

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION**

In re:	§	Case No. 09-37010 (SGJ)
	§	
ERICKSON RETIREMENT COMMUNITIES, LLC, et al.¹	§	Chapter 11
	§	
Debtors.	§	(Jointly Administered)
	§	

**FIRST AND FINAL APPLICATION OF ALVAREZ & MARSAL HEALTHCARE
INDUSTRY GROUP LLC AS CHIEF RESTRUCTURING OFFICER AND
EXECUTIVE VICE PRESIDENT OF RESTRUCTURING AND ADDITIONAL
PERSONNEL FOR THE DEBTORS FOR ALLOWANCE OF COMPENSATION
FOR PROFESSIONAL SERVICES RENDERED AND FOR REIMBURSEMENT
OF REASONABLE AND NECESSARY EXPENSES INCURRED FROM
OCTOBER 19, 2009 THROUGH APRIL 30, 2010**

By this first and final application (the “Application”), pursuant to sections 105(a) and 363(b) of title 11 of the United States Code (the “Bankruptcy Code”) and Rule 2016 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), Alvarez & Marsal Healthcare Industry Group LLC (“A&M” or “Applicant”), having been appointed as Chief Restructuring Officer and Executive Vice President and additional personnel for Erickson Retirement Communities, LLC (“ERC”) and its affiliated debtors (collectively, the “Debtors”), in the above-captioned Chapter 11 cases, makes this final application for allowance and payment of fees and reimbursement of expenses based on the following:

¹ The Debtors in these Chapter 11 cases are Erickson Retirement Communities, LLC, Ashburn Campus, LLC, Columbus Campus, LLC, Concord Campus GP, LLC, Concord Campus, LP, Dallas Campus GP, LLC, Dallas Campus, LP, Erickson Construction, LLC, Erickson Group, LLC, Houston Campus, LP, Kansas Campus, LLC, Littleton Campus, LLC, Novi Campus, LLC, Senior Campus Services, LLC, Warminster Campus GP, LLC, Warminster Campus, LP.

JURISDICTION AND VENUE

1. This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2).

2. The statutory predicates for the relief requested herein are Bankruptcy Code sections 105(a) and 363(b) and Bankruptcy Rule 2016.

BACKGROUND

Filing of Chapter 11 Cases

3. On October 19, 2009, the Debtors each filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Texas, Dallas Division.

4. Until April 30, 2010, the effective date of the Debtors' plan of reorganization, the Debtors continued to possess their properties and manage their businesses as debtors in possession pursuant to Bankruptcy Code sections 1107(a) and 1108.

5. On November 2, 2009, the official committee of unsecured creditors (the "Committee") was appointed by the United States Trustee. No trustee or examiner was appointed in these cases.

General Factual Background

6. Additional factual background regarding each of the Debtors, including their current and historical business operations and the events precipitating these Chapter 11 filings is set forth in detail in the Affidavit of Paul Rundell in Support of First Day Motions [Dkt. Nos. 15, 27], and is incorporated herein by reference.

A&M's Employment and Retention

7. On October 20, 2009, the Debtors filed an Application (the “Retention Application”) for an Order Pursuant to 11 U.S.C. §§ 105(a) and 363(b) Authorizing Employment and Retention of A&M as Chief Restructuring Officer, Executive Vice President and Additional Personnel to The Debtors Nunc Pro Tunc to the Petition Date [Dkt. No. 39] is attached as **Exhibit A**. The Court entered an order (the “Retention Order”) granting the relief requested in the Retention Application on November 24, 2009 [Dkt. No. 372]. A copy of the Order Pursuant To 11 U.S.C. §§ 105(a) and 363(b) Authorizing Employment and Retention of A&M as Chief Restructuring Officer, Executive Vice President and Additional Personnel to The Debtors *Nunc Pro Tunc* to the Petition Date is attached as **Exhibit B**.

8. A&M was retained, among other things, to provide assistance to the Debtors with respect to the management of the Chapter 11 restructuring process, including providing administrative support, developing business and financial analyses, and support and assistance with respect to developing the Debtors’ strategy for emerging from Chapter 11 bankruptcy protection.

9. In accordance with the engagement letter (the “Engagement Letter”), which is annexed to the Retention Application, A&M provided such restructuring support services as A&M and the Debtors deemed appropriate and feasible during the Debtors’ Chapter 11 cases, including, but not limited to:

- a. Development of restructuring plans or strategic alternatives for maximizing the enterprise value of the Debtors’ retirement communities and development of a sustainable capital structure for the Debtors;
- b. Serving as the principal point of contact for the Debtors’ creditors and other parties in interest with respect to the Debtors’ financial and operational matters;

- c. Management of the Debtors' liquidity, cash flows, modeling, budgets and financial planning; and
- d. Performance of such other services as requested or directed by the Debtors' governing body and Chief Executive Officer.

10. Pursuant to the Engagement Letter and Retention Order, A&M would be compensated on an hourly basis, and A&M would be reimbursed for reasonable and necessary expenses incurred during the engagement. Guy Sansone would be compensated at a fixed fee of \$65,000 monthly. In addition to the fees listed above, A&M is also eligible for an incentive fee of up to \$1.5 million, as further described in the Retention Application and Engagement Letter.

11. A&M has incurred fees and expenses for services performed from the Petition Date through April 30, 2010 (the "Application Period"). The total amount of professional fees and expenses related to services provided by A&M to the Debtors during the Application Period total \$4,869,727.65 (\$4,656,570.04 in professional fees, which includes a \$1.5 million incentive fee, \$213,157.61 in professional expenses and \$130,750.00 of voluntary fee reductions and \$2,547.43 in voluntary expense reductions). The \$130,750 voluntary fee reductions included reducing Sansone's monthly fees in half during the months of March and April (\$65,000.00 of voluntary reductions), reducing Rundell's hours by 20 in March and April (\$24,000.00 of voluntary reductions), and reducing Simon's hours by 98.5 in March and 68.5 in April (\$41,750 of voluntary reductions). The \$2,547.43 in voluntary expense reductions were for various reasons, including reducing meals which A&M felt were non-working meals and or meals that were deemed above reasonable limits. A&M has been paid pursuant to the terms of the Retention Order. A&M, therefore, respectfully submits this Application for final approval of all fees and expenses incurred by A&M during the Application Period.

ACHIEVEMENTS DURING APPLICATION PERIOD

12. The Debtors filed an emergency voluntary Chapter 11 petition more than seven months after A&M was originally retained. The Debtors' complex business, legal and capital structures unfortunately made an out-of-court restructuring too difficult to achieve in a short period of time. As of the Petition Date, the Debtors had more than \$2 billion in debt on their books. The pre-petition debt was almost entirely secured. Approximately fifty lenders, several sub-debt lenders, and hundreds of bond holders held claims against the Debtors for pre-petition debt. The continuing care retirement community industry is heavily regulated; therefore, more than ten state regulators (the "Regulators") were involved in post-petition restructuring efforts. In addition, A&M assisted the Debtors with negotiating with the Regulators, overseeing 23,000 residents (the "Residents") of the continuing care retirement community facilities and managing approximately 11,000 employees.

13. In short, A&M assisted the Debtors with the following during the Debtors' Chapter 11 bankruptcy proceedings:

- Protection of approximately \$4 billion of Resident's initial entrance deposits
- Reduction of expenses (over \$100 million annualized)
- Negotiation of insurance renewals which reduced costs by around \$1.2 million annually
- Liquidation of non-core assets which generated approximately \$8.0 million proceeds
- Streamline of operations, resulting in decreased operating expenses
- Control over the spending function and improved collections

- Production of reliable and accurate short term and long term cash flow projections
- Negotiation of cash collateral usage and post-petition financing packages, which provided the Debtors with the liquidity needed to successfully sell estate assets and emerge from Chapter 11 bankruptcy protection in an expedient fashion
- Serving as primary fact witness with respect to most of the Debtors' contested matters before the Court
- Providing leadership and guidance to Debtors' investment bankers in the 18-hour auction of substantially all of the Debtors' assets, resulting in significantly increased recoveries to all secured creditors
- Provision of key information to advisors potential buyers' advisors including approximately 10 unique weekly reports, 12 monthly reports and additional in-depth analyses requested by the various parties of interest
- Communication with various constituencies (including regulators, employees, not-for-profits entities, professionals, corporate and campus project lenders, sub-debt lenders, and bond trustees) on a regular basis to explain the process so that the Debtors had time to execute the strategy
- Assisting Debtors' investment banker in securing a purchaser with significant capital to finish building out the campuses
- Oversight of the claims estimation and reconciliation process, which included sorting through over 500 claims totaling over \$1 million
- Oversight of all aspects of the successful restructuring of the Debtors' assets and liabilities

- Negotiation with all creditors with respect to convincing them to accept the Debtors' restructuring strategy and tweaking of the strategy when necessary to develop a successful plan of reorganization that was ultimately accepted on by almost 99% of the Debtors' creditors
- Successful completion of all administrative requirements including monthly operating reports, statements and schedules for 16 individual Debtors
- Renegotiation of contracts and leases which reduced operating costs by approximately \$1.5 million annually
- Playing a critical role in transitioning the Debtors' assets to the purchaser to ensure the closing and transition went smoothly, including, among other things, handling communications, financial issues, operational issues, and regulatory questions

RELIEF REQUESTED

14. In connection with the Chapter 11 cases, the Applicant has performed the services set forth in the schedules attached hereto and incorporated herein by reference as **Exhibits C, D and E** (containing a summary of hours and fees performed in connection with Debtors by task code) for fees and expenses as therein set forth totaling \$4,869,727.65 (fees charged: \$4,656,570.04; expenses advanced: \$213,157.61) for the Application Period.

15. The fees and hours summaries are attached hereto as **Exhibits C and D** and include hours and fees charged by person and by task code for the Application Period. Time was kept by person and billed to each discrete category or activity, which was then

summarized by person, by hour, for each task code. The Applicant has used its best efforts to accurately describe each task category for which time was billed.

16. Expenses were also tracked and itemized in the monthly fee statements. A summary of the expenses by person and by expense category can be found on **Exhibit E**.

17. A&M was retained as Chief Restructuring Officer and Executive Vice President and additional personnel to the Debtors during these Chapter 11 cases. As a result of A&M's services, the Debtors have transitioned smoothly through the Chapter 11 bankruptcy process. Additionally, A&M has been instrumental in the successful reorganization of the Debtors. The Debtors have a complicated business and legal structure; they conduct business in a highly regulated industry, and face a challenging economic environment. In addition, these cases involved a large number of key constituencies and yet the Debtors exited Chapter 11 within seven months with a plan of reorganization that was accepted by almost 99% of all creditors.

18. The Retention Application and Retention Order are incorporated herein by reference. Moreover, the following annexed exhibits further support the relief requested in this Application:

Exhibit A: Application Pursuant to Sections 105(a) and 363(b) of the Bankruptcy Code for Authorization to Employ and Retain Alvarez & Marsal Healthcare Industry Group as Chief Restructuring Officer, Executive Vice President of Restructuring and Additional Personnel Nunc Pro Tunc to the Commencement Date [Docket No. 39].

Exhibit B: Order Pursuant to Sections 105(a) and 363(b) of the Bankruptcy Code for Authorization to Employ and Retain Alvarez & Marsal Healthcare Industry

Group as Chief Restructuring Officer, Executive Vice President of Restructuring and Additional Personnel Nunc Pro Tunc to the Commencement Date [Docket No. 372].

Exhibit C: Summary of Fees Charged by Task Code and by A&M Professional during the Application Period.

Exhibit D: Summary of Hours Charged by Task Code and by A&M Professional during the Application Period.

Exhibit E: Summary of Expenses Charged by Task Code and by A&M Professional during the Application Period.

SERVICES RENDERED AND TASKS PERFORMED

19. A&M kept detailed records of its hours and fees by person and by task code and a summary of this time can be found in **Exhibit C and Exhibit D**. A&M's professionals rendered a total of 6,926.7 hours of professional services to the Debtors (not including hours charged by Guy Sansone) totaling fees of \$4,656,570.04, which is net of voluntary write-offs and includes the incentive fee. The following is a summary of the services rendered (organized by task code) by A&M during the Application Period:

A. Accounting / Auditing

20. A&M worked on various accounting tasks, including assisting the campus auditors with data requests, working with the Debtors' independent auditors and accountants to help provide information and/or details so that they can perform the audits for the respect not-for-profit entities (each an "NFP"), working on collections of accounts receivable to improve cash flow and liquidity, calculating key accounting performance

measures, and creating accounting reports for management which allowed them to more accurately project financial performance.

21. During the Application Period, A&M spent a total of 92.3 hours on this task in this category for total fees of \$24,005.00.

B. Assessment Services

22. A&M conducted a Revenue Cycle Assessment including Community Business Office and Patient Access, Corporate Billing and Collections functions (Corporate AR Department). Work processes and work flows across all of the major functions of the revenue cycle were reviewed. In addition, A&M performed various data analyses related to patient access, billing and collections and denials from third-party payers. In addition A&M conducted a series of interviews with corporate and community key management and staff and reviewed all key procedures and prepared recommendations in four key categories to bring the Debtors' days in accounts receivable in line with industry standards, which improved liquidity by millions of dollars.

23. During the Application Period, A&M spent a total of 95.4 hours on this task in this category for total fees of \$29,090.00.

C. Asset Analysis and Recovery

24. A&M worked with the Debtors' financial and legal advisors, developing the recovery analysis associated with the plan of reorganization. Some of the tasks included the collection and analysis of data from each debtor; development of financial forecasts for certain recovery items; research and resolution of business and legal issues impacting the recovery; and the review and update of multiple drafts of the recovery analysis.

25. During the Application Period, A&M spent a total of 13.4 hours on this task in this category for total fees of \$5,970.00.

D. Asset Disposition

26. Work consisted of time spent on disposing of non-core assets, including the UMBC building and land loans totaling almost \$40 million of debt, auction of a condo owned by ERC and various other non-core assets. Significant amount of time was also spent on the sale of core assets. This time would be spent on supporting the Debtors' investment banker, providing details to the various bidders and providing details to advisors of various creditors with respect to the sale of the Debtors' core assets.

27. During the Application Period, A&M spent a total of 184.7 hours on this task in this category for total fees of \$101,992.50.

E. Business Analysis

28. A&M worked to analyze and understand the performance of the Company's business, develop methods to monitor and improve performance, and mitigate the impact of the bankruptcy. Significant time was spent analyzing and improving daily, weekly and monthly liquidity at the various Debtors and associated NFPs. Other tasks in this category included resolving vendor issues, meeting with management, analyzing employee compensation and benefit plans, and review and development of reporting tools for management.

29. During the Application Period, A&M spent a total of 397.7 hours on this task in this category for total fees of \$195,580.00.

