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## Sunwest Receivership Makes First Distribution to Claimants

*Initial Recovery of 40 Cents on the Dollar Caps Two-Year Effort to Return Funds to Investors and Creditors*

PORTLAND, Ore.--(BUSINESS WIRE)--The federal equity receiver in charge of former Oregon-based senior living provider Sunwest Management announced today that he will be mailing the first round of checks this week. Investors and other claimants in the Sunwest securities violation case and related chapter 11 bankruptcy proceeding should receive the forty-percent distribution before year end. Resources for the initial distribution total \$228 million and derive from a \$1.2 billion real estate transaction closed earlier this year, in which a joint venture led by Blackstone Real Estate Advisors VI LP and Emeritus Senior Living acquired 144 Sunwest properties in exchange for cash, securities and assumption of debt. Depending on elections made through the Sunwest bankruptcy process, claimants will receive cash and/or securities in the new Sunwest Rollover Member LLC, a 13% partner in the joint venture.

U.S. District Court Judge Michael Hogan appointed Michael Grassmueck of the Portland-based Grassmueck Group as receiver in connection with the lawsuit brought in March 2009 by the Securities and Exchange Commission against Sunwest and its founder Jon Harder for alleged fraud and securities law violations. At the same time, Judge Hogan formally appointed Clyde Hamstreet of Hamstreet & Associates to serve as chief restructuring officer (CRO) for the Sunwest business entities, a role the Portland-based turnaround firm initially took on in November 2008. The Grassmueck and Hamstreet firms worked closely together throughout the restructuring, jointly submitting the receivership's distribution plan, approved by Judge Hogan in October 2009, and the bankruptcy plan of reorganization, approved in July 2010. Grassmueck led the claims process and litigation against third parties involved in alleged securities violations, while Hamstreet focused on improving business operations and negotiating and closing the Blackstone transaction.

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"We are thrilled to be getting this distribution out before Christmas," Grassmueck said. "Sunwest stopped paying many of its bills and most of its investor obligations in the summer of 2008, so these people have been waiting a long time for money to flow in their direction from Sunwest. And I'm even more thrilled at the amount of the distribution. I don't know that I've ever seen a forty-percent recovery in a securities fraud case—and this is only our first distribution."

Over the next two to three years, Grassmueck anticipates making at least two more distributions, which he and Hamstreet estimate could add another eighteen to twenty cents on the dollar to the forty that goes out this week. "We have two further significant resources to work with," Grassmueck said. "The receivership has retained a group of assets that we will be liquidating over time. Most of these are real estate assets, but we also have the former captive insurance company and various notes receivable and financial assets. And then there are the third party claims. We have significant settlements in the works with law firms and broker-dealers that helped Sunwest package and sell its investments, and we should see the first funds from those settlements early in 2011."

"The extraordinary results in this case speak for themselves," said Portland attorney Al Kennedy, who with his firm Tonkon Torp led the CRO's legal team. "Before the SEC filed its lawsuit, most investors would have been lucky to recover ten cents on the dollar. But once the receivership came into being and we began working with Judge Hogan, we were able to restructure successfully and get a very good price for the core of Sunwest's business."

"The creation of value through the business operations and real estate transaction was key to achieving today's recovery for investors and creditors," said Hamstreet. "But it's also important to recognize the role played by the claims process. The receiver mailed 80,000 notices to potential claimants at the outset of the case, and received claims totaling ten billion dollars. Since the claims bar date at the end of April 2010, he and his team have reviewed, evaluated, and negotiated those claims down to less than 4,000 in number and about \$550 million. That is an impressive achievement."

Grassmueck will carry out his duties as receiver until no substantive assets remain to be collected and liquidated, and the receivership closes. With the senior living operations gone, however, and the bankruptcy case near its end, Mr. Hamstreet intends to step down as CRO at the end of the year.

### Distributions Nearly Two Years in the Making

The payment of first distributions culminates a long and sometimes contentious process to restructure the company and determine the best way to maximize and recover value for investors and creditors in the former Sunwest enterprise. Key milestones in the restructuring and recovery process include:

November 2008	Clyde Hamstreet is engaged by Sunwest Management as CRO.
December 2008	Twenty-five Sunwest affiliated entities, including Stayton SW Assisted Living LLC, file chapter 11 bankruptcy cases.
March 2, 2009	SEC files a lawsuit against Sunwest Management and Jon M. Harder.
March 10, 2009	U.S. District Court in Eugene, Ore., appoints Michael Grassmueck as federal receiver and Clyde Hamstreet as CRO of Sunwest and affiliated entities.
August 2009	The Receiver and CRO submit a joint distribution plan to the Court. Negotiations and diligence by the Blackstone/Emeritus joint venture begins.
September 15, 2009	Sunwest and Blackstone reach agreement in principle on terms of acquisition.
October 2, 2009	U.S. District Court Judge Michael Hogan approves distribution plan. All Sunwest-affiliated entities are consolidated into the Stayton Chapter 11 case.
March 25, 2010	U.S. District Court Judge Hogan approves the Blackstone/Emeritus purchase agreement and auction procedures.
May 17, 2010	Bankruptcy auction is held with Blackstone/Emeritus Joint Venture as the successful bidder.
July 13, 2010	Judge Hogan confirms reorganization plan.
August 5, 2010	Blackstone/Emeritus joint venture acquires 132 Stayton senior living communities. The joint venture acquires the remaining 12 communities between September 1 and December 1.
October 18-20, 2010	Court-supervised mediations culminate intensive claims administration and adjudication process.
November 29, 2010	Judge Hogan enters order establishing allowed claim amounts.
December 20-22, 2010	Receiver makes first distribution of cash and securities.

### About Sunwest Management

Sunwest Management was founded in Oregon in 1991. One of the largest private senior living providers in the country and a significant Oregon employer, the company engaged Clyde Hamstreet of Hamstreet & Associates in late November 2008 to serve as chief restructuring officer. After the SEC filed suit against the company, the U. S. District Court in Eugene, Ore., entered an order on March 10, 2009, establishing a federal receivership and appointing Michael Grassmueck of The Grassmueck Group as receiver. Subsequently Sunwest reorganized in Chapter 11 as Stayton SW Assisted Living under the supervision of the court, the receiver and the CRO. For more information, please visit: [www.sunwestmanagement.com](http://www.sunwestmanagement.com). To learn more about Hamstreet & Associates please visit [www.hamstreetandassociates.com](http://www.hamstreetandassociates.com), and visit [www.grassmueckgroup.com](http://www.grassmueckgroup.com) for additional information about The Grassmueck Group.

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