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TAWANA C. MARSHALL, CLERK
U.S. BANKRUPTCY COURT
NORTHERN DISTRICT OF TEXAS

CLAIMANT for Severance and GPP Employee Benefit

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

In re:
ERICKSON RETIREMENT COMMUNITIES, LLC, et al
Debtors

CASE NO. 09-37010
CHAPTER 11
Jointly Administered

OBJECTION TO SECOND AMENDED DISCLOSURE STATEMENT FOR SECOND AMENDED JOINT PLAN OF REORGANIZATION FOR THE DEBTORS PROPOSED BY ERICKSON RETIREMENT COMMUNITIES, LLC

Pursuant to the "AMENDED ORDER SETTING HEARING AND DEADLINE TO OBJECT TO AMENDED DISCLOSURE STATEMENT FOR DEBTORS' SECOND AMENDED JOINT PLAN OF REORGANIZATION PROPOSED BY ERICKSON RETIREMENT COMMUNITIES, LLC", the Claimant, PATRICIA A BLACK, herewith files her objection.

SUMMARY

The Second Amended Disclosure Statement (hereinafter referred to as Amended Disclosure Statement or Disclosure Statement) does not provide the adequate information necessary for PATRICIA A BLACK (hereinafter referred to as Claimant) to make an informed vote on the Second Amended Joint Plan of Reorganization proposed by Erickson Retirement Communities (hereinafter referred to as

Amended Plan). Further, it unfairly denies appropriate and obligated compensation to Claimant and his/her fellow laid off employees on several levels.

1. Pursuant to Section 1125 of the Bankruptcy Code, the disclosure statement must contain "adequate information...of a kind, and in sufficient detail...that would enable such a hypothetical reasonable investor of the relevant class...to make an informed judgment about the plan." 11 U.S.C Section 1125(a)(1). This Amended Disclosure Statement does not provide enough information to determine what estimated percentage of recovery the Plan is proposing for the category(ies) that Claimant or her fellow laid off employees would fall under.
2. The tier system of the Liquidating Creditor's Trust appears to arbitrarily exclude claims of some unsecured creditors, including those of laid-off former employees. It is unclear as to what percentage other unsecured claims would likely recover. A dollar amount is set for each tier, but no indication is given of how small or large that dollar amount is compared to total claimed amounts of those Creditors who find themselves in such tier per proposed plan.
3. Former employees are the most vulnerable group of Creditors (as detailed in subsequent paragraphs of this document). Yet we had no voice for our unique claims and situation in the lengthy negotiating process behind closed doors (where other Creditors were party to) that apparently yielded this latest Amended Plan as well as the previous Amended Plan. For reasons noted below, we have not had the opportunity to have our cause heard in a

timely manner that could impact the Amended Plan and Disclosure Statement.

4. The Amended Disclosure Statement unfairly includes language that employs strong arm tactics to prevent Creditors from due process in raising objections and concerns with the Amended Plan. Specifically, the Plan spells outs penalties (sometimes referred to as "death penalties") whereby the Plan seeks to force acceptance of the Plan at every level and every stage or be cut off entirely from the proceeds of distribution. This is especially unfair for the group of former employees who have had no opportunity/forum to adequately raise concerns for an extremely complicated Plan that developed between the Debtors and selected Creditors. It is not fair when some of the former employees' claims have been negotiated away without any consent to volunteer such concessions that disproportionately affect these employees, and then have language in the Plan that precludes any attempts at objecting to/voting against the proposed plan without jeopardizing those claims and other claims a Creditor/Claimant may have.
5. The Amended Disclosure Statement, while correctly proposing that Other Priority Claims will receive 100% of amount owed, does not appear to list any dollar amounts in Schedule F to be set aside for such Other Priority Claims to fulfill that obligation.
6. There are unique claims of inequitable treatment in regards to unpaid Accrued Vacation (Paid Time Off, hereinafter referred to as PTO) that affect the claimants and a very small group of former employees (approx. 5-10