F. Business Operations

30. A&M worked with the Debtors' management and employees to develop and implement strategies to resolve business process and operations issues associated with the restructuring. Tasks in this category included the development and implementation of new financial reporting, liquidity management, marketing, and insurance payment processes; collection and analysis of data; meetings with the Debtors' management and employees; cancellation of leases; and resolution of issues related to the treasury management system, vendor payments and other business issues.

31. During the Application Period, A&M spent a total of 326.6 hours on this task in this category for total fees of \$145,265.00.

G. CRO Governance

32. A&M worked on various Chief Restructuring Officer ("CRO") activities including supporting the CRO, the Debtors' management and performing other tasks necessary to the restructuring. Some of these tasks included attending meetings and/or participating in calls on monthly operating reports to the trustee's office, preparing for court hearings, ensuring all the proper legal documents were filed on a timely basis, and meeting with the Debtors' management with respect to how financial, communication, operation and other issues could impact the restructuring process. A significant amount of the time spent with the Debtors' executive management was charged to other codes including business operations and strategy.

33. During the Application Period, A&M spent a total of 10.1 hours on this task in this category for total fees of \$6,060.00.

H. Case Administration

34. A&M worked on various requests by the U.S. Trustee.

35. During the Application Period, A&M spent a total of 7.6 hours on this task in this category for total fees of \$4,260.00.

I. Cash Management

36. A&M managed the Debtors' daily, weekly, and monthly cash flow and liquidity related to the bankruptcy. Tasks related to this category included approving and reviewing all disbursements; the development of daily, weekly and monthly cash flow forecasts; improving and monitoring cash and initial entrance deposit collections; daily and weekly cash flow reporting and variance analyses; weekly calls with the NFPs' financial directors regarding funding needs; managing post-petition financing borrowings/repayments; resolving payments, collections and treasury issues; and analyzing the liquidity impact of bankruptcy issues (contract assumption) on liquidity. Due to the Debtors' complicated debt and legal structure and the amount of professionals involved in these cases, a significant amount of time was spent on Cash Management tasks to ensure all creditors had comfort that A&M was able to control and preserve liquidity and accurately project the Debtors' cash needs.

37. During the Application Period, A&M spent a total of 510.6 hours on this task in this category for total fees of \$240,545.00.

J. Claims Administration and Objections

38. A&M analyzed and reviewed all claims filed against the Debtors' estates. A&M compared filed claims to scheduled claims and created numerous schedules. Reviewed supporting documents attached to proofs of claim and reconciled with company data for bank claims, account payable claims, mechanics lien and other filed secured claims. Managed the balloting process and assisted attorneys and the claims agent with

resolving balloting issues and responding to requests by the numerous lenders. A&M also researched claims objections and assisted management and attorneys with reconciling key claims. Because of the Debtors' complicated debt structure and shortened time in chapter 11, A&M was heavily involved with both the balloting and claims process.

39. During the Application Period, A&M spent a total of 331.7 hours on this task in this category for total fees of \$131,860.00.

K. Communications

40. A&M worked with the Debtors' finance directors and management to develop talking points regarding taxes, accounts receivable and finance assessment projects and other various communications and reviewed various press releases and outside communications to manage the flow of public information.

41. During the Application Period, A&M spent a total of 23.5 hours on this task in this category for total fees of \$6,945.00.

L. Consulting

42. A&M conducted a Revenue Cycle Assessment including Community Business Office and Patient Access, Corporate Billing and Collections functions (Corporate AR Department). Work processes and work flows across all of the major functions of the revenue cycle were reviewed. In addition, we performed various data analyses related to patient access, billing and collections and denials from third-party payers. A&M also conducted a series of interviews with corporate and community key management and staff, reviewed all key procedures and prepared recommendations in four key categories to bring the Debtors' days in accounts receivable in line with industry standards.

43. A&M conducted a Finance / Accounting Assessment including FP&A, Accounting and Reporting, Payroll, Accounts Payable, Treasury, Escrow, Community Accounting, Risk Management, Procurement and Department Finance (IT, Marketing). These efforts resulted in liquidity savings of over \$1 million.

44. During the Application Period, A&M spent a total of 493.3 hours on this task in this category or total fees of \$214,592.50.

M. Contract / Lease Assume / Reject

45. A&M worked with the Debtors' management / employees and Redwood-ERC Senior Living Holdings, LLC, a Maryland limited liability company ("Redwood") to develop and finalize assumed contracts for the Debtors' plan of reorganization. Tasks performed with respect to this category included cataloguing and categorizing all of the Debtors' contracts; development and maintenance of a master contract tracking list; reconciliation of an executory contract list (Schedule G) to the contract list filed with the asset purchase agreement; research and review of contracts to determine whether to assume or reject the contracts; negotiations with vendors on cure payments; and preparation and review of contract amendments. There were approximately one thousand contracts in the asset purchase agreement and A&M cross referenced these contracts against claims filed against the Debtor estates and consulted with Redwood regarding whether to assume or reject the contracts.

46. During the Application Period, A&M spent a total of 189.7 hours on this task in this category for total fees of \$96,855.00.

N. Corporate Finance

47. A&M worked with potential buyers and various key constituencies with respect to matters related to the sale of the Debtors' assets. These matters included the valuation of the Debtors and the allocation of purchase price proceeds amongst the Debtor estates.

48. During the Application Period, A&M spent a total of 7.3 hours on this task in this category for total fees of \$3,832.50.

O. DIP Financing / Cash Collateral

49. Involved work relating to securing a post-petition credit facility and potentially using cash collateral for the bankruptcy period. The major tasks included analyzing potential cash needs during the bankruptcy period, determining the potential credit facility size per Debtor, development of a financing budget, weekly reporting on actual financing budget results, updating of financing budget on a weekly and monthly basis, calls with potential lenders, calls with creditor advisors regarding cash collateral, and review and negotiation of the post-petition credit facility documents.

50. During the Application Period, A&M spent a total of 319.5 hours on this task in this category for total fees of \$139,745.00.

P. Data Analysis

51. Involved reviewing and analyzing information generated by the Debtors to ensure data integrity, to develop improved reporting tools and generate analyses to understand business operations. The reporting tools and analyses were used to monitor the business and provide updates to the various constituencies in these cases. Key areas of focus for this analysis was treasury funds flows, vendor payments, pre-petition accounts payable balances, professional fees, employee severance costs and employee benefit costs.

These analyses were requested by the corporate lenders' advisors, campus construction advisors, NFP advisors, the Debtors' executive management and Redwood.

52. During the Application Period, A&M spent a total of 708.1 hours on this task in this category for total fees of \$238,837.50.

Q. Employee Benefits and Pensions

53. A&M worked on various benefits and vendor issues. A&M reviewed the wage motion and various affidavits, attended numerous meetings with finance and human resources staff on benefit payment issues, and determined total severance amounts.

54. During the Application Period, A&M spent a total of 32.5 hours on this task in this category for total fees of \$11,632.50.

R. Fee and Employments Applications

55. A&M tracked fees and expenses filed by professionals in the cases. Various tasks regarding the retention of professionals and their employment applications.

56. During the Application Period, A&M spent a total of 24.0 hours on this task in this category for total fees of \$6,000.00.

S. Financing

57. A&M worked with the Debtors to renew letters of credit with PNC Bank and performance bonds with various sureties during the bankruptcy period. A&M then worked with Redwood to ensure that these letters of credit and performance were appropriately assigned or renewed post closing.

58. During the Application Period, A&M spent a total of 3.8 hours on this task in this category for total fees of \$1,905.00.

T. Insurance

59. A&M worked with the Debtors' risk management staff, Debtors' bankruptcy counsel and Redwood on a range of issues related to the Debtors' insurance program. A&M assisted the Debtors' risk management staff in the renewal of its insurance programs and evaluating potential cost/capital saving programs and structures for the renewal. A&M also worked with Debtors' counsel in preparing and filing an insurance motion and assisted Redwood with ensuring that the insurance program was properly assigned to the buyer and improving the Debtors' D&O tail coverage.

60. During the Application Period, A&M spent a total of 39.4 hours on this task in this category for total fees of \$19,205.00.

U. Litigation Support

61. A&M supported the Debtors' counsel throughout the case with various information requested by various constituencies. Some of the tasks included working on a severance motion, working on the creditor matrix, preparing data for the utilities motion, working on discovery issues, supporting the Debtors' counsel regarding an examiner motion, and assisting with negotiations with respect to resolving various objections to the plan of reorganization.

62. During the Application Period, A&M spent a total of 43.0 hours on this task in this category for total fees of \$16,417.50.

V. Meeting of Creditors

63. Tasks in this code included preparing for the 341 hearing, meeting with advisors (corporate, project, creditors' committee), Debtors investment banker and sub-debt holders regarding allocation of sale proceeds, meeting with the bond trustee and advisors regarding debt restructurings.

64. During the Application Period, A&M spent a total of 11.8 hours on this task in this category for total fees of \$5,295.00.

W. Plan and Disclosure Statement

65. Time was spent on providing the Debtors' investment banker and counsel with details necessary to file the plan and disclosure statement and amendments to the same. Significant time was also spent on negotiating with the various creditors involved in these cases, including but not limited too, the unsecured creditors committee, the construction lender agents, the corporate lender agent, the three sub-debt lenders, the bond trustee and the agent with respect to the UMBC construction loan. A lot of this time was spent on providing various parties with details, analyzing various distributions and negotiating the proceeds from the purchase to reach a plan that was on average 99% accepted by all parties.

66. During the Application Period, A&M spent a total of 262.7 hours on this task in this category for total fees of \$144,875.00.

X. Plan Process

67. Work was spent on providing the analysis and detailed support to get a plan and disclosure statement approved. Most of this time was the strategy and analysis necessary to get the various constituencies aboard with a consensual plan.

68. During the Application Period, A&M spent a total of 27.0 hours on this task in this category for total fees of \$16,147.50.

Y. Post Confirmation

69. A&M worked with the Debtors, lenders' counsel, Redwood, taxing authorities, and other interested parties on preparing flow of funds documents, reviewing

distributions, verifying payoff amounts with taxing authorities, analyzing amounts needed by the title company for escrows. The closing involved almost \$1 billion of funds flowing in and out of the title company in less than one day and ensuring that the amounts collected and distributed were correct took a massive effort by dozens of people and it was the CRO's team's responsibility to coordinate this effort.

70. During the Application Period, A&M spent a total of 163.7 hours on this task in this category for total fees of \$87,865.00.

Z. Reclamation Claims and Preference Analysis

71. A&M worked with company management, attorneys and the claims agent to gather payment and invoice data for all Debtors in order to prepare a preference analysis. Tasks included gathering all payroll data, accounts payable data (including checks, wires and ACH payments) and data relating to insider payments. This project was completed so that A&M could inform the court of the potential amounts of preference claims that were possible and it also helped the unsecured creditors committee understand future potential sources of recovery.

72. During the Application Period, A&M spent a total of 57.8 hours on this task in this category for total fees of \$26,197.50.

AA. Schedules & Statements of Financial affairs

73. A&M created the schedules & statements of financial affairs for the 16 Debtors; filed these documents with the Court; and prepared and filed monthly operating reports. Tasks related to completing this task included retrieving, analyzing and reviewing the following data sets for all 16 debtors: one year of payment history, one year of insider payment history, pre-petition assets category, pre-petition liabilities by individual creditor,

historical financial information and executory contracts. Due to the amount of Debtors and the complicated business and capital structure, a significant amount of time was spent ensuring the various creditors had accurate information.

74. During the Application Period, A&M spent a total of 593.5 hours on this task in this category for total fees of \$245,930.00.

BB. Strategic Planning

75. Time spent with Debtors investment banker and counsel discussing various topics including, but not limited to, the plan and disclosure statement, maximizing the price in the auction process, NFP issues, project lender issues, corporate lender issues, sub-debt lender issues, getting 5-10 year management agreements from the NFPs and controlling the speed to get the Debtors out of Chapter 11. In addition, A&M spent significant time controlling communications with regulators and residents as well discussing operations, settlements, financial issues, legal issues and many other challenges the Debtors faced during the Chapter 11 process. This included having 2-3 calls with advisors and counsel every week, meetings with the Debtors' executive management at least twice a week and frequent Board meetings.

76. During the Application Period, A&M spent a total of 29.6 hours on this task in this category for total fees of \$11,695.00.

CC. Tax Issues

77. A&M worked with the Debtors and Debtors' bankruptcy counsel to manage potential real estate tax issues related to the bankruptcy. Tasks related to this category included developing a communication strategy for operations staff to handle enquiries from taxing authorities, supporting tax professionals and Debtors' counsel in

appealing tax valuations for various communities (Houston, Novi, Kansas), conducting calls with the various taxing authorities regarding payment of taxes, and working with the state of Maryland on a sales and use tax audit. As well as, various requests from lenders' counsel, the creditors' committee and NFP advisors.

78. During the Application Period, A&M spent a total of 47.8 hours on this task in this category for total fees of \$22,862.50.

DD. Testimony

79. Throughout this case, there has been significant testimony required from the CRO's team. Paul Rundell, a Managing Director at A&M and Executive Vice President at ERC, was the person selected to provide this testimony. In the beginning of the case, with over fifty lenders, almost \$2 billion of debt at risk and highly regulated industry required significant amounts of testimony and therefore preparation for these hearings. Finally, a significant amount of testimony was required by the complicated capital structure and the various creditor issues that developed before and during the case.

80. During the Application Period, A&M spent a total of 314.7 hours on this task in this category for total fees of \$180,450.00.

EE. Valuation

81. Tasks in this time code include working on litigation issues, calls with corporate lenders' advisors regarding a valuation fight and analysis and review of the proposed valuation of each of the campus properties.

82. During the Application Period, A&M spent a total of 8.3 hours on this task in this category for total fees of \$4,980.00.

FF. Various requests from Lenders, Committee and NFP advisors

83. A&M worked to provide requested data and analyses to the legal and financial advisors of the various constituencies in these cases – corporate lenders, construction lenders, unsecured creditors committee, NSC and potential buyers. The data and analyses requests included recurring weekly, monthly and quarterly data requests / analyses in addition to those that were ad hoc or one-time in nature. Recurring weekly, monthly and quarterly requests included items related to liquidity, cash flow, marketing spending, settlement activity, reservation activity, and financial performance. For the NSC advisors, A&M provided special detailed weekly cash flow reporting packages. One off analyses included providing the unsecured creditors committee with preference data and providing them with information on the size of the unsecured pool.

