



## **Sunwest Management CRO Report**

**Week of April 20-24, 2009**

### **General**

The CRO, MC, and Receiver continue to cooperate in creating protocols, streamlining case activity, and progressing with the restructuring.

We have established a regular schedule of weekly meetings with the Receiver. Last week we addressed, among other matters, the need for the Receiver to sign tax returns for the affiliates. This is likely to happen after review of the returns by Moss Adams.

The CRO filed a motion in the SEC action on April 24, requesting Court approval of the asset disposition protocol agreed upon by the CRO, MC, and Receiver. The first motion requesting release from the stay for several properties is expected by mid-May.

In response to a request from the Court, the CRO filed an interim status report on the 24<sup>th</sup>. The report addresses progress and/or policies on operations, investor relations and other communications, payments and distributions, development of a restructuring plan, property dispositions, debt restructuring, and tenant-in-common issues. A summary of the cash budget is included as an exhibit.

We have filed applications for employment on behalf of Sunwest's advisors.

### **Mediation**

Judge Velure held a widely-attended session on the 23<sup>rd</sup>, which included representatives of the CRO, MC, Receiver, SEC, Sunwest principals, secured lenders, and individual investors. The session helped clarify for lenders the appropriate contacts for property dispositions and loan negotiations. A form of order to be proposed in the abatement of Harder's bankruptcy was agreed upon by many of the parties present. Four other areas requiring mediation were identified:

1. Asset disposition process (scheduled for Thursday, April 30)
2. Harder's role in the restructuring
3. TIC property rights vis-à-vis a roll-up plan that some fear will impair those rights.
4. Administrative costs

### **Facility bankruptcies:**

- Briarwood and Century Fields: At a hearing on April 23, the Court approved the continued use of cash collateral and extended the exclusivity period until June 15, despite the lender's objections to both requests. The judge cautioned the debtor that further extensions of exclusivity were unlikely.

- Hawthorne Gardens: We have some details to work out on meeting final expenses, but we expect to complete the transfer of management to Frontier Senior Living and ownership (and debt obligation) to the TICs on April 30.
- Budget-to-actual updates are attached to this report.

**Lender meetings:** The CRO met with Columbia Pacific on April 23 to address the restructuring of the CS-27 loan portfolio and the strategy for preparing a plan of reorganization for the CS-20 (acknowledging that only 19 of the facilities were filed by the CRO). The parties agreed to address CS-27 issues in mediation in late May with Judge Perris, subject to the consent of the participating lenders, which was subsequently received. We also agreed to leave the CS-20 entities in bankruptcy until it becomes clearer how the SEC case will impact a global restructuring.

## **Operations**

Census saw a net decline of 7 last week, a *de minimus* change over more than 10,700 residents. We continue our emphasis on sales and marketing, with an internal competition among the divisional VPs to each get four communities to 100% occupancy and to target a net census increase of 125 in the second quarter. We also initiated a field sales contest for the three best traffic generating ideas. We are seeing modest pickup in traffic, but traffic remains slow.

Last week was the fifth of six in the first series of quarterly regional reviews held in Salem. During the week of May 4-8 we will host the final group of regional managers, before we start back through the groups again on the next round.

During the week of April 27-May 1 we are conducting our second Administrators Training since changing the curriculum to map against our quality review process in late Feb/early March. We have 23 administrators, some new and some being retrained in our new program.

Hamstreet staff have completed the interview portion of the Sunwest employee satisfaction survey. Results have been sent to a third-party research firm for tabulation and summary. The work is expected to be complete by May 15, though early statistical tabulation of the multiple choice portions of the survey will be available the week of May 4.

**Correction:** GE requested that we correct the statement in the April 6-10 report to the effect that GE had approved inter-facility borrowing to cover debt service payments within obligated groups. This is not accurate, in that each GE loan is a single loan secured by all of the facilities within an obligated group, and that, from their perspective, all facilities are responsible for all debt service. It was the TICs within the obligated groups who approved the inter-facility borrowing within their groups in order to pay debt service.

