



**Kansas Campus, LLC**  
**Monthly Reporting Package**  
**March 2009**

## *Table of Contents*

	<u><i>Section</i></u>
<i>Project Summary</i>	<i>1</i>
<i>Marketing Reports</i>	<i>2</i>
<i>Total Anticipated Budget/Analysis</i>	<i>3</i>
<i>Project Schedule</i>	<i>4</i>
<i>Monthly Landowner Financial Statements</i>	<i>5</i>
<i>Monthly Community Financial Statements</i>	<i>6</i>
<i>Supplemental Compliance Information</i>	<i>7</i>

# ← Project Summary

## **Kansas Campus, LLC**

### **Project Overview**

#### **Project Description**

Kansas Campus is a 64.9 acre project located in Overland Park, Kansas. The community is marketed under the name Tall Grass Creek and will consist of approximately 1,100 independent living apartments, 84 assisted living apartment and 36 skilled nursing beds.

#### **Financing Overview**

- Kansas Campus closed on a \$65M Construction Loan with PNC Bank in April 2007.
- Kansas Campus closed on \$25M in Sub-Debt Financing with Morgan Stanley in April 2007.
- \$15M of “Special Tax District” bonds with an interest rate of 6% closed in December 2006.
- Erickson has funded approximately \$15.6M in equity to date, including \$6.4M to cover sub debt interest payments and \$9.2M in short term funding.

### **Executive Summary**

#### **Marketing Overview**

The community received 3 deposits, 7 net reservations and settled 3 apartments this month. The pipeline is currently 67 standbys and 95 futures. They currently have 21 units reserved.

#### **Critical Issues**

- The Loan Agreement with PNC requires a building to be substantially completed within certain parameters compared to the original project schedule. Due to adjustments to the project schedule, Kansas Campus no longer meets this requirement. This covenant has been waived by PNC Bank through April 30, 2009.

## Kansas Campus, LLC

- The Loan Agreement with PNC requires that once a Certificate of Occupancy is issued for one or more buildings the project must maintain a project-to-date average rate of 10 settlements per month. The project-to-date average settlements for Tallgrass Creek is currently below this requirement. This covenant has been waived by PNC Bank through April 30, 2009.
- We are currently re-evaluating demand and inventory to determine the most prudent building schedule. The attached project schedule is reflective of our 2009 and 2010 plan; these changes have not been incorporated in the enterprise value. An updated enterprise value will be forthcoming.

### Active Phase Status

There are currently no active phases.

### Proforma Update

*** in millions	Original Budget	CURRENT 3/31/2009 Budget
Entrance Deposits	319	332 (1)
Purchase Price	41	72 (2)
Total Funds	<u>360</u>	<u>404</u>
Project Costs	248	287 (3)
Financing Costs	45	65 (4)
Operations Start Up (Working Capital) Ex. Reserves	21	32 (5)
Development Fees	16	17
Total Costs	<u>330</u>	<u>401</u>
<b>Enterprise Margin</b>	<b><u>30</u></b>	<b><u>3</u></b>

(1) Variance is due primarily to project schedule delays.

(2) Variance is due to lower regional factor, an increase in monthly fee pricing of 2.3% and capitalization rate change from 10% to 8%.

(3) (4) Variance is due primarily to materials cost escalation, unanticipated conditions and schedule delays

(5) Variance due to 50/50 split on surplus recovery.

# 2 Marketing Reports



**2009 Monthly Marketing Trend Report**

Campus: Tallgrass Creek

Monthly Activity	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Average
1 Net Apt Reservations (MS)*	4	2	7										13	4.33
* New	4	2	7										13	4.33
* Resale	0	0	0										0	0
2 Gross Reservations (MS)	7	6	11										24	8.00
3 No. of Total Settlements (MS)*	4	3	3										10	3.33
* New	3	3	3										9	3.00
* Resale	1	0	0										1	0.33
4 No. of Initial Deposits (MS)	4	6	3										13	4.33
5 Requests for Refunds (MS)	3	1	5										9	3.00
6 Total Kit Requests (OT)	109	99	127										335	111.67
* MJO (OT)	61	62	47										170	56.67
* Sales Office (OT)	40	27	68										135	45.00
* Walk-ins (OT)	8	10	12										30	10.00
HC Kit Requests	0	0	0										0	0
7 Total Apts (OT)**	68	49	64										181	60.33
* First Time Apts (OT)	15	20	21										56	18.67
* Non Depositor Repeat Apts (OT)	8	7	12										27	9.00
* Depositor Apts (OT)	45	22	31										98	32.67
* Online Apts (OT)	0	0	0										0	0
8 Walk-in Apts (OT)	0	0	0										0	0
<b>Pipeline</b>														
9 Reserved but Unsettled (P)	18	17	21										21	18.67
* New	17	16	20										20	17.67
* Resale	1	1	1										1	1.00
FPP	3	3	2										2	2.67
10 Standby (P)	76	77	67										67	73.33
11 Futures (P)	92	94	95										95	93.67
12 Total Deposits w/o Settled Apts (C) [9+10+11]	186	188	183										183	185.67
13 Total Settled Apts (P)	112	114	117										117	114.33
Total New Settled Apts (BS)	113	116	119										119	116.00
14 No. of Unsettled Apts (PRU)	115	113	111										111	113.00
15 Apts released by keys not turned in	0	0	1										1	0.33
Ratio (Line 12/14) (C)	1.62	1.66	1.65	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.65	1.64

