


Below is an Order of the Court.

IN THE UNITED STATES BANKRUPTCY COURT

FOR THE DISTRICT OF OREGON



FRANK R. ALLEY  
U.S. Bankruptcy Judge

In re

PIONEER VILLAGE INVESTMENTS, LLC, an  
Oregon limited liability company,

Debtor.

Case No. 10-62852-fra11

ORDER CONFIRMING PLAN

The Second Amended Plan of Reorganization under Chapter 11 of the Bankruptcy Code filed by Pioneer Village Investments, LLC, an Oregon limited liability company, Debtor, dated April 14, 2011, having been transmitted to creditors and equity security holders; and

It having been determined after hearing on notice that the requirements for confirmation set forth in 11 U.S. C. § 1129(a) have been satisfied; no objections to the adequacy of the Third Amended Disclosure Statement or to confirmation of the Second Amended Plan of Reorganization having been filed; and good cause appearing therefore,

IT IS ORDERED THAT:

1. The Findings entered on the record are incorporated herein;
2. The definition of "Property" set forth on Page 8 of the Plan is deleted and replaced by the following language:

"Property" means the commercial real property and improvements owned by the Debtor and located at 805 No. 5th Street, Jacksonville, Oregon 97530, as more particularly described on the attached Exhibit "A", and associated personal property used in connection with the Property and the Facility.

3. Exhibit "A" attached to this Confirmation Order is and shall be deemed Exhibit A to the Plan; and

4. Attached as Exhibit "B" is the Second Amended Plan of Reorganization filed by Pioneer Village Investments, LLC, Debtor, on April 14, 2011, is confirmed.

# # #

Presented by:

JORDAN SCHRADER RAMIS PC

By: /s/ Douglas P. Cushing

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Attorneys for Debtor

**Exhibit A – Legal Description**

Land situated in the County of Jackson, State of Oregon, and described as follows:

**TRACT A:**

Buildings and improvements located on the following described property: A tract of land located in the Southeast Quarter of Section 29, Township 37 South, Range 2 West of the Willamette Meridian in Jackson County, Oregon: Commencing at the northwest corner of Donation Land Claim No. 90 in said Section 29; thence South 89° 53' 40" East along the north line thereof, 164.67 feet; thence South 54° 44' 20" West 98.31 feet to the point of beginning of the tract to be described; thence South 54° 44' 20" West 75.0 feet; thence South 35° 15' 40" East 135.0 feet; thence North 47° 57' 05" East 125.46 feet; thence North 57° 40' 58" West 130.0 feet to the point of beginning.

**TRACT B:**

A Leasehold in and to the following described property: A tract of land located in the Southeast Quarter of Section 29, Township 37 South, Range 2 West of the Willamette Meridian in Jackson County, Oregon: Commencing at the northwest corner of Donation Land Claim No. 90 in said Section 29; thence South 89° 53' 40" East along the north line thereof, 164.67 feet; thence South 54° 44' 20" West 98.31 feet to the point of beginning of the tract to be described; thence South 54° 44' 20" West 75.0 feet; thence South 35° 15' 40" East 135.0 feet; thence North 47° 57' 05" East 125.46 feet; thence North 57° 40' 58" West 130.0 feet to the point of beginning, as created by that certain lease dated September 24, 1985, between Richard R. Hein and Helen J. Hein, Lessor, and Torleiv Flatebo and M. Lisa Flatebo, aka Margarete L. Flatebo, husband and wife, and Dennis R. Kilishek and Jean A. Kilishek, husband and wife, Lessees, recorded October 29, 1985 as No. 85-18593, of the Official Records of Jackson County, Oregon, for the term and upon and subject to all the provisions therein contained.

**TRACT C:**

Commencing at the northwest corner of Donation Land Claim No. 90 in Township 37 South, Range 2 West of the Willamette Meridian in Jackson County, Oregon; thence South 89° 53' 40" East (record East) along the north line of said claim, a distance of 164.86 feet to the northwest corner of that tract described in instrument recorded as No. 71-01232 of the Official Records of Jackson County, Oregon; thence South 54° 44' 20" West along the northwesterly line of said tract, 98.31 feet, more or less, to the most westerly corner, of that tract described in instrument recorded as No. 93-071 57, said Official Records, and the true point of beginning; thence South 57° 40' 58" East along the southwesterly line of said tract, and the southwesterly line of that tract described in instrument recorded as No. 95-37562, said Official Records, 312.67 feet, more or less, to a point on the northwesterly line of Oregon State Highway No. 238; thence South 31° 20' 45" West along said northwesterly line, 348.76 feet; thence South 55° 56' 15" West along said northwesterly line, 35.165 feet to the most southerly corner of that tract described in No. 71-01232, said Official Records; thence North 36° 22' 00" West along the southwesterly line of said tract, 334.35 feet to an angle point in said line; thence North 26° 21' 30" West along said southwesterly line 94.145 feet (record 94.40 feet) to the most westerly corner of said tract; thence North 54° 44' 20" East along the northwesterly line thereof, 226.915 feet, more or less, to the true point of beginning.

LESS those buildings and improvements, as granted by instrument recorded as No. 00-04920 of the Official Records of Jackson County, Oregon,

**TRACT D:**

Beginning at a point on the northerly line of Valley Road, at the intersection of said northerly line of Valley Road with the northerly extension of a line running through the center of Blocks 75 and 77 in the City of Jacksonville, Jackson County, Oregon; thence northwesterly at right angles to the northerly line of said Valley Road 100.0 feet; thence Southwesterly and parallel with the said northerly line of Valley Road 81.33 feet; thence South, to the northerly line of Valley Road; thence Northeasterly along the northerly line of Valley Road 148.67 feet to the point of beginning,

ALSO: Commencing at a point on the northerly line of Valley Road due North from the northwest corner of Dr. Robinson's Lot, thence North 55° 45' East 363.81 feet to a stake for the true point of beginning; thence North 34° 15' West 150.0 feet; thence North 55° 45' East 81.33 feet; thence South 34° 15' East 150.0 feet to Valley Road; thence South 55° 45' West, along line of said Valley Road, 83-1/3 feet to the true point of beginning, EXCEPTING THEREFROM the following: Beginning at a point on the northerly line of Valley Road, at the intersection of said northerly line of Valley Road with the northerly extension of a line running through the center of Blocks 75 and 77 in the City of Jacksonville, Jackson County, Oregon; thence Northwesterly at right angles to the northerly line of said Valley Road 100.0 feet; thence Southwesterly and parallel with the said northerly line of Valley Road 81.33 feet; thence South, to the northerly line of Valley Road; thence Northeasterly along the northerly line of Valley Road 148.67 feet to the point of beginning.

ALSO: Commencing at the Northwest corner of Donation Land Claim No. 90 in Section 29, Township 37 South, Range 2 West of the Willamette Meridian in Jackson County, Oregon; thence East along the north line of said Claim 164.86 feet to intersect the northwesterly line of property described in Volume 370 page 48 of the Deed Records of Jackson County, Oregon; thence along said northwesterly line South 54° 44' 20" West 325.36 feet to the point of beginning; thence continuing along boundary line of property as described in Volume 370 page 48 of said Deed Records as follows: thence South 26° 21' 30" East 94.40 feet; thence South 28° 32' West 136.66 feet; thence South 50° 18' West 129.76 feet; thence South 19° 14' West 66.65 feet; thence South 33° 26' East 240.34 feet to intersect the north line of Highway 238, being the Southwesterly corner of Volume 370 page 48 of Deed Records of Jackson County, Oregon; thence Southwesterly along the north line of said highway to the Southeast corner of land described in Volume 259 page 425 of the Deed Records of Jackson County, Oregon; thence North along the East line of the property as described in Volume 259 page 425 of said Deed Records, 509.78 feet to corner; thence continuing along the Southeasterly line of property as described in Volume 259 page 425 of said Deed Records, 318.24 feet, more or less, to the point of beginning,

EXCEPTING THEREFROM those lands as described in Volume 147 page 535 and Volume 143 pages 116 and 117 of the Deed Records of Jackson County, Oregon.