employees) out of the approximately 450 laid off employees. This group has been unfairly denied payment that should have been paid out in full per the Separation Agreement prior to the Bankruptcy date and despite other severed employees with the same termination date receiving payment for Accrued Vacation. These employees actually worked for net negative income in that if they had been laid off earlier in the year they actually would have been paid significantly more (severance up till bankruptcy would have cancelled with pay received up till October 2, but an earlier layoff would have resulted in full payment of accrued vacation/PTO, in addition to the lost opportunity for pursuing other income opportunities). Paying this obligation is essential to providing a greater opportunity for the restructured company to achieve success through restoring employee morale by demonstrating that the Company will honor its basic obligations to employees. In addition, the Amended Plan anticipates future Development and Construction to bring more financial stability to uncompleted Communities through recovering more initial entrance deposits and acquiring a more stable revenue stream through increased numbers of monthly deposits. To achieve the greatest success in bringing stability to these Communities, the restructured Company will need the expertise provided by those employees who were laid off just prior to bankruptcy and denied basic obligations such as Accrued Vacation (PTO) as described in each employee's Separation Agreement.

7. There are unique claims of Severance payment that should be paid out as part of the Amended Plan. Similar to Accrued Vacation, there are a number

of employees (approx. 94) who have had their Separation Agreements violated by having needed income from Severance payments suspended. This occurred despite the employees' good faith and hard work for the good of the Company in performing necessary tasks in bringing the Development/Construction process to a close to maximize recovery of Entrance Deposits. These efforts have materially helped enhance the value of the restructured Company and given it a greater chance to succeed in its business going forward. In addition, as cited above for PTO, the Amended Plan and Disclosure Statement anticipates future Development and Construction to bring more financial stability to uncompleted Communities through recovering more initial entrance deposits and acquiring a more stable revenue stream through increased numbers of monthly deposits. To achieve the greatest success in bringing stability to these Communities, the restructured Company will need the expertise provided by those employees who were laid off just prior to bankruptcy and denied basic obligations such as Severance as described in each employee's Separation Agreement.

8. In regards to Severance and PTO/Accrued Vacation, former employees are in a unique class for several reasons. First, employees were told by the Company that Severance and PTO were safe from Bankruptcy, and thus employees acted in good faith in the administration of their obligations per the Separation Agreement only to find that their Severance and PTO have been suspended/denied to date (some have received $0 in Severance and $0 in PTO). Employees acted in good faith in remaining with the Company and

have subsequently suffered and continue to suffer significant financial hardship. The impact of unpaid Severance and PTO has the greatest effect on these employees. Unlike other Creditors, employees do not have multiple customers. Other Creditors through these multiple customers can better withstand/dilute the effects of bankruptcy by relying on business with other customers. For employees, their employment represented their whole livelihood, so cutting off these payments has the most injurious effect and thus rises to the highest level of injustice. Furthermore, no other Creditors would have been told by the Debtor Company that the money owed them would be safe from bankruptcy. This was the case with these severed employees, and combined with an employee's income being his or her financial livelihood, this class of former employees has a unique and high priority claim that the Court should use its broad authority to protect. Indeed, the Debtors/Debtors in Possession have expressed their strong support for these employees to be paid their Severance and PTO, as evidenced by the "MOTION OF DEBTORS PURSUANT TO 11 U.S.C. SECTION 105(a) AND 363(b) FOR AN ORDER AUTHORIZING PAYMENT OF PREPETITION EMPLOYEE SEVERANCE BENEFITS" (item #130 on the Court Docket and hereinafter referred to as "Motion for Severance"). **Finally, while the proper payout of Severance and PTO would have a hugely positive impact on the affected employees' financial hardship, the total dollar amount would have a microscopic effect on other creditors. The full and proper payout of PTO claims would be less than 0.0005 (or**

5/100 of 1%) of the total $365 million sale of the Company. Similarly, the proper payout of Severance claims, though larger than PTO, would still be miniscule and would be less than 0.005 (or less than ½ of 1%) of the total $365 million sale of the Company.