Notes

\* Net Reservations = Gross Reservations - Reservations withdrawn





**Marketing Summary**

**TCK**

Date Range [3/1/09 thru 3/31/09]

**LOC: Independent**

Settlements	Count	Cash Collected	Current P-Note Due	Total
<b>New</b>	3	\$703,760	\$0	\$703,760
<b>Resale</b>	0	\$0	\$0	\$0
<b>Total</b>	3	\$703,760	\$0	\$703,760

Reservations	Initial Deposits	Priority List	Left To Settled	Withdraw	Net	Deposits Reserved	Reservations Settled	Reservations Withdrawn	Net Reservations
<b>New</b>	2	8	3	3	4	\$1,768,100	\$703,760	\$729,000	\$335,340
<b>Resale</b>	0	1	0	1	0	\$259,000	\$0	\$185,900	\$73,100
<b>Total</b>	2	9	3	4	4	\$2,027,100	\$703,760	\$914,900	\$408,440

Waiting Lists	Initial Deposits	Priority List	Changed Status	Net Change
<b>Futures</b>	0	2	1	1
<b>Standby</b>	1	0	11	-10
<b>Total</b>	1	2	12	-9

<b>Initial Deposits</b>	
<b>Initial Deposits</b>	3
<b>Requests for Refund</b>	5

## **Key Definitions for the Apartment Status Report**

### **Settled**

Represents the total number of new settlements Project to Date. It is a continuous count of how many apartments we have settled for the first time.

### **Reservations**

Groups that have reserved a particular floorplan, given a deposit, but have not fully settled.

### **Standby**

Groups that have placed a deposit with us to join the priority list and wish to reserve but because the unit they want is not available at that time. These groups do have specific preferences in regards to what type of unit they want. These people would have priority over other groups which join at a later date.

### **Future**

Groups that have placed a deposit with us to join the priority list and wish to reserve at a later date. These groups do not have any specific preferences in regards to units at this time. These people would have priority over other groups which join at a later date.

### **Flex Pay**

The Flexible Payment Program is designed to allow the customer to move to an Erickson community prior to the sale of their house. The customer who moves in under the Flexible Payment Program does not count as a settlement until they have paid their full Entrance Deposit  
**(see Flexible Pricing Program Policy for complete details).**