ALSO EXCEPTING THEREFROM the following: Commencing at a point on the north line of said Donation Land Claim No. 37, of Section 29, Township 37 South, Range 2 West of the Willamette Meridian, Jackson County, Oregon, North 89° 52' 14" West, a distance of 360.43 feet from the northeast corner thereof; thence South 00° 06' 36" West, a distance of 669.75 feet to the True Point of Beginning, being on the easterly line of Valley Lane, as it currently exists; thence continuing South 00° 06' 36" West, along said easterly line, a distance of 211.80 feet to the northwesterly right of way for Fifth Street; thence North 55° 56' 20" East, along said right of way, a distance of 125.86 feet; thence leaving said right of way, North 36° 18' 56" West, a distance of 175.37 feet to the True Point of Beginning.

ALSO: Commencing at the northwest corner of Donation Land Claim No. 90 in Township 37 South, Range 2 West of the Willamette Meridian in Jackson County, Oregon, thence East along the north line of said Claim 164.86 feet to intersect the northwesterly line of property described in Volume 370 page 48 of the Deed Records of Jackson County, Oregon; thence along said northwesterly line as follows: South 54° 44' 20" West 325.36 feet, and South 26° 21' 30" East 94.40 feet to the true point of beginning; thence continue along the westerly line of said property described in Volume 370 page 48 Deed Records of Jackson County, Oregon, as follows: South 28° 32' 00" West 136.66 feet; South 50 ° 18' 00" West 129.76 feet; South 19° 14' 00" West 66.65 feet; South 33° 26' 00" East 240.34 feet; thence North 56° 03' 50" East 320.88 feet; thence North 36° 22' 00" West 356.80 feet to the true point of beginning, Excepting therefrom that portion lying within Highway 238.

EXCEPTING FROM ALL OF THE ABOVE, THE FOLLOWING: That portion dedicated for street purposes on Partition Plat No. P-85-2004 recorded December 17, 2004 in Record of Partition Plats in Jackson County, Oregon, and filed as Survey No. 18543 in the Office of the County Surveyor.

PARCEL 1 of Partition Plat No. P-85-2004 recorded December 17, 2004 in Record of Partition Plats in Jackson County, Oregon, and filed as Survey No. 18543 in the Office of the County Surveyor.

PARCEL 3 of Partition Plat No. P-85-2004 recorded December 17, 2004 in Record of Partition Plats in Jackson County, Oregon, and filed as Survey No. 18543 in the Office of the County Surveyor, as released by Partial Reconveyance of Trust Deed, recorded July 1, 2008, as Instrument No. 2008-024284, Official Records of Jackson County, Oregon.

ALL OF THE ABOVE NOW KNOWN AS Lots 1-13 and the common area of PIONEER VILLAGE, in the City of Jacksonville, Jackson County, Oregon.

EXHIBIT B

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Attorneys for Debtor

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF OREGON

In re

PIONEER VILLAGE INVESTMENTS, LLC, an  
Oregon limited liability company,  
  
Debtor.

Case No. 10-62852-fra11

SECOND AMENDED PLAN OF  
REORGANIZATION FILED BY  
DEBTOR  
(Dated April 14, 2011)

**ARTICLE I**  
**INTRODUCTION**

**1.1** Pioneer Village Investments, LLC, an Oregon Limited Liability Company (“Debtor”), proposes the following Plan of Reorganization (“Plan”) pursuant to the provisions of Chapter 11 of the Bankruptcy Code.

**ARTICLE II**  
**DEFINITIONS, INTERPRETATION AND RULES OF CONSTRUCTION**

**2.1** Definitions. In addition to such other terms as are defined in other sections of this Plan, the capitalized terms below have the following meanings as used in the Plan:

**“Administrative Expense Claim”** means an Allowed Claim against the Debtor entitled to priority in accordance with Section 503(b), 507(b) or 1114(e)(2) of the Bankruptcy Code including without limitation (a) the actual and necessary costs and expenses incurred after the Filing Date of preserving the Debtor’s estate and operating the business of the Debtor (such as

wages, salaries or commissions for services); (b) compensation for legal, financial, advisory and accounting and other services and reimbursement of expenses awarded or allowed under Sections 330(a) or 331 of the Bankruptcy Code; and (c) all fees and charges assessed against the estate under 28 U.S.C. § 1930.

**“Affiliate”** shall mean the members of the Debtor.

**“Allowed Amount”** shall mean the dollar amount of an Allowed Claim.

**“Allowed Claim”** means a Claim, proof of which has been properly filed, or, if no Proof of Claim was so filed, which was or hereafter is listed on the Schedules as liquidated in amount and not disputed or contingent, and, in either case, a Claim as to which no objection to the allowance thereof, or motion to estimate for purposes of allowance, shall have been filed on or before any applicable period of limitation that may be fixed by the Bankruptcy Code, the Bankruptcy Rules and/or the Bankruptcy Court, or as to which any objection, or any motion to estimate for purposes of allowance, shall have been so filed, to the extent the Claim is allowed by a Final Order.

**“Bankruptcy Code”** means Title 11 of the United States Code, as now in effect for this Chapter 11 Case or hereafter amended.

**“Bankruptcy Court”** means the United States Bankruptcy Court for the District of Oregon.

**“Bankruptcy Rules”** means, collectively (a) the Federal Rules of Bankruptcy Procedure and (b) the local Bankruptcy Rules of the United States Bankruptcy Court for the District of Oregon, as now in effect or hereafter amended.

**“Business Day”** means any day, other than a Saturday, Sunday or “legal holiday” (as defined in Bankruptcy Rule 9006(a)).

**“Cash”** means legal tender, cash equivalents and other readily marketable direct obligations of the United States of America and certificates of deposit issued by banks having a maturity date of no longer than ninety (90) days.

**“Causes of Action”** means claims, choses in action and rights of recovery of the Debtor that (i) relate to transactions occurring in connection with the business of the Debtor prior to the Effective Date, other than accounts receivable generated by or on behalf of the Debtor, (ii) arise under Chapter 5 of the Bankruptcy Code or (iii) are against any partners, directors, officers and or employees of the Debtor relating to actions or failures to act any time on or prior to the Effective Date.

**“Chapter 11”** means Chapter 11 of the Bankruptcy Code.

**“Chapter 11 Case”** means the Debtor’s case for reorganization under Chapter 11 of the Bankruptcy Code, Case No. 10-62852-fra11 filed in the United States Bankruptcy Court for the District of Oregon.

**“Claim”** shall have the meaning set forth in Section 101(5) of the Bankruptcy Code.

**“Claimant”** means the holder of a Claim.

**“Class”** means each of the classifications of Claims or Interests described in Article V of this Plan.

**“Confirmation”** means entry of the Confirmation Order.

**“Confirmation Date”** means the date on which the Bankruptcy Court enters the Confirmation Order on its docket.

**“Confirmation Hearing”** means the hearing to be conducted by the Court to consider confirmation of the Plan.



**“Confirmation Order”** means the order of the Bankruptcy Court confirming the Plan under Section 1129 of the Bankruptcy Code.

**“Court”** means the United States District Court for the District of Oregon having jurisdiction over this Chapter 11 case and, to the extent of any reference made pursuant to 28 USC § 157, the United States Bankruptcy Court for the District of Oregon, and any court having competent jurisdiction to hear appeals therefrom.

**“Creditor”** means a holder of a Claim.

**“Cure”** means the distribution of Cash, or such other property as may be agreed upon by the parties, with respect to the assumption of an executory contract or unexpired lease under section 365(b) of the Bankruptcy Code, in an amount equal to all accrued, due and unpaid monetary obligations, without interest, as of the closing of the New Loan or the auction Sale Date, or such other amount as may be agreed upon by the parties, under such executory contract or unexpired lease, to the extent such obligations are enforceable under the Bankruptcy Code and applicable nonbankruptcy law.

