

EXHIBIT 2

Notice of Auction and Sale Hearing

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF OREGON
EUGENE DIVISION

In re

USDC Case No. 09-cv-6082-HO

STAYTON SW ASSISTED LIVING, L.L.C.,
(the Consolidated Sunwest Related Entities),

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(Reference Withdrawn)

Debtor.

**NOTICE OF AUCTION AND SALE
HEARING**

PLEASE TAKE NOTICE that pursuant to the "Order Approving Auction Process, Bidding Procedures, Break-Up Fee and Expense Reimbursement and Approving Form and Manner of Notice" (the "Procedures Order")² approved by the United States District Court for the District of Oregon ("Court") on January ___, 2010, Stayton SW Assisted Living, L.L.C. on behalf of itself and the Consolidated Sunwest Related Entities ("Debtor" or "Stayton") will conduct an auction of Debtor's right, title and interest in certain of the assets previously referred to as Holdco Properties and as more particularly set out below (the "Sale Assets").

The Sale. Under the terms of the Agreement of Purchase and Sale between Debtor and BRE/SW Portfolio LLC ("Blackstone" or the "Stalking Horse Bidder") dated as of January ___, 2010 ("Purchase Agreement"), Debtor proposes to sell the Sale Assets to the Stalking Horse Bidder, and for the Stalking Horse Bidder to assume certain liabilities set forth in the PSA, subject to higher and better offers and approval of the Court.

Qualifying Bidder. In order to participate in the Bidding Process, each person ("Person") must become a Qualified Bidder and submit a Superior Offer on or before the Bid Deadline. In order to become a Qualified Bidder, a Person must meet each of the following qualifications:

a) Each prospective Qualified Bidder shall be any Person that is controlled by, controlling or commonly controlled with, a Person that: (i) has total assets (owned or under management) in excess of \$2,500,000,000 and capital and statutory surplus, or shareholder's equity or equivalent irrevocable drawing rights or other irrevocably committed equity funds of not less than \$500,000,000; and (ii) is regularly engaged in the business of owning or operating commercial real estate or senior living facilities; provided, that any such controlling or commonly controlled person unconditionally and irrevocably guarantees performance by such prospective Qualified Bidder of its obligations. Each prospective Qualified Bidder shall submit to Stayton and to the Court financial statements demonstrating that such bidder meets the financial and other criteria set forth in this sub-paragraph.

b) Each prospective Qualified Bidder shall submit a management narrative and

² All capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Procedures Motion or Procedures Order. This Notice is qualified in its entirety by the Procedures Order. All persons and entities are urged to read the Procedures Order and the provisions thereof carefully. To the extent this Notice is inconsistent with the Procedures Order, the terms of the Procedures Order shall govern.

other evidence demonstrating to the satisfaction of Stayton and the Court that such prospective Qualified Bidder has engaged the services of a Qualified Operator, as defined in this sub-paragraph. A "Qualified Operator" shall mean either (i) a management company that is an affiliate of Emeritus Corporation, (ii) the Sunwest Unitary Enterprise or a management company that is an affiliate of the Sunwest Unitary Enterprise, or (iii) one or more reputable national or regional operator(s) of senior living facilities which has operated for at least five years, as approved by the Court in the Unitary Bankruptcy Case.

c) Each prospective Qualified Bidder shall acknowledge in writing that: (i) such prospective Qualifying Bidder has had an opportunity to conduct any and all due diligence regarding the business and operations of Sunwest, Stayton, their respective Affiliates, the Properties and the Assumed Liabilities prior to submitting its bid; (ii) the prospective Qualifying Bidder has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Properties and/or the Assumed Liabilities in making its bid; (iii) such prospective Qualifying Bidder did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express, implied, by operation of law or otherwise, regarding the Properties, the Assumed Liabilities or the completeness of any information provided in connection therewith or the Auction, except as expressly stated in these Bid Procedures and Stayton's representations and warranties in the Agreement; and (iv) such bid is not contingent upon any additional due diligence.

d) Stayton shall be entitled to perform due diligence with respect to each prospective Qualified Bidder, upon execution of a confidentiality agreement in form and substance satisfactory to Stayton and such prospective Qualified Bidder. Failure by a prospective Qualified Bidder to fully comply with the reasonable due diligence requests by Stayton shall be a basis for Stayton to determine that a bid made by such Qualified Bidder is not a Qualified Bid.

