



March 29, 2011

RE: *Securities and Exchange Commission v. Sunwest Management Inc. et al* Case No. 09-CV-06056
Update to all investors and creditors of Sunwest from Receiver Michael A. Grassmueck

Dear Sunwest Claimants,

This letter provides an update regarding the distributions, recoveries and efforts going forward in the Sunwest receivership case. The Stayton bankruptcy case has been closed, but the receivership case continues.

First Interim Distribution. On December 22, 2010, we processed and mailed checks for the first interim distribution. 3,139 distribution checks went out; representing full payment of all allowed administrative claims and a 40% pro rata payment toward all MIMO claims. The total amount distributed was \$155,898,625.60. If you have any questions regarding your distribution, please call the Sunwest Hotline at (866)674-6791 or email sunwestclaims@grassmueckgroup.com.

Distribution Funds Withheld. \$7,843,866.46 was withheld from certain unresolved claims in the First Interim Distribution. To date, \$2,480,295.00 has been released to claimants. Additionally, due to certain state taxing authority requirements, we withheld \$2,128,606.93 from claims in order to remit these to various states. When a payment is made to a state taxing authority on your behalf, you will receive a form indicating that payment. If you have an unresolved withholding issue, please call my office at the Sunwest Hotline (866)674-6791.

Stock Issuance. Common and preferred shares were issued on August 5, 2010, the individual rollovers were recorded on December 7, 2010 and Member's Direct Registration Account Statements were sent to shareholders on that date. In total, 453,591 units of common stock and 159,164 units of preferred stock with a combined total value of \$61,275,500.00 were issued. For additional information on stock issuance, please email the Sunwest Rollover Member at info@swrollover.com or call (503)575-9980.

Third Party Recovery. On February 16, 2011, the \$52.5 million settlements with K&L Gates, Davis Wright Tremaine, and Thompson & Knight were approved. These settlements were subsequently appealed to the Ninth Circuit Court of Appeals. The second distribution may be delayed pending the decision on the appeal.

Willamette Property Holdings, LLC. All of the Trustco assets are now organized under the new company called Willamette Property Holdings ("WPH"). WPH is composed of all non-Blackstone/Emeritus, non-

Divestco properties including: the Encore Indemnity portfolio, senior living facilities, apartments, other commercial properties, bare land, resident receivables, notes receivables, lease receivables, escrowed funds, and certain other contractual rights and interests. WHP is jointly managed by Maggie Lyons, Bob Dunn and me. The assets were originally valued at approximately \$46 million. The orderly liquidation of WPH's holdings will take place over the next four years. It is likely that the successful windup of WPH will bring about the final case distribution to claimants and the closing of the receivership.

Future Distributions and Case Timeline. In addition to the above detail on the WPH assets and Third Party Recovery, the estate holds about \$12 million in distributable Holdco funds that were not available for the first distribution. In total, it is expected that the remaining realizable value of the estate is \$115 million. The remaining outstanding and projected professional fees and all operating expenses are estimated at \$20 million. Therefore, we estimate the remaining distributable recoveries to total \$95 million. I expect that you will receive at least two additional interim distributions if you hold an allowed MIMO claim. The second interim distribution may be delayed until the outcome of the appeal is known. I estimate this distribution will be a pro rata distribution of approximately 8-10% of your allowed claim. The third interim distribution will likely be the final distribution and will be principally composed of the funds from WPH. I estimate this distribution will be a pro rata distribution valued at around 8% of your allowed claim. This would mean a total MIMO recovery approaching 60%. Please be aware that these represent our best estimates at this time and these estimations are subject to change.

If you have any questions about the content of this letter or about claims, third party settlements, address changes or any other general receivership/bankruptcy matters, please direct them to my office at (866)674-6791 or by email at sunwestclaims@grassmueckgroup.com.

Sincerely,

Michael A. Grassmueck
Receiver