9. Failure to pay Severance and Accrued Vacation will negatively impact the business going forward as it erodes the confidence of both existing residents and prospective residents. Erickson's business is unique in that a significant refundable deposit (often their life's savings) is made by the resident with the trust that it will indeed be refunded. If the company cannot keep its expressly stated commitment and obligation to former employees regarding accrued vacation and severance, it casts doubt on the Company's commitment to honor resident refundable deposits in the future. To not honor the severance and accrued vacation for these former employees would negatively impact future sales as prospective residents would be more hesitant to commit their life savings to a Company that did not honor prior obligations.
10. The GPP Employee Benefit Plan claims should not be arbitrarily denied any payment. These claims are General Unsecured Creditor claims per the GPP Plan and should receive a pro rata share of the proceeds.
11. There are unique claims of inequitable treatment in regards to the disbursement or lack of disbursement of the GPP Employment Benefit Plan. A small group of employees never received the first three installments of the GPP disbursement that the bulk of GPP members received. These employees

achieved the required vesting BEFORE the Bankruptcy date and should have been compensated upon vesting. Furthermore, the dollar amounts of the first three installments were held in individual escrow accounts for these employees until such time as they were vested. Since the vesting occurred prior to the Bankruptcy, the Company was in error and wrongfully denied payment of these vested escrow accounts. The Court should right this inequity and award these employees as a priority class to receive payment of the vested, escrowed amounts from the first three installments of the GPP Old Plan disbursement.

BASIS FOR OBJECTION

Insufficient Information

12. The Amended Disclosure Statement does not meet the requirements of Section 1125 for adequate information. It does not adequately explain the anticipated recovery for unsecured creditors in each of the tiers in that it does not estimate the amount of claims within the Tier that are eligible for pro rata share of the specified lump sum amounts. Consequently, it is not possible to evaluate whether the Plan is marginally better than the first Amended Plan, significantly better, or worse with its exclusions within the Liquidating Creditor Trust language. Therefore, there is not enough information for the Creditor to determine whether to vote yes or no on the Amended Plan.

13. The inclusion of STAMPS in Tier A is contradictory in the Plan's language as stated in Disclosure Statement Section V F 10 (g) and (h). It appears that STAMPS have received favorable treatment as a subordinated claim compared to the GPP Employee Benefit Plan and could significantly dilute the pro rata share of the other Unsecured Creditors. Yet, relevant definitions in Section V F 10 (i) (i) defines "Tier A Percentage Recovery" to be "the quotient of $7 million divided by the total amount of Allowed Claims entitled to participate in Tier A plus the STAMP fees, but excluding all other Claims of the STAMPS." So, it appears that STAMPS could inordinately dilute the Tier A payout to the rest of the Creditors in Tier A, but then the STAMPS amount is carved out of the quotient definition which makes it more difficult for a proration trigger event to occur and benefit the members of Tier A. So, it appears that the Tier A Creditors who are non-STAMP creditors may be unfairly compromised by the STAMPS language in two ways: dilution of pro rata proceeds on the front end and hampering a proration trigger event on the back end. The nature of the special treatment of STAMPS holders needs to be explained better in the Plan for the other Creditors within Tier A to determine if the Plan benefits them sufficiently to vote for the Plan or not.

Other Priority Claims

14. The full payment of Other Priority Claims is reasonable and consistent with Bankruptcy provisions, which include Severance and Accrued Vacation. However, the Court should make sure that Schedule F, which lists the various

allocations to different Classes of Claims, properly allocates the appropriate dollars for such Other Priority Claims.

Severance Payment

15. Claimant was part of the Reduction in Force announced in April 2009. However, Claimant agreed along with other critical employees, as part of his Separation Agreement, to work until June 30, 2009 to provide essential services to Erickson in the closing down of the Development and Construction group.