Bid Deadline. Bids for the Sale Assets, together with all accompanying documentation required for submission of Qualified Bids, must be submitted to Clyde A. Hamstreet, Clyde A. Hamstreet & Associates, One S.W. Columbia, Suite 1000, Portland, Oregon 97258; with a copy to Albert N. Kennedy and Timothy J. Conway, Tonkon Torp LLP, 888 S.W. Fifth Avenue, Suite 1600, Portland, Oregon 97204, and to Michael A. Grassmueck, The Grassmueck Group, 2120 S.W. Jefferson Street, Suite 300, Portland, Oregon 97201; with a copy to David Osias and David Zaro, Allen Matkins Leck Gamble Mallory & Natsis, LLP, 515 South Figueroa St. 9th Floor, Los Angeles, CA 90071-3309 **NO LATER THAN** 4p.m. Pacific Standard Time on _____, 2010 ("Bid Deadline").

Qualified Superior Bids. In order to constitute a Superior Offer, a Qualified Bidder must submit a Qualified Bid (as defined below) for a purchase price which includes a Cash/Equity portion of the Purchase Price equal to or greater than \$ 261,242,485, payable in cash, plus the assumption of the Assumed Real Property Debt and the Assumed Personal Property Debt. A bid shall be a Qualified Bid if it shall: a) be accompanied by an executed confidentiality agreement in form and substance satisfactory to Stayton; b) be accompanied by such bidder's Deposit in the form of cash or letter of credit equal to \$50 million, which deposit or letter of credit shall meet all the requirements set forth in Section 2.4 of the Purchase Agreement; c) constitute such bidder's binding and irrevocable contractual commitment to purchase all, but not less than all, of the Properties, without being subject to any due diligence, inspection, financing or other contingencies; d) provide for (i) payment of

cash in respect of that portion of the Purchase Price representing the Cash Consideration Amount and (ii) issuance of an equity interest to the Rollover Member in accordance with Section 2.6 of the Purchase Agreement if the Rollover Equity Election is made by Stayton; e) be accompanied by executed copies of the Transaction Documents, modified, as necessary, to reflect the terms of the bid (and shall include a redline of the bidder's proposed modifications against the Transaction Documents theretofore executed by Blackstone); f) be consistent in all material respects with the Transaction Documents executed by Blackstone without requiring any further modifications to the Distribution Plan, the Reorganization Plan or the other Plan Documents; and g) provide that Stayton is entitled to perform due diligence with respect to such Qualified Bidder in accordance with the Bid Procedures.

Auction. If a Superior Offer is submitted by a Qualified Bidder on or before the Bid Deadline, Debtor shall conduct an Auction for the Properties. If no Superior Offer is received before the Bid Deadline, there shall be no Auction and Blackstone shall be obligated to complete the transaction. The Auction, if required, will commence at _____ Pacific Standard Time, on _____, 2010 at the United States District Court, Courtroom No. 1, 405 East Eighth Avenue, Eugene, Oregon, 97401, or at such other time and other place as the Court may direct. The Auction shall be conducted on the following terms:

a) The Auction shall be conducted on the fifth Business Day following the Bid Deadline and upon at least three Business Days' notice to Blackstone and each Qualified Bidder which has submitted a Superior Offer ("Superior Bidders").

b) Only Blackstone and the Superior Bidders may bid in the Auction.

c) Formal proceedings of the Auction shall be conducted on the record in the court room of the Court. The Court may make available to Superior Bidders, Stayton and their respective representatives additional premises for private consultations during the auction or recesses from the Auction.

d) The Auction may be recessed from time to time in the discretion of the Court at the request of the CRO, the Receiver or Superior Bidders but shall continue until conclusion of the Auction.

e) During the Auction, bidding shall begin initially with the highest Superior Offer and subsequently continue in minimum incremental bids of at least \$1,000,000 (each such bid submitted, a "Qualified Overbid").

f) Bids at the Auction may be submitted and received orally, in writing or in sealed or other form as directed by the Court.

g) Bidding at the Auction will continue until such time as the highest and best Qualified Overbid (the "Successful Bid") is selected as follows: immediately prior to conclusion of the Auction, Stayton will review each Qualified Overbid on the basis of financial and contractual terms and other factors relevant to (x) the determination of which transaction is in the best interests of the creditors and estates of Stayton and its Affiliates, and (y) the sale process, including those factors affecting the speed and certainty of consummating a transaction and in the exercise of their business judgment, select the Successful Bid.