Facility	Beg Date	End Date	Budget					Actual					Difference	% Diff
			Beginning		Disburse-ments	Debt Service	Ending Cash	Beginning Cash	Actual Receipts	Disburse-ments	Debt Service	Ending Cash		
			Cash	Receipts										
Week Of	Week Of	Cash	Receipts	Disburse-ments	Debt Service	Ending Cash	Cash	Receipts	Disburse-ments	Debt Service	Ending Cash	Difference	% Diff	
Alpine Court	1/26/09	4/20/09	153,758	600,000	(431,098)	(54,085)	268,575	153,758	822,882	(481,938)	(55,150)	439,552	170,978	63.7%
Champlin Shores	1/26/09	4/20/09	240,137	971,859	(654,974)	(92,914)	464,107	241,787	1,032,263	(749,574)	(96,717)	427,759	(36,349)	-7.8%
Cliff View	1/26/09	4/20/09	78,896	608,967	(464,059)	(62,278)	161,526	78,896	449,904	(430,229)	(68,028)	30,544	(130,983)	-81.1%
Colonial Gardens	1/26/09	4/20/09	77,600	272,214	(334,829)	(7,785)	7,200	79,186	251,599	(296,521)	-	34,264	27,064	375.9%
Heartland Park	1/26/09	4/20/09	119,883	618,468	(414,205)	(78,793)	245,354	120,061	650,398	(432,171)	(82,955)	255,333	9,979	4.1%
Lakeside	1/26/09	4/20/09	118,653	453,543	(340,148)	(43,412)	188,636	84,996	362,706	(314,781)	(45,119)	87,802	(100,834)	-53.5%
Montclair Park	1/26/09	4/20/09	282,166	1,178,022	(765,420)	(119,892)	574,875	282,166	1,143,339	(773,176)	(131,666)	520,662	(54,213)	-9.4%
Northridge	1/26/09	4/20/09	238,035	949,984	(568,528)	(152,242)	467,249	238,035	932,448	(628,987)	(156,012)	385,484	(81,765)	-17.5%
Palm Meadows Court	1/26/09	4/20/09	100,246	382,790	(322,646)	(23,354)	137,036	74,060	357,555	(308,542)	(25,328)	97,745	(39,291)	-28.7%
Plaza At Sun Mountain	1/26/09	4/20/09	11,728	498,000	(540,497)	(30,480)	(61,249)	23,553	522,640	(536,311)	-	9,883	71,131	-116.1%
Spring Pointe (BK Filed by Others)	1/26/09	4/6/09	260	632,500	(368,789)	(37,729)	226,242	260	596,227	(342,380)	-	254,106	27,864	12.3%
Stonebridge	1/26/09	4/20/09	160,353	795,000	(615,124)	(74,379)	265,850	142,704	718,366	(608,979)	(82,309)	169,782	(96,068)	-36.1%
The Oaks	1/26/09	4/20/09	124,976	483,000	(347,254)	(51,998)	208,724	124,976	556,782	(400,376)	(56,231)	225,151	16,427	7.9%
The Terrace At Bluegrass	1/26/09	4/20/09	76,612	478,539	(364,513)	(58,595)	132,043	76,612	453,789	(361,246)	(62,875)	106,281	(25,762)	-19.5%
Willow Ridge	1/26/09	4/20/09	100,546	554,793	(374,208)	(83,781)	197,350	100,546	541,137	(377,946)	(89,234)	174,502	(22,848)	-11.6%
Chehalem Springs (Mt View)	1/26/09	4/20/09	151,019	561,684	(358,431)	-	354,272	196,559	571,983	(472,150)	-	296,391	(57,881)	-16.3%
Century Fields	2/9/09	4/20/09	304,885	471,330	(416,909)	(100,217)	259,088	311,639	375,143	(371,856)	(100,216)	214,709	(44,379)	-17.1%
Briarwood	2/9/09	4/20/09	830,759	745,000	(486,490)	(122,009)	967,260	929,686	643,785	(567,594)	(122,010)	883,867	(83,394)	-8.6%
Hawthorne Gardens	1/26/09	4/20/09	1,610,020	405,000	(375,220)	(285,368)	1,354,431	1,315,413	544,275	(392,944)	(278,614)	1,188,130	(166,301)	-12.3%
Moses Lake	3/9/09	4/20/09	287,412	217,954	(219,261)	-	286,105	291,371	265,162	(207,196)	-	349,337	63,232	22.1%

Comments:

- Cliff View The ALZ unit increased occupancy by one. Operating expenses continue to be held down.
- Colonial Gardens Facility manager has recently been replaced. Occupancy is up by one.
- Lakeside Occupancy is up by 4 in the ALF. Deposits and disbursements are consistent with budget.
- Plaza at Sun Mtn Marketing efforts for this facility are moving forward. Both the ALF and the independent living gained one unit of occupancy.
- Stonebridge Facility lost one unit of occupancy and then quickly filled the vacancy with the facility again at 100% capacity.
- Chehalem Springs Occupancy has increased by one. Pursuant to court order, the facility has begun to pay pre-petition resident refunds.
- Century Fields Occupancy erosion may have stabilized. Operating costs remain in line with budget. Manager has been replaced.
- Hawthorne Gardens Facility is being transferred to TICs. Occupancy is up by two.
- Spring Pointe This week's report was not completed as of CRO report date due to unreconciled accounting issues.