16. The Separation Agreement clearly stipulates that the severed employee shall receive their severance to be paid on an ongoing paycheck by paycheck basis for the specified number of weeks at the employee's current rate of pay (ie, at termination).

17. These employees suffered extreme financial hardship by finding out on October 22, only one day before they were to receive their regular severance payouts that the payout would not occur the next day. This was described by the Company as a "glitch" in the bankruptcy process that should be resolved by the following week when the Motion for Severance was supposed to be heard. The Motion was not heard and still has not been heard, and these Employees have been suffering compounded financial hardship.

18. Severance is recognized by state laws and regulations as an enforceable part of the wage agreement. In Texas, per the Office of the Commissioner representing employers on the Texas Workforce Commission under the authority of Texas Labor Code Section 301.002(a)(2) (TWC website is

twc.state.tx.us), "Severance pay that is promised in a written policy or other form of agreement is an enforceable part of the wage agreement under the Texas Payday Law. Under Section 821.25(b) of the Texas Payday Law rules, severance pay is additional pay for an employee's past work that is given at the end of the employee's employment, and is usually, but not always, based upon a set formula such as length of prior service. It is a payment that the employer has somehow previously obligated itself to give, either orally or in writing....As a matter of enforcement policy, TWC's Labor Law Department will enforce whatever severance payment interval and conditions are set forth in the written policy or agreement creating the obligation to make the payment. " Furthermore, a general rule of employment law would be applicable here: "whenever two or more statutes or principles of law apply to an employee's situation, the one that results in a greater benefit to the employee must be applied...Wage agreements that exceed state or federal minimums will take precedence under general contract principles and under most state wage payment laws, including the Texas Payday Law." (from twc.state.tx.us website). In this case, the enforceability of the Separation Agreement is of greater benefit to the employee and should be applied.

19. Employees are the most vulnerable of Classes in a bankruptcy case (beyond assuring that the Business is viable and thus protects the Residents in this particular case). Unlike other Creditors, employees do not have multiple customers. Other Creditors through these multiple customers can better withstand/dilute the effects of bankruptcy by relying on business with other

customers. For employees, their employment represented their whole livelihood, so cutting off these payments has the most injurious effect and thus rises to the highest level of injustice. The Court in its established role as a Court of equity is empowered with broad remedial powers to fashion relief for Creditors in a fair and equitable manner.

20. Employees are a unique class in this particular case, in that they were assured by the Company that their Separation Agreements and accompanying Severance benefits would be honored even if future Bankruptcy occurred. No other class of Creditors can assert this claim. A business who is a Creditor necessarily understands that part of doing business involves risk that a customer may not pay them back and could be protected from collection of debt through bankruptcy. Out of equity and fairness, these employees, who were promised Severance and PTO payment, and continued to work in good faith based upon such promises from the Company, should be paid their severance in full to honor that Separation Agreement.

21. The Company (Debtor/Debtor in Possession) has already stated their support and reasoning for former Employees to be paid per the Separation Agreement. The Motion for Severance referenced in Paragraph 8 above and found as item #130 on the Court Docket expresses strong arguments for these employees to be paid their severance.

22. The arguments in the Motion contained within Docket item #130 are adopted by reference into this document and briefly outlined in the following paragraphs 23-30.

23. The Motion effectively outlines that the severed employees were essential to close down projects and other necessary functions. "If the retained personnel had not completed their work, the Debtors, and therefore the bankruptcy estates would be in a materially worse position than they are today."

24. For example, the essential tasks required to open buildings in Ashby Ponds RB 1.4 and 1.5 and Maris Grove RB 2.2 and 2.4 resulted in an increase in cash entrance deposits for the bankruptcy estate of $43.4 million.

25. The Debtors have experienced a loss in key talent that the Company had hoped to retain. If the Company cannot restore and maintain the confidence of its employees, the continued success of the Company and ultimately the security and quality of life of the Residents would be negatively impacted.

