

## **FOR IMMEDIATE RELEASE**

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### **JUDGE APPROVES SUNWEST MANAGEMENT DISTRIBUTION PLAN**

*Bankruptcy Reorganization Underway; Blackstone Continues Due Diligence in Potential Purchase*

**Portland, Ore. (Oct. 2, 2009)** – U.S. District Court Judge Michael Hogan has approved the Distribution Plan jointly filed last month by the federal equity receiver and the chief restructuring officer (CRO) overseeing the reorganization of Sunwest Management (Sunwest,) an Oregon-based senior living provider. Judge Hogan’s decision enables Sunwest to proceed with plans to reorganize by equitably consolidating the claims and distributions related to ownership of hundreds of properties under an umbrella structure. Restructuring will capitalize on economies of scale, favorable financing terms and greater business flexibility.

“This plan resolves the separate ownership issues and maximizes the asset values by allowing them to be managed, transferred or sold as a group,” said Sunwest’s receiver Michael Grassmueck. “I believe we have created substantial value through the Court’s approval of this Plan. The Plan provides a fair and equitable way to distribute funds to the various people who have lost money in connection with Sunwest.”

#### **Decision on Harder Settlement Deferred by the Court**

As part of its approval order, the Court deferred the settlement reached by the receiver and CRO with former CEO Jon Harder and other Sunwest insiders to the Chapter 11 case slated to follow approval of the Distribution Plan. The settlement provisions came out of

mediation meetings in August and were included in the Distribution Plan. Settlement terms drew heat from various quarters for allowing the insider group a chance to retain an ownership stake in the company once claimants received \$500 million in distributions.

The Harder settlement led the Securities and Exchange Commission (SEC) and the Oregon Department of Consumer and Business Services to oppose the Plan. “We believe that deferral of the Court’s consideration of the settlement will enable the SEC to support the Plan,” said CRO Clyde Hamstreet.

The court also deferred decisions on certain other plan provisions, including non-commingled property exceptions, third party claims, and the investor bare land election. Objections by secured creditors with regard to the allowance and treatment of their claims will be dealt with in connection with the follow-on reorganization process.

### **Chapter 11 Process Underway**

Implementation of the approved Plan will take place through a follow-on Chapter 11 reorganization case, whose filing begins Friday. All Sunwest entities, including those already in Chapter 11, will be administered pursuant to a single proceeding. The bankruptcy process will be orderly and brief. While in Chapter 11, Sunwest will initiate proceedings to transfer its core senior living assets to a newly-created entity or to a buyer. Sunwest will also employ Chapter 11 provisions to restructure its secured debt on more stable terms. If no sale of the core assets takes place, Sunwest will issue securities for distribution to approved claim holders through the bankruptcy.

“The Chapter 11 plan allows for approximately 150 good senior living facilities to be consolidated into one strong company with corporate governance, management and reporting structure,” said Hamstreet. “This plan will create significantly more value than the sum of the previous parts. Within a brief period of time, we can effect significant changes that maximize asset values without derailing the financial progress Sunwest has made recently.”

## **Blackstone Offer Remains on the Table**

Blackstone Real Estate Advisors unveiled plans earlier this month to purchase 148 Sunwest core properties, and the private equity firm continues to perform due diligence as transaction terms are negotiated. The potential sale could occur as part of the Chapter 11 proceeding, with bankruptcy rules governing the sale process and the Court reviewing and deciding upon terms and procedures. Unsold assets would be held by the receiver or other designated entity to be liquidated over time. Proceeds from sales would be distributed to claimants pursuant to the Reorganization Plan.

If Blackstone's offer to purchase Sunwest's core properties is approved, the Court would provide for public bids and an auction to ensure the highest value to investors and creditors. Other qualified bidders would have at least six weeks to conduct due diligence and submit bids. Potential buyers would be required to propose similar terms to the Blackstone offer and meet a superior bid threshold.

Whether the Chapter 11 process ends with a sale or with the creation of a new operating structure will be determined on the basis of further negotiations among the parties and through Court proceedings. Investors and other interested parties will have the opportunity to provide input through the bankruptcy process as it unfolds.

## **A Product of Multi-party Negotiations**

The Court-approved Distribution Plan for Sunwest has been in the works for several months. A product of intensive financial, legal and business analysis and months of mediations involving numerous stakeholders – including investors, creditors, Sunwest insiders and secured lenders – the plan was filed in August by Receiver Michael Grassmueck and CRO Clyde Hamstreet. Judge Hogan appointed Grassmueck as receiver after the SEC filed suit against Sunwest and former CEO Jon Harder, alleging securities violations. Hamstreet, whose appointment as CRO was confirmed by the Court, has been working with Sunwest since November 2008, leading efforts to restructure the company.

## **About Sunwest Management**

Founded in Oregon in 1991, Sunwest Management remains one of the largest private senior living providers in the country and is a significant Oregon employer. In 2008, the company engaged Hamstreet & Associates and Alvarez & Marsal to serve as financial advisors. Clyde Hamstreet is founder and principal of Hamstreet & Associates, a Portland-based, nationally recognized turnaround firm that is leading the effort to provide quality care, preserve value, and help Sunwest meet its obligations to creditors and investors.

Michael Grassmueck is the founder and principal of Grassmueck Group, a national firm that specializes in fiduciary and insolvency services, which is based in Portland, Ore. He has served as a trustee in bankruptcy and as fiduciary in the state and federal courts in thousands of cases for more than 25 years. For more information on the restructuring of Sunwest Management, Inc., please visit: [www.sunwestmanagement.com](http://www.sunwestmanagement.com).