84. During the Application Period, A&M spent a total of 575.1 hours on this task in this category for total fees of \$262,920.00

GG. Travel

85. This category includes time spent by A&M in connection with necessary travel in this case. In accordance with the Court’s Local Guidelines, A&M billed the travel time of its professionals at one-half their normal and customary billing rates otherwise charged for services in this Case

86. During the Application Period, A&M spent a total of 980.5 hours on this task in this category for total fees of \$222,346.25 (does not include hours charged by Guy Sansone), which represents 100% of the time charged, but only one-half of the fees have been charged.

87. The following chart summarizes by Task Code the hours and fees rendered by A&M during the Application Period:

Fees Billed per Task Code:

Task Description	Hours Billed During the Application Period	Fees Billed During the Application Period
Accounting/auditing	92.3	\$ 24,005.00
Assessment services	95.4	29,090.00
Asset analysis and recovery	13.4	5,970.00
Asset disposition	184.7	101,992.50
Business analysis	397.7	195,580.00
Business operation	326.6	145,265.00
CRO governance	10.1	6,060.00
Case administration	7.6	4,260.00
Cash management	510.6	240,545.00
Claims admin and objections	331.7	131,860.00
Communications	23.5	6,945.00
Consulting	493.3	214,592.50
Contract/lease assume/reject	189.7	96,855.00
Corporate finance	7.3	3,832.50
DIP financing/cash collateral	319.5	139,745.00
Data analysis	708.1	238,837.50
Employee benefits/pensions	32.5	11,632.50
Fee/employment objections	24.0	6,000.00
Financing	3.8	1,905.00
Insurance	39.4	19,205.00
Litigation support	43.0	16,417.50
Meeting of creditors	11.8	5,295.00
Plan and disclosure statement	262.7	144,875.00
Plan process	27.0	16,147.50
Post confirmations	163.7	87,865.00
Reclamation claims	57.8	26,197.50
Schedules & statements of financial affairs	593.5	245,930.00
Strategic planning	29.6	11,695.00
Tax issues	47.8	22,862.50
Testimony	314.7	180,450.00
Travel time	980.5	222,346.25
Valuation	8.3	4,980.00
Various requests from Lenders, UCC and NFP advisors	575.1	262,920.00
Total	6,926.7	\$ 2,872,158.75

* Not including Guy Sansone

** Travel hours billed at 50% hourly rate

LEGAL STANDARD

88. The retention of interim corporate officers and other temporary employees is proper under section 363 of the Bankruptcy Code. Numerous courts have authorized retention of officers utilizing this provision of the Bankruptcy Code. See In re Mirant Corporation, et al., Case No. 03-46590 (DML) (Bankr. N.D. Tex. September 26, 2003); In re PRC, LLC, Case No. 08-10239 (MG) (Bankr. S.D.N.Y. February 27, 2008); In re Bally Total Fitness, Inc., Case No. 07-12395 (BRL) (Bankr. S.D.N.Y. August 1, 2007); In re Dana Corp., Case No. 06-10354 (BRL) (Bankr. S.D.N.Y. May 6, 2006); In re Cable & Wireless USA, Inc., Case No. 03-13711 (CGC) (Bankr. D.Del. Jan. 16, 2004); See also In re WorldCom Group, et al., (Case No. 02-13533) (AJG) (Bankr. S.D.N.Y. September 17, 2002); In re Parmalat USA Corp., Case No. 04-11139 (Bankr. S.D.N.Y. Sept. 2, 2004); In re RCN Corp., Case No. 04-13638 (Bankr. S.D.N.Y. July 30, 2004); In re Kmart Corporation, et al., Case No. 02-B02474 (SPS) (Bankr. N.D. Ill., E.D. May 22, 2002); In re Integrated Health Services, Inc., Case No. 00-389 (MFW) (Bankr. D.Del. 2000).

89. Application of the foregoing criteria more than justifies the compensation requested for the services described below provided by the Applicant.

CONCLUSION

WHEREFORE, Applicant requests that the Court, after notice and a hearing, allow the approval of professional fees and expenses in connection with work performed for Debtors for the Application Period in the amount of \$4,869,727.65 (reasonable fees in the amount of \$4,656,570.04 and actual and necessary disbursements in the amount of \$213,157.61), authorize Debtors to allow the Applicant the allowed fees and expenses, allow (on a final basis) fees and

expenses which have already been approved by this Court and paid to A&M, and grant such further and additional relief as to the Court may appear proper.

Dated: June 14, 2010
Dallas, Texas

Alvarez & Marsal Healthcare Industry
Group LLC

By: /s/Paul Rundell
Paul Rundell
prundell@alvarezandmarsal.com

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Suite 4000
Chicago, IL 60603
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CHIEF RESTRUCTURING OFFICER,
EXECUTIVE VICE PRESIDENT AND
ADDITIONAL PERSONNEL FOR
DEBTORS AND DEBTOR-IN
POSSESSION

The above captioned debtors and debtors in possession (collectively, the "Debtors"), file this application (the "Application"), for authority pursuant to Bankruptcy Code sections 105(a) and 363(b): (i) to employ and retain Alvarez & Marsal Healthcare Industry, LLC ("A&M") to provide the Debtors a chief restructuring officer, an executive vice president of restructuring, and additional personnel as crisis managers, and (ii) to appoint Guy Sansone as Chief Restructuring Officer and Paul Rundell as Executive Vice President of Restructuring, all nunc pro tunc to the Petition Date. In support of this Application, the Debtors submit the Declaration of Paul Rundell (the "Rundell Application Declaration"), attached hereto as Exhibit B. In further support of this Application, the Debtors respectfully represent:

Jurisdiction

1. The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. This matter is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2).
2. Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409.
3. The statutory bases for the relief requested herein are sections 363(b) and 105 of title 11 of the United States Code (the "Bankruptcy Code"), and Rules 2014(a) and 2016 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules").

Background

4. On October 19, 2009 (the "Petition Date"), the Debtors commenced these cases by filing voluntary petitions for relief under chapter 11 of the Bankruptcy Code.
5. The Debtors have continued in the possession of their assets and have continued to operate and manage their business as debtors in possession pursuant to Bankruptcy Code sections 1107(a) and 1108.

6. No trustee, examiner or committee of creditors has been appointed in any of the Debtors' chapter 11 cases.

7. The factual background regarding each of the Debtors, including their current and historical business operations and the events precipitating these chapter 11 filings, is set forth in detail in the Affidavit of Paul Rundell in Support of First Day Motions, and is incorporated herein by reference.

8. Beginning on April 2, 2009, and continuing through the Petition Date, several professionals of A&M, including Mr. Sansone and Mr. Rundell, have devoted substantial amounts of time and effort working with members of the Debtors' senior management to, among other things, assist in the development of near-term projections, assist in short-term cash management activities, reduce the cost structure of the Debtors by millions of dollars, work with the various project and corporate lenders to attempt an out of court restructuring, and coordinate the Debtors' efforts to prepare for a chapter 11 filing.

9. The Debtors chose A&M as a crisis management firm, Mr. Sansone as CRO, and Mr. Rundell as Executive Vice President of Restructuring, respectively, because of A&M's extensive experience providing restructuring services in reorganization proceedings and its excellent reputation for the services it has rendered in chapter 11 cases on behalf of debtors and creditors throughout the United States. Moreover, the Debtors chose A&M and Mr. Sansone and Mr. Rundell because of the in-depth knowledge and familiarity that A&M had garnered regarding the Debtors and their business operations in the period leading up to the Petition Date in their role as restructuring consultants, and the belief that by continuing the existing relationship with A&M, rather than retaining a new advisory firm, the Debtors could minimize disruptions to their restructuring efforts that might otherwise arise from the appointment of a new CRO.

10. Accordingly, effective on April 2, 2009, the Debtors and A&M entered into an employment letter (the "Engagement Letter"), a copy of which is attached hereto as Exhibit C. As set forth in this letter, the parties have agreed that Mr. Sansone, a managing director within A&M, will serve as the Debtors' CRO. Additionally, the parties have subsequently agreed to that Mr. Rundell will serve as Executive Vice President of Restructuring. Further, A&M has agreed to provide other A&M employees ("Additional Personnel") as necessary to support Mr. Sansone, Mr. Rundell, and the Debtors' existing management team in their restructuring efforts during these chapter 11 cases.

Relief Requested

11. By this Motion, the Debtors seek authority, pursuant to Bankruptcy Code sections 363 and 105, to employ and retain A&M to provide the Debtors a CRO and Executive Vice President of Restructuring as well as Additional Personnel as crisis managers, nunc pro tunc to the Petition Date, in accordance with the terms set forth in the Engagement Letter.

A&M's Qualifications

12. A&M, together with its affiliates, comprises a turnaround management consulting firm founded in 1983 to provide specialized debtor management and advisory services to troubled companies (the "Firm"). The Firm has since grown to become a global provider of management and advisory services to companies in crisis or those in need of performance improvement in specific financial and operational areas. The Firm's core services include Turnaround Management Consulting, Interim and Crisis Management, Creditor Advisory, and Performance Improvement. The Firm has provided interim management services in a number of large and mid-size bankruptcy restructurings including In re Lehman Brothers Holdings Inc., Case No. 08-13555 (S.D.N.Y. Sept. 15, 2008) and In re Saint Vincents Catholic Medical Centers of New York, Case No. 05-14945 (S.D.N.Y. July 5, 2005).

13. Mr. Sansone is a managing director of A&M. He has worked as a turnaround consultant and financial advisor for over 17 years. Mr. Sansone has substantial knowledge and experience serving either in senior management positions or as a restructuring advisor in large companies and in assisting troubled companies with stabilizing their financial condition, analyzing their operations and developing an appropriate business plan to accomplish the necessary restructuring of their operations and finances. Specifically, Mr. Sansone has advised and/or served as a senior executive for, among others, St. Vincent's Catholic Medical Centers. Further, Mr. Sansone was interim Chief Financial Officer of HealthSouth Corporation and a member of the leadership team that facilitated the company's successful out-of-court operational and financial restructuring during a high-profile crisis period. Previously, Mr. Sansone served as Senior Vice President of Integrated Health Services, Inc., President and Co-CEO of Rotech Healthcare, Inc., and Chief Financial Officer of Telegroup, Inc. A copy of Mr. Sansone's curriculum vitae is attached hereto as Exhibit D, and is incorporated herein by reference.

14. Mr. Rundell is also a managing director of A&M and has worked as a turnaround consultant and financial advisor for over 12 years. Like Mr. Sansone, Mr. Rundell has a great breadth of financial restructuring experience as a result of having served in both senior management positions and as a restructuring advisor to large companies. Specifically, Mr. Rundell has advised and/or served as a senior executive for, among others, St. Vincent's Catholic Medical Centers, Sunwest Management Inc., and National Benevolent Association. A copy of Mr. Rundell's curriculum vitae is attached hereto as Exhibit E, and is incorporated herein by reference.

15. A&M has become thoroughly familiar with the Debtors' operations. Through the services that A&M has provided to the Debtors to date, A&M is highly qualified to serve the Debtors in these cases.

Services to be Provided

16. Under the Engagement Letter, A&M staff have assumed, or will assume, certain positions within the Debtors' businesses. Specifically, Mr. Sansone will serve as the Chief Restructuring Officer of the Debtors, and will report to the Board of Directors and direct the Debtors' reorganization with an objective of completing a restructuring of the Debtors. Mr. Sansone is responsible for assisting the Debtors' senior management team in their post petition restructuring efforts, including negotiating with parties in interest and coordinating the "working group" of professionals who are or will be assisting the Debtors in the restructuring process or who are working for the Debtors' stakeholders.

17. As members of the Debtors' senior management, Mr. Sansone, with the assistance of Mr. Rundell and additional A&M personnel, as mutually agreed upon by the Debtors and A&M (collectively, the "Additional Personnel"), will provide the senior management services that A&M and the Debtors deem appropriate and feasible in order to assist the Debtors during the Chapter 11 Cases. The Debtors believe that Mr. Sansone, Mr. Rundell, and the Additional Personnel will not duplicate the services that are being provided to the Debtors in these cases by any other professionals.

18. The duties of Mr. Sansone, Mr. Rundell, and the Additional Personnel will include, but are not limited to the following:

- (A) Develop for the Board's review possible restructuring plans or strategic alternatives for maximizing the enterprise value of the Debtors' various under development and open retirement communities and develop a sustainable capital structure for the Debtors;
- (B) Serve as the principal contact with the Debtors' creditors and consultants with respect to the Debtors' financial and operational matters;
- (C) Manage the Company's liquidity, cash flows, modeling, budgets and financial planning;

- (D) Oversee bankruptcy administrative activities including statement and schedules and monthly operating reports;
- (E) Perform such other services as requested or directed by the Board and CEO and agreed to by such officer.

Terms of Compensation

19. The Debtors have agreed to compensate A&M \$65,000 per every 20 hours of services that Mr. Sansone provides as the CRO. The Debtors and A&M agree further that the Debtors will compensate A&M monthly for the hourly services rendered by Mr. Rundell, as the Executive Vice President of Restructuring, and the Additional Personnel, to the extent necessary to assist Mr. Sansone in his role as CRO. As of the date hereof, the Debtors agree to compensate A&M for the services of Mr. Rundell, as the Executive Vice President of Restructuring, and the Additional Personnel at the following hourly rates:

Executive Vice President of Restructuring	\$600
Managing Directors	\$600-\$700
Senior Directors	\$475-\$550
Directors	\$400-\$500
Associates	\$325-\$400
Analysts	\$200-\$275

Such rates are subject to adjustment annually.

20. In addition, the Debtors will pay A&M on a monthly basis for A&M's reasonable, out-of-pocket expenses (including travel, telephone and facsimile, courier and copy expenses) incurred in connection with the engagement.

21. Aside from the hourly compensation, A&M will be entitled to incentive compensation in the amount of (a) \$350,000 with respect to each Landowner (the "Incentive Fee") upon (i) the earlier of (x) the consummation of any out-of-court Restructuring Transaction (as defined in the Engagement Letter) or pre-arranged Chapter 11 Restructuring Transaction or

(y) the effective date of a confirmed plan of reorganization under Chapter 11 of the Bankruptcy Code, which constitutes a Restructuring Transaction and (b) the close of any Sale Transaction (as defined below) and (2) with respect to each Land Owner, upon the completion of each Amendment Transaction (as defined in the Engagement Letter), \$100,000 for each such Amendment Transaction ("Amendment Transaction Fee"), provided (x) if multiple Amendment Transactions are consummated contemporaneously with multiple lenders (and no individual Amendment Transaction involves the extension of maturities), then the maximum aggregate fee for such contemporaneous Amendment Transactions shall be \$500,000 (i.e., 5.0 x the Amendment Transaction Fee); and (b) if multiple Amendment Transactions are consummated contemporaneously with multiple lenders (and any one or more of those Amendment Transactions involve the extension of maturities), then the maximum aggregate fee for such contemporaneous Amendment Transactions shall be \$1,000,000 (i.e., 10.0 x the Amendment Transaction Fee). Notwithstanding the foregoing, in no event shall the aggregate incentive fees earned here under exceed \$2,500,000.