26. Honoring the Separation Agreements will help the Company going forward to retain its employees and reduce the incentive for further erosion of key employees seeking employment elsewhere. As the Motion states, if these obligations are not honored, "the morale of current Employees would suffer, which would adversely impact the Debtors' business. Failure to honor the Prepetition Obligations could also result in extreme hardship to the Laid-Off Employees depending on the payments as their sole remaining source of income. This would inevitably result in lowered Employee morale and lead

to unmanageable Employee turnover. Indeed, the Debtors may be unable to sustain operations and effectuate a successful reorganization without the ongoing good will of their Employees."

27. As the Debtors' Motion outlines, "Debtors' inability to retain or hire back a qualified work force would inhibit the estates' ability to move beyond bankruptcy. The Debtors or their successor hope to continue development of certain projects in the future in order to attract new residents and continue to add value to the projects." The Amended Disclosure Statement, along with the original plan, calls for a $50 million facility for future construction, which will be necessary to stabilize the developing communities. "If Debtors are unable to retain or hire back employees due to a lack of confidence in Debtors' ability to fulfill their employee agreements with individuals who have development expertise, the ability to conduct that future development that is essential to both the potential purchaser, Redwood, and the National Senior Campuses, Inc. Board which holds the management contracts is put at risk."

28. Bankruptcy code 105 (a) and 363 (c) and the "necessity of payment" doctrine provide the basis for relief. Bankruptcy code 105(a) grants broad authority to carry out the provisions of the Bankruptcy code. For prepetition employee compensation and benefits being upheld as necessary and priority claims, cited cases are CoServ LLC, 273 B. R. 487, 494) Bankr. N.D. Tex, 2002 and Mich. Bureau of Workers' Disability Comp v. Chateaugay Corp 80 B. R. 279, 285-286 (S.D. N.Y. 1987).

29. Failure to pay Severance and Accrued Vacation will negatively impact the business going forward as it erodes the confidence of both existing residents and prospective residents. Erickson's business is unique in that a significant refundable deposit (often their life's savings) is made by the resident with the trust that it will indeed be refunded. This major decision by a resident to make that commitment to pay the deposit is based on relationship and trust with Erickson. Typically, the transaction requires many visits/contacts between resident and staff to build up the strength of relationship and trust to move forward. The agreement between the resident and Erickson is a much more complicated legal agreement than the simple Separation Agreement provided to the former employees. If the company cannot keep its expressly stated commitment and obligation to former employees regarding accrued vacation and severance, it casts doubt on the Company's commitment to honor resident refundable deposits in the future. Many of the laid-off employees know residents and prospective residents through family and friends, who in turn know other prospective residents in their network of seniors. To not honor the severance and accrued vacation for these former employees would negatively impact future sales as prospective residents would be more hesitant to commit their life savings to a Company that did not honor prior obligations. Put positively, paying the severance and accrued vacation that had been promised to the former employees would benefit the future business of the restructured company by helping future sales by restoring confidence in the residents and prospective residents and

ending the negative news coverage and doubts that have arisen because of the unjust treatment of these dedicated former employees.

30. The proper payout of Severance claims would be less than 0.005 (or 1/2 of 1%) of the total $365 million sale of the Company. This microscopic portion of the total Sale would not materially and negatively affect the other Creditors but would have a significantly positive impact on the livelihoods of the affected employees.

GPP EMPLOYEE BENEFIT PLAN

31. The GPP employee benefit plan has unfairly been singled out for exclusion from payment to Unsecured Creditors. Per the GPP Plan, paragraph 9.6, "any such Participant or other person shall only have the rights of a general unsecured creditor of Erickson with respect to any rights under the Plan." It is inequitable and unfair for someone to negotiate the GPP to be a lesser subclass within the General Unsecured Creditor class. The GPP claims should not be excluded from the Liquidating Creditor Trust payouts.

