

SUNWEST INVESTORS 2010 TAX FORMS

These explanations are intended to clarify what tax reporting documents have been issued. We hope this will help investors to better understand what forms they did and did not receive.

Forms 1099-Misc and 1099-S for TICs

2010 tax packages were sent out in early January to those TICs whose properties were still operating under the Sunwest Management receivership at any time during 2010. These were distributed by email and by US Mail to those without an email address. The tax packages included a year-end summary to be used for tax reporting purposes. The transmittal letter to each investor explained what their unique tax package contained. Additional items were included in some tax packets as follows:

- 1099-MISC's were included to report interest paid on the TICs behalf if they had debt allocated into their investment or had rent payments allocated to them.
- 1099-S's were included for TICs who invested in Holdco (Blackstone) properties. TICs participating in the TIC Settlement did not receive a 1099-S.
- 1099-S forms were included for all TICs invested in Willamette Property Holdings (formerly Trustco).
- Title companies handling the disposition non-Blackstone/Trustco property sales occurring in 2010 issued 1099-S's to the TIC investor if required. Proceeds are equal to the amount of debt relief the TIC received

Please consult your tax advisor to determine the proper treatment of these items.

1099's for Distribution on Claims

The receipt of cash due to a Divestco claim does not require a 1099. Cash paid out for claims in Holdco and WPH properties were included in the 1099-S. Cash distributions on allowed claims should be discussed with a tax professional to determine how they should be reported.

K-1's for Partnership and LLC Members

2010 K-1's will be issued for Preferred Members and LLC Members when the related returns are filed.

The majority of tax returns for Holdco (Blackstone/Emeritus) properties, as well as all Lonestar properties, have been filed. K-1's related to these properties were completed, and provided to investors through online access on March 21, 2011.

K-1's for other properties, including Willamette Property Holdings and Divestco properties, will be available in batches starting after April 15th. To clarify where each property fits into this process, we have compiled a list of all completed K-1's, as well as a list of K-1's still pending on April 15th. These lists are available on our website at www.grassmueckgroup.com/sunwest.php.