# 3 Total Anticipated Budget

**Erickson Retirement Communities**  
**Kansas Campus**  
**Total Anticipated Budget**  
**As of March 31, 2009**

	<u>Actual Costs</u> <u>JTD</u>	<u>% Complete</u> <u>to Budget</u>	<u>Estimate to</u> <u>Complete</u>	<u>Estimate at</u> <u>Completion</u>	<u>Original</u> <u>Budget</u>	<u>Favorable/</u> <u>(Unfavorable)</u>	Notes
Entrance Deposits	30,117,575	9%	301,685,334	331,802,909	318,262,397	13,540,512	
Operating Lease	273,982	3%	8,652,257	8,926,239	11,495,691	(2,569,452)	
Funds Held/WC Loan Repayment	0	0%	(33,337,366)	(33,337,366)	(12,297,930)	(21,039,436)	
<b>Total Deposits</b>	<b>30,391,557</b>	<b>10%</b>	<b>277,000,225</b>	<b>307,391,782</b>	<b>317,460,158</b>	<b>(10,068,376)</b>	A
Hard Costs - Building	38,600,921	24%	119,446,792	158,047,712	144,005,940	(14,041,772)	
Hard Costs - Sitework	17,652,545	75%	5,925,402	23,577,947	19,193,119	(4,384,828)	
Architecture	6,311,832	53%	5,531,083	11,842,915	10,469,774	(1,373,141)	
Engineering	3,170,329	66%	1,630,414	4,800,743	3,634,697	(1,166,046)	
Builder's Risk	140,447	20%	560,643	701,089	643,153	(57,936)	
Fees, Permits & Bonds	1,451,199	29%	3,548,085	4,999,284	4,951,054	(48,230)	
Development Fee	1,505,879	9%	15,084,267	16,590,145	15,913,120	(677,025)	
Outside Legal	312,266	29%	753,532	1,065,798	811,523	(254,275)	
<b>Phase Costs Before Contingency</b>	<b>69,145,417</b>	<b>31%</b>	<b>152,480,218</b>	<b>221,625,635</b>	<b>199,622,380</b>	<b>(22,003,255)</b>	
Contingency	0	0%	3,870,839	3,870,839	5,303,835	1,432,996	
<b>Total Phase Costs</b>	<b>69,145,417</b>	<b>31%</b>	<b>156,351,057</b>	<b>225,496,474</b>	<b>204,926,215</b>	<b>(20,570,259)</b>	B
Department Costs							
Pre-Development	0	0%	0	0	0	-	
Administration Department	1,239,879	51%	1,198,789	2,438,668	2,633,333	194,665	
Acquisitions and Development	3,362,561	33%	6,841,564	10,204,125	8,329,167	(1,874,958)	
Construction Services	1,135,598	15%	6,402,420	7,538,018	0	(7,538,018)	
Finance	0	0%	1,996,365	1,996,365	730,750	(1,265,615)	
Marketing Department	9,461,015	30%	22,352,296	31,813,311	23,662,380	(8,150,931)	
Information Services	409,065	26%	1,185,710	1,594,774	803,167	(791,607)	
Legal Department	108,457	29%	259,480	367,937	322,583	(45,354)	
<b>Total Departmental Costs</b>	<b>15,716,574</b>	<b>28%</b>	<b>40,236,624</b>	<b>55,953,198</b>	<b>36,481,380</b>	<b>(19,471,818)</b>	C
<b>Total Hard &amp; Soft Costs</b>	<b>84,861,991</b>	<b>30%</b>	<b>196,587,680</b>	<b>281,449,671</b>	<b>241,407,595</b>	<b>(40,042,076)</b>	
Other Development Costs							
Land	20,254,249	100%	-	20,254,249	20,252,445	(1,804)	
Interest Costs	14,320,788	23%	46,994,266	61,315,054	43,114,942	(18,200,112)	
Financing Costs - L.O.C	3,329,831	83%	688,360	4,018,191	1,180,627	(2,837,564)	
Property Taxes	53,960	7%	679,629	733,589	587,321	(146,268)	
Capital Expenditures/	533,716	46%	633,414	1,167,130	1,175,730	8,600	
Community Loan Interest	(879,341)		879,341	-	-	-	
<b>Total Other Development Costs</b>	<b>37,613,204</b>	<b>43%</b>	<b>49,875,010</b>	<b>87,488,214</b>	<b>66,311,065</b>	<b>(21,177,149)</b>	D
<b>Total Costs</b>	<b>122,475,195</b>	<b>33%</b>	<b>246,462,690</b>	<b>368,937,885</b>	<b>307,718,660</b>	<b>(61,219,225)</b>	
<b>Profit Margin</b>	<b>(92,083,638)</b>		<b>30,537,535</b>	<b>(61,546,103)</b>	<b>9,741,498</b>	<b>(71,287,601)</b>	
<b>Profit Margin %</b>				<b>-20.02%</b>	<b>3.07%</b>	<b>-23.09%</b>	
Purchase Price				72,398,696			
Adjustment to Funds Held/WC Loan Repayment				33,337,366			
Start Up Loss Adjustment				(32,236,300)			
Operating Lease Adjustment				(8,926,239)			
<b>Total Adjustments</b>				<b>64,573,522</b>			
<b>Enterprise Value</b>				<b>3,027,419</b>			

# Kansas Campus, LLC

\$'s in Millions

## Variances to Original Proforma by Reason

	Category	\$ Detail	\$ Summary
1 Change in RG Metric Assumption (2006)			
Working Capital	A	(16.6)	
Other Development Costs	D	<u>(10.2)</u>	(26.8)
2 Construction delay of RB1.2 by 5 mos. to address market demand (2007)			
Deposits	A	1.0	
Phase Costs	B	(0.1)	
Departmental Costs	C	<u>(1.3)</u>	(0.4)
3 Increased costs for CB10, RB11, and RB12 due to unanticipated field conditions (2007)			
Phase Costs	B	<u>(4.6)</u>	(4.6)
4 Updated RG assumptions to 100% collection of deposits based on historical experience (2007)			
Deposits	A	7.5	
Other Development Costs	D	<u>1.0</u>	8.5
5 Cost per square foot increases due to wood cost escalation - RB1.3-2.5 (\$69.2 to \$75 per sqft) and bridges (\$2,898 to \$4,485) (2007)			
Phase Costs	B	(11.4)	
Other Development Costs	D	<u>(9.0)</u>	(20.4)
6 RG Acceleration (from October 2011 to October 2009)			
Deposits	A	(1.5)	
Phase Costs	B	1.3	
Other Development Costs	D	<u>2.3</u>	2.2
7 Slowed absorption schedule from 13.10 to 10.36 average settlements per month (2007-2008)			
2007			
Entrance Deposits	A	6.8	
Operating Lease	A	1.2	
Funds Held/WC Loan	A	(0.6)	
Phase Costs	B	(4.7)	
Departmental Costs	C	(3.9)	
Other Development Costs	D	<u>(3.6)</u>	(4.8)
2008			
Entrance Deposits	A	3.1	
Operating Lease	A	(2.4)	
Funds Held/WC Loan	A	(10.3)	
Phase Costs	B	(2.2)	
Departmental Costs	C	(6.2)	
Other Development Costs	D	<u>(6.3)</u>	(24.4)
8 Decreased projected construction loan interest from 8% to 6.25% in 2008 and 6.75% in 2009 (2007)			
Other Development Costs	D	<u>5.0</u>	5.0
9 Increased departmental costs due to proforma update with 2008 budget (2007)			
Departmental Costs	C	<u>(1.2)</u>	(1.2)
10 Implemented 1,100 unit RG household model (2008)			
Entrance Deposits	A	(3.2)	
Phase Costs	B	(4.8)	
Funds Held/WC Loan	A	4.8	
Financing costs	D	<u>(0.4)</u>	(3.6)
11 Updated entrance deposits amenities assumption from 50% of total units at \$6,300 to 50% of total units at \$6,500 (2008)			
Entrance Deposits	A	<u>0.1</u>	0.1
12 Hard cost increases above model and inflation			
	B	<u>(0.3)</u>	(0.3)
13 Reclass of construction management services (2008)			
Phase Costs	B	6.9	
Departmental Costs	C	<u>(6.9)</u>	0.0
14 Other			
Phase Costs	B	<u>(0.8)</u>	(0.8)
			<u>(71.2)</u>

## Variance by line item (reference category code)

	Total
A Total Deposits (Deposits/ Working Capital/ Operating Lease)	(10.0)
B Phase Costs	(20.6)
C Departmental Costs	(19.5)
D Other Development Costs	(21.2)
Total Variance	<u>(71.2)</u>

# 4 Project Schedule

**Erickson Retirement Communities  
Project Schedule  
March 31, 2009**

	<u>Units</u>	<u>Forecasted Construction Start Date</u>	<u>Forecasted Substantially Complete</u>	
<b>Active Phases</b>				
<b>Ashby Ponds (Loudoun)</b>				
RB 1.4	78	5/1/2008	5/1/2009	
RB 1.5	79	5/1/2008	5/1/2009	
RB 1.6	80	6/1/2009	6/1/2010	**
CB 2.0	-	11/1/2009	11/1/2010	
RB 2.1	124	11/1/2009	11/1/2010	
SW 2.0	-	9/1/2009		
EC 1.0A/B	36	6/1/2010	9/1/2011	
<b>Hickory Chase (Hilliard)</b>				
CB 1.0	-	6/1/2008	6/1/2009	
RB 1.1	145	8/1/2008	6/1/2009	
RB 1.2	91	7/1/2009	5/1/2010	
RB 1.3	87	12/1/2009	10/1/2010	
EC 1.0A	36	4/1/2010	7/1/2011	
<b>Maris Grove (Concord)</b>				
RB 2.2	126	3/1/2008	5/1/2009	
RB 2.4	104	6/1/2008	6/1/2009	
RB 2.5	84	6/1/2009	4/1/2010	
CB 3.0	-	3/1/2010	3/1/2011	
RB 3.1	123	3/1/2010	3/1/2011	
RB 3.2	60	7/1/2010	7/1/2011	
RB 3.3	67	11/1/2010	11/1/2011	
EC 1.0	132	3/1/2008	7/1/2009	
<b>Wind Crest (Denver)</b>				
CB 2.0	-	8/1/2009	6/1/2010	**
RB 2.2	87	8/1/2009	6/1/2010	**
RB 2.1	123	10/1/2010	8/1/2011	
<b>Sedgebrook (Lincolnshire)</b>				
EC 1.0	132	11/1/2007	7/1/2009	***
SW 4.0	-	11/2/2007	8/1/2009	
<b>Linden Ponds (Hingham)</b>				
EC 1.0	132	8/1/2007	3/1/2009	
RB 2.5	120	5/1/2009	5/1/2010	
RB 3.1	106	5/1/2010	TBD	
<b>No Active Phases</b>				
<b>Eagle's Trace (Houston)</b>				
<b>Fox Run (Novi)</b>				
<b>Monarch Landing (Naperville)</b>				
<b>Tallgrass Creek (Kansas)</b>				
<b>Highland Springs (Dallas)</b>				
<b>Pending Financing</b>				
<b>Ann's Choice (Warminster)</b>				
<b>Seabrook (Tinton Falls)</b>				
<b>Not Started</b>				
<b>Grant's Farm (St. Louis)</b>				
<b>Tanglewood Creek (Westminster)</b>				
<b>Windsor Run (Matthews)</b>				

