

UNITED STATES BANKRUPTCY COURT Northern District of Texas (Dallas Division)

PROOF OF CLAIM

Name of Debtor: Erickson Retirement Communities, LLC

Case Number: 09-37010

NOTE: This form should not be used to make a claim for an administrative expense arising after the commencement of the case. A request for payment of an administrative expense may be filed pursuant to 11 U.S.C. § 503.

Name of Creditor (the person or other entity to whom the debtor owes money or property):

Check this box to indicate that this claim amends a previously filed claim.

Name and address where notices should be sent:

20835747004051 MATERIAL RESOURCES INC 983 S WALL STREET COLUMBUS, OH 43206

YOUR CLAIM IS SCHEDULED AS: Schedule/Claim ID: s835 AMOUNT/CLASSIFICATION \$7,019.18 UNSECURED

Court Claim Number: (If known)

Filed on:

Name and address where payment should be sent (if different from above):

RECEIVED JAN 14 2010 BMC GROUP

Check this box if you are aware that anyone else has filed a proof of claim relating to your claim. Attach copy of statement giving particulars.

Telephone number:

614 445-8008

Check this box if you are the debtor or trustee in this case.

1. Amount of Claim as of Date Case Filed: \$ 7,019.18

If all or part of your claim is secured, complete item 4 below; however, if all of your claim is unsecured, do not complete item 4.

If all or part of your claim is entitled to priority, complete item 5.

Check this box if claim includes interest or other charges in addition to the principal amount of claim. Attach itemized statement of interest or charges.

5. Amount of Claim Entitled to Priority under 11 U.S.C. §507(a). If any portion of your claim falls in one of the following categories, check the box and state the amount.

Specify the priority of the claim.

2. Basis for Claim: SERVICES PERFORMED - CONSULTING

Domestic support obligations under 11 U.S.C. §507(a)(1)(A) or (a)(1)(B).

3. Last four digits of any number by which creditor identifies debtor: 1142

Wages, salaries, or commissions (up to \$10,950*) earned within 180 days before filing of the bankruptcy petition or cessation of the debtor's business, whichever is earlier - 11 U.S.C. §507 (a)(4).

3a. Debtor may have scheduled account as:

4. Secured Claim (See instruction #4 on reverse side.) Check the appropriate box if your claim is secured by a lien on property or a right of setoff and provide the requested information.

Contributions to an employee benefit plan - 11 U.S.C. §507 (a)(5).

Nature of property or right of setoff: Real Estate Motor Vehicle Other

Value of Property: Annual Interest Rate %

Amount of arrearage and other charges as of time case filed included in secured claim,

if any: Basis for perfection:

Amount of Secured Claim: Amount Unsecured:

Up to \$2,425* of deposits toward purchase, lease, or rental of property or services for personal, family, or household use - 11 U.S.C. §507 (a)(7).

Taxes or penalties owed to governmental units - 11 U.S.C. §507 (a)(8).

Other - Specify applicable paragraph of 11 U.S.C. §507 (a)().

Amount entitled to priority:

\$

*Amounts are subject to adjustment on 4/1/10 and every 3 years thereafter with respect to cases commenced on or after the date of adjustment.

6. Credits: The amount of all payments on this claim has been credited for the purpose of making this proof of claim.

7. Documents: Attach redacted copies of any documents that support the claim, such as promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, judgments, mortgages, and security agreements.

DO NOT SEND ORIGINAL DOCUMENTS. ATTACHED DOCUMENTS MAY BE DESTROYED AFTER SCANNING.

If the documents are not available, please explain:

Date: 1-10-10

Signature: The person filing this claim must sign it. Sign and print name and title, if any, of the creditor or other person authorized to file this claim and state address and telephone number if different from the notice address above. Attach copy of power of attorney, if any.

JACK R ANDERSON, PRESIDENT

FOR COURT USE ONLY

Erickson Ret. Comm. LLC



00474

Services performed:

Consulting to Corporate Procurement
on capital purchasing efficiencies - see attached
report

Material Resources, Inc.

983 S.Wall St
Columbus, OH 43206

Invoice

Date	Invoice #
10/14/2009	1142

Bill To
Erickson Retirement Kurt Krummel 701 Maiden Choice Lane Baltimore, MD 21228

P.O. No.	Terms	Project
	Net 15	

Quantity	Description	Rate	Amount
5.5	Review and recommendations for capital processes	1,000.00	5,500.00
	Sept 30 to Oct 2 on site	996.10	996.10
	October 7 & 8 on site	523.08	523.08
EIN #56-1932707		Total	\$7,019.18

consulting report to ERC
from Material Resources

PROPOSAL FOR CAP EX
PROCUREMENT

October, 2009

What is the Current Process for Cap Ex purchasing?

- Directors prepare E-Capital Expenditure Approval and Disposal form
- ED finalizes Cap Ex budget and submits to corporate
- Board Approves Cap Ex purchases
- In most cases, each community purchases Cap Ex, except IT

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graph TD; A[E-Capital Exm.] --> B{ED reviews Cap Ex}; B --> C(Finalized); B --> D[Budget approved by Corporate]; D --> E[Budgets transferred to Cap Exmitter]; E --> F[Final ED Approval];
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What is the Business Case?