22. Because A&M is not being employed as a professional under Bankruptcy Code section 327, it will not be submitting monthly fee applications pursuant to Bankruptcy Code sections 330 and 331. However, A&M will submit quarterly reports of compensation paid. Parties in interest shall have the right to object to fees paid within twenty days of when such quarterly reports of compensation are filed with this Court. A&M's compensation and reimbursement of expenses shall be paid by the Debtors as specified above and in the Engagement Letter.

Prior Payments to A&M

23. In connection with A&M's retention as restructuring consultants in the period leading up to the Petition Date under the Engagement Letter, the Debtors paid a retainer of

\$350,000 to A&M. In addition, the Debtors paid approximately \$4,063,556.15 to A&M in the period prior to the Petition Date for monthly prepetition fees and expenses excluding the retainer. As of the Petition Date, A&M continued to hold the \$350,000 retainer, and intends to apply that retainer against the final fees and expenses specific to the engagement as finally allowed by this Court.

Indemnification & Insurance

24. Under the terms of the Engagement Letter, the Debtors have agreed to indemnify the CRO and Executive Vice President of Restructuring in the same fashion provided to the Debtors' other officers and directors and certain related parties pursuant to the Indemnification Agreement attached to and incorporated by reference in the Engagement Letter. The Debtors have agreed further that the CRO and Executive Vice President of Restructuring will be covered as officers under the Company's existing director and officer liability insurance policies.

Disinterestedness

25. Even though A&M is not being retained as a professional under Bankruptcy Code section 327(a), A&M performed a conflicts check in connection with its initial engagement under the Engagement Letter. A&M has informed the Debtors that, except as may be set forth in the Rundell Application Declaration attached hereto, A&M does not represent any interest materially adverse to the Debtors, their creditors, the United States Trustee for the Northern District of Texas, any person employed by the United States Trustee for the Northern District of Texas, or any other party in interest.

26. If any new material facts or relationships are discovered or arise, A&M will provide the Court with a supplemental declaration. A&M has agreed not to share with any person or firm the compensation to be paid for professional services rendered in connection with these Chapter 11 Cases.

Dispute Resolution Procedures

27. The Debtors and A&M have agreed, subject to the Court's approval of this Application, that notwithstanding the Engagement Letter: (a) any controversy or claim with respect to, in connection with, arising out of, or in any way related to this Application or the services provided by A&M to the Debtors as outlined in this Application, including any matter involving a successor in interest or agent of any of the Debtors or of A&M, shall be brought in this Court or the United States District Court for the Northern District of Texas (the "District Court") (if the reference is withdrawn); (b) A&M and the Debtors and any and all successors and assigns thereof, consent to the jurisdiction and venue of such court as the sole and exclusive forum (unless such courts do not have or retain jurisdiction over such claims or controversies) for the resolution of such claims, causes of actions, or lawsuits; (c) A&M and the Debtors, and any and all successors and assigns thereof, waive trial by jury, such waiver being informed and freely made; (d) if this Court, or the District Court (if the reference is withdrawn), does not have or retain jurisdiction over the foregoing claims and controversies, A&M and the Debtors, and any and all successors and assigns thereof, will submit first to non-binding mediation; and, if mediation is not successful, then to binding arbitration, in accordance with the dispute resolution procedures (as set forth in Exhibit "F" attached hereto); and (e) judgment on any arbitration award may be entered in any court having proper jurisdiction. By this Application, the Debtors seek approval of this agreement by the Court. Further, A&M has agreed not to raise or assert any defense based upon jurisdiction, venue, abstention or otherwise to the jurisdiction and venue of this Court or the District Court (if the reference is withdrawn) to hear or determine any controversy or claims with respect to, in connection with, arising out of, or in any way related to this Application or the services provided hereunder.

Basis for Relief

28. The Debtors seek to employ and retain A&M and appoint Mr. Sansone as CRO and Mr. Rundell as Executive Vice President of Restructuring pursuant to section 363 of the Bankruptcy Code. Bankruptcy Code section 363(b) provides, in relevant part, that a debtor in possession "after notice and a hearing, may use, sell or lease, other than in the ordinary course of business, property of the estate." 11 U.S.C. § 363. In reviewing a debtor's decision to use estate property pursuant to Bankruptcy Code section 363, courts have routinely held that transactions should be approved when they are supported by the sound business judgment of management. See, e.g., Comm. of Equity Security Holders v. Lionel Corp. (In re Lionel Corp.), 722 F.2d 1063 (2d. Cir. 1983) (outlining requirements for the sale of assets under section 363(b)).

29. Bankruptcy courts in this and other districts have analyzed the propriety of a debtor-in-possession's employment of a corporate officer under section 363 of the Bankruptcy Code on numerous occasions and have determined that it is an appropriate exercise of business judgment to employ a corporate officer in such manner. See, e.g., In re Pilgrims' Pride Corp., Case No. 08-45664 (DML) (Bankr. N.D. Tex. Dec. 30, 2008); In re Calpine Corp., Case No. 05-60200 (BRL) (Bankr. S.D.N.Y. Jan. 17, 2007); In re Mirant Corp., Case No. 03-46590 (DML) (Bankr. N.D. Tex. Sept. 29, 2003); In re Fleming Cos., Inc., Case No. 03-10945 (MFW) (Bankr. D. Del. June 25, 2003); In re LJM2 Co-Inv., L.P., Case No. 02-38335 (SAF) (Bankr. N.D. Tex. Dec. 13, 2002); In re Kmart Corp., No. 02-02474 (SPS) (Bankr. N.D. Ill. May 22, 2002); In re Exide Techs., Inc., Case No. 02-11125 (JCA) (Bankr. D. Del. May 10, 2002).

30. Here, the decision to employ A&M and retain Mr. Sansone as CRO and Mr. Rundell as Executive Vice President of Restructuring should be authorized because it is based on the sound exercise of the business judgment of the Debtors' senior management. First, Mr. Sansone and Mr. Rundell are well qualified to serve in their respective positions. They both

have extensive experience either in senior management roles or as restructuring advisors for several large companies, and are seasoned turnaround and restructuring experts in the healthcare industry (including specialized senior housing experience). In addition, A&M has extensive experience in providing restructuring consulting services in reorganization proceedings and has an excellent reputation for the services it has rendered in chapter 11 cases on behalf of debtors and creditors throughout the United States. The assistance of these experts cannot be questioned.

31. Second, Mr. Sansone, Mr. Rundell and the A&M team, working in conjunction with the Debtors' senior management, have already proven to be of invaluable assistance in the Debtors' efforts in the development of long term-term projections, assisting in short-term cash management activities, reduction of millions of dollars of costs, and coordinating the Debtors' efforts to prepare for a possible chapter 11 filing. The Debtors believe that A&M, in conjunction with Mr. Sansone in his capacity as CRO, and Mr. Rundell in his capacity as an Executive Vice President of Restructuring, will be able to continue to provide services that benefit the Debtors' estates and creditors. Moreover, the preexisting relationship that A&M, Mr. Sansone, and Mr. Rundell have with the Debtors ensures that the appointment of a CRO and Executive Vice President of Restructuring at this juncture will not disrupt the administration of the Chapter 11 Cases.

32. Third, through negotiations, the Debtors have been able to secure the services of A&M, Mr. Sansone, and Mr. Rundell during the Chapter 11 Cases on economic terms that are fair and reasonable and beneficial to the estates. Moreover, the compensation arrangement provided for in the Engagement Letter is consistent with and typical of arrangements entered into by A&M and other restructuring consulting firms with respect to rendering similar services for clients such as the Debtors.

33. In view of the foregoing, the Debtors believe that the retention of A&M, Mr. Sansone, and Mr. Rundell is a sound exercise of the Debtors' business judgment and is in the best interests of all parties in interest in the Chapter 11 Cases. The Debtors believe that A&M is well qualified and able to represent the Debtors in a cost effective, efficient, and timely manner. A&M has indicated a willingness to act on behalf of the Debtors and to subject itself to the jurisdiction and supervision of the Court. For the reasons set forth above, the Debtors respectfully request that the Court authorize the retention and employment of A&M, Mr. Sansone and Mr. Rundell pursuant to section 363 of the Bankruptcy Code.

Notice

34. Notice of this Application has been provided to (a) the Office of the United States Trustee; (b) the Debtors' thirty largest unsecured creditors on a consolidated basis; and (c) the Debtors' prepetition secured lenders. The Debtors submit that, in light of the nature of the relief requested, no other or further notice is necessary or required.

WHEREFORE, based upon the foregoing, the Debtors respectfully request that the Court enter an order substantially in the form annexed hereto (a) granting the relief requested herein and (b) granting such other relief as may be deemed just and proper.

Dated: October 20, 2009
Dallas, Texas

DLA PIPER LLP (US)

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Proposed Attorneys for the Debtors
and Debtors in Possession

Exhibit A

Proposed Order

363(b), (i) to employ and retain Alvarez & Marsal Healthcare Industry, LLC ("A&M") to provide the Debtors a chief restructuring officer, an executive vice president of restructuring, and additional personnel as Crisis Managers, and (ii) to appoint Guy Sansone as Chief Restructuring Officer and Paul Rundell as Executive Vice President of Restructuring, all nunc pro tunc to the Petition Date, and all as more fully set forth in the Application; and the Court having jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334; and consideration of the Application and the relief requested therein being a core proceeding pursuant to 28 U.S.C. §157(b); and venue being proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409, and due and proper notice of the Application having been provided to the necessary parties, and it appearing that no other or further notice need be provided; and a hearing having been held to consider the relief requested in the Application (the "Hearing"); and the appearances of all interested parties having been noted in the record of the Hearing; and upon the record of the Hearing, and all of the proceedings had before the Court; and the Court having determined that the relief sought in the Application is in the best interests of the Debtors, their creditors, and all parties in interest; and the Court having determined that the legal and factual bases set forth in the Application establish just cause for the relief granted herein; and upon all of the proceedings had before the Court and after due deliberation and sufficient cause appearing therefore, it is hereby

ORDERED that the Application is GRANTED; and it is further

ORDERED that in accordance with Bankruptcy Code section 363(b), the Debtors are authorized to employ and retain A&M, nunc pro tunc to the Petition Date, pursuant to the terms and conditions of the Engagement Letter; and it is further

ORDERED that the Debtors are authorized to designate Guy Sansone as the CRO and Paul Rundell as the Executive Vice President of Restructuring, nunc pro tunc to the Petition Date; and it is further

ORDERED that the terms of the Engagement Letter, including without limitation, the fee provisions and the indemnification provisions, are reasonable terms and conditions of employment and are approved; and it is further

ORDERED that, notwithstanding anything to the contrary in the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, orders of this Court, or the United States Trustee Guidelines or any other guidelines regarding submission and approval of fee applications, in light of the services to be provided by A&M and the structure of A&M's compensation pursuant to the Engagement Letter, A&M and its professionals shall be excused from any requirement to maintain time records, as set forth in the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, or such other orders or guidelines, in connection with the services to be rendered pursuant to the Engagement Letter or to submit fee applications pursuant to Sections 330 or 331 of the Bankruptcy Code; provided, however, that A&M shall file quarterly reports of compensation earned, and parties-in-interest in these Chapter 11 cases shall the right to object to fees paid and expenses reimburse to A&M within 20 days after A&M files such reports

ORDERED that the Debtors are authorized to pay A&M in such amounts and at such times as is provided in the Engagement Letter without further order of this Court; and it is further

ORDERED that this Court hereby retains jurisdiction to hear and determine all matters arising from or related to the implementation, interpretation and/or enforcement of this Order.

###End of Order###

Exhibit B

Rundell Application Declaration

**PAUL RUNDSELL AS THE EXECUTIVE VICE PRESIDENT OF RESTRUCTURING
FOR THE DEBTORS NUNC PRO TUNC TO THE COMMENCEMENT DATE**

I, Paul Rundell, state the following under penalty of perjury:

1. I am a Managing Director with Alvarez & Marsal Healthcare Industry, LLC ("A&M"),² a financial advisory services firm with numerous offices throughout the country. I submit this declaration on behalf of A&M (the "Declaration") in support of the application (the "Application"), for authority pursuant to 105(a) and 363(b): (i) to employ and retain Alvarez & Marsal Healthcare Industry, LLC (together with its affiliates, each of which is wholly-owned by Alvarez & Marsal Healthcare Industry, LLC's parent company and employees, "A&M") to provide the Debtors a chief restructuring officer, an executive vice president of restructuring, and additional personnel as Crisis Managers, and (ii) to Appoint Guy Sansone as Chief Restructuring Officer and Paul Rundell as Executive Vice President of Restructuring, all nunc pro tunc to the Petition Date. Except as otherwise noted,³ I have personal knowledge of the matters set forth herein.

A&M's Qualifications

2. A&M is a turnaround management consulting firm founded in 1983 to provide specialized debtor management and advisory services to troubled companies. A&M has since grown to become a global provider of management and advisory services to companies in crisis or those in need of performance improvement in specific financial and operational areas.

² Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Application.

³ Certain of the disclosures herein relate to matters within the personal knowledge of other professionals at A&M and are based on information provided by them.

A&M's core services include Turnaround Management Consulting, Interim and Crisis Management, Creditor Advisory, and Performance Improvement. A&M has provided interim management services in a number of large and mid-size bankruptcy restructurings including In re Lehman Brothers Holdings Inc., Case No. 08-13555 (S.D.N.Y. Sept. 15, 2008) and In re Saint Vincents Catholic Medical Centers of New York, Case No. 05-14945(S.D.N.Y. July 5, 2005).

3. I am a managing director of A&M. I have worked as a turnaround consultant and financial advisor for over 12 years. I have substantial knowledge and experience serving in either senior management positions or as a restructuring advisor in large companies and in assisting troubled companies with stabilizing their financial condition, analyzing their operations and developing an appropriate business plan to accomplish the necessary restructuring of their operations and finances. Specifically, I have advised and/or served as a senior executive for, among others, St. Vincent's Catholic Medical Centers, National Benevolent Association and Sunwest Management Inc. Further, I have served in senior management positions and as a restructuring advisor for a number of companies in a variety of industries, specializing in the Healthcare industry. A copy of my curriculum vitae is attached to the Motion as Exhibit D, and is incorporated herein by reference.

4. A&M has been involved in the Debtors' Chapter 11 Cases since April 2, 2009, when the Debtors initially selected A&M as a restructuring consultant to assist the Debtors in their restructuring process, including addressing certain financial and operational difficulties in the period prior to the Petition Date that had resulted in the occurrence of defaults under certain of the Debtors' credit and other arrangements. A&M was selected by the Debtors after a thorough interview process and, on April 2, 2009, the Debtors and A&M entered into an engagement letter (the "Engagement Letter").

