

Restructuring Update: August 12, 2009

The restructuring of Sunwest Management has proceeded rapidly during the summer and achieved several important goals.

Operationally, Sunwest shows renewed vigor and increasingly strong performance in its most important realm: providing quality care to residents. Court protection from lenders has granted the breathing room needed to focus on operations, and company initiatives to improve management quality, systems, and accountability are beginning to bear fruit.

Indicators of positive performance include:

- In a time of declining occupancy among many senior living providers, Sunwest finished July with positive net census growth for the third consecutive month.
- June '09 revenue was up +4.6% over June '08, and net operating income rose even more, by +10.7%.
- Second quarter financial results were in line with June, with revenue up +4.4% and NOI up +10.1%.
- Sunwest is paying over 99% of its trade payables within vendor terms.
- At the end of July, Sunwest had collected 98.6% of the month's current rent due (63 communities were at 100%).

In direct response to a random employee opinion survey conducted this spring, Sunwest is launching an operational improvement project in four key areas:

1. Resident satisfaction;
2. Property maintenance and capital improvements;
3. Employee satisfaction; and
4. Operations management and communications.

Employees at all levels of the company will be involved in leading and completing each of the projects.