**“Debtor-in-Possession”** means the Debtor when acting in the capacity of representative of the estate in the Debtor’s Chapter 11 Case.

**“Debtor”** means Pioneer Village Investments, LLC.

**“Disallowed Claim”** means, with respect to a particular Disputed Claim, the amount, if any, by which the Face Amount of such Creditor’s Disputed Claim exceeds the Allowed Amount of such Claim.

**“Disclosure Statement”** means the Disclosure Statement (and all exhibits and schedules annexed thereto or referred to therein) that relates to the Plan and that is approved by the

Bankruptcy Court pursuant to Section 1125 of the Bankruptcy Code, as the same may be amended, modified or supplemented.

**“Disputed Claim”** means a Claim which has been scheduled by the Debtor or as to which a proof of Claim has been filed, or deemed filed under applicable law, as to which an objection has been or may be timely filed and which objection, if timely filed, has not been withdrawn on or before any date fixed for filing such objections by the Plan or order of the Bankruptcy Court and has not been overruled or denied by a Final Order. Prior to the time that an objection has been or may be timely filed, for purposes of this Plan, a Claim shall be considered a Disputed Claim: (i) to the extent and only to the extent the amount of the Claim specified in the proof of claim exceeds the amount of any corresponding Claim listed by the Debtor in its Schedules; (ii) any corresponding Claim listed by the Debtor in its Schedules as disputed, contingent or unliquidated, irrespective of the amount scheduled, or (iii) if no corresponding Claim has been listed by the Debtor in its Schedules.

**“Distribution Date”** means any Business Day on or after the Effective Date on or by which Distributions of Cash are to be made pursuant to the Plan.

**“Distributions”** means payments to holder of Allowed Claims of Cash or property pursuant to and required by this Plan.

**“Effective Date”** shall be the meaning ascribed to such term in Article IX of the Plan.

**“Enforcement Injunction”** means the injunction described in paragraph 12.3.

**“Estate”** means the estate created in the Debtor’s Chapter 11 Case by Section 541 of the Bankruptcy Code.

**“Excelsior Claim”** means the Claim listed in the Schedules in favor of Excelsior Development Company, LLC.

**“Face Amount”** means with respect to any Claim,

- (a) if the holder of such Claim has not timely filed proof thereof with the Bankruptcy Court, the amount, if any, of such Claim listed in the Schedules;
- (b) if the holder of such Claim has timely filed proof thereof with the Bankruptcy Court, the amount stated in such proof; or
- (c) if an Allowed Amount has been established or determined, the amount of such Creditor’s Allowed Claim.

**“Facility”** means the continuing care retirement facility operated on the Property.

**“Filing Date”** means May 14, 2010, the date that the Debtor commenced this Chapter 11 Case.

**“Final Order”** means an order or judgment of the Bankruptcy Court, or other court of competent jurisdiction, as entered on the docket in the Chapter 11 Case, which has not been reversed, stayed, modified or amended, and to which (i) the time to appeal or file a petition for certiorari has expired and no appeal or petition for certiorari has been timely filed, or (ii) if an appeal has been filed, no stay has been obtained; or (c) any appeal that has been or may be taken or any petition for certiorari that has been or may be filed has been resolved by the highest court to which the order or judgment was appealed or from which certiorari was sought.

**“General Unsecured Claims”** means an Unsecured Claim that was not held by an Insider at any time prior to the Effective Date.

**“Hein Claim”** means the claim of the Richard R. Hein and Helen J. Hein Revocable Living Trust pursuant to a Note (“the Hein Note”) secured by a subordinate trust deed upon the real property of the Debtor.

**“Insider”** shall have the same meaning as contained in Section 101(31) of the Bankruptcy Code.

**“Insider Unsecured Claim”** means an Unsecured Claim that is held by an Insider or was held by an Insider at any time prior to the Effective Date.

**“Interest”** shall mean a membership interest in the limited liability company which is the Debtor in this Chapter 11 Case.

**“Interest Holder”** means the holder of an Interest.

**“Lien”** means with respect to an asset or interest of the Debtor, any mortgage, lien, pledge, charge, encumbrance or other security interest of any kind affecting such asset.

**“New Capital”** means a new loan or loans/equity contributions obtained by the Reorganized Debtor in an amount sufficient to enable Debtor to pay all Allowed Administrative Expense Claims and the necessary claims due or confirmed.

**“Plan”** means this Plan of Liquidation and all exhibits and schedules annexed hereto, or referred to herein, as the same may be amended, modified and supplemented.

**“PremierWest Claim”** means the claim of PremierWest Bank, holder of the first trust deed against the real property of the Debtor.

**“PremierWest Loan Documents”** means the Promissory Note dated February 18, 2005, in original principal balance of \$10,000,000 (the “Note”); a Business Loan Agreement (the “Loan Agreement”) dated February 18, 2005; a Change in Terms Agreement, which increased the amount borrowed under the Loan and the Note to \$12,375,000; a Deed of Trust (the “Deed of Trust”) recorded in the Jackson County Land Records on February 22, 2005; Modification of Deed of Trust dated May 6, 2005 (recorded on May 26, 2005); Modification of Deed of Trust dated March 17, 2008 (recorded on April 8, 2008); Modification of Deed of Trust dated May 15, 2008 (recorded on June 5, 2008); Modification of Deed of Trust dated September 16, 2008

(recorded on October 2, 2008); Modification of Deed of Trust dated February 3, 2009 (recorded on February 12, 2009); a Commercial Security Agreement dated February 3, 2009; an Assignment of Rents dated February 18, 2005 and recorded in the Jackson County Land Records on February 22, 2005 as Instrument No. 2005-009596, and an Assignment of Management Agreement dated February 18, 2005.

**“Priority Claim”** means an Allowed Claim entitled to priority pursuant to Section 507(a) of the Bankruptcy Code, other than an Administrative Expense Claim.

**“Professional Persons”** means persons retained in the Chapter 11 Case prior to the Confirmation Date by Final Order of the Bankruptcy Court pursuant to §§ 327, 333 or 1103 of the Bankruptcy Code, including Jordan Schrader Ramis, PC , and the Office of the Long-Term Care Ombudsman for the State of Oregon.

**“Property”** means the commercial real property owned by the Debtor at 805 No. 5<sup>th</sup> Street, Jacksonville, Oregon 97530 as more particularly described on the attached Exhibit “A.”

**“Resident Entrance Fees”** means those fees paid by certain residents and former residents of Debtor, pursuant to a contract under which they were refundable two years after their termination of occupancy.

**“Schedules”** means the Schedules of Assets and Liabilities filed by the Debtor with the Bankruptcy Court in accordance with Section 521(a)(1) of the Bankruptcy Code and Rule 1007 of the Bankruptcy Rules and any amendments thereto.

**“Secured Claim”** means every Claim or portion thereof that is asserted by the Creditor holding such Claim to be secured by a Lien encumbering property in which the Debtor has an interest to the extent of the value of the interest of the Creditor holding such Claims against such property of the Debtor.

**“Transfer Taxes”** means any and all transfer, stamp, sales or similar taxes that may be required to be paid in connection with the transactions contemplated by this Plan.

**“Unclaimed Property”** as at any date of determination means the Cash, exclusive of any interest earned thereon, held by or for the Reorganized Debtor that is unclaimed by a Creditor following a distribution made pursuant to the Plan (including property attributable to checks that have been returned as undeliverable without a proper forwarding address, checks that have not been cashed and checks that were not mailed or delivered because of the absence of a proper address to which to mail or deliver such property).

**“Unsecured Claim”** means any Claim that is not an Administrative Expense Claim, Priority Claim, Priority Tax Claim, Secured Claim or Interest.

**“Unsecured Creditor”** means the holder of an Unsecured Claim.

**ARTICLE III**  
**INTERPRETATION. COMPUTATION OF TIME AND GOVERNING LAW**

**3.1 Defined Terms.** Any term used in this Plan that is not defined in this Plan, either in Article II (Definitions) or elsewhere, but that is used in the Bankruptcy Code or Bankruptcy Rules, has the meaning assigned to that term in the Bankruptcy Code or Bankruptcy Rules.