5. Beginning in April and continuing through the Petition Date, several professionals of A&M, including myself, have devoted substantial amounts of time and effort working with members of the Debtors' senior management to, among other things, assist in the development of long-term projections, assist in short-term cash management activities, remove millions of dollars of costs assist in short-term cash management activities and coordinate the Debtors' efforts to prepare for a chapter 11 filing.

6. A&M has become thoroughly familiar with the Debtors' operations. Through the services that A&M has provided to the Debtors to date, A&M is highly qualified to serve the Debtors in these Chapter 11 Cases.

Terms of Compensation

7. Guy Sansone, acting as Chief Restructuring Officer, will be paid on a fixed-fee basis as more fully discussed in the application. All other A&M employees will seek payment for compensation on an hourly basis, plus reimbursement of actual and necessary expenses incurred by A&M. A&M's customary hourly rates as charged in bankruptcy and non-bankruptcy matters of this type by the professionals assigned to this engagement are outlined in the Application. These hourly rates are adjusted annually. In addition, A&M will seek compensation for the achievement of certain "milestones" as discussed in detail in the Application.

8. According to A&M's books and records, during the ninety day period prior to the Petition Date, A&M received approximately \$4,063,556.15 from the Debtors for professional services performed and expenses incurred. Further, A&M's current estimate is that it has received unapplied advance payments from the Debtors in excess of prepetition billings in the amount of \$350,000. The Debtors and A&M have agreed that any portion of the advance

payments not used to compensate A&M for its prepetition services and expenses will be held and applied against its final postpetition billing and will not be placed in a separate account.

9. To the best of my knowledge, (a) no commitments have been made or received by A&M with respect to compensation or payment in connection with these cases other than in accordance with applicable provisions of the Bankruptcy Code and the Bankruptcy Rules, and (b) A&M has no agreement with any other entity to share with such entity any compensation received by A&M in connection with these chapter 11 cases.

10. Because A&M is not being employed as a professional under section 327 of the Bankruptcy Code, it will not be submitting quarterly fee applications pursuant to sections 330 and 331 of the Bankruptcy Code. However, A&M will submit quarterly reports of compensation paid. Parties in interest shall have the right to object to fees paid when quarterly reports of compensation are filed with this Court. In addition, A&M will seek compensation and reimbursement of expenses, as specified above and in the Engagement Letter, with the payment of such fees and expenses to be approved in accordance with the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, the Local Bankruptcy Rules, and any orders of this Court.

Disinterestedness

11. Even though A&M is not being retained as a professional under section 327(a) of the Bankruptcy Code, in connection with the preparation of this Declaration, A&M conducted an analysis to determine whether it holds or represents any interests adverse to the Debtors. Such analysis consisted of a review of its contacts with the Debtors, their non-debtor affiliates, and certain entities holding large claims against or interests in the Debtors that were made reasonably known to A&M by the Debtors. A listing of the parties reviewed is reflected in Schedule A to this Declaration. A&M's review included providing a list of such parties to all A&M employees worldwide and conducting a query of such parties in a database containing names of individuals

and entities that are represented by A&M. A summary of such relationships that A&M identified during this process is also set forth in Schedule B.

12. Based on the results of its review, to the best of my knowledge, except as otherwise discussed herein A&M does not have a relationship with any of the parties listed in Schedule A in matters related to these proceedings. A&M has provided and could reasonably be expected to continue to provide services unrelated to the Debtors' cases for the various entities shown on Schedule B. A&M's assistance to these parties has been related to providing various financial restructuring, litigation support, business consulting and / or tax services. To the best of my knowledge, A&M's involvement in these cases does not compromise its ability to continue such consulting services.

13. Further, as part of its diverse practice, A&M appears in numerous cases and proceedings, and participates in transactions that involve many different professionals, including attorneys, accountants, and financial consultants, who represent claimants and parties-in-interest in the Debtors' Chapter 11 Cases. These professionals have represented clients in matters where A&M was also an advisor (or provided crisis management) to the same client. In certain cases, these professionals may have engaged A&M on behalf of such client. Specifically, Alston & Bird, DLA Piper LLP⁴, FTI Consulting, Houlihan Lokey, Jackson Lewis, Mintz Levin, Pricewaterhouse Coopers LLP, Sills Cummis & Gross PC, Squire Sanders & Dempsey LLP, Whiteford Taylor And Preston, Winston & Strawn.

14. Additionally, A&M has performed in the past, and may perform in the future, advisory consulting services for various attorneys and law firms, and has been represented by several attorneys and law firms, some of whom may be involved in these proceedings. Based on

⁴ These professionals represent A&M and/or an affiliate on wholly unrelated matters.

our current knowledge of the professionals involved, and to the best of my knowledge, none of these relationships create interests materially adverse to the Debtors in matters upon which A&M is to be employed, and none are in connection with these Chapter 11 Cases.

15. In the course of preparing this Declaration, it has come to A&M's attention that:

a) Managing Director of A&M serves on the Board of Directors of Maxim Healthcare ("Maxim") and A&M also provides certain advisory services to Maxim. Maxim's affiliate is a potential bidder for the Debtors' assets. To the best of my knowledge, Maxim (and specifically A&M's and the aforementioned Board member's role with respect to Maxim) has no connection to the Debtors other than that an affiliated entity under common control may seek to purchase some of the Debtors' assets.

16. A&M does not believe it is a "creditor" of any of the Debtors within the meaning of section 101(10) of the Bankruptcy Code. Further, neither I nor any member of the A&M engagement team serving the Debtors, to the best of my knowledge, is a holder of any of Debtors' outstanding debt instruments or shares of the Debtors' stock.

17. A&M has not reviewed the relationship that the members of the A&M engagement team may have against a comprehensive list of employees within the U.S. Trustee's office in this District, but will do so upon being provided with a list of such persons by the office of the U.S. Trustee.

18. Therefore, to the best of my knowledge and based upon the results of the relationship search described above and except as otherwise disclosed herein, A&M neither holds nor represents an interest adverse to the Debtors.

19. If any new material relevant facts or relationships are discovered or arise, A&M will promptly file a supplemental declaration pursuant to Rule 2014(a) of Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules").

October 20, 2009

By: /s/ Paul Rundell
Paul Rundell
Managing Director
Alvarez & Marsal Healthcare Industry
Group, LLC

Exhibit C

Engagement Letter



600 Lexington Avenue, 6th Floor, New York, NY 10022
Phone: (212) 766-4433 Fax: (212) 766-5533
www.alvarezandmarsal.com

April 2, 2009

John Erickson
Executive Chairman
Erickson Retirement Communities, LLC
701 Maiden Choice Lane
Baltimore, Maryland 21228

Dear Mr. Erickson:

This letter confirms and sets forth the terms and conditions of the engagement between Alvarez & Marsal Healthcare Industry Group, LLC ("A&M") and Erickson Retirement Communities, LLC (the "Company"), including the scope of the services to be performed and the basis of compensation for those services. Upon execution of this letter by each of the parties below and receipt of the retainer described below, this letter will constitute an agreement between the Company and A&M.

1. Description of Services

- a. Officers. In connection with this engagement, A&M shall make available to the Company:
 - (i) Guy Sansone to serve as the Chief Restructuring Officer (the "CRO") on a part-time basis, committing approximately 20 hours per week; and
 - (ii) upon the mutual agreement of A&M and the Board of Directors of the Company (the "Board"), such additional personnel as are necessary to assist in the performance of the duties set forth in clause 1.b below (the "Additional Personnel"). Such Additional Personnel shall be designated by the Company as executive officers.
- b. Duties.
 - (i) The CRO, together with any Additional Personnel, in cooperation with the Chief Executive Officer of the Company (the "CEO"), shall perform a financial review of

the Company and the Campuses, including but not limited to a review and assessment of financial information that has been, and that will be, provided by the Company and Campuses to their creditors, including without limitation its short and long-term projected cash flows;

- (ii) The CRO will oversee Additional Personnel assisting in the identification of cost reduction and operations improvement opportunities as well as other liquidity savings opportunities;
 - (iii) The CRO and any Additional Personnel shall assist the CEO in developing for the Board's review possible restructuring plans or strategic alternatives for maximizing the enterprise value of the Company's various under development and open retirement communities (the "Campus") and developing a sustainable capital structure for the Company and such Campuses and each direct owner of such Campus (each, a "Landowner");
 - (iv) The CRO shall serve as the principal contact with the Company's and Campuses' (on behalf of the Company) creditors and consultants with respect to the Company's and Campuses' (on behalf of the Company) financial and operational matters;
 - (v) The CRO and Additional Personnel, under advisement of the Board, shall manage the Company's liquidity, cash flows, modeling, budgets and financial planning;
 - (vi) The CRO and any Additional Personnel shall perform such other services as requested or directed by the Board and CEO and agreed to by such officer.
- c. Reporting. The CRO and any Additional Personnel shall report to the Company's office of executive Chairman and the Board.
- d. Employment by A&M. The CRO and any Additional Personnel will continue to be employed by A&M and while rendering services to the Company will continue to work with other personnel at (and clients of) A&M in connection with other unrelated matters, which will not unduly interfere with services pursuant to this engagement. With respect to the Company, however, the CRO and any Additional Personnel shall operate under the direction of the Board and A&M shall have no liability to the Company for any acts or omissions of such officers.

- e. Projections; Reliance; Limitation of Duties. You understand that the services to be rendered by the CRO and any Additional Personnel may include the preparation of projections and other forward-looking statements, and that numerous factors can affect the actual results of the Company's or any Campus' operations, which may materially and adversely differ from those projections and other forward-looking statements. In addition, the CRO and any Additional Personnel will be relying on information provided by other members of the Company's management in the preparation of those projections and other forward-looking statements. Neither the CRO, any Additional Personnel nor A&M makes any representation or guarantee that an appropriate restructuring proposal or strategic alternative can be formulated for the Company or any Campus, that any restructuring proposal or strategic alternative presented to the Board will be more successful than all other possible restructuring proposals or strategic alternatives, that restructuring is the best course of action for the Company or any Campus or, if formulated, that any proposed restructuring plan or strategic alternative will be accepted by any of the Company's or any Campus' creditors, shareholders and other constituents. Further, neither the CRO, and any Additional Personnel nor A&M assumes responsibility for the selection of any restructuring proposal or strategic alternative that any such officer assists in formulating and presenting to the Board, and the CRO and any Additional Personnel shall be responsible for implementation only of the proposal or alternative approved by the Board and only to the extent and in the manner authorized and directed by the Board.
- f. Additional Responsibilities. Upon the mutual agreement of the Company and A&M, A&M may provide such additional personnel as the Company may request to assist in performing the services described above and such other services as may be agreed to, on such terms and conditions and for such compensation as the Company and A&M shall agree.
- g. In connection with the services to be provided hereunder, from time to time A&M may utilize the services of employees of its affiliates. Such affiliates are wholly owned by A&M's parent company and employees.

2. Compensation

a. A&M will be paid by the Company for the services of the CRO and any Additional Personnel at the following billing rates. The billing rate for the CRO is \$65,000 per month for up to 80 hours per month. Any additional time will be billed at an hourly rate for the CRO. The current hourly billing rates for other A&M personnel, based on the position held by such A&M personnel in A&M, are:

i. Managing Director	\$600-\$700
ii. Sr. Director	\$475-\$550
iii. Director	\$400-\$500
iv. Associate	\$325-\$400
v. Analyst	\$200-\$275

Such rates shall be subject to adjustment annually at such time as A&M adjusts its rates generally.

For the first 60 days of the engagement hereunder, A&M will cap daily and monthly hours charged at 10 and 200 hours, respectively, per employee, excluding the CRO.

b. In addition, A&M will be reimbursed for its reasonable out-of-pocket expenses incurred in connection with this assignment, such as travel, lodging, duplicating, computer research, messenger and telephone charges. In addition, A&M shall be reimbursed by the Company for the reasonable fees and expenses of its counsel incurred in connection with the preparation, negotiation and enforcement of this Agreement. All fees and expenses due to A&M will be billed on a weekly basis or, at A&M's discretion, more frequently.

c. The Company shall promptly remit to A&M a retainer in the amount of \$350,000 which shall be credited against any amounts due at the termination of this engagement and returned upon the satisfaction of all obligations hereunder.

In addition to the hourly compensation, A&M will be entitled to incentive compensation in the amount of (1) \$350,000 with respect to each Landowner (the "Incentive Fee") upon (i) the earlier of (x) the consummation of any out-of-court Restructuring Transaction (as defined below) or pre-arranged Chapter 11 Restructuring Transaction or (y) the effective date of a confirmed plan of reorganization under Chapter 11 of the Bankruptcy Code, which constitutes a Restructuring Transaction and (ii) the close of any

Sale Transaction (as defined below) and (2) with respect to each Land Owner, upon the completion of each Amendment Transaction (as defined below), \$100,000 for each such Amendment Transaction ("Amendment Transaction Fee"), provided (x) if multiple Amendment Transactions are consummated contemporaneously with multiple lenders (and no individual Amendment Transaction involves the extension of maturities), then the maximum aggregate fee for such contemporaneous Amendment Transactions shall be \$500,000 (i.e., 5.0 x the Amendment Transaction Fee); and (b) if multiple Amendment Transactions are consummated contemporaneously with multiple lenders (and any one or more of those Amendment Transactions involve the extension of maturities), then the maximum aggregate fee for such contemporaneous Amendment Transactions shall be \$1,000,000 (i.e., 10.0 x the Amendment Transaction Fee). Notwithstanding the foregoing, in no event shall the aggregate incentive fees earned here under exceed \$2,500,000.

For the purposes of this Agreement, a "Restructuring Transaction" shall be defined as any single transaction or series of transactions that effectuates any modification, amendment to, or change in, any of the Landowner's obligations and/or indebtedness for borrowed money, including accrued and/or accreted interest thereon, which are outstanding as of the Effective Date ("Indebtedness"), including, without limitation, interest bearing trade debt, senior bank debt and subordinated debt. Such modification, amendment, or change shall include, without limitation, any transaction(s) which provide for: any material modification, amendment or change of, or in, principal balance, accrued or accreted interest, payment term, other debt service requirement, and/or financial or operating covenant; any forbearance for at least twelve (12) months with respect to any payment obligation; conversion to equity, or some other security instrument, of any, or all, of such obligations or indebtedness; any compromise of the existing terms of such obligations and/or indebtedness; any combination of the foregoing transactions. Each of the foregoing shall include, without limitation, any transaction in which requisite consents to a reorganization or restructuring are obtained pursuant to a tender offer, exchange offer, consent solicitation or other process, or a plan of reorganization under the United States Bankruptcy Code.

