

SALEM, OREGON – December 31, 2008

Jon Harder, founder and CEO of Sunwest Management, Inc., today announced that he has filed a personal voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code. The Eugene filing is part of a larger effort to address the financial challenges facing Sunwest Management in the wake of national turmoil in the housing and credit markets.

Sunwest manages more than 250 senior living communities nationwide. Harder and other Sunwest principals own controlling interests in most of these communities, along with hundreds of other entities. In all, the company serves more than 17,000 elderly residents. According to Clyde Hamstreet, Sunwest's recently-appointed Chief Restructuring Officer, Harder's filing will not affect normal business operations or the care provided to residents, and is, in fact, a purposeful part of an overall strategy to deal with Sunwest's financial issues in an orderly way that will maintain the stable provision of care to residents. Specifically, Sunwest will continue to:

- Honor its commitments to residents and their families by providing quality care in a stable environment at all Sunwest-managed locations.
- Provide employee wages, healthcare coverage, vacation leave, and similar benefits without interruption.
- Maintain an equitable and open approach with creditors, investors, and partners.

Harder's filing was prompted by the garnishment of his accounts issued pursuant to a judgment obtained against him, and by the expectation that more judgments would follow soon. "Mr. Harder had voluntarily turned over to the company his right to proceeds from all of his assets to help work out a comprehensive plan for the best interests of all," Hamstreet said. "With the garnishment, we were looking at a situation where funds needed to execute that plan were in danger of going to individual creditors instead of to the global cause. We need to preserve those resources to fund operations and restructure debt so Sunwest can rebuild value for the benefit of all."

The outcome of Harder's bankruptcy will hinge in large part on the success of Sunwest's restructuring efforts, which began during the summer and gained new energy with Hamstreet's appointment as CRO this past November. "Meeting my financial obligations is very important to me and I have committed everything I have to achieve that goal," Harder said. "The bankruptcy process is the best chance to see that everyone who is owed money is treated fairly as we work through some very complex legal and financial issues. It's the only way to ensure that no one gets an unfair advantage."

Chief Operating Officer Darryl Fisher emphasized that the filing would not impact the operation of Sunwest-managed communities. "Our senior living communities remain open to serve our residents," Fisher said. "Our top priority will be continuing normal operations throughout the reorganization. Residents and their families can be confident this focus will not change as we work our way through the company reorganization process."

Through the many senior living properties that they developed, Harder and other Sunwest principals borrowed heavily and currently owe approximately \$2 billion in debt secured by real estate. Several Sunwest communities have been hit in recent months with receiverships and foreclosure actions; others have sought protection under Chapter 11.

During the past several months Sunwest has developed a viable plan to become more streamlined and efficient. The plan includes measures to sell some properties, reduce land holdings, improve asset management, and lower corporate overhead costs. However, persistent and unprecedented turmoil in credit markets along with company debt burdens have outpaced these management changes.

“Sunwest’s financial problems are severe, but they don’t have to be fatal if investors, lenders, and the entities Harder and others control can work together,” Hamstreet said. “Once we begin to de-stress the business, I am optimistic about its future. If Sunwest can work its way through this challenging time, it has the ability to recover its position as one of the top senior living management companies in the country.”

Sunwest Management, founded in 1991, is one of the largest private senior living providers in the country and a significant Oregon employer. Headquartered in Salem, Oregon, the company serves over 17,000 residents in more than 250 communities in 37 states. Sunwest has 11,300 employees, 2,550 of whom work in 50 Oregon facilities.

Hamstreet & Associates is a prominent turnaround firm based in Portland, Oregon. Principal Clyde Hamstreet has won national awards for leading complex turnarounds, and has a strong track record in saving jobs and core services in many industries.

For more information, contact: Steve Stradley (Sunwest Management) or Maren Cohn/Tom Decker (Hamstreet & Associates) at 503-375-9016