**3.2 Rules of Interpretation.** For purposes of this Plan, (a) whenever from the context it is appropriate, each term, whether stated in the singular or plural, shall include both the singular and the plural; (b) any reference in the Plan to a contract, instrument, release or other agreement or document being in a particular form or on particular terms and conditions, means that such document shall be substantially in such form or substantially on such terms and conditions; (c) any reference in the Plan to an existing document or exhibit filed or to be filed

means such document or exhibit, as it may have been or may be amended, modified or supplemented; (d) unless otherwise specified in a particular reference, all references in the Plan to sections, articles or exhibits are references to sections, articles or exhibits of or to the Plan; (3) the words “herein”, “hereof”, “hereto” or “hereunder” and others of similar import refer to the Plan in its entirety rather than to only a particular portion of the Plan; (e) captions and headings to Articles or sections are inserted for convenience or reference only and are not intended to be a part of or to affect the interpretation of the Plan; and (f) the rules of construction set forth in Section 102 of the Bankruptcy Code shall apply.

**3.3 Time Periods.** In computing any period of time prescribed or allowed by the Plan, the provisions of Bankruptcy Rule 9006(a) shall apply.

**3.4 Governing Law.** Except to the extent that the Bankruptcy Code or Bankruptcy Rules, or other federal statutory or common law are applicable, and subject to the provisions of any contract, instrument, release or other agreement or document entered into in connection with the Plan, the rights and obligations arising under the Plan shall be governed by, and construed and enforced in accordance with the laws of the State of Oregon, without giving effect to its conflicts of law provisions or choice of law rules.

#### **ARTICLE IV** **UNCLASSIFIED CLAIMS**

**4.1 Administrative Expense Claims.** Administrative Expense Claims are not classified under this Plan in accordance with Section 1123(a)(1) of the Bankruptcy Code.

A. Administrative Claims shall be paid in full on the later of (i) the Distribution Date, and (ii) the date upon which the Court enters a Final Order allowing such Administrative Expense Claim or as soon thereafter as is practicable.

B. Unless Otherwise Agreed. In any case, payment may be made upon such less favorable terms as may be agreed between any holder of such Administrative Expense Claim (both in terms of timing and amount of such Administrative Expense Claim) and the Reorganized Debtor or Plan Administrator (if one has been appointed).

**4.2 Requests for Payment.** Requests for payment of all Administrative Expense Claims (“Requests for Payment”), including (i) claims for professional fees and all fee applications of Professional Persons and (ii) claims, if any, arising under Section 503(b)(9) of the Bankruptcy Code, shall be filed with the Bankruptcy Court and served on Debtor and their counsel no later than twenty (20) days from the Confirmation Date. Holders of Administrative Expense Claims for goods and services provided to the Debtor after the Petition Date in the ordinary course of the Debtor’s business shall not be required to file Requests for Payment. Holders of Administrative Expense Claims that are subject to the foregoing requirement for filing Requests for Payment and that do not timely file Requests for Payment shall be forever barred from asserting their Administrative Expense Claims against the Debtor, its estate and any property of the Debtor transferred pursuant to this Plan. Any party in interest shall have the right to object to any requests for payment of Administrative Expense Claims.

**ARTICLE V**  
**CLASSIFICATION OF CLAIMS AND INTERESTS**

**5.1 Classes of Claims.** The Classes of Claims and Interests under the Plan consist of Allowed Claims designated and classified as follows:

**5.1.1 Class 1:** Priority Claims.

**5.1.2 Class 2:** PremierWest Secured Claim.

**5.1.3 Class 3:** Hein Claim.



**5.1.4** Class 4: Resident Entrance Fees.

**5.1.5** Class 5: General Unsecured Claims. All allowed unsecured claims not otherwise classified.

**5.1.6** Class 6: Excelsior Claims. Class 6(a) consists of the principal portion of the claim of the Excelsior claim. Excelsior holds the majority membership interest in the Debtor. Class 6(b) consists of the accrued interest on the 6(a) amount owed Excelsior.

**5.1.7** Class 7: Subordinated Unsecured Claims. All allowed unsecured claims of Farmington Center, Inc. (including any claim arising out of rejection of its management contract).

**5.1.8** Class 8: Property Tax Claims. Real and personal property taxes owed to Jackson County.

**5.1.9** Class 9: Equity Interests. All equity interests in the Debtor outstanding as of the effective date.

**ARTICLE VI**  
**TREATMENT OF CLASSIFIED CLAIMS AND INTERESTS**

**6.1 Treatment.** The Classes of Claims and Equity Interests shall receive the treatment described herein, which treatment shall be in full and complete satisfaction, settlement and release of, and in exchange for, all such Claims and Equity Interests. Following entry of the Confirmation Order (but subject to the occurrence of the Effective Date), the rights of all Creditors and holders of Equity Interests shall be limited exclusively to the specific benefits made available and set forth in the Plan.

**6.1.1 Class 1:** Class 1 consists of Priority Claims. As of the date of filing of this Plan, 11 Priority Claims were listed on the Debtor's Schedules, consisting of matured and payable, and accrued but not yet payable, Entry Fee Deposit refunds.

A. The Class 1 Claims (if any) shall be paid in full on the later of (i) the Distribution Date, and (ii) the date on which such Priority Claim is Allowed, or as soon thereafter as is practicable. The holder of an Allowed Priority Claim for taxes shall not be entitled to receive any payment on account of interest, or on account of any penalty arising with respect to or in connection with its Claim, except to the extent allowed pursuant to Section 507(a)(8) of the Bankruptcy Code. Class 1 is not impaired under the Plan and holders of Priority Claims are not entitled to vote on the Plan.

**6.1.2 Class 2:** Class 2 consists of the PremierWest Secured Claim. Class 2 is impaired.

A. The Class 2 Secured Claim of PremierWest will be allowed without offset, counterclaim, subordination, charge-off or reduction of any kind or nature for all purposes in this case as Secured Claim under Section 506(a) and (b) of the Code in an amount equal to \$12,000,000 as of the Effective Date (the "Allowed PremierWest Claim").

B. PremierWest shall retain its first priority perfected security interest and lien on the Property to secure the Allowed PremierWest Claim and such lien shall be subordinate only to the lien of Jackson County for real property taxes. The Debtor is prohibited from granting additional liens on the Property other than those in existence of record as of the Petition Date and expressly preserved under this Plan. Any attempt by the Debtor to grant additional or new liens following entry of the Confirmation Order shall be null and void and of no force and effect.

C. The Allowed PremierWest Claim (and all unpaid post-confirmation interest, attorneys' fees, and other charges) shall be due and payable on December 31, 2012.

D. Interest shall accrue on the Allowed PremierWest Claim at the rate of 7% per annum; provided, however, that the Debtor shall pay 5% interest only on a monthly basis; the 2% difference between accrued and paid interest shall be paid on closing of a sale or refinance of the Property. If the Debtor sells or refinances the Property and closes on such transaction prior to December 31, 2011, the Bank will reconvey and release its deed of trust upon receipt of \$11,350,000 cash, provided such sum is received by December 31, 2011. If the Debtor does not close on a sale or refinance transaction which meets the above terms by December 31, 2011, then interest shall continue to accrue on the Allowed PremierWest Claim at 7% per annum; provided, however, that the Debtor shall pay 6% interest only on a monthly basis; the 1% difference between accrued and paid interest shall be paid on closing of a sale or refinance transaction. If the Debtor sells or refinances the Property and closes on such transaction prior to December 31, 2012, the Bank will reconvey and release its deed of trust upon receipt of \$12,000,000 cash, provided such sum is received by December 31, 2012.