For purposes of this agreement, the term "Sale Transaction" is defined to include any of the following (whether in one or a series of transaction): (a) a merger or consolidation of any Landowner and/or any of its businesses, subsidiaries or affiliates (b) a sale of

at least 50% of the equity securities of any Landowner (whether from the Company, Landowner or security holders of the Company or Landowner) or any business, subsidiary or affiliate of the Landowner (whether from such business, subsidiary, affiliate or the Company or Landowner), in any case whether by sale, exchange, tender offer or otherwise, (c) any transaction which results in a third party having the right to elect a majority of the members of the Board of Directors of the Company or any Landowner, (d) a sale (including, without limitation, by sale, lease, license, exchange or other acquisition) of a significant amount of the assets (tangible or intangible) of the Landowner or any of its businesses, subsidiaries or affiliates, (e) a liquidation of the Landowner or any of its businesses, subsidiaries or affiliates, (f) any recapitalization or restructuring (including spin-off or split-off of assets) of the Landowner or any of its businesses, subsidiaries or affiliates, or (g) any other form of disposition which results in the effective disposition of all or a substantial amount of the business, operations, or assets of the Landowner or any of its businesses, subsidiaries or affiliates.

For purposes of this Agreement, the term "Amendment Transaction" shall mean, (a) any forbearance, amendment or waiver, or series of forbearances, amendments or waivers, during any fiscal quarter with respect to the Company's debt obligations or (b) an increase in loan capacity under any existing debt facility from an existing Company lender, in either case, which does not otherwise constitute a Restructuring Transaction (each, an "Amendment Transaction"). Amendment Transactions shall generally consist of forbearances, amendments and waivers that require a simple majority under the Company's credit agreements; provided, however the Company and A&M have agreed solely for purposes of A&M's entitlement to the Incentive Fee set forth above, that the extension of maturities shall be included in the definition of Amendment Transaction herein.

Term

The engagement will commence as of the date hereof and may be terminated by either party without cause by giving 30 days' written notice to the other party. A&M normally does not withdraw from an engagement unless the Company misrepresents or fails to disclose material facts, fails to pay fees or expenses, or makes it unethical or unreasonably difficult for A&M to continue to represent the Company, or unless other just cause exists. In the event of any such termination, any fees and expenses due to A&M shall be remitted promptly (including fees and expenses that accrued prior to but were invoiced subsequent to such termination). If the Company terminates this engagement without Cause or if A&M terminates this engagement for Good Reason, A&M shall also be entitled to receive the Incentive Fee upon the occurrence of any event specified in Section 2(d) if such event occurs within 18 months of the termination. The Company may immediately terminate A&M's services hereunder at any time for Cause by giving written notice to A&M. Upon any such termination, the Company shall be relieved of all of its payment obligations under this Agreement, except for the payment of fees and expenses through the effective date of termination (including fees and expenses that accrued prior to but were invoiced subsequent to such termination) and its obligations under paragraphs 7 and 8. For purposes of this Agreement, "Cause" shall mean if (i) the CRO or any of the Additional Personnel is convicted of, admits guilt in a written document filed with a court of competent jurisdiction to, or enters a plea of nolo contendere to, an allegation of fraud, embezzlement, misappropriation or any felony; (ii) the CRO or any of the Additional Personnel willfully disobeys a lawful direction of the Board; or (iii) a material breach of any of A&M's or the CRO or any of the Additional Personnel material obligations under this Agreement which is not cured within 30 days of the Company's written notice thereof to A&M describing in reasonable detail the nature of the alleged breach. For purposes of this Agreement, termination for "Good Reason" shall mean either its resignation caused by a breach by the Company of any of its material obligations under this Agreement that is not cured within 30 days of A&M having given written notice of such breach to the Company describing in reasonable detail the nature of the alleged breach or a filing of a petition under Chapter 11 of the United States Bankruptcy Code in respect of the Company unless within 45 days thereafter (or, if sooner, prior to the date on which a plan of reorganization is confirmed or the case is converted to one under Chapter 7), the Company has obtained judicial authorization to continue the engagement on the terms herein pursuant to an order which has become a final, nonappealable order.

3. No Audit, Duty to Update.

It is understood that the CRO, any Additional Personnel and A&M are not being requested to perform an audit, review or compilation, or any other type of financial statement reporting engagement that is subject to the rules of the AICPA, SEC or other state or national professional or regulatory body. They are entitled to rely on the accuracy and validity of the data disclosed to them or supplied to them by employees and representatives of the Company or any Campus. The CRO, any Additional Personnel and A&M are under no obligation to update data submitted to them or review any other areas unless specifically requested by the Board to do so.

4. No Third Party Beneficiary.

The Company acknowledges that all advice (written or oral) given by A&M to the Company in connection with this engagement is intended solely for the benefit and use of the Company (limited to its Board and management) in considering the matters to which this engagement relates. The Company agrees that no such advice shall be used for any other purpose or reproduced, disseminated, quoted or referred to at any time in any manner or for any purpose other than accomplishing the tasks referred to herein without A&M's prior approval (which shall not be unreasonably withheld), except as required by law.

6. Conflicts.

A&M is not currently aware of any relationship that would create a conflict of interest with the Company or those parties-in-interest of which you have made us aware. Because A&M is a consulting firm that serves clients on an international basis in numerous cases, both in and out of court, it is possible that A&M may have rendered or will render services to or have business associations with other entities or people which had or have or may have relationships with the Company, including creditors of the Company. In the event you accept the terms of this engagement, A&M will not represent, and A&M has not represented, the interests of any such entities or people in connection with this matter.

7. Confidentiality / Non-Solicitation.

The CRO, and Additional Personnel and A&M shall keep as confidential all non-public information received from the Company in conjunction with this engagement, except (i) as requested by the Company or its legal

counsel; (ii) as required by legal proceedings or (iii) as reasonably required in the performance of this engagement. All obligations as to non-disclosure shall cease as to any part of such information to the extent that such information is or becomes public other than as a result of a breach of this provision. Except as specifically provided for in this letter, the Company on behalf of itself and its subsidiaries and affiliates and any person which may acquire all or substantially all of its assets agrees that, until two (2) years subsequent to the termination of this engagement, it will not solicit, recruit, hire or otherwise engage any employee of A&M who worked on this engagement while employed by A&M ("Solicited Person"). Should the Company or any of its subsidiaries or affiliates or any person who acquires all or substantially all of its assets extend an offer of employment to or otherwise engage any Solicited Person and should such offer be accepted, A&M shall be entitled to a fee from the party extending such offer equal to the Solicited Person's hourly client billing rate at the time of the offer multiplied by 4,000 hours for a Managing Director, 3,000 hours for a Senior Director and 2,000 hours for any other A&M employee. The fee shall be payable at the time of the Solicited Person's acceptance of employment or engagement.

8. Indemnification

The Company shall indemnify the CRO and all Additional Personnel to the same extent as the most favorable indemnification it extends to its officers or directors, whether under the Company's bylaws, its certificate of incorporation, by contract or otherwise, and no reduction or termination in any of the benefits provided under any such indemnities shall affect the benefits provided to the CRO or Additional Personnel. The CRO and each Additional Personnel shall be covered as an officer under the Company's existing director and officer liability insurance policy. As a condition of A&M accepting this engagement, a Certificate of Insurance evidencing such coverage shall be furnished to A&M prior to the effective date of this Agreement. The Company shall give thirty (30) days' prior written notice to A&M of cancellation, non-renewal, or material change in coverage, scope, or amount of such director and officer liability policy. The Company shall also maintain any such insurance coverage for the CRO and each Additional Personnel for a period of not less than two years following the date of the termination of such officer's services hereunder. The provisions of this section 8 are in the nature of contractual obligations and no change in applicable law or the Company's charter, bylaws or other organizational documents or policies shall affect the CRO's or any Additional Personnel's rights hereunder. The attached indemnity provisions are incorporated herein and the termination of this agreement or the engagement shall not affect those provisions, which shall survive termination.

9. Miscellaneous.

This Agreement shall (together with the attached indemnity provisions) be: (a) governed and construed in accordance with the laws of the State of New York, regardless of the laws that might otherwise govern under applicable principles of conflict of laws thereof; (b) incorporates the entire understanding of the parties with respect to the subject matter thereof; and (c) may not be amended or modified except in writing executed by each of the signatories hereto. The Company and A&M agree to waive trial by jury in any action, proceeding or counterclaim brought by or on behalf of the parties hereto with respect to any matter relating to or arising out of the performance or non-performance of the Company or A&M hereunder. The Company and A&M agree, to the extent permitted by applicable law, that any Federal Court sitting within the Southern District of New York shall have exclusive jurisdiction over any litigation arising out of this Agreement; to submit to the personal jurisdiction of the Courts of the United States District Court for the Southern District of New York; and to waive any and all personal rights under the law of any jurisdiction to object on any basis (including, without limitation, inconvenience of forum) to jurisdiction or venue within the State of New York for any litigation arising in connection with this Agreement.

If the foregoing is acceptable to you, kindly sign the enclosed copy to acknowledge your agreement with its terms.

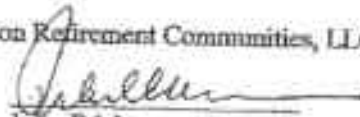
Very truly yours,

Alvarez & Marsal Healthcare
Industry Group, LLC

By: 
Paul Rindell
Managing Director

Accepted and Agreed:

Erickson Retirement Communities, LLC

By: 
John Erickson
Executive Chairman

INDEMNIFICATION AGREEMENT

This indemnity is made part of an agreement, dated April 2, 2009 (which together with any renewals, modifications or extensions thereof, is herein referred to as the "Agreement") by and between Alvarez & Marsal Healthcare Industry Group, LLC ("A&M") and Erickson Retirement Communities, LLC (the "Company"), for services to be rendered to the Company by A&M.

A. The Company agrees to indemnify and hold harmless each of A&M, its affiliates and their respective shareholders, members, managers, employees, agents, representatives and subcontractors (each, an "Indemnified Party" and collectively, the "Indemnified Parties") against any and all losses, claims, damages, liabilities, penalties, obligations and expenses, including the costs for counsel or others (including employees of A&M, based on their then current hourly billing rates) in investigating, preparing or defending any action or claim, whether or not in connection with litigation in which any Indemnified Party is a party, or enforcing the Agreement (including these indemnity provisions), as and when incurred, caused by, relating to, based upon or arising out of (directly or indirectly) the Indemnified Parties' acceptance of or the performance or nonperformance of their obligations under the Agreement; provided, however, such indemnity shall not apply to any such loss, claim, damage, liability or expense to the extent it is found in a final judgment by a court of competent jurisdiction (not subject to further appeal) to have resulted primarily and directly from such Indemnified Party's gross negligence or willful misconduct. The Company also agrees that no Indemnified Party shall have any liability (whether direct or indirect, in contract or tort or otherwise) to the Company for or in connection with the engagement of A&M, except to the extent that any such liability for losses, claims, damages, liabilities or expenses are found in a final judgment by a court of competent jurisdiction (not subject to further appeal) to have resulted primarily and directly from such Indemnified Party's gross negligence or willful misconduct. The Company further agrees that it will not, without the prior consent of an Indemnified Party, settle or compromise or consent to the entry of any judgment in any pending or threatened claim, action, suit or proceeding in respect of which such Indemnified Party seeks indemnification hereunder (whether or not such Indemnified Party is an actual party to such claim, action, suit or proceedings) unless such settlement, compromise or consent includes an unconditional release of such Indemnified Party from all liabilities arising out of such claim, action, suit or proceeding.

B. These indemnification provisions shall be in addition to any liability which the Company may otherwise have to the Indemnified Parties. In the event that, at any time whether before or after termination of the engagement or the Agreement, as a result of or in connection with the Agreement or A&M's and its personnel's role under the Agreement, A&M or any Indemnified Party is required to produce any of its personnel (including former employees) for examination, deposition or other written, recorded or oral presentation, or A&M or any of its personnel (including former employees) or any other Indemnified Party is required to produce or otherwise review, compile, submit, duplicate, search for, organize or report on any material within such Indemnified Party's possession or control pursuant to a subpoena or other legal (including administrative) process, the Company will reimburse the Indemnified Party for its out of pocket expenses, including the reasonable fees and expenses of its

counsel, and will compensate the Indemnified Party for the time expended by its personnel based on such personnel's then current hourly rate.

C. If any action, proceeding or investigation is commenced to which any Indemnified Party proposes to demand indemnification hereunder, such Indemnified Party will notify the Company with reasonable promptness; provided, however, that any failure by such Indemnified Party to notify the Company will not relieve the Company from its obligations hereunder, except to the extent that such failure shall have actually prejudiced the defense of such action. The Company shall promptly pay expenses reasonably incurred by any Indemnified Party in defending, participating in, or settling any action, proceeding or investigation in which such Indemnified Party is a party or is threatened to be made a party or otherwise is participating in by reason of the engagement under the Agreement, upon submission of invoices therefor, whether in advance of the final disposition of such action, proceeding, or investigation or otherwise. Each Indemnified Party hereby undertakes, and the Company hereby accepts its undertaking, to repay any and all such amounts so advanced if it shall ultimately be determined that such Indemnified Party is not entitled to be indemnified therefor. If any such action, proceeding or investigation in which an Indemnified Party is a party is also against the Company, the Company may, in lieu of advancing the expenses of separate counsel for such Indemnified Party, provide such Indemnified Party with legal representation by the same counsel who represents the Company, provided such counsel is reasonably satisfactory to such Indemnified Party, at no cost to such Indemnified Party; provided, however, that if such counsel or counsel to the Indemnified Party shall determine that due to the existence of actual or potential conflicts of interest between such Indemnified Party and the Company such counsel is unable to represent both the Indemnified Party and the Company, then the Indemnified Party shall be entitled to use separate counsel of its own choice, and the Company shall promptly advance its reasonable expenses of such separate counsel upon submission of invoices therefor. Nothing herein shall prevent an Indemnified Party from using separate counsel of its own choice at its own expense. The Company will be liable for any settlement of any claim against an Indemnified Party made with the Company's written consent, which consent shall not be unreasonably withheld.

D. In order to provide for just and equitable contribution if a claim for indemnification pursuant to these indemnification provisions is made but it is found in a final judgment by a court of competent jurisdiction (not subject to further appeal) that such indemnification may not be enforced in such case, even though the express provisions hereof provide for indemnification, then the relative fault of the Company, on the one hand, and the Indemnified Parties, on the other hand, in connection with the statements, acts or omissions which resulted in the losses, claims, damages, liabilities and costs giving rise to the indemnification claim and other relevant equitable considerations shall be considered; and further provided that in no event will the Indemnified Parties' aggregate contribution for all losses, claims, damages, liabilities and expenses with respect to which contribution is available hereunder exceed the amount of fees actually received by the Indemnified Parties pursuant to the Agreement. No person found liable for a fraudulent misrepresentation shall be entitled to contribution hereunder from any person who is not also found liable for such fraudulent misrepresentation.

