must be fair market value (FMV).