E. If the Debtor does not close on a transaction that results in the payments to PremierWest set forth in this Plan by December 31, 2012, then the Debtor no later than January 15, 2013, will either deliver a non-merger deed in lieu for the Property to the Bank or effect the appointment of a sales agent. The Debtor shall make the election of whether to deliver a non-merger deed in lieu or to consent to the appointment of Kenneth S. Eiler as sales agent in writing by delivery of a notice to the Bank no later than January 15, 2013. To the extent no such election is made by such date, PremierWest shall make the election or whether to accept a non-merger deed in lieu or appoint Kenneth S. Eiler as a sale agent ("Sale Agent"). If Ken Eiler is unable or unwilling to serve as Sale Agent, then the Debtor shall (to the extent such

option is elected) propose a different person to serve as Sale Agent which choice shall be subject to the approval of PremierWest in its sole and absolute discretion.

F. To the extent that the Debtor (or PremierWest if no timely decision is made by the Debtor) elects to deliver a non-merger deed in lieu to PremierWest, then Debtor shall convey to PremierWest, absolutely and free of any right of redemption or other right or interest of Debtor or anyone claiming through or under Debtor (other than PremierWest), title to the Property, and all plans and permits relating to the Property. To the extent a Sale Agent is appointed, such Agent shall have the power to sell the Property free and clear of all liens, claims and encumbrances, and all holders of liens or interests in the Property are deemed to consent to such sale at a price determined by the Sale Agent, in his sole and absolute discretion, subject to approval only of PremierWest.

G. The Sale Agent shall have the power to deliver a deed vesting fee title in the Property to a purchaser and is authorized and directed to execute and deliver any additional instruments and documents that may be reasonably necessary or desirable to implement a sale of the Property and to take all further action as may be requested by a purchaser for the purpose of assigning, transferring, granting, conveying and conferring to purchaser all of the Property. The Sale Agent shall also have the unfettered power to terminate the management agreement between Farmington and the Debtor (or between the Debtor and any party then managing the Property). If any Creditor has filed or recorded a deed of trust, mortgage, financing statement or other instrument, such Creditor shall deliver to the Sale Agent at closing a termination statement, reconveyance request or release of such deed of trust, mortgage, financing statement or other instrument. If such termination statement, reconveyance requests or release of such deed of trust, mortgage, financing statement or other instrument is not delivered, then the Sale Agent is hereby authorized and empowered as part of the closing of the sale, to execute and file such statements, instruments, releases and other documents on behalf of the person or entity with respect to such assets and contracts and (b) the purchaser is hereby authorized to file,

register or otherwise record a certified copy of the order confirming the Plan, which, once filed, registered or otherwise recorded, shall constitute conclusive evidence of the release of all liens, interests, and claims against the Property as of the closing date.

H. Neither the Debtor, Farmington, its members, or affiliates, or any Creditor asserting a lien on or interest in the Property shall have standing to contest or oppose any action or decision by the Sale Agent. The Sale Agent shall operate with unfettered discretion and without any veto power or interference by the Debtor, its principals, members or affiliates, including Farmington. The Sale Agent shall have the duty to try to maximize the sale price of the Property in light of the then prevailing facts and circumstances in the marketplace. To the extent that the Sale Agent has not closed on a sale within six months of his appointment, the Sale Agent shall, upon written request by PremierWest, deliver a non-merger deed in lieu to the Property to PremierWest (unless PremierWest has prior to that date obtained a deed to the Property by a non-judicial trustee's sale).

I. With respect to the state court guaranty litigation, the Guarantors shall all sign confessions of judgment in the amount of \$12,375,000 and the Bank agrees not to enter or execute on such confessions of judgment so long as the Debtor complies with the terms of the this Plan.

J. Effective on the Effective Date, PremierWest, its participant bank, and their employees, affiliates, agents, and representatives, are released and forever discharged from all claims, causes of action and liabilities of any type whatsoever, known or unknown, that are held in whole or in part by Debtor, Farmington and the Guarantors. All the foregoing releasing parties are forever enjoined from initiating or pursuing against PremierWest and its participant bank, any claim, cause or action or liability that has been released hereunder. Except for the claims and rights set forth (1) in this Plan, (2) in the PremierWest Loan Documents as modified by this Plan and by the Loan Modification Agreement, (3) the Loan Modification Agreement, (4) the Guarantees as modified by the Loan Modification Agreement, and (5) the

Confession of Judgment, PremierWest shall have no other or further claims against the Debtor, the Estate, Farmington, or the Guarantors

K. In the event of default by Debtor of its obligations under this Plan prior to December 31, 2012, PremierWest shall provide 14-day written notice of default and if such default is not cured within such 14-day period, PremierWest may exercise its rights and remedies under the PremierWest Loan Documents and additionally may request, and Debtor shall be obligated to deliver following such request, a non-merger deed in lieu to the Property.

L. Notwithstanding the appointment of a Sale Agent under this Plan or delivery by the Debtor of a non-merger bargain and sale deed, PremierWest shall be free at any time, from the earlier of an uncured event of default following a 14 day notice or December 31, 2012, to exercise its rights and remedies to foreclose its deed of trust either non-judicially or judicially.

M. Except as expressly modified by this Plan (including but not limited to 6.1.2(J) above), the Loan Modification Agreement, and the Confession of Judgment, all of the terms and conditions set forth in the PremierWest Loan Documents shall remain in full force and effect.

N. The loan restructuring settlement by and among PremierWest, the Debtor, Farmington and the Guarantors and set forth in this Plan and in a Loan Modification Agreement (in form acceptable to PremierWest) to be executed on the Effective Date is a full, final, comprehensive and irrevocable restructuring of the debtor/creditor relationship among and between the parties. If the Debtor, Farmington, or its affiliates file or allow the filing of a subsequent bankruptcy case involving the Property, the automatic stay is hereby vacated to allow PremierWest relief to immediately enforce its binding rights and remedies granted under this Plan.

**6.1.3 Class 3:** Class 3 consists of the Hein Trust Secured Claim. Class 3 is impaired under the Plan.

A. The survivor, Mrs. Helen Hein, shall continue to receive the right of occupancy of her unit at a current cost of \$3,421 per month as an offset against the payments due under the Note payable to the Hein Trust of \$3,932. The difference will be added to the principal as outlined in paragraph B.B. Any differential between the amount payable pursuant to the Hein Note and the costs that are incurred by her shall be added to the principal due under the Hein Note, or subtracted from principal as is appropriate. The balance shall be paid upon a sale of the facility. In the event the property has not been sold and Mrs. Hein continues to reside in the facility, the offset terms will continue, until the balance will be paid per the Note term.

**6.1.4 Class 4:** Resident Entrance Fees. The non-priority portion of these Claims shall be paid from a reserve account consisting of the available excess cash after monthly payments as may be required to Classes 2, 3 and 8. Payments will be made semi-annually on those claims which are then payable on a pro-rata basis in excess of a minimum reserve balance of \$50,000 paid from the sale of the property if that sale is consummated. Those residents who continue to reside with the Debtor until entitled to a refund of a fee upon vacating will be added to the pool sharing the payments pursuant to the contract provision for payments within two years after vacation. The balance shall be due five years after the Effective Date for all occupants whose occupancy has terminated and to whom payment is then due. Residents continuing to occupy the premises after the five years will be paid upon the terms of the entrance fee agreement two years after the occupancy terminates.

**6.1.5 Class 5:** Class 5 consists of General Unsecured Claims not otherwise classified. Class 5 is unimpaired under the Plan.

A. The Class 5 claims shall be paid in full at the Effective Date.

**6.1.6 Class 6:** Class 6 consists of the Excelsior Claim. Class 6 is impaired.

A. The Class 6 claims shall not receive any payments at Closing but shall be paid as the reorganized Debtor determines it is able to pay only after claims in Classes 1-4 and 8 are paid in full.

**6.1.7 Class 7:** Class 7 consists of Subordinated Unsecured Claim of FCI. Class 7 is impaired by the Plan.

A. The reorganized Debtor shall pay the holders of allowed Class 7 claims in cash as the reorganized Debtor determines it is able to pay, only after Classes 1 through 4 and 8 are paid in full.