E. In the event the Company and A&M seek judicial approval for the assumption of the

Agreement or authorization to enter into a new engagement agreement pursuant to either of which A&M would continue to be engaged by the Company, the Company shall promptly pay expenses reasonably incurred by the Indemnified Parties, including attorneys' fees and expenses, in connection with any motion, action or claim made either in support of or in opposition to any such retention or authorization, whether in advance of or following any judicial disposition of such motion, action or claim, promptly upon submission of invoices therefor and regardless of whether such retention or authorization is approved by any court. The Company will also promptly pay the Indemnified Parties for any expenses reasonably incurred by them, including attorneys' fees and expenses, in seeking payment of all amounts owed it under the Agreement (or any new engagement agreement) whether through submission of a fee application or in any other manner, without offset, recoupment or counterclaim, whether as a secured claim, an administrative expense claim, an unsecured claim, a prepetition claim or a postpetition claim.

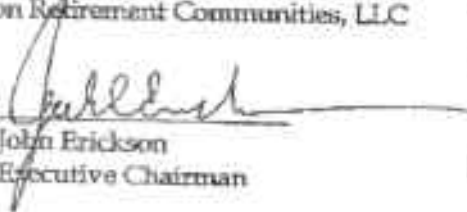
F. Neither termination of the Agreement nor termination of A&M's engagement nor the filing of a petition under Chapter 7 or 11 of the United States Bankruptcy Code (nor the conversion of an existing case to one under a different chapter) shall affect these indemnification provisions, which shall hereafter remain operative and in full force and effect.

G. The rights provided herein shall not be deemed exclusive of any other rights to which the Indemnified Parties may be entitled under the certificate of incorporation or bylaws of the Company, any other agreements, any vote of stockholders or disinterested directors of the Company, any applicable law or otherwise.

Erickson Retirement Communities, LLC

ALVAREZ & MARSAL HEALTHCARE
INDUSTRY GROUP, LLC

By:


John Erickson
Executive Chairman

By:

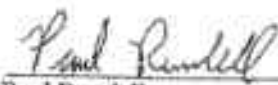

Paul Rundell
Managing Director

Exhibit D

Curriculum Vitae

Guy Sansone

X Sector Fall



Guy Sansone

Managing Director

Head of Healthcare Industry Group



ALVAREZ & MARSAL

- Guy Sansone, a Managing Director with Alvarez & Marsal in New York, serves as head of the firm's Healthcare Industry Group. Mr. Sansone brings more than 17 years of experience working as an adviser, investor and senior manager of troubled and underperforming companies. He focuses on developing and evaluating strategic and operating alternatives designed to enhance value through operating turnaround, financial reorganization or sale.
- Mr. Sansone's major engagements have been in the healthcare and telecommunications industries, with prior experience in distribution, shipping, drilling, real estate and financial services. He most recently served as Chief Executive Officer and Chief Restructuring Officer at Saint Vincent Catholic Medical Centers in New York. Previously, Mr. Sansone was interim Chief Financial Officer of HealthSouth Corporation and a member of the leadership team that facilitated the company's successful out-of-court operational and financial restructuring during a high-profile crisis period. Previously, Mr. Sansone served as SVP of Integrated Health Services, Inc., President and co-CEO of Rotech Healthcare Inc. ("Rotech"), and Chief Financial Officer of Telegroup, Inc. Additionally, he serves as a member of Rotech's Board of Directors.
- Prior to joining A&M, Mr. Sansone spent four years investing in distressed companies and other special situations, including management of Praxair Capital Corp., the post-bankruptcy successor to Integrated Resources, Inc. In this role, he specialized in evaluating the cash flow and performing due diligence on a number of portfolio distressed debt, leveraged buyout and venture capital investments. Prior to that, Mr. Sansone served as an accounting and auditing manager with Deloitte & Touche, LLP, where he primarily focused on large publicly traded and troubled companies.
- Mr. Sansone received a bachelor's degree from State University of New York at Albany. He is a Certified Public Accountant (CPA).

Exhibit E

Curriculum Vitae

Paul Rundell

Professional Title



Paul Rundell
Managing Director



ALVAREZ & MARSAL

- ▶ Paul Rundell is a Managing Director with Alvarez & Marsal Healthcare Industry Group in New York. Mr. Rundell brings more than 13 years of experience specializing in interim management specifically cash management and financial analysis.
- ▶ Mr. Rundell has provided cash management, financial support, crisis management, turnaround consulting, business strategy and planning, market analysis and operational improvement services to clients, and has advised unsecured and secured creditors and debtors both in and out of court. He is skilled in the creation of cash management processes, 13-week cash flow, profit / loss statements, balance sheet statements, borrowing bases and other financial documents to help manage and run corporations. Mr. Rundell has worked with various healthcare clients geographically dispersed throughout the country.
- ▶ Currently with A&M, Mr. Rundell is advising a \$2 billion assisted living facility operator. Prior to this assignment, he advised a five hospital acute health system and served as Senior Vice President, Financial Restructuring, for St. Vincent's Catholic Medical Centers, a \$1.5 billion non-profit hospital system in New York. In connection with A&M's management assignment on the Chapter 11 restructuring. In this role, Mr. Rundell's responsibilities included DASNY negotiations, cash management, producing short and long-term business plan projections and assisting the CFO and CRO on various other projects.
- ▶ Mr. Rundell's other assignments have included leading an in-court assignment for a \$150 million non-profit nursing home, where he identified almost \$10 million of annual savings by reducing head count and non-salary cost reductions, and leading a \$200 million recapitalization for a \$430 million senior health care facility portfolio, where he successfully negotiated additional funds to be invested from various constituencies.
- ▶ Prior to joining A&M, Mr. Rundell worked with several restructuring and interim management firms where he assisted clients with revenues ranging from \$100 million to more than \$15 billion.
- ▶ Mr. Rundell holds a bachelor's degree and a master's degree in business administration from the University of Illinois. He is a Certified Insolvency and Restructuring Advisor (CIRA) and a Certified Turnaround Professional (CTP). He is a member of the Turnaround Management Association (TMA) and the Association of Insolvency and Restructuring Advisors (AIRA).

Exhibit F

Dispute Resolution Procedures

SCHEDULE A

Listing of Parties-In-Interest Reviewed for Current Relationships

Erickson Retirement Communities, LLC Potential Parties In Interest

Debtors and Non-Debtor Affiliates

Erickson Retirement Communities, LLC
Ashburn Campus, LLC
Columbus Campus, LP
Concord Campus GP, LLC
Concord Campus, LP
Dallas Campus GP, LLC
Dallas Campus, LP
Erickson Construction, LLC
Erickson Group, LLC
Hingham Campus, LLC
Houston Campus, LP
Kansas Campus, LLC
Lincolnshire Campus, LLC
Littleton Campus, LLC
Naperville Campus, LLC
Novi Campus, LLC
Senior Campus Services, LLC
Warminster Campus GP
Warminster Campus, LP

Prepetition Lenders

Abington Bank
Bank of America, N.A.
Commerce Bank, N.A.
First Commonwealth Bank
Hillcrest Bank
Manufacturers and Traders Trust Company
Manufacturers and Traders Trust Company
PNC Bank, National Association
Provident Bank
Sandy Spring Bank
Sovereign Bank
Virginia Commerce Bank
Wilmington Trust FSB

Consolidated 30 Largest Creditors

Allan A. Meyers, LP
Anning-Johnson Company
Atlas Welding & Fabrication, Inc.
Becker Electrical Group, Inc.
Building Systems
Business Flooring
Concrete Foundations & Flatwork
Deola, Inc.
EMC Corporation
Gannett Offset
GE Appliances
Hunt & Walsh, Inc.
Huntington Mechanical
International Business Machines Corp.
Mechanical Engineering & Construction
MED3000
Northern Mechanical Contractors, Inc.
Northwest Electric
P C Curry Floor Covering
Price Modern
RCM & D, Inc.
Regional Construction Resources, Inc.
Ultimate Kitchens
United States Postal Services
W. H. Boyer, Inc.
Westside Mechanical, Inc.
William A. Hazel, Inc.
Winchester Enterprises, Inc.
Winchester Group, Inc.
Worth & Company, Inc.

Professionals Retained by Debtors

Alvarez & Marsal Holdings, LLC
Houffman, Lokery, Howard & Zukin, Inc.

**US Bankruptcy Court for the
Dallas Division of the
Northern District of Texas**

Judges

Chief Judge Barbara J. Houser
Judge Robert L. Jones
Judge D. Michael Lynn
Judge Hatlin D. Hale
Judge Russell F. Nelms
Judge Stacey G. C. Jernigan

**Office of the US Trustee for
the Northern District of
Texas Employees**

William T. Neary Susan G. Young
Beverly Brooks Elizabeth Ziegler
Ruby Curry
Mary Frances Darham
Christi C. Flanagan
C. Marie Goodier
Melany M. Johnson
Lisa L. Lambert
Marina J. Lopez
Albert Loftus
LaSharon F. McClellan
George F. McElreath
A. L. Nickerson
Sandra F. Nixon
Felicia P. Palas
Bradley D. Perdue
Nancy S. Reasnick
Julie S. Salinas
Erin Schmidt
Joseph W. Speranza
Cheryl H. Wilcoxson
Cindy Worthington
Gale Wright

**Current or Former Agents and
Servicers under Credit Agreement**
Manufacturers and Traders Trust Company
Wilmington Trust FSB

**Indenture Trustee for Subordinated Taxable
Adjustable Mezzanine Put Securities**
Bank of New York

SCHEDULE B

Listing of Parties in Interest Represented by A&M

Erickson Disclosure

Creditors¹

American Express Travel Services
Bank of America
Barclays Capital
Capmark
Citizens/Charter One Bank
Fifth Third Bank
Guaranty Bank
IKON Financial Services
KBC
Key Bank
M&T Bank
M&T Credit Corporation
Morgan Stanley Real Estate
Oppenheimer
PNC Bank, N.A.
Sovereign Bank
TD/Commerce Bank
Travelers
Verizon Wireless
Wachovia
Wells Fargo
Wilmington Trust

Members of Noteholders Group²

American Express Travel Services
IKON Financial Services
Morgan Stanley Real Estate

¹ A&M is currently advising or has previously advised these parties or their affiliates as creditors or various official creditors' committees in which these parties or their affiliates were members or which represented the interests of these parties or their affiliates.

² A&M is currently advising or has previously advised various official or unofficial noteholders' committees in which these parties or their affiliates were members or which represented the interests of these parties or their affiliates.

Professionals & Advisors³

Alston & Bird
DLA Piper LLP⁴
FTI Consulting
Houlihan Lokey
Jackson Lewis
Mintz Levin
Pricewaterhouse Coopers LLP
Sills Cummis & Gross Pc
Squire Sanders & Dempsey LLP
Whiteford Taylor And Preston
Winston & Strawn

Clients Of A&M And/Or Its Affiliates⁵

American Express Travel Services
AT & T Mobility
Bank of America
Capmark Finance Inc
Comcast Cable
Dell Marketing L.P
Emc Corporation
Fifth Third Bank
Hess Corporation
KBC
Key Bank
Microsoft Licensing
Morgan Stanley Real Estate
Oracle
Presidio
Qwest Communications
TD/Commerce Bank
Travelers
Verizon Wireless
Wachovia
Wells Fargo

³ These professionals have represented clients in matters where A&M was also an advisor (or provided crisis management) to the same client. In certain cases, these professionals may have engaged A&M on behalf of such client.

⁴ These professionals represent A&M and/or an affiliate on wholly unrelated matters.

⁵ A & M and/ or an affiliate is currently providing or has previously provided certain consulting services to these parties or their affiliates in wholly unrelated matters.

Significant Equity Holders⁶

American Express Travel Services
Bank of America
Barclays Capital
Citizens/Charter One Bank
Hillcrest Bank
Key Bank
Morgan Stanley Real Estate
Oppenheimer
PNC Bank, N.A.
TD/Commerce Bank
Travelers
Wachovia
Wells Fargo

Significant Joint Venture Partners⁷

Barclays Capital
Microsoft Licensing
Sovereign Bank
Sprint

⁶ These parties or their affiliates are significant equity holders of other clients of A&M or its affiliates in wholly unrelated matters.

⁷ These parties or their affiliates are significant joint venture partners of other clients of A&M or its affiliates in wholly unrelated matters.



U.S. BANKRUPTCY COURT
NORTHERN DISTRICT OF TEXAS
ENTERED
TAWANA C. MARSHALL, CLERK
THE DATE OF ENTRY IS
ON THE COURT'S DOCKET

The following constitutes the ruling of the court and has the force and effect therein described.

Hay G. C. Jones

United States Bankruptcy Judge

Signed November 24, 2009

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION**

In re: § **CASE NO. 09-37010**
§
ERICKSON RETIREMENT § **CHAPTER 11**
COMMUNITIES, LLC, et al.¹ §
§ **Jointly Administered**
§
Debtors. §

ORDER PURSUANT TO BANKRUPTCY CODE SECTIONS 105(a) AND 363(b) FOR AUTHORIZATION TO (A) EMPLOY AND RETAIN ALVAREZ & MARSAL HEALTHCARE INDUSTRY, LLC TO PROVIDE THE DEBTORS A CHIEF RESTRUCTURING OFFICER, AN EXECUTIVE VICE PRESIDENT OF RESTRUCTURING, AND ADDITIONAL PERSONNEL AS CRISIS MANAGERS, AND (B) TO DESIGNATE GUY SANSONE AS THE CHIEF RESTRUCTURING OFFICER AND PAUL RUNDELL AS EXECUTIVE VICE PRESIDENT OF RESTRUCTURING FOR THE DEBTORS NUNC PRO TUNC TO THE COMMENCEMENT DATE

Upon the application, dated October 20, 2009 (the "Application"),² of the above-captioned debtors and debtors in possession (the "Debtors"), for authority pursuant to 105(a) and

¹ The Debtors in these chapter 11 cases are Erickson Retirement Communities, LLC, Ashburn Campus, LLC, Columbus Campus, LLC, Concord Campus GP, LLC, Concord Campus, LP, Dallas Campus GP, LLC, Dallas Campus, LP, Erickson Construction, LLC, Erickson Group, LLC, Houston Campus, LP, Kansas Campus, LLC, Littleton Campus, LLC, Novi Campus, LLC, Senior Campus Services, LLC, Warminster Campus GP, LLC, Warminster Campus, LP.

