From: Biesiadecki, Tom <Tom.Biesiadecki@sunwestmanagement.com>
Sent: Thursday, July 26, 2007 3:17 PM
To: Harmon, Tim <Tim.Harmon@sunwestmanagement.com>
Cc: Wenger-Townsend, Mary <Mary.Wenger-Townsend@sunwestmanagement.com>; Harder, Jon Blackberry <jon@sunwest management.com>
Subject: RE: Covenant Questions

Jon, I'm copying you in response to your earlier call.

Tim,
#16 - We are currently in the process of raising equity or closing approximately 25 transactions sponsored by Canyon Creek Development.
#18 - Our typical debt to equity ratio is 1:1. However, the ratio is a function of the interest rate on the loan (i.e., we set the ratio to target a 10% return).

-----Original Message-----
From: Harmon, Tim
Sent: Thursday, July 26, 2007 2:24 PM
To: Biesiadecki, Tom
Cc: Wenger-Townsend, Mary
Subject: FW: Covenant Questions

Tom – For the covenant OM, can you answer Tom Hillier's questions 16 and 18.

Tim Harmon
Canyon Creek Development, Inc.
Vice President/Counsel
3723 Fairview Industrial Drive SE
Salem, OR 97302-0006
Direct Line: 503-540-4992
Dept. Fax: 503-485-8599

Email: tim.harmon@sunwestmanagement.com

-----Original Message-----
From: Hillier, Tom [mailto:tomhillier@DWT.COM]
Sent: Thursday, July 26, 2007 2:06 PM
To: Harmon, Tim
Subject: Covenant Questions

Tim;

I need answers to the following questions to complete the offering memo:

1. What percent of the units are occupied and do you expect there to be negative cash flow at the outset?
2. What year was the facility built?
3. Will there be a tax opinion and if so, who is giving it?
4. Is there anything state specific about the regulations that are material and should be disclosed?

5. Are there Medicaid patients in the facility?
6. How many acres is the property?
7. Is there access other than from Bower Hill Road?
8. What is the type of siding on the building?
9. What is the slope of the roof and what materials are used on the roof?
10. What type of insulation is used in the interior?
11. Who are the electric, gas and telephone providers?
12. What type of appliances are in the units?
13. What common area facilities are available to the residents?
14. How many total parking places are there and how many of them are handicap spaces.
15. Did this appraisal include market data? If so, who prepared the appraisal, what is the date and what is the file number of the appraisal?

16. How many additional syndicated property acquisitions is Canyon currently sponsoring?
17. What is the projected management fee for the first year and what is the projected first year's gross income?
18. How much debt will investors be able to assume?

Also, I need the sources and uses and the projections. That is all for now. I have drafts of all of the other documents so once I get this information, I can get you a draft of the OM soon. Thanks.

Thomas S. Hillier | Davis Wright Tremaine LLP
1300 SW Fifth Avenue, Suite 2300 | Portland, OR 97201
Tel: (503) 778-5317 | Fax: (503) 276-5717
Email: tomhillier@dwt.com | Website: www.dwt.com

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From: Deines, Michael <Michael.Deines@CanyonCDI.com>
Sent: Wednesday, January 2, 2008 8:32 AM
To: Tim Dozois <timdozois@DWT.com>; Harmon, Tim <Tim.Harmon@canyoncdi.com>; Biesiadecki, Tom <tbiesiadecki@CanyonCF.com>; Rick Parsons <rick.parsons@reprice1.com>; Jessica Blankenship <jessica.blankenship@reprice1.com>
Cc: Harder, Jon <Jon@sunwestmanagement.com>; Bob Price <bob.price@reprice1.com>; George, Ellyn <ellyngeorge@DWT.COM>; Dieter, Karen <karendieter@DWT.COM>
Subject: RE: Two Rivers

Current loan rate would be 6.87% based on 6-month Libor. If we use 7% the annual mortgage payments are $521k. Investor payments at 10% are $331k. Based on historical expenses the NOI prior to management fee should be roughly $880k so we should be able to service debt and equity from operations as well as take a management fee. Of course this is all based on the information we have been provided.

