



MEMORANDUM

To: Tenant in Common (TIC) Investors in Rose Valley Cottages II
From: Clyde Hamstreet, Sunwest CRO
Re: TIC adversary proceedings and Bare Land Election
Date: November 20, 2009

Adversary Proceedings

Rose Valley Cottages II, in which you hold a TIC interest, is subject to a purchase and sale agreement to a third party buyer, with a closing scheduled for December 31, 2009. So that clean title can be transferred to the buyer at the time of closing, adversary proceedings have been filed against all TICs in this property to compel the sale or transfer of the TIC interests in the real property. You should have received a summons and complaint filed against you in the Sunwest Unitary Enterprise chapter 11 case known as Stayton SW Assisted Living. **Trial on the adversary proceeding is set for December 15th.**

Bare Land Election

As a parcel of bare land, Rose Valley Cottages is also subject to the Bare Land Election available through the Distribution Plan approved in the Sunwest SEC Receivership case on October 2, 2009. You should have received a packet recently that includes a Notice of Investor Election form asking you to indicate if you want to make the Bare Land Election. The deadline on this form is January 15, 2010.

Under the Bare Land Election, Bare Land Investors are entitled to withdraw their properties from the Receivership Estate if they meet certain conditions. When the Court approved the Distribution Plan, however, it deferred determination of the final terms of the Bare Land Election to a later hearing, which has not yet been held. At a mediation session conducted on November 11, several parties made progress towards an agreement on the terms of the Bare Land Election. Hopefully these or similar terms will be approved by the Court in the near future. We will keep you apprised of developments on the Bare Land Election as they unfold. However, we believe that final resolution of the terms of the election is unlikely to occur prior to the trial date of December 15th.

Response and Election Deadlines

Rose Valley Cottages is thus in a unique position, in that it is subject to both the sale agreement described above, and the Bare Land Election. The deadlines for responding to the summons and making the Bare Land Election are different:

- The current deadline for your response to the summons in the adversary proceeding is December 3, 2009. However, to give you slightly more time to learn about and consider your options, **we have filed a motion (attached) to extend the response deadline to December 8, 2009.** (*Please note: We are sending memos similar to this one to investors in other properties, which may have different response deadlines due to different property circumstances. If you receive more than one memo, please pay close attention to the properties listed at the top so that you can track the deadlines appropriately.*) We cannot say when the Court will rule on our motion to further extend the response deadline. However, **the CRO commits that even if the Court does not officially extend the response deadline, we will take no action on the summons and complaint until December 8, 2009, and will treat any formal response submitted by December 8, 2009 as filed on time.**
- **The deadline for making the Bare Land Election under the Distribution Plan is January 15, 2010.** In other words, TICs in Rose Valley Cottages need to respond to the adversary proceeding before they have to make the Bare Land Election, and probably before they even know what the final terms of the Bare Land Election are.

We understand that this state of affairs adds uncertainty to an already very complex situation. In deciding how to respond to the adversary proceeding, you have two options:

1. Do nothing, in which case a default judgment will be taken against you and the CRO will gain the authority to transfer your interest as provided in the chapter 11 Plan of Reorganization that will ultimately be approved by the Court; or
2. Oppose the sale.

Whichever option you select, if the Court approves the sale of the property, you will lose your ability to retain title to your land through the Bare Land Election. However, the economic value of that election will remain available to you on the same terms as for other Bare Land Investors. In other words, whereas other investors who choose the Bare Land Election would receive their land back by meeting certain conditions, you could meet the same conditions and receive cash from the sale, instead of land.

It is difficult to provide more specific information until the terms of the Bare Land Election are finally determined by the Court. However, a member of my staff is available to discuss the current status of the Bare Land Election with you. If you have questions about the Election or the adversary proceeding response deadline please contact Maren Cohn at 503-307-3409 or mcohn@hamstreet.net.

Finally, we realize that some of you may be traveling during the holidays and have difficulty getting the materials we send or filing a response by the deadline. If this is your situation, please contact Maren Cohn or Pam Mattson at Sunwest Management. They will note down your contact and travel information, and we will do our best to accommodate you in meeting or getting exceptions to the deadlines. However, in light of the trial date we cannot guarantee that responses received after December 8th will be honored. Pam's contact information is: 503-485-4628 or email at pam.mattson@sunwestmanagement.com.

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Attorneys for Debtor

IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF OREGON

In re

USDC Case No. 09-cv-6082-HO

**STAYTON SW ASSISTED LIVING,
L.L.C.**, (Constituting the Sunwest Unitary
Enterprise as determined by the Order entered
on October 2, 2009 in U.S. District Court Case
No. 09-cv-6056-HO),

Debtor.

Bankruptcy Court
Case No. 08-36637-tmb11
(Reference Withdrawn)

**MOTION OF DEBTOR TO EXTEND
TIME TO RESPOND TO CERTAIN
11 USC § 363(h) ADVERSARY
PROCEEDINGS**

Stayton SW Assisted Living, L.L.C., Debtor, has filed adversary proceedings pursuant to 11 USC § 363(h) to compel the sale or transfer of tenant in common interests in real property. Debtor moves the Court for an Order extending to December 8, 2009 the time for defendants in the following cases to file a motion or answer to the complaint. These six cases are set for trial on December 15, 2009.

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Cache Valley
6:09-cv-06705-HO

Kensington Green
6:09-cv-06707-HO

Northwesterly
6:09-cv-06709-HO

Grayson View - Harrisburg
6:09-cv-06706-HO

Legacy of Dallas
6:09-cv-06708-HO

Rose Valley Cottages II
6:09-cv-06673-HO

DATED: November 19, 2009.

TONKON TORP LLP

By /s/ Jeanne M. Chamberlain

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Attorneys for Debtor

CERTIFICATE OF SERVICE

I hereby certify that the foregoing **MOTION OF DEBTOR TO EXTEND TIME TO RESPOND TO CERTAIN 11 USC § 363(h) ADVERSARY PROCEEDINGS** was served on all ECF participants through the Court's Case Management/Electronic Case File system on the date set forth below.

In addition, I served the foregoing on the following parties:

Tennessee Dept of Revenue
Bankruptcy Division
POB 20207
Nashville, TN 37202

by mailing a copy thereof in a sealed, first-class postage prepaid envelope, addressed to each party's last-known address and depositing in the U.S. mail at Portland, Oregon on the date set forth below.

DATED: November 19, 2009.

TONKON TORP LLP

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