

Reorganization Update: September 11, 2009

Over the past several months, Sunwest Management has been working under the leadership of its chief restructuring officer Clyde Hamstreet and federal receiver Michael Grassmueck to reorganize the legal and financial structure of its business. Throughout the restructuring process, Sunwest has received expressions of interest in purchasing certain communities. In early September, the CRO and Receiver received an unsolicited offer to purchase all of the "Holdco" communities, i.e., those that will remain part of the operating company after the reorganization is complete.

No agreement has yet been reached with the party who made the offer, which contemplates the purchase of post-reorganization assets. Until discussions have concluded, we can only state the following:

- Sunwest will continue with the plan of distribution that has already been proposed to the U.S. District Court overseeing the reorganization process.
- As the restructuring progresses, regardless of whether a sale transaction occurs, Sunwest communities will continue to operate as they have in the past with full services and staffing.
- The company will continue to pay for services and supplies on customary terms.

Sunwest feels that the offer validates its restructuring efforts and the progress already made toward the restoration of value, thanks in large measure to the hard work and dedication of Sunwest's staff.