h) Forthwith after announcement of the Successful Bid, the maker thereof (the

“Successful Bidder”) shall execute and deliver a purchase agreement incorporating the price and terms offered in the Successful Bid (the "Final Sale Agreement"). Upon submission of the Final Sale Agreement by the Successful Bidder, Stayton will execute the Final Sale Agreement and shall seek Court approval of the Final Sale Agreement. Subsection 2.5(b) of the Purchase Agreement shall be deleted from the Final Sale Agreement in its entirety.

i) Stayton, may: (a) determine in their business judgment which Qualified Overbid, if any, is the highest or otherwise best offer; and (b) reject any Qualified Overbid that Stayton determines to be: (i) inadequate or insufficient; (ii) not in conformity with the requirements of applicable bankruptcy Laws or these Bid Procedures; or (iii) contrary to the best interests of Stayton, its estates and its creditors.

j) In determining the Successful Bid, Blackstone shall receive credit for its Break-Up Fee and Expense Reimbursement, determined pursuant to Section 10.2 of the Agreement, in connection with calculation of the value of its Auction bids.

k) The Deposits of all Qualifying Bidders will be retained by the Receiver and all Qualified Overbids will remain open until the closing of a transaction with the Successful Bidder in respect of the Successful Bid; provided, however, that if no such closing occurs on or before 20 Business Days after execution of the Final Sale Agreement, then Stayton shall, except as provided in the following paragraph, within 25 Business Days after expiration of such 20-day period, return or cause to be returned each Deposit to its respective Qualifying Bidder.

l) Stayton shall have the right to adopt such other rules for the Bid Process which, in its sole judgment, will better promote the goals of the Bidding Process and which are not inconsistent with any of the provisions of these Bid Procedures, the Auction Order or of any other order of the Court.

The Sale Hearing. On _____, 2010, at _____ Pacific Standard Time, a hearing (the "Sale Hearing") will be held before the Honorable Michael R. Hogan, United States District Judge for the District of Oregon, Courtroom No. 1, 405 East Eighth Avenue, Eugene, Oregon 97401 at which time Debtor will seek entry of an order authorizing and approving the sale (i) if no Qualified Overbid is received (other than that of the Stalking Horse Bidder), to the Stalking Horse Bidder pursuant to the terms and conditions set forth in the Purchase Agreement, (ii) if another Qualified Overbid is received by Debtor, to the Qualifying Bidder who submitted the Successful Bid at the Auction or, (iii) to the extent of any breach or failure to perform on the part of such Qualifying Bidder, to the Qualifying Bidder who submitted the Backup Bid (any such order, the "Sale Approval Order").

Objections to the Sale of the Purchased Assets. Any objections to the sale and entry of a Sale Approval Order must be in writing and set forth the name of the objecting party, the nature and amount of claims or interest held or asserted by the objecting party against Debtor's estate, the basis for the objection, and the specific grounds therefor. Any objections must be filed with the Court and served so that it is received no later than 4:00 p.m. Pacific Standard Time on **[10 days before Sale Hearing]** 2010, by the Court and counsel for Debtor, Albert N. Kennedy and Timothy J. Conway, Tonkon Torp LLP, 888 S.W. Fifth Avenue, Suite 1600, Portland, Oregon 97204, and counsel for the Receiver, David Osias and David Zaro, Allen Matkins Leck Gamble Mallory & Natsis, LLP, 515 South Figueroa St. 9th floor, Los Angeles, CA 90071-3309; counsel for the Stalking Horse Bidder, Gregory J. Ressa, Simpson Thacher & Bartlett LLP, 425 Lexington Avenue, New York, New

York, 10017; and the United States Trustee's Office, 620 S.W. Main Street, Suite 213, Portland, Oregon 97205. Any objection to the Sale and proposed entry of the Sale Approval Order not timely filed and served in the manner set forth above may not be considered and may be overruled by the Court at the Sale Hearing.

Copies of the Procedures Order, the complete Purchase and Sale Agreement including all schedules and exhibits, and the Procedures Motion are available from Maren Cohn, Clyde A. Hamstreet & Associates, One S.W. Columbia, Suite 1000, Portland, Oregon 97258.
DATED: January 19, 2010.

TONKON TORP LLP

By _____
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