



SMITH MOORE LEATHERWOOD

November 3, 2008

Via Facsimile and U.S. Mail

Richard A. Block
Waverton Group, LLC
4101 East Louisiana Ave., Suite 300
Denver, CO 80246

Re: *Request for Proposal for Receiver*

Dear Rick:

On behalf of The Palmetto Bank, I am enclosing a Request for Proposal ("RFP") for Receiver for Chestnut Hill Senior Living Center in Highlands, Macon County, North Carolina. Please do not hesitate to call me with questions about this RFP. Please call me when you receive this to discuss preparing a response. We have a very tight timeline, as we need to accept a proposal by 11 November 2008.

Sincerely,

SMITH MOORE LEATHERWOOD LLP

Neale T. Johnson

NTJ:ks

Enclosure

Direct 336.378.5319 | Fax 336.433.7442 | neale.johnson@smithmoorelaw.com

Smith Moore Leatherwood LLP • Attorneys at Law

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REQUEST FOR PROPOSAL (RFP)
RECEIVER FOR CHESTNUT HILL SENIOR LIVING CENTER

The Palmetto Bank (the “Bank”), through John R. Hanson, DrBA, PhD, Senior Vice President of the Bank, is soliciting the services of a Receiver to manage and operate Chestnut Hill Senior Living Community (“Chestnut Hill”). Chestnut Hill is a community in Highlands, Macon County, North Carolina, with 36 independent living cottages, 20 independent living apartments and 26 assisted living units. Chestnut Hill has an Adult Care Home License issued by the North Carolina Department of Health and Human Services, Division of Facility Services. For more information about Chestnut Hill, see www.chestnuthillslc.com.

In December 2006, the Bank loaned acquisition funds to the owners of Chestnut Hill. In exchange, the Bank received a first priority continuing security interest in all of Chestnut Hill’s assets, including but not limited to its real property, buildings and improvements thereon, rents, profits, accounts, inventory, furniture, fixtures, equipment, goods, and personal property. The owners of Chestnut Hill are in default of the loan.

The Bank intends to protect its security interest and to seek certain remedies through court action, including foreclosure of the deed of trust against real property and the appointment of a Receiver pursuant to North Carolina General Statutes § 1-501 *et seq.* The Receiver would be appointed by the Court and would serve in such role as long as necessary. The Receiver likely will, among other things, be authorized and required:

- to assist counsel in developing a plan of action for presentation to the Court in connection with the Bank’s request for appointment of a receiver;
- to take charge of the Chestnut Hill premises;
- to identify, catalog, and recover the assets of Chestnut Hill;

- to continue the operations of Chestnut Hill with due regard to the safety and welfare of its tenants and residents;
- to collect rents, income and profits of Chestnut Hill;
- to maintain and repair the premises and personal property;
- to handle advertising, leasing, and collection of rent for leases of the premises or portions thereof;
- to hire, fire, and manage Chestnut Hill's staff and employees;
- to acquire and maintain required licenses to operate Chestnut Hill; and,
- to manage Chestnut Hill's property in such other ways as may be determined by the Court.

The Bank has the authority to recommend a Receiver to the Court. Consistent with North Carolina General Statute § 1-504, the Receiver appointed by the Court must post a bond in an amount prescribed by the Court.

Consideration will be based on a number of factors, including, but not limited to, the following:

1. Experience with management and operation of senior living communities.
2. Experience with licensing authorities, including the North Carolina Department of Health and Human Services.
3. Prospective Receivers should have no conflict of interest with Sunwest Management, Inc., Highlands Senior Living Property, LLC, or Highlands Senior Living, LLC, or their principals.
4. Fees and contingencies.

Please be prepared to submit your proposals by November 10, 2008, 5:00 p.m. to:

John R. Hanson, DrBA, PhD
Senior Vice President
Retail Credit Administrator
The Palmetto Bank

P.O. Box 49 Laurens, SC 29360
(864) 984-8575
(864) 984-8426 (fax)
jhanson@palmettobank.com

with a copy to:

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300 North Greene Street, Suite 1400
Greensboro, NC 27401
(336) 378-5319 (voice)
(336) 433-7442 (fax)
neale.johnson@smithmoorelaw.com

Please do not hesitate to call either John Hanson or Neale Johnson should you have questions regarding this RFP.