GPP EMPLOYEE BENEFIT PLAN FOR THOSE VESTED BUT NEVER PAID

32. There are unique claims of inequitable treatment in regards to the disbursement or lack of disbursement of the GPP Employment Benefit Plan. A small group of employees never received the first three installments of the GPP disbursement that the bulk of GPP members received. These employees achieved the required vesting BEFORE the Bankruptcy date and should have

been compensated upon vesting. Furthermore, the dollar amounts of the first three installments were held in individual escrow accounts for these employees until such time as they were vested. Since the vesting occurred prior to the Bankruptcy, the Company was in error and wrongfully denied payment of these vested escrow accounts. The Court should right this inequity and award these employees as a priority class to receive payment of the vested, escrowed amounts from the first three installments of the GPP Old Plan disbursement.

UNFAIR LIMITATIONS ON CREDITOR RIGHTS THROUGH THREATENED PENALTIES WITHIN LIQUIDATING CREDITOR TRUST SECTION

33. The Amended Disclosure Statement unfairly includes language that employs strong arm tactics to prevent Creditors from due process in raising objections and concerns with the Amended Plan. Specifically, the Plan spells outs penalties (sometimes referred to as "death penalties") whereby the Plan seeks to force acceptance of the Plan at every level and every stage or be cut off entirely from the proceeds of distribution. This is especially unfair for the group of former employees who have had no opportunity/forum to adequately raise concerns for an extremely complicated Plan that developed between the Debtors and selected Creditors. It is not fair when some of the former employees' claims have been negotiated away without any consent to volunteer such concessions that disproportionately affect these employees,

and then have language in the Plan that precludes any attempts at objecting to/voting against the proposed plan without jeopardizing those claims and other claims a Creditor may have.

34. Included in the Liquidating Creditor Trust section is language that states that the Creditor must consent to the global settlement between the Debtors and Creditor Committee. Not only were the laid-off Erickson employees not part of the discussion involving the Global Settlement, they have not received any official transcript of what the Global Settlement is and includes. Therefore, it is unfair to threaten the laid-off employees with non-participation in the Liquidating Creditor Trust if they object to or raise concerns about a global settlement that they have not had the opportunity to fully evaluate.

35. Creditors should have the due process and right to object to and/or vote against a Plan based on many areas of potential challenge within a complex bankruptcy case. These potential reasons should not deny that Creditor their rightful place as a Beneficiary in the Liquidating Creditor Trust if such Trust ends up being approved in its current condition or in a modified condition. These strong arm tactics only empower the groups who already have power and further penalizes the more vulnerable Creditors from fair and equitable treatment.

RIGHTS AND RESERVATIONS

Nothing is in this Objection shall limit the rights of Claimant in future proceedings of the case, including but not limited to amending or withdrawing

objections, voting on the Plan, participating in the Liquidating Creditor Trust, or any other action that Claimant is entitled to. Claimant also reserves all rights afforded in any other capacity through which claims, pleadings, actions, and defenses may be made or that the Claimant may be entitled to, within or outside this venue, and nothing in this Objection shall be construed to limit those rights.

CONCLUSION

Given the foregoing arguments, I have filed my Objection to the Amended Disclosure Statement and Object to its approval in its current iteration. I believe that the Disclosure Statement and Plan should be modified to equitably address the proper payout of all items noted above. This Objection, per instructions from the Court, will be sent to Debtors' counsel as noted below before 5 pm on March 2, 2010:

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Dated: February 25, 2010
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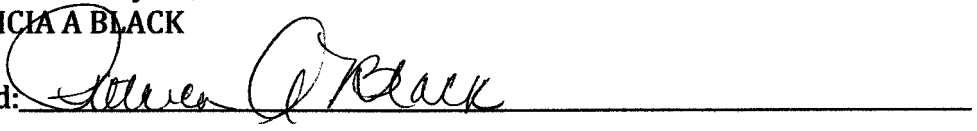
Signed: