

in excess of the \$10,000,000 included in the Purchased Assets, if any) and (b) less the Landowner Retained Cash (which shall be retained by each applicable Landowner Debtor in accordance with the allocation described in the definition of "Landowner Retained Cash" which will be transferred to an Acquisition Company, to the extent available at the applicable Landowner at Closing) (collectively, the "***Distributable Cash***") will be available for distribution to Holders of Claims. Redwood will acquire all IEDs with respect to the Tallgrass Creek Campus and, subject to the conditions set forth in Schedule 6.3.9.6 of the Plan, Warminster may use all IEDs escrowed after November 27, 2009 with respect to Warminster pursuant to the terms of the IED Orders. Holders of certain Allowed Claims will be assigned an interest in up to \$7 million of the Cedar Crest Receivable as further set forth in this Plan. Funds that are collected on account of the Cedar Crest Receivable will flow through to Holders of Allowed Claims, as specified under the Plan, pursuant to the terms of the documents that will be included in the Plan Supplement.

6.1.3.1 ***NSC Payment and NSC Payment Rebate.*** At closing, the NSC Payment in the amount of \$9 million shall be made by Redwood directly to NSC. Immediately thereafter, NSC shall make the NSC Payment Rebate by transferring \$2 million of the \$9 million to the TIP. NSC shall retain the full \$7 million of the NSC Payment and all NSC Interim Payments in full without the need for any further court order or approval process, and free and clear of all claims (including without limitation (subordination, subrogation, contribution, setoff, recoupment, assignment and lien claims) by the Debtors, the Lenders, Redwood, and any other person, which sums the NSC and the NSC-NFPS shall allocate and distribute among themselves as they determine appropriate to satisfy and resolve claims and disputes with the Debtors, including their 2009 purchase services true up, certain Medicare billing issues, and their pre and post-petition professional fees and expenses associated with the Debtors' restructuring efforts.

6.2 ***PropCo, DevCo and ManagementCo.***

6.2.1 ***PropCo.*** Pursuant to the Definitive Agreement, ERC shall grant, sell, assign, transfer and deliver to PropCo all of its limited liability company interests in the Transferred Landowners, which hold property or assets in connection with a current or planned Campus. On the Closing Date, Redwood will own 100% of PropCo.

6.2.2 ***DevCo.*** On the Closing Date, Redwood will own 100% of DevCo. DevCo shall acquire all assets and properties of Erickson Construction other than its Cash on Hand. Any Development Agreement relating to the three Bonded Communities that are not being acquired by Redwood under the Plan (the Linden Ponds, Monarch Landing and Sedgebrook Communities) shall be on terms reasonably acceptable to the relevant Bond Trustee and Redwood.

6.2.3 ***ManagementCo.*** ManagementCo shall be formed to (a) acquire the Company's goodwill, personal and ongoing business relationships, trade secrets, and know-how and (b) knowledge in connection with the Company's business of providing management services with respect to the Campuses, as well as other assets related to the management aspect of the Business as set forth in the Definitive Agreement. ManagementCo will enter into New Management Agreements with certain Campuses, which New Management Agreements shall have a minimum term of ten (10) years, subject to a three (3) year and seven (7) year right to review the management fee terms of the agreements to determine whether the fees reflect current market pricing. Pursuant to the New Management Agreements, ManagementCo will provide management services to the Developing Campuses and Completed Campuses, including the right to receive all management fees thereunder. On the Closing Date, Redwood will own 100% of ManagementCo. ~~Any~~**Notwithstanding anything to the contrary in this Plan, any** New Management Agreement relating to the three Bonded Communities that are not being acquired by Redwood under the Plan (the Linden Ponds, Monarch Landing and Sedgebrook Communities) shall be on terms reasonably acceptable to the relevant Bond Trustee and Redwood. ~~as~~

more fully set forth in Section 6.2.3.1. To the extent that any party holds valid consent rights with regards to the contemplated New Management ~~Agreements~~**Agreement**, such rights will continue to be enforceable to the extent that they are valid in the context of the Plan and related transactions. ~~The Debtors reserve the right to seek approval of any new agreements and the Plan over the objection of such a party on any basis available to the Debtors.~~**Notwithstanding anything to the contrary in this Plan: (i) the New Management Agreement for the Bonded Community known as Ann's Choice shall be in the form set forth in Exhibit E hereto; and (ii) with respect to a Completed Campus with bond debt outstanding, any New Management Agreement shall be accompanied by an opinion of bond counsel stating the execution, delivery and performance under the Management Agreement will not adversely impact the tax exemption of the bonds, from a firm, and in a form, acceptable to the applicable bond trustee (and letter of credit provider) and shall be subordinated to the extent provided for in the existing bond documents for such Completed Campus.**

6.2.3.1 Management and Disposition of Bond Communities.

~~6.2.3.1 (a) Management of Bond Communities.~~ Redwood through ManagementCo will manage Linden Ponds (Hingham), located in Hingham, ~~Massachusetts;~~**Massachusetts**, Sedgebrook (Lincolnshire), located in Lincolnshire, Illinois, and Monarch Landing (Naperville), located in Naperville, Illinois (collectively, the "Bond Communities") during the 90 day period immediately following the Plan Confirmation Date. During this 90 day period, Redwood will negotiate (non-exclusively) with the applicable NFPs and Indenture Trustees in good faith to reach a resolution regarding the Bond Communities. At the conclusion of this 90 day period, if the parties have reached a resolution, then the Debtors will facilitate an definitive agreement regarding a restructuring plan for the Bond Communities. If Redwood does not reach a deal with the applicable NFPs and Indenture Trustee with respect to these Bond Communities at the close of the 90 day period, ERC's interests in the Bond Communities will be resolved pursuant to section 554 of the Bankruptcy Code, and Redwood will have no further obligation to manage the Bond Communities.**such 90-day period, such management will be subject to the applicable Bond Documents and pursuant to New Management Agreements which shall terminate at the end of the 90-day period, as such period may be extended pursuant to this paragraph. Each New Management Agreement will be in the form attached hereto as Exhibit E. Each NFP of a Bond Community at the request of the Bond Trustee, or with the prior written consent of the applicable Bond Trustee and letter of credit provider, will have an option to extend Redwood's management period one or more times for an additional 180 days of extension in the aggregate for any one Bond Community (for a total interim management period not to exceed 270 days for any one Bond Community), but Redwood shall not be bound by any subordination agreement with respect to payment of its management fee for any such extension period. Any longer-term management agreement will remain subject to the consent of the Bond Trustee and letter of credit provider.**

(b) Disposition. During the 90-day period immediately following the Plan Confirmation Date, Redwood will negotiate (non-exclusively) in good faith with the applicable NFPs and Bond Trustees for the Bond Communities to reach a resolution regarding such Bond Communities. During such 90-day period, the applicable NFP, with the consent of the applicable Bond Trustee, may market the applicable Bond Community for sale and with the consent of the applicable Bond Trustee and letter of credit provider, may consummate such sale. At the conclusion of this 90-day period, if the parties have reached a resolution with respect to a particular Bond Community, then the Debtors will facilitate a definitive agreement regarding such a resolution for such Bond Community. If Redwood does not reach an agreement with respect to resolution of a particular Bond Community during this 90-day period that is acceptable to Redwood, the applicable NFP, the letter of credit provider and the applicable Bond Trustee, then promptly at the end of such 90-day period, ERC's interest in the entity related to such Bond

Community (Naperville Campus, LLC, Lincolnshire Campus, LLC, and/or Hingham Campus, LLC, as applicable) will be transferred to the applicable NFP.

6.2.3.2 **Management Structure of ManagementCo.** ManagementCo will be run by an experienced management team that will include James C. Davis as Chairman. ManagementCo intends to enter into a consulting agreement with John Erickson under which John Erickson would make himself available to provide consulting and advisory services; provided, however, that John Erickson would not have any decision making authority in ManagementCo, PropCo or DevCo.

6.2.4 **Assumption of Liabilities by Redwood.** Except as otherwise provided in this Plan, neither Redwood nor any Acquisition Company will assume any obligation of the Company, other than obligations with respect to the period after the Closing Date under any agreement expressly assumed by an Acquisition Company in connection with the Restructuring Transactions contemplated under the Definitive Agreement. However, the Purchased Assets will be transferred to the Acquisition Companies subject to certain debt obligations of the Landowners, including the Community Loans and the other Landowner obligations contemplated under the Definitive Agreement.

6.2.5 **Kansas.** Redwood Kansas will acquire the assets of Kansas in exchange for assuming the obligations under the Kansas Special Assessment Bonds in full. Kansas shall assume the Kansas Community Loan. All IEDs (relating both to units sold pre- and postpetition) will be included in the assets acquired by Redwood Kansas from Landowner. The Holders of Kansas Construction Loan Claims shall retain their deficiency claims and participate in the Liquidating Creditor Trust, as provided herein. The assumed debt will not be guaranteed.

6.2.6 **B&R Notes.** Pursuant to the Definitive Agreement and the Plan Documents, Redwood shall acquire a 100% interest in the B&R Notes.

6.2.7 **Working Capital Facility.** Redwood will establish a \$50,000,000 working capital facility ("**Working Capital Facility**") that will be available to fund, on a senior secured priming basis, working capital and/or project development needs of the Acquisition Companies and/or Transferred Landowners through an aggregate facility and/or through new revolvers at each Acquisition Company and/or Transferred Landowner. The Working Capital Facility shall have a first lien on the assets of all the Acquisition Companies and/or Transferred Landowners, senior to any and all other indebtedness of the Acquisition Companies and/or Transferred Landowners and specific Campuses. Notwithstanding any other terms of the Disclosure Statement, Plan, or any orders relating to the Disclosure Statement or Plan, to the extent the Working Capital Facility is made available to Warminster, it will be on terms mutually agreeable to Redwood and Ann's Choice, and, to the extent they have approval rights under the relevant Bond Documents, the Ann's Choice Trustee.

6.2.8 **Employment Agreements.** As set forth in the Definitive Agreement, Redwood will have the opportunity during the due diligence investigation to identify and meet key employees of the Business and assess the compensation and benefits available to such employees and the likelihood such employees will accept employment with the applicable Acquisition Company and/or Transferred Landowner. It is anticipated that, at or before the Closing, the Acquisition Companies and/or Transferred Landowners will offer employment to certain employees and enter into employment agreements with these employees. Such employment agreements will contain customary provisions such as noncompetition, non-solicitation and confidentiality provisions.

6.2.9 **Non-Competition Agreement.** At the Closing, Redwood, Erickson Group and ERC and certain of their members will enter into non-competition agreements for a mutually agreeable number of years pursuant to which the ERC and such shareholders will agree that it or they and its or their affiliates will not compete with Redwood's or the Acquisition Companies' and/or Transferred

lenders. This Landowner expects to liquidate the property by delivering to the construction lenders a deed in lieu of foreclosure prior to the Effective Date or allowing the construction lenders to complete their pending foreclosure process.

6.3.3 *Concord.*

6.3.3.1 Transferred Assets. Concord shall grant, sell, assign, transfer and deliver to Redwood Concord, upon receipt by PNC Bank, National Association, as collateral and administrative agent for the Holders of the Concord Construction Loan Claims, \$62,757,000 in Cash and \$637,000 from the Cedar Crest Receivable as required under Section 4 of this Plan, the Concord Letters of Credit, undrawn, and Redwood Concord shall purchase from Concord, free and clear of all liens and liabilities (except for expressly assumed liabilities, if any, by Redwood Concord and the liens securing such liabilities) all assets and properties of Concord of every kind and description, wherever located, whether real, personal or mixed, tangible or intangible, owned, leased or licensed, including all real property, all Transferred Claims of Concord, and all transferred contracts to which Concord is a party, but not including any Excluded Assets.

6.3.3.2 The Community Loan and Other NFP Agreements. The Concord Community Loan shall be amended and restated at the outstanding balance amount and assumed by Redwood Concord, as modified. Redwood Concord's obligations under the Concord Community Loan shall be subordinate to all other debt owed by Redwood Concord or its successor (including, without limitation, any new capital equity funding or debt incurred by Redwood Concord or its successor). The Working Capital Loan agreement and note and other agreements between Concord and Maris Grove, Inc. will be terminated as of the Effective Date, and Redwood Concord and Maris Grove, Inc. will enter into new agreements on mutually agreed upon terms consistent with the terms agreed to with the NSC on the record as part of the Auction.

6.3.3.3 Guaranties. Except as set forth in ~~Section 6.4.8~~Sections 4.1.4 and 6.4.7 of this Plan with respect to the Erickson Group Guaranty Claims, all guarantees of the Concord Construction Loan, Concord Junior Loan and Ashburn Junior Loan will be terminated and released.

6.3.3.4 New Concord Revolver. Redwood will make available a revolver to fund costs of the borrower, including construction costs, marketing costs, departmental charges, development fees and taxes (the "*New Concord Revolver*"). Any funds drawn under the New Concord Revolver will be secured by a priming lien against the same collateral as the collateral that secured the prepetition debt, including IEDs. The available commitment amount under the New Concord Revolver will be mutually determined by Redwood and borrower. Redwood will provide a separate revolving facility for the purpose of funding reasonable working capital needs of Maris Grove, Inc., secured by a priming lien on funds received by Concord from Maris Grove, Inc (excluding proceeds of the Community Loan).

6.3.4 *Dallas.*

6.3.4.1 Transferred Assets. Dallas shall grant, sell, assign, transfer and deliver to Redwood Dallas, upon receipt by the Holders of the Texas A & M Note of a distribution of \$3,440,000 and by Bank of America, NA, as collateral and administrative agent for the Holders of the Dallas Construction Loan Claims, of \$19,496,000 in Cash (inclusive of \$2,000,000 in Cash from the TIP), allowance of the right of Bank of America, N.A., as collateral and administrative agent for the Holders of the Dallas Construction Loan Claims, to setoff \$34,531.09 in amounts held in deposit pursuant to the Expense Reserve Account (as defined in the Dallas Construction Loan Claim documents) without further motion, request and/or Bankruptcy Court approval against the portion of the Dallas

Eagle's Trace, Inc. will be terminated as of the Effective Date, and Redwood Houston and Eagle's Trace, Inc. will enter into new agreements on mutually agreed upon terms consistent with the terms agreed to with the NSC on the record as part of the Auction.

6.3.5.3 Guaranties. Except as set forth in ~~Section 6.4.8~~Sections 4.1.4 and 6.4.7 of this Plan with respect to the Erickson Group Guaranty Claims, all guarantees of the Houston Construction Loan and Houston Junior Loan will be terminated and released.

6.3.5.4 New Houston Revolver. Redwood will make available a revolver to fund costs of the borrower, including construction costs, marketing costs, departmental charges, development fees and taxes (the "*New Houston Revolver*"). Any funds drawn under the New Houston Revolver will be secured by a priming lien against the same collateral as the collateral that secured the prepetition debt, including IEDs. The available commitment amount under the New Houston Revolver will be mutually determined by Redwood and borrower. Redwood will provide a separate revolving facility for the purpose of funding reasonable working capital needs of Eagles Trace, Inc., secured by a priming lien on funds received by Houston from Eagles Trace, Inc (excluding proceeds of the Houston Community Loan).

6.3.6 *Kansas*.

6.3.6.1 Transferred Assets. Kansas shall grant, sell, assign, transfer and deliver to Redwood Kansas, upon receipt by PNC Bank, National Association, as collateral and administrative agent for the Holders of the Kansas Construction Loan Claims, \$2,778,000 from the TIP as required under Section 4 of the Plan and Redwood Kansas shall purchase from Kansas, all assets of Kansas, free and clear of all liens and liabilities (except for Assumed Liabilities to be assumed by Redwood Kansas and the liens securing such liabilities) all assets and properties of Kansas of every kind and description, wherever located, whether real, personal or mixed, tangible or intangible, owned, leased or licensed, including all real property, all Transferred Claims of Kansas, all initial entrance deposits collected by Kansas, and all transferred contracts to which Kansas is a party, but not including any Excluded Assets.

6.3.6.2 The Community Loan and Other NFP Agreements. The Kansas Community Loan shall be amended and restated at the outstanding balance amount and assumed by Redwood Kansas, as modified. Redwood Kansas' obligations under the Kansas Community Loan shall be subordinate to all other debt owed by Kansas or its successor (including, without limitation, any new capital equity funding or debt incurred by Redwood Kansas or its successor). The Working Capital Loan agreement and note and other agreements between Kansas and Tallgrass Creek, Inc. will be terminated as of the Effective Date, and Redwood Kansas and Tallgrass Creek, Inc. will enter into new agreements on mutually agreed upon terms consistent with the terms agreed to with the NSC on the record as part of the Auction.

6.3.6.3 Bonds and Other Debt. Redwood Kansas will acquire the assets of Kansas in exchange for the assumption of the obligations under the Kansas Special Assessment Bonds. All IEDs at Tallgrass Creek Campus will be included in the assets to be acquired by Redwood Kansas from Kansas. The Holders of guaranties from ERC and Erickson Construction will participate in the Liquidating Creditor Trust, as set forth therein

6.3.6.4 New Kansas Revolver. Redwood will make available a revolver to fund costs of the borrower, including construction costs, marketing costs, departmental charges, development fees and taxes (the "*New Kansas Revolver*"). Any funds drawn under the New Kansas Revolver will be secured by a priming lien against the all assets of Kansas, including IEDs, but junior to the Kansas Special Assessment Bonds. The available commitment amount under the New

Kansas Revolver will be mutually determined by Redwood and borrower. Redwood will provide a separate revolving facility for the purpose of funding reasonable working capital needs of Tallgrass Creek, Inc., secured by a priming lien on funds received by Kansas from Tallgrass Creek, Inc. (excluding proceeds of the Kansas Community Loan).

6.3.7 *Littleton.*

6.3.7.1 Transferred Assets. Littleton shall grant, sell, assign, transfer and deliver to Redwood Littleton, upon receipt by Capmark Finance, Inc., as collateral and administrative agent for the Holders of the Littleton Construction Loan Claims, \$46,400,000 in Cash, \$594,000 from the Cedar Crest Receivable and 100% of the net proceeds from the sale of the Littleton Out-Parcel up to \$6 million and 50% above \$6 million as required under Section 4 of this Plan and Redwood Littleton shall purchase from Littleton, free and clear of all liens and liabilities (except for expressly assumed liabilities, if any, by Redwood Littleton and the liens securing such liabilities) all assets and properties of Littleton of every kind and description, wherever located, whether real, personal or mixed, tangible or intangible, owned, leased or licensed, including all real property, all Transferred Claims of Littleton, and all transferred contracts to which Littleton is a party, but not including any Excluded Assets.

6.3.7.2 The Community Loan and Other NFP Agreements. The Littleton Community Loan shall be amended and restated at the outstanding balance amount and assumed by Littleton, as modified. Redwood Littleton's obligations under the Littleton Community Loan shall be subordinate to all other debt owed by Redwood Littleton or its successor (including, without limitation, any new capital equity funding or debt incurred by Redwood Littleton or its successor). The Working Capital Loan agreement and note and other agreements between Redwood Littleton and Wind Crest, Inc. will be terminated as of the Effective Date, and Redwood Littleton and Wind Crest, Inc. will enter into new agreements on mutually agreed upon terms consistent with the terms agreed to with the NSC on the record as part of the Auction.

6.3.7.3 Guaranties. Except as set forth in ~~Section 6.4.8~~Sections 4.1.4 and 6.4.7 of this Plan with respect to the Erickson Group Guaranty Claims, all guarantees of the Littleton Construction Loan and Littleton Junior Loan will be terminated and released.

6.3.7.4 New Littleton Revolver. Redwood will make available a revolver to fund costs of the borrower, including construction costs, marketing costs, departmental charges, development fees and taxes (the "*New Littleton Revolver*"). Any funds drawn under the New Littleton Revolver will be secured by a priming lien against the same collateral as the collateral that secured the prepetition debt, including IEDs. The available commitment amount under the New Littleton Revolver will be mutually determined by Redwood and borrower. Redwood will provide a separate revolving facility for the purpose of funding reasonable working capital needs of Wind Crest, Inc., secured by a priming lien on funds received by Littleton from Wind Crest, Inc. (excluding proceeds of the Littleton Community Loan).

6.3.7.5 Littleton Letters of Credit. The claims of PNC Bank, National Association, on account of the Littleton Letters of Credit shall be deemed allowed as of the Effective Date. Unless PNC Bank, National Association agrees to different treatment, PNC shall not release its liens on those certificates of deposit pledged as collateral for the Littleton Letters of Credit except to the extent the Littleton Letters of Credit are returned, undrawn, to PNC Bank, National Association.

6.3.8 *Novi.*