- Capital expenditures were \$42 million in 2008 and \$17 million through August of 2009.
- IT Cap Ex spending was \$20.7 million in 2008 and \$8.5 million year-to-date in 2009. An additional \$1 million will be spent in 2009 (total of \$9.5 million).
- Reductions in the Development staff necessitate reassigning procurement responsibilities.
- The recommendations in this report will enable the company to purchase Cap Ex better, faster and cheaper than current methods.

What are some problems with current processes?

- At times, furnishing and equipment standards are not maintained
- No standard purchasing methods or terms and conditions used in many purchases
- The knowledge and experience of Subject Matter Experts (SME's) is not utilized
- Like items are purchased at different prices from different vendors
- Volume is not leveraged
- Accounts Payable processes are not consistent
- No data is available for prior purchases

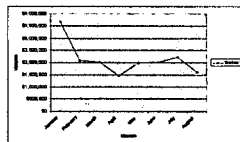
What is the rationale for change?

- Furnishing and fixture replacement will no longer be supported by Development
- Erickson appearance and quality standards need to be maintained for value and safety
- Procurement professionals will strategically source and negotiate beneficial purchase agreements for Cap Ex used by multiple communities
- Aggregating Cap Ex purchases and procurement expertise will reduce costs
- Procurement will use JD Edwards purchase orders to track, streamline A/P processes and provide reports

What is the Value Proposition?

- Capital expenditures are \$17 million YTD and could approach \$25 million in 2009
- 93% of this spend is concentrated on building improvements and FF&E
- Recent experience indicates a potential savings of 20% to 25% through strategic sourcing by purchasing professionals

Category	Value	%	2009 \$	2009 %
Building Improvements	\$10,317,871	60.4%	2,435	4.67%
Furniture and Fixtures	\$3,018,094	20.8%	291	5.96%
Equipment	\$2,176,576	12.7%	403	5.27%
Systems Hardware	\$378,020	2.2%	111	3.31%
Medical Equipment	\$325,478	1.9%	74	4.37%
Leasehold Improvements	\$277,141	1.6%	56	3.67%
Land Improvements	\$145,300	0.8%	58	2.59%
Grand Total	\$17,074,154	100.0%	3,811	2.22%



How can we harvest these savings?

- Establish a Capital Review Task Force at the corporate level to *review and comment on capital requests* prior to submitting the Board for approval
- Provide the consolidated capital budget requests to the Task Force
- This Task Force consists of:
 - Procurement
 - General Services
 - Development
 - Dining Services
 - IT
 - Finance

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How can we harvest these savings?

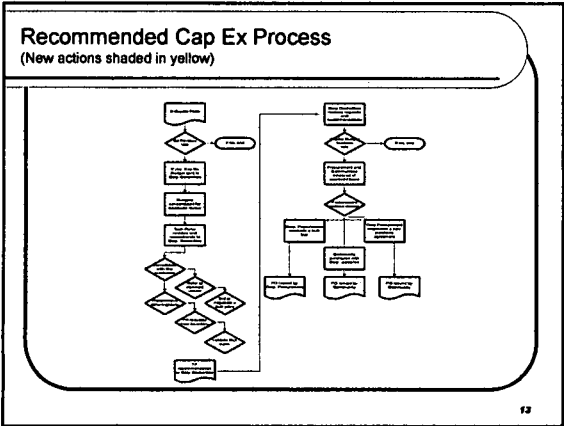
- The Capital Review Task Force recommends various actions, including:
 - Use the knowledge of the Task Force members (SME's) to consider alternatives, strategies or provide expertise
 - Consolidating like purchases and assigning a Purchasing Director to bid or negotiate a bulk price for all communities
 - Recommend that a standard product be purchased, instead of the requested item (11 suppliers of the top 20% have carpet or flooring in their business name)
 - Fulfill certain requests from available inventory (F&F)
 - Recommend denying requests that do not appear to be appropriate or cost effective
 - Validate any ROI claimed by the requesting community

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Will this proposed process cause delays in the Procurement process?

- The Task Force should complete their initial review in one day
 - Procurement will assign contracting tasks to their Directors
 - SME's (Subject Matter Experts) will develop alternatives
 - Both will collaborate with the Communities involved

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What happens after Cap Ex budget approval?

- The budget is executed according to plan
- In most cases, purchase orders will be issued by the community with direction from Procurement or an SME.
- In certain cases, a bulk buy for example, the purchase order will be issued by Procurement
- In either case, purchases should be made using the JDE purchasing system and standard terms and conditions developed by Procurement

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What additional resources are required?

- This Cap Ex process can be supported by existing personnel in Procurement
 - If an opportunity arises to achieve savings with a significant ROI, additional staff support could be required and requested
- JDE should be used for Cap Ex purchases. The Item File should be used (activated) for repetitive purchases so:
 - Price, contract dates and other terms are available to all
 - Purchase history is captured
 - A/P processing is streamlined and the 3 way match is documented

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What are the benefits from this new process?

- Money is saved through leveraging volume and strategic sourcing practices
- Cash flow is enhanced
- Standards for appearance and safety are maintained
- Price and purchase terms are managed to the benefit of the company
- Imprudent purchases are avoided
- Communities receive an improved value
- Capital spending is reduced

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What are the next steps?

- Approve this recommendation and charter the Task Force by appointing its members
- Provide an Excel file with the consolidated capital requests to Procurement and the Task Force
- Initiate the Task Force activities now, in advance of approving 2010 capital requests
- Activate the item file feature in JDE

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