363(b), (i) to employ and retain Alvarez & Marsal Healthcare Industry, LLC (“A&M”) to provide the Debtors a chief restructuring officer, an executive vice president of restructuring, and additional personnel as Crisis Managers, and (ii) to appoint Guy Sansone as Chief Restructuring Officer and Paul Rundell as Executive Vice President of Restructuring, all nunc pro tunc to the Petition Date, and all as more fully set forth in the Application; and the Court having jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334; and consideration of the Application and the relief requested therein being a core proceeding pursuant to 28 U.S.C. §157(b); and venue being proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409, and due and proper notice of the Application having been provided to the necessary parties, and it appearing that no other or further notice need be provided; and a hearing having been held to consider the relief requested in the Application (the “Hearing”); and the appearances of all interested parties having been noted in the record of the Hearing; and upon the record of the Hearing, and all of the proceedings had before the Court; and the Court having determined that the relief sought in the Application is in the best interests of the Debtors, their creditors, and all parties in interest; and the Court having determined that the legal and factual bases set forth in the Application establish just cause for the relief granted herein; and upon all of the proceedings had before the Court and after due deliberation and sufficient cause appearing therefore, it is hereby

ORDERED that the Application is GRANTED to the extent provided herein; and it is further

ORDERED that in accordance with Bankruptcy Code section 363(b), the Debtors are authorized to employ and retain A&M, nunc pro tunc to the Petition Date, pursuant to the terms and conditions of the Engagement Letter; and it is further

² Unless otherwise noted, capitalized terms used but not defined herein shall have the meanings provided in the Application.

ORDERED that the Debtors are authorized to designate Guy Sansone as the CRO and Paul Rundell as the Executive Vice President of Restructuring, nunc pro tunc to the Petition Date; and it is further

ORDERED that the terms of the Engagement Letter, including without limitation, the fee provisions and the indemnification provisions, are, subject and without prejudice to the rights of parties under section 330 of the Bankruptcy Code as further set forth herein, reasonable terms and conditions of employment and are approved provided however that (i) Guy Sansone shall work a minimum of 80 hours per month in connection with his engagement as Chief Restructuring officer and that A&M Shall be compensated for Mr. Sansone's services the amount of \$65,000 per month; should Mr. Sansone work fewer than 80 hours per month on average for any given quarter the estate shall receive a credit in the amount of \$812.50 per hour for any such shortfall, and (ii) any success/transaction fees, payable post petition, provided in the Engagement Letter and described in Paragraph 21 of the Application are capped at the amount of \$1,500,000; and it is further

ORDERED that, notwithstanding anything to the contrary in the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, orders of this Court, or the United States Trustee Guidelines or any other guidelines regarding submission and approval of fee applications, in light of the services to be provided by A&M and the structure of A&M's compensation pursuant to the Engagement Letter, A&M and its professionals shall be required to maintain time records, as set forth below, in connection with the services to be rendered pursuant to the Engagement Letter; A&M shall file monthly reports identifying each A&M professional (including Sansone) engaged in performing services for the Debtors, the number of hours worked that month by each respective professional, a brief description of the tasks performed by each individual and the

total of compensation earned, and parties-in-interest in these Chapter 11 cases shall, subject to the time periods set forth in the Interim Fee Procedures Order, have the right to object to fees paid and expenses reimburse to A&M. Further, A&M shall file Quarterly Fee Applications listing time in increments of 1/10th of an hour identified by task code (with the exception of Sansone who is retained on a fixed fee arrangement), pursuant to a list of task codes submitted to and approved by the US Trustee;

ORDERED that other than with respect to the Success/Transaction Fee set forth below, A&M's fees and expenses shall be evaluated under the reasonableness standards set forth in section 330 of the Bankruptcy Code. The Court, the Official Committee of Unsecured Creditors (the "Committee"), and the United States Trustee (the "U.S. Trustee") shall be permitted to review the Success/Transaction Fees (as defined in the Agreement) pursuant to the reasonableness standards set forth in section 330 of the Bankruptcy Code; provided, however, that in determining the reasonableness of the Success/Transaction Fees under section 330, among other factors that the Court, the Committee, and the U.S. Trustee should consider is whether the Transaction Fees are comparable to the range of fees paid to crisis managers in comparable transactions both in and outside of court in this and other Districts, as provided in section 330(a)(3)(F) of the Bankruptcy Code. Neither the U.S. Trustee nor A&M shall rely upon this provision as binding precedent in any other chapter 11 proceedings; and it is further

ORDERED that nothing in this Order shall prejudice the later allocation of A&M's fees and expenses among the Debtors' various estates, if such is necessary; and it is further

ORDERED that the Debtors are authorized to pay A&M in such amounts and at such times as is provided in the Engagement Letter and the Interim Compensation Order without further order of this Court; and it is further

ORDERED, that the indemnification provisions of the Indemnification Agreement are approved; and it is further

ORDERED, that if, before the entry of an order closing these chapter 11 cases, any Indemnified Party believes that it is entitled to the payment of any amounts by the Debtors on account of the Debtors' indemnification, contribution and/or reimbursement obligations under the Indemnification Agreement, including without limitation the advancement of defense costs, such Indemnified Party must file an application therefor in this Court, and the Debtors may not pay any such amounts to the Indemnified Party before the entry of an order by this Court approving the payment. This paragraph is intended only to specify the period of time under which the Court shall have jurisdiction over any request for fees and expenses by Indemnified Parties for indemnification, contribution or reimbursement, and is not a provision limiting the duration of the Debtors' obligation to indemnify Indemnified Parties; and it is further

ORDERED, that no party may bring against any Indemnified Party any suit, proceeding or other action relating in any way to the Debtors or these chapter 11 cases in any court located in any jurisdiction without an application to and order of this Court; and it is further

ORDERED that this Court hereby retains jurisdiction to hear and determine all matters arising from or related to the implementation, interpretation and/or enforcement of this Order.

###End of Order###

Exhibit C: Summary of Fees Charged by Task Code and by A&M Professional During the Application Period

	Paul Rundell	Steve Boyd	Steve Winegeart	Tamra Aloï	David McLaughlin	Doug Staut	Alexandra Simon	Total
Accounting/auditing	\$ -	\$ -	\$ -	\$ 1,530.00	\$ -	\$ 750.00	\$ 21,725.00	\$ 24,005.00
Assessment services	-	-	-	-	11,790.00	-	17,300.00	29,090.00
Asset analysis and recovery	-	3,307.50	-	-	-	2,662.50	-	5,970.00
Asset disposition	40,200.00	32,340.00	29,452.50	-	-	-	-	101,992.50
Business analysis	49,080.00	106,155.00	-	17,010.00	8,685.00	1,500.00	13,150.00	195,580.00
Business operation	2,580.00	49,980.00	64,155.00	1,350.00	-	5,175.00	22,025.00	145,265.00
CRO governance	6,060.00	-	-	-	-	-	-	6,060.00
Case administration	2,160.00	2,100.00	-	-	-	-	-	4,260.00
Cash management	84,600.00	85,470.00	-	900.00	12,375.00	38,625.00	18,575.00	240,545.00
Claims admin and objections	16,200.00	6,300.00	-	9,450.00	68,760.00	4,275.00	26,875.00	131,860.00
Communications	-	630.00	840.00	675.00	-	-	4,800.00	6,945.00
Consulting	-	3,412.50	-	176,130.00	-	33,600.00	1,450.00	214,592.50
Contract/lease assume/reject	9,000.00	68,355.00	525.00	-	15,975.00	3,000.00	-	96,855.00
Corporate finance	-	3,832.50	-	-	-	-	-	3,832.50
DIP financing/cash collateral	18,000.00	44,415.00	1,155.00	-	4,950.00	69,900.00	1,325.00	139,745.00
Data analysis	-	6,457.50	-	4,230.00	17,325.00	146,550.00	64,275.00	238,837.50
Employee benefits/pensions	1,440.00	1,260.00	3,832.50	-	-	-	5,100.00	11,632.50
Fee/employment objections	-	-	-	-	-	-	6,000.00	6,000.00
Financing	-	1,365.00	-	-	540.00	-	-	1,905.00
Insurance	-	12,127.50	2,677.50	2,205.00	1,395.00	-	800.00	19,205.00
Litigation support	780.00	-	-	-	-	15,637.50	-	16,417.50
Meeting of creditors	-	3,045.00	-	-	-	2,250.00	-	5,295.00
Plan and disclosure statement	88,500.00	34,282.50	5,670.00	-	12,735.00	2,962.50	725.00	144,875.00
Plan process	15,780.00	367.50	-	-	-	-	-	16,147.50
Post confirmations	39,300.00	36,225.00	-	-	11,340.00	-	1,000.00	87,865.00
Reclamation claims	-	1,312.50	-	-	24,885.00	-	-	26,197.50
Schedules & statements of financial affairs	13,380.00	30,555.00	46,777.50	68,625.00	19,980.00	29,587.50	37,025.00	245,930.00
Strategic planning	-	4,882.50	-	-	-	5,212.50	1,600.00	11,695.00
Tax issues	-	15,907.50	-	-	5,805.00	-	1,150.00	22,862.50
Testimony	130,740.00	43,050.00	-	-	6,660.00	-	-	180,450.00
Travel time	62,250.00	48,667.50	7,875.00	26,910.00	24,300.00	33,281.25	19,062.50	222,346.25
Valuation	4,980.00	-	-	-	-	-	-	4,980.00
Various requests from Lenders, UCC and NFP advisors	76,320.00	79,327.50	10,290.00	2,520.00	-	79,687.50	14,775.00	262,920.00
Total	\$ 661,350.00	\$ 725,130.00	\$ 173,250.00	\$ 311,535.00	\$ 247,500.00	\$ 474,656.25	\$ 278,737.50	\$ 2,872,158.75

* Does not include Guy Sansone

** Travel time billed at 50% hourly rate

Exhibit D: Summary of Hours Charged by Task Code and by A&M Professional During the Application Period

	Paul Rundell	Steve Boyd	Steve Winegeart	Tamra Aloj	David McLaughlin	Doug Staut	Alexandra Simon	Total
Accounting/auditing	-	-	-	3.4	-	2.0	86.9	92.3
Assessment services	-	-	-	-	26.2	-	69.2	95.4
Asset analysis and recovery	-	6.3	-	-	-	7.1	-	13.4
Asset disposition	67.0	61.6	56.1	-	-	-	-	184.7
Business analysis	81.8	202.2	-	37.8	19.3	4.0	52.6	397.7
Business operation	4.3	95.2	122.2	3.0	-	13.8	88.1	326.6
CRO governance	10.1	-	-	-	-	-	-	10.1
Case administration	3.6	4.0	-	-	-	-	-	7.6
Cash management	141.0	162.8	-	2.0	27.5	103.0	74.3	510.6
Claims admin and objections	27.0	12.0	-	21.0	152.8	11.4	107.5	331.7
Communications	-	1.2	1.6	1.5	-	-	19.2	23.5
Consulting	-	6.5	-	391.4	-	89.6	5.8	493.3
Contract/lease assume/reject	15.0	130.2	1.0	-	35.5	8.0	-	189.7
Corporate finance	-	7.3	-	-	-	-	-	7.3
DIP financing/cash collateral	30.0	84.6	2.2	-	11.0	186.4	5.3	319.5
Data analysis	-	12.3	-	9.4	38.5	390.8	257.1	708.1
Employee benefits/pensions	2.4	2.4	7.3	-	-	-	20.4	32.5
Fee/employment objections	-	-	-	-	-	-	24.0	24.0
Financing	-	2.6	-	-	1.2	-	-	3.8
Insurance	-	23.1	5.1	4.9	3.1	-	3.2	39.4
Litigation support	1.3	-	-	-	-	41.7	-	43.0
Meeting of creditors	-	5.8	-	-	-	6.0	-	11.8
Plan and disclosure statement	147.5	65.3	10.8	-	28.3	7.9	2.9	262.7
Plan process	26.3	0.7	-	-	-	-	-	27.0
Post confirmations	65.5	69.0	-	-	25.2	-	4.0	163.7
Reclamation claims	-	2.5	-	-	55.3	-	-	57.8
Schedules & statements of financial affairs	22.3	58.2	89.1	152.5	44.4	78.9	148.1	593.5
Strategic planning	-	9.3	-	-	-	13.9	6.4	29.6
Tax issues	-	30.3	-	-	12.9	-	4.6	47.8
Testimony	217.9	82.0	-	-	14.8	-	-	314.7
Travel time	207.5	185.4	30.0	119.6	108.0	177.5	152.5	980.5
Valuation	8.3	-	-	-	-	-	-	8.3
Various requests from Lenders, UCC and NFP advisors	127.2	151.1	19.6	5.6	-	212.5	59.1	575.1
Total	1,206.0	1,473.9	345.0	752.1	604.0	1,354.5	1,191.2	6,926.7

* Does not include Guy Sansone
 ** Travel time billed at 50% hourly rate

Exhibit E: Summary of Expenses Charged by Task Code and by A&M Professional During the Application Period

	Guy Sansone	Paul Rundell	Steve Boyd	Steve Winegeart	Tamra Aloj	David McLaughlin	Doug Staut	Alexandra Simon	Total
Airfare	\$ 4,222.40	\$ 21,920.50	\$ 6,758.00	\$ 2,748.40	\$ 8,652.10	\$ 8,039.60	\$ 1,912.00	\$ -	\$ 54,253.00
Business meals	226.03	4,856.72	5,137.75	134.19	427.34	1,237.27	10,003.33	827.48	22,850.11
Car rental expense	-	1,055.53	6,125.31	1,122.83	1,268.30	1,449.08	4,943.07	-	15,964.12
Lodging	1,428.16	13,571.17	16,151.00	3,769.68	9,111.82	6,744.55	13,450.72	11,121.81	75,348.91
Mileage expense	379.00	768.00	-	300.30	-	-	-	-	1,447.30
Miscellaneous expense	-	111.70	450.00	-	-	-	186.12	35.05	782.87
Parking	742.77	2,299.00	1,376.00	-	-	-	118.00	-	4,535.77
Telecommunication expense	40.75	1,848.04	570.75	13.42	66.72	200.85	801.79	203.44	3,745.76
Taxi Fare	539.01	2,648.69	1,458.20	30.00	1,524.86	1,447.40	1,080.70	1,201.16	9,930.02
Train Fare	318.00	-	4,584.75	127.00	-	-	10,362.00	8,908.00	24,299.75
Total	\$ 7,896.12	\$ 49,079.35	\$ 42,611.76	\$ 8,245.82	\$ 21,051.14	\$ 19,118.75	\$ 42,857.73	\$ 22,296.94	\$ 213,157.61