**6.1.8 Class 8:** Class 8 consists of Property Tax Claims. Class 8 is impaired. Class 8 consists of the real and personal property taxes owed to Jackson County. The Debtor will pay the personal property taxes and future real property taxes when due, and will pay \$5,000 per month toward all prior real property taxes. In the event of a sale of the property, the balance of the property taxes will be paid in full.

**6.1.9 Class 9:** Class 9 consists of the Interests. Class 9 is impaired. For purposes of the Plan, each holder of a membership interest is entitled to vote on the Plan.

A. Existing equity interests shall retain their interest unchanged by the Plan, but shall receive no payments on confirmation.

B. New Capital Contribution. Those Interest Holders providing the new capital shall be granted preferred units with priority over all existing Interests in the reorganized Debtor in the event of a sale or refinance.

C. Any and all advances owed to Interest Holders shall be repaid only after payment of all other classes of claims to funding of the Plan. The Debtor has received contributions from interest holders who elected to make additional contributions to the Plan in



excess of \$100,000. In addition, the Debtor may receive additional contributions on Confirmation.

**ARTICLE VII**  
**MEANS FOR EXECUTION OF THE PLAN**

**7.1** Debtor will execute the Plan as follows:

**7.1.1** Debtor has received New Capital of \$105,000.

**7.1.2** The Reorganized Debtor shall execute and deliver documents, instruments and agreements necessary to implement this Plan.

**7.1.3** Reorganized Debtor will pay Claims as provided in Article VI above.

**7.1.4** By December 31, 2012, the Debtor will sell, refinance or otherwise pay PremierWest Bank in full.

**ARTICLE VIII**  
**CONTROVERSY WITH RESPECT TO IMPAIRMENT**

**8.1** In the event of a controversy as to whether a Class of Claims or Interests is impaired, the Court shall, after notice and a hearing, determine such controversy.

**ARTICLE IX**  
**CONDITIONS PRECEDENT TO EFFECTIVENESS OF PLAN**

**9.1 Conditions to Effective Date.** The following conditions must occur and be satisfied for the Plan to become effective and the Effective Date to occur:

**9.1.1** The Court shall have entered the Confirmation Order which shall, among other things, (i) find that the Plan complies with all applicable requirements of the Bankruptcy Code, (ii) decree that the Confirmation Order shall supersede any Court orders issued prior to the Confirmation Date that may be inconsistent therewith, (iii) decree that, except as otherwise provided in the Plan or in the Confirmation Order, all transfers of property contemplated under this Plan shall be free and clear of all Claims, security interests, liens,

encumbrances and other interests of holders of Claims and Interests, and (iv) provide that any and all executory contracts and unexpired leases that are assumed pursuant to the Plan shall remain in full force and effect for the benefit of the Reorganized Debtor, as the case may be, notwithstanding any provision in any such contract or lease or in applicable law (including those described in sections 365(b)(2) and (f) of the Bankruptcy Code) that prohibits, restricts or conditions such transfer or that enables or requires termination or modification of such contract or lease.

**9.1.2** All documents, instruments and agreements, each in form and substance satisfactory to the Debtor, provided for under or necessary to implement this Plan shall have been executed and delivered by the parties thereto, unless such execution or delivery has been waived by the party to be benefited thereby.

**9.1.3** The Debtor, PremierWest and the Guarantors shall have executed the PremierWest Loan Modification Agreement.

**9.2 Waiver of Conditions.** The Debtor may waive any of the conditions to the effectiveness of this Plan set forth in Section 9.1 of this Plan.

**9.3 Notice of Effective Date.** On the first business day after the Confirmation Date on which all conditions to effectiveness of this Plan are satisfied or waived as provided in this Section 9, or as soon thereafter as is reasonably practicable, the Debtor shall file with the Court a notice that states the Effective Date. The Plan shall be deemed to be effective as of 12:01 a.m. (prevailing Pacific Time) on the Effective Date set forth in such notice filed with the Court. If the Effective Date does not occur within thirty (30) days of the Confirmation Date, any party in interest may file with the Bankruptcy Court and serve a notice indicating an inability to consummate the Plan and the Bankruptcy Court shall thereafter

schedule a hearing to consider the just disposition of the Facility, the Debtor's assets and the Chapter 11 case. The Debtor reserves the right to request that the Confirmation Order include (i) a finding by the Court that Bankruptcy Rule 3020(e) shall not apply to the Confirmation Order, and (ii) the Court's authorization for the Debtor to consummate the Plan immediately after entry of the Confirmation Order.

**ARTICLE X**  
**PROVISIONS REGARDING DISTRIBUTIONS**

**10.1 Time of Distributions Under the Plan.** Except as otherwise provided for herein or ordered by the Court, distributions under the Plan shall be made as outlined, or as soon thereafter as is practicable.

**10.2 Payment Dates.** Whenever any payment or Distribution to be made under the Plan shall be due on a day other than a Business Day, such payment or Distribution shall instead be made, without interest, on the next Business Day.

**10.3 Manner of Payments Under the Plan.** Payments made pursuant to the Plan shall be made in Cash by check drawn on a domestic bank or by wire transfer from a domestic bank. If the payee requests that distributions be made by electronic funds transfer, the payee shall be responsible for payment of the wire transfer fees.

**10.4 Withholding and Reporting Requirements.** In connection with the Plan, the Reorganized Debtor shall comply with all applicable withholding and reporting requirements imposed by any federal, state or local taxing authority. Any federal, state or local withholding taxes or other amounts required to be withheld under applicable law shall be deducted from distributions made under the Plan. All entities holding Claims shall be required to provide any information necessary to effect the withholding or reporting of such taxes. The

Reorganized Debtor may condition any distribution to a Creditor upon receipt of any such information.

**10.5 Disputed Distributions.** If any dispute arises as to the identity of a holder of an Allowed Claim who is to receive any distribution under the Plan, the Reorganized Debtor may, in lieu of making such distribution to such entity, make such distribution into a reserve fund until the disposition thereof shall be determined by court order or by written agreement among the interested parties to such dispute.

**10.6 Unclaimed Distributions.** In the event that any Distribution under the Plan remains unclaimed for a period of three months after such Distribution has been made (or after such delivery has been attempted) in accordance with the Plan to a holder entitled thereto, such Unclaimed Distribution shall be deemed forfeited by such holder, whereupon all right, title and interest in and to such Unclaimed Distribution will immediately and irrevocably re-vest with the Reorganized Debtor who will thereafter be empowered to take whatever steps may be reasonably necessary to exercise control over the Unclaimed Distribution. The Unclaimed Distribution shall be paid to the next junior Class which remains unpaid.

**10.7 Time Bar to Cashing Distribution Checks.** The Reorganized Debtor may (but shall not be obligated to) stop payment on any check issued by it in respect of Allowed Claims if such check is not negotiated within sixty (60) days after the date of issuance thereof. Request for reissuance of any check shall be made to the Reorganized Debtor in accordance with this Plan, by the holder of the Allowed Claim to whom such check originally was issued, prior to the expiration of the 180 day period set forth in Section 5.7 of the Plan. After such date, the holder of any such Claim who has failed to make a timely request for reissuance of

such a voided check shall not be entitled to any other or further distribution under this Plan on account of such voided check or such Claim.

**10.8 Transmittal of Distributions and Notices.** Any property or notices, including distributions, that an entity is or becomes entitled to receive pursuant to the Plan, may be delivered by regular mail, postage prepaid, in an envelope addressed to that entity at the address indicated on a properly filed proof of claim or, absent such a proof of claim, the address that is listed on the Debtor's schedules, as they may from time to time be amended in accordance with Bankruptcy Rule 1009; provided, however, that a holder of a Claim may designate a different address for notices and distributions by notifying the Reorganized Debtor of a change of address in writing. The new address shall be effective upon receipt of such notice.