-----Original Message-----
From: Dozois, Tim [mailto:timdozois@DWT.COM]
Sent: Tuesday, January 01, 2008 10:09 PM
To: Harmon, Tim; Biesiadecki, Tom; Deines, Michael; Rick Parsons; Jessica Blankenship
Cc: Harder, Jon; Bob Price; George, Ellyn; Dieter, Karen
Subject: Two Rivers

Attached is the revised offering memorandum for the Two Rivers acquisition, based on the December 12 term sheet from Intervest. Assuming that the Intervest proposal is still solid, we should get this memorandum into the market promptly. In order to do so, we need new projections based on the numbers set forth in this memorandum.

In a nutshell, this memorandum reflects a $6,150,000 loan at 7% and $3,310,000 of TIC financing at a base rent of 8.5%, and an anticipated effective rent of 10%. We are contemplating no debt service or TIC reserves. Therefore, the projections will need to confirm that the monthly debt service and TIC payments of approximately $63,500, plus the operating expenses for which landlord is responsible, can be serviced by the existing rent from Bechtel.

I will check in with Mike, Tim and Rick in the morning to confirm that w're moving forward promptly with the revised projections.

<<disclosure document (2).DOC>>

Tim Dozois | Davis Wright Tremaine LLP
1300 SW Fifth Avenue, Suite 2300 | Portland, OR 97201
Tel: (503) 778-5422 | Fax: (503) 778-5299 | Mobile: (503) 780-4177
Email: timdozois@dwt.com | Website: www.dwt.com

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From: eric9200@comcast.net
Sent: Monday, June 9, 2008 9:39 AM
To: Harder, Jon <Jon@sunwestmanagement.com>
Subject: Re: Fw: Convertible note description
Attach: ATT46485.txt

Jon,

I thought the min. amount was to be $200,000.

Eric

------------- Original message -------------
From: "Harder, Jon" <Jon@sunwestmanagement.com>

>
>
> ----- Original Message -----
> From: Harder, Jon
> To: Tim Dozois
> Sent: Mon Jun 09 07:12:09 2008
> Subject: Re: Convertible note description
>
> Probably a minimuim purchase of 100-200k
>
> ----- Original Message -----
> From: Dozois, Tim
> To: Harder, Jon
> Cc: Deines, Michael; Brown, Sebastian; Estes, James; Wettlaufer, Thomas;
> Gutzler, Wally
> Sent: Mon Jun 09 07:09:34 2008
> Subject: Convertible note description
>
> I've been working on an offering memorandum this weekend. For discussion
> purposes, here's the proposed synopsis for the convertible notes that we've been
> talking about. I'm heading to the ! airport now for our trip to Richland.
>
> Canyon Creek Development Fund I, LLC, an Oregon limited liability company (the
> â€œCompanyâ€□) is offering for sale 18.0% unsecured convertible promissory notes
> due 2013 (the â€œNotesâ€□). The Notes pay current interest at 5.0% per annum,
> with an additional 13% deferred until maturity. In lieu of receiving repayment
> at maturity, holders of Notes may elect to convert the Notes into ninety-nine
> percent (99%) of the membership interests in the Company (the â€œPreferred
> Interestsâ€□). The Company is issuing the Notes for the purpose of acquiring up
> to [20%] of the ownership of certain single purpose limited liability companies
> and limited partnerships that are identified in Exhibit A to this Memorandum
> (each an â€œOwnerâ€□). Each Owner owns or operates a senior living facility and
> related real property that is also described in Exhibit A to th! is Memo randum
> (the â€œPropertiesâ€□). The Owners will use the proceeds of the Companyâ€™s
> investment to fund ongoing operations, capital improvements and expansions at

> the Properties. The Notes will be offered and sold only to accredited investors
> (the â€œPurchasersâ€□), with a minimum purchase of $1,000,000. Funds received
> from the Purchasers will be maintained in a segregated operating fund until
> Owners make qualified draw requests for such funds. At such time, funds will be
> released by the Company to the Owners.
>
> Tim Dozois | Davis Wright Tremaine LLP
> 1300 SW Fifth Avenue, Suite 2300 | Portland, OR 97201
> Tel: (503) 778-5422 | Fax: (503) 778-5299 | Mobile: (503) 780-4177
> Email: timdozois@dwt.com | Website: www.dwt.com
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