**ARTICLE XI**  
**PROVISIONS CONCERNING PROPERTY**

**11.1** Except as otherwise provided in the Plan or in the Confirmation Order, on the Effective Date, pursuant to sections 1123(a)(5) and 1141 of the Bankruptcy Code, all property of the Estate shall vest in the Reorganized Debtor, in each case, free and clear of all Claims, liens, charges, encumbrances and other interests of Creditors and Interest Holders. The Reorganized Debtor shall operate its business in the ordinary course of business, and shall not incur any indebtedness or dispose of any assets except in the ordinary course of business. All assets of the Debtor and its estate shall remain vested in the Debtor subject to Liens, Claims and Interests only as otherwise provided in the Plan.

**ARTICLE XII**  
**OTHER EFFECTS OF PLAN CONFIRMATION**

**12.1 Binding Effect.** On the Effective Date, pursuant to section 1141(a) of the Bankruptcy Code, the provisions of the Plan shall bind the Debtor, the Reorganized Debtor, all Creditors and all Interest Holders, including each of their respective heirs, legal representatives, successors and assigns, whether or not they accept the Plan.

**12.2 Discharge.** Except as otherwise provided in the Plan or in the Confirmation Order, on the Effective Date, pursuant to section 1141(d) of the Bankruptcy Code, the Debtor and the Reorganized Debtor shall be discharged from all liability on any and all Claims that arose before the Confirmation Date or that are of a kind specified in section 502(g), 502(h) or 502(j) of the Bankruptcy Code. This discharge shall be effective on the Effective Date as to each such Claim, whether or not (i) proof of the Claim is filed or deemed filed, (ii) the Claim is an Allowed Claim under this Plan, or (iii) the holder of the Claim votes to accept or reject this Plan.

**12.3 Enforcement Injunction.** The Confirmation Order shall act as an injunction (the “Enforcement Injunction”) to stay and restrain Premier West Bank from taking any of the following actions against the guarantors of the debt to PremierWest Bank (“Guarantors”) or against property in which the Guarantors hold an interest, on account of any judgments, claims or causes of action that arise out of or relate to Claims against the Debtor or the Estate, including without limitation, the suit filed by PremierWest Bank in Jackson County Circuit Court for the state of Oregon bearing case number 101593E3 designated an “Enjoined Claim”; (a) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree, or order on

account of an Enjoined Claim; or (b) enforcing any lien or encumbrance on account of an Enjoined Action, except the Bank may file the stipulated judgments against the Guarantors subject to a covenant not to execute provided the Debtor complies with the Plan provisions and timely makes Plan payments. The Enforcement Injunction shall continue in effect until the earliest to occur of the following:

- (a) all of the payments required to be made to PremierWest under this Plan have been paid at which time the Enforcement Injunction shall be terminated; provided, however, that the Enforcement Injunction shall be vacated and dissolved without further order if there is an event of default by the Debtor under this Plan which is not cured within 14 days after notice of default by PremierWest; or
- (b) the Reorganization Case is dismissed or converted to a proceeding under Chapter 7. Additionally, in the event that Debtor is in payment default under this Plan, and such default is not cured within twenty (20) business days after written notice to the Debtor and to the Guarantors, the affected Creditor or party-in-interest (other than PremierWest, which need not seek an order) may move the Court for an order terminating the Enforcement Injunction on account of such payment default.

Notwithstanding any language to the contrary elsewhere in this Plan, nothing in this Plan shall enjoin any governmental agency, including but not limited to the Internal Revenue Service and the Oregon Department of Revenue, from the assessment upon, or collection from any third party, including but not limited to the Affiliates, for unpaid trust fund taxes of the Debtor.

**ARTICLE XIII**  
**EXECUTORY CONTRACTS AND LEASES**

**13.1 General Assumption of Executory Contracts and Unexpired Leases.**

Except as otherwise provided in the Confirmation Order, effective as of the Closing, all executory contracts and unexpired leases of the Debtor, **including all residency agreements**, not previously rejected by operation of law or by Court order and not the subject of a motion to reject filed prior to the Confirmation Date shall be deemed to be automatically assumed by the Reorganized Debtor. The Confirmation Order shall constitute a Court order approving such assumptions pursuant to the provisions of sections 365 and 1123(b)(2) of the Bankruptcy Code. Each contract or lease that is assumed pursuant to this Plan shall be deemed to include all modifications, amendments, supplements, restatements or other agreements made directly or indirectly by any agreement, instrument or other document that in any manner affects such contract or lease (but excluding any of the foregoing that is not in writing and that purportedly limits, restricts or impairs the Debtor's rights or benefits under the written documents that evidence such contract or lease).

**13.2 Cure of Assumed Contracts and Leases.** Any monetary amounts that are in default under a contract or lease that is assumed pursuant to this Plan shall be satisfied by compliance with the terms of the Plan as confirmed. In the event of a dispute regarding the nature or the amount of any default or the ability of the Reorganized Debtor to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under any such contract or lease, or any other matter pertaining to the assumption of such a contract or lease, the Debtor shall cure or provide such assurance following the entry of a Final Order resolving the dispute.



**ARTICLE XIV**  
**“CRAM DOWN”**

**14.1** The Debtor hereby requests confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code if the requirements of all provisions of section 1129(a) of the Bankruptcy Code, except paragraph (a)(8) thereof, are met with regard to the Plan. In determining whether the requirements of section 1129(a)(8) of the Bankruptcy Code have been met, any Class or subclass of a Class that does not contain as an element thereof an Allowed Claim or a Claim temporarily allowed under Bankruptcy Rule 3018 as of the date fixed by the Court for filing acceptances or rejections of this Plan shall be deemed deleted from this Plan for purposes of voting to accept or reject this Plan and for purposes of determining acceptance or rejection of this Plan by such Class or subclass.

**ARTICLE XV**  
**GENERAL PROVISIONS AND RETENTION OF JURISDICTION**

**15.1 Post-Confirmation Professional Fees.** Fees for post-confirmation services rendered or expenses incurred shall be paid in the ordinary course.

**15.2 Retention of Jurisdiction by the Court.** Notwithstanding Confirmation, the Bankruptcy Court shall retain jurisdiction for the following purposes:

**15.2.1** To hear and determine any dispute relating to the Plan or any property described in the Plan and to enforce its provisions.

**15.2.2** To hear and determine all issues arising out of any motions, applications, adversary proceedings or contested or litigated matters in the Chapter 11 Case pending at the Effective Date or commenced thereafter.

**15.2.3** To order recovery of any assets of the Debtor, whether title is presently held in the name of the Debtor or a third party.

**15.2.4** To hear and determine all issues relating to any purchases, sales or contracts made or undertaken by the Debtor during the pendency of the Chapter 11 Case.

**15.2.5** To hear and determine all objections to Claims and all controversies concerning classification, allowance, valuation, liquidation, estimation, satisfaction, subordination, re-characterization or reclassification of Claims.

**15.2.6** To make orders allowing amendment of the schedules file in the Chapter 11 Case for any purpose including, without limitation, to prosecute objections to Claims not previously listed as disputed, contingent or unliquidated.

**15.2.7** To hear and determine all applications for compensation of professional and similar fees and reimbursement of expenses arising out of or relating to the case or any Claims.

**15.2.8** To hear and determine any and all motions to abandon property of the Debtor's Estate.

**15.2.9** To make such other orders or give such directions as permitted by Section 1142 of the Bankruptcy Code.

**15.2.10** To consider and order any modifications or amendments requested to the Plan.

**15.2.11** To remedy any defect or omission or reconcile any inconsistency in the Plan or the Confirmation Order in such manner as may be necessary or desirable to carry out the purposes and intent of the Plan.

**15.2.12** To make all orders necessary or appropriate to carry out the provisions of the Plan.

**15.2.13** To enforce all orders previously entered by the Bankruptcy Court.

**15.2.14** To determine such other matters as may be provided for in the Confirmation Order or as may be authorized under the Bankruptcy Code.

**15.3 Waivers.** Except as otherwise provided in the Plan or in the Confirmation Order, any term of the Plan may be waived by the party benefited by the term to be waived.

**15.4 Setoffs, Recoupments and Defenses.** Nothing contained in the Plan shall constitute a waiver or release by the Debtor or the Reorganized Debtor of any rights of setoff or recoupment, or of any defense, either of them may have with respect to any Claim (including, without limitation, rights under section 502(d) of the Bankruptcy Code). Except as otherwise provided in the Plan, in the Confirmation Order or in agreements previously approved by a Final Order, the Reorganized Debtor may, but will not be required to, set off against any Claim or any distributions with respect to such Claim any and all of the claims, rights and Causes of Action of any nature that the Debtor or the Reorganized Debtor, as applicable, may hold against the holder of such Claim; provided, however, that neither the failure to effect such a setoff, the allowance of any Claim, the payment of any distribution hereunder or any other action or omission of the Debtor or the Reorganized Debtor, as applicable, nor any provision of the Plan, shall constitute a waiver or release by the Debtor or the Reorganized Debtor, as applicable, of any such claims, rights and Causes of Action that the Debtor or the Reorganized Debtor, as applicable, may possess against such holder.

**15.5 Cancellation of Documents Evidencing Unsecured Claims.** As of the Effective Date, any note, agreement, instrument or other document evidencing an unsecured Claim, other than the Excelsior Claim in Class 6, shall be deemed cancelled, null and void, except for the right, if any, to receive distributions under this Plan.

**15.6 Payment of United States Trustee Fees.** Notwithstanding the entry of the Confirmation Order, the Reorganized Debtor shall (i) be responsible for timely payments of all fees incurred pursuant to 28 USC § 1930(a)(6), and (ii) provide to the United States trustee, on or before the 30<sup>th</sup> day following the close of each calendar quarter, a financial report of all disbursements made by or on behalf of the Reorganized Debtor (whether or not pursuant to this Plan) during the preceding calendar quarter, or portion thereof, that this Chapter 11 case remains open.

**15.7 Limitations on Filing or Amending Claims After the Confirmation Date.** Except as otherwise provided in the Plan, after the Confirmation Date, a proof of claim may be amended by the holder of such Claim solely to decrease, but not to increase, the amount of such Claim. Except as otherwise provided in the Plan and in the immediately preceding sentence, any proof of claim (whether filed to assert a new Claim or to amend a previously filed Claim) filed after the Confirmation Date shall be deemed Disallowed in full and expunged without any action by the Reorganized Debtor.

**15.8 Notices.** Any notice, demand, claim or communication under this Plan shall be in writing and shall be deemed to have been given upon receipt by or the personal delivery thereof of service by next day delivery service or upon the seventh day following mailing thereof, if sent by registered mail, return receipt requested, postage prepaid by next day delivery, to the respective address of the parties set forth below, or such other address as the party may specify by notice given as herein provided:

If to the Reorganized Debtor:

Pioneer Village Investments, LLC  
c/o Farmington Centers, Inc.  
4640 SW Macadam Ave, Ste 90  
Portland, OR 97239

With copy to:

Douglas P. Cushing  
Jordan Schrader Ramis PC  
Two Centerpointe Drive, 6<sup>th</sup> Flr  
Lake Oswego OR 97035

**15.9 Severability.** Should any provision in this Plan be determined to be unenforceable following the Effective Date, such determination shall in no way limit or affect the enforceability or operative effect of any or all other provisions of this Plan.

**ARTICLE XVI**  
**PROVISIONS CONCERNING CAUSES OF ACTION**

**16.1** Except as otherwise provided in the Plan or in the Confirmation Order or in any instrument, release or other agreement entered into in connection with the Plan, in accordance with section 1123(b)(3) of the Bankruptcy Code, any rights or Causes of Action under any theory of law (including, without limitation, under the Bankruptcy Code) extant on the Effective Date shall remain fully enforceable. On the Effective Date, Avoidance Actions and all other Causes of Action shall become the property of the Reorganized Debtor. These Causes of Action include, but are not limited to, those described in more detail in the disclosure statement relating to this Plan, and the failure of the Debtor to list a Cause of Action in the disclosure statement shall not constitute a waiver or release by the Debtor of such Cause of Action. From and after the Effective Date, the Reorganized Debtor shall have the exclusive right and full authority to enforce, sue on, settle, or compromise, or to decline to do any of the foregoing, any and all Causes of Action (including, but not limited to, all Avoidance Actions and all other Causes of Action of a trustee and Debtor in possession under the Bankruptcy Code or under applicable law). The Debtor expressly reserves all Avoidance Actions and other Causes of Action for later adjudication or other resolution by the

Reorganized Debtor and, therefore, no preclusion doctrine (including, without limitation, the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel or laches) shall apply to such Avoidance Actions or other Causes of Action upon or after the confirmation or consummation of the Plan.

**ARTICLE XVII**  
**MODIFICATION OF THIS PLAN**

**17.1** Debtor reserves the right to propose amendments to or modifications of this Plan under section 1127 of the Bankruptcy Code, at any time prior to the Confirmation Date. After the Confirmation Date, Debtor may modify this Plan in accordance with Section 1127(b) of the Bankruptcy Code to remedy any defects or omissions or to reconcile any inconsistency in this Plan or in the Confirmation Order in such a manner as may be necessary to carry out the purposes and intent of this Plan so long as the rights of Claimants or Interest Holders are not materially modified or altered to their detriment without their express written consent.

**ARTICLE XVIII**  
**PROCEDURE FOR RESOLVING DISPUTED CLAIMS**

**18.1 Prosecution of Objections to Claims.** The Reorganized Debtor may object to Claims. Except as otherwise specifically provided in the Plan or in the Confirmation Order, all objections to Claims other than Administrative Expense Claims shall be filed by the Reorganized Debtor with the Court not later than thirty (30) days after the Effective Date unless such period is extended by Court order. With respect to Claims arising pursuant to section 502(h) of the Bankruptcy Code which are filed after the entry of the Confirmation Order, objections to such Claims shall be filed by the Reorganized Debtor not later than thirty (30) days after proof of such Claim is filed, unless such period is extended by Court order.

**18.1.1** The Reorganized Debtor shall be responsible for reviewing the validity of scheduled and filed Claims and for objecting to Claims that, in its determination appear to be partially or wholly invalid.

**18.1.2** Disputed Claims shall be divided into two portions: the “Non-Disputed Portion” and the “Disputed Portion.” The Reorganized Debtor shall make Distributions on account of the Non-Disputed Portion of the Disputed Claim in accordance with Plan provisions for payment of a Claim in its Class.

**18.1.3** Notwithstanding any other provisions of this Plan, no payments or Distributions shall be made with respect to any Claim to the extent it is a Disputed Claim unless and until all objections to such Disputed Claim are concluded and the Disputed Claim becomes an Allowed Claim.

**18.1.4** The Reorganized Debtor will reserve and hold sufficient amounts in a reserve account (the “Disputed Claim Reserve”) to make Distributions, in accordance with the provisions of the Plan, the Disputed Portion of each Disputed Claim as if such Disputed Claim was allowed in full.

**18.1.5** Funds held in the Disputed Claim Reserve shall be invested in an interest bearing account.

**18.1.6** When a Disputed Claim is resolved, the Reorganized Debtor shall make Distributions to the holder of the Disputed Claim on that portion of the Disputed Claim Reserve equal to the difference between the amount then due of that Allowed Claim pursuant to the Plan less the amount previously paid to said Claimant on the Non- Disputed Portion of its Claim, plus interest actually earned on the amount to be distributed to such Claimant from the Disputed Claim Reserve.

**18.1.7** The Reorganized Debtor shall have the authority, but not the obligation, to settle Disputed Claims, including Disputed Claims to which an existing objection remains pending as of the Effective Date, without seeking additional authorization from the Bankruptcy Court.

Dated: April 14, 2011

Pioneer Village Investments, LLC

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