\*\* Start date is the date for construction to resume after the stop

\*\*\* Construction Completed 4/15/2009, but opened for occupancy 7/1/2009

# 19 Landowner Financial Statements



**ERICKSON RETIREMENT COMMUNITIES**  
**Kansas Campus**  
**Landowner Balance Sheet**  
**Mar, FY09**

09:04 AM

	<u>Current Balance</u>	<u>Prior Year End Balance</u>	<u>Change from Prior Year</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	489,902	64,445	425,457
Assets Limited as to Use	2,712,904	1,974,091	738,813
Bonds Receivable	820,022	813,426	6,596
<b>Total Current Assets</b>	<b>4,022,828</b>	<b>2,851,963</b>	<b>1,170,865</b>
<b>Fixed Assets</b>			
Land and Improvements	21,871,824	21,871,824	-
Buildings	63,592,514	63,414,076	178,438
Other Fixed Assets	1,739,942	1,703,910	36,032
<b>Total Fixed Assets</b>	<b>87,204,280</b>	<b>86,989,810</b>	<b>214,470</b>
Accumulated Depreciation	(2,776,561)	(2,266,297)	(510,264)
Total Fixed Assets net of Depreciation	84,427,719	84,723,513	(295,795)
Construction in Progress	17,694,336	16,318,152	1,376,185
<b>Total Fixed Assets, Net and CIP</b>	<b>102,122,055</b>	<b>101,041,665</b>	<b>1,080,390</b>
<b>Other Assets</b>			
Community Note Receivable	14,536,542	13,889,711	646,831
Deferred Financing Costs, net	1,859,378	2,018,872	(159,494)
<b>Total Other Assets</b>	<b>16,395,920</b>	<b>15,908,583</b>	<b>487,337</b>
<b>TOTAL ASSETS</b>	<b>122,540,804</b>	<b>119,802,211</b>	<b>2,738,592</b>
<b>LIABILITIES &amp; MEMBERS' CAPITAL</b>			
<b>Current Liabilities</b>			
Accounts Payable	27,328	68,777	(41,449)
Construction G.C. Payable	18,409	180,531	(162,122)
Retainage Payable	-	52,426	(52,426)
Other Current Liabilities	223,364	272,365	(49,001)
Short-Term Interest Payable	1,229,313	760,412	468,900
ERC Short-Term Funding	9,237,551	5,799,094	3,438,457
Development Fees Payable	1,505,879	1,381,925	123,954
Intercompany	1,000,956	871,083	129,873
<b>Total Current Liabilities</b>	<b>13,242,799</b>	<b>9,386,613</b>	<b>3,856,186</b>
<b>Long-Term Liabilities</b>			
Mortgage Payable	30,148,615	27,638,500	2,510,115
Line of Credit Payable	63,168,335	64,687,907	(1,519,573)
Sale/Leaseback Payable	25,000,000	25,000,000	-
Bonds Payable	14,950,000	14,950,000	-
<b>Total Long-Term Liabilities</b>	<b>133,266,950</b>	<b>132,276,407</b>	<b>990,543</b>
<b>Total Liabilities</b>	<b>146,509,749</b>	<b>141,663,020</b>	<b>4,846,728</b>
<b>Members' Capital</b>			
Members' Capital	(9,999,998)	(9,999,998)	-
Members' Capital Sub-Debt Interest	6,409,475	5,826,142	583,333
Development Fee Distributions	(1,505,879)	(1,381,925)	(123,954)
Retained Earnings	(16,305,028)	(16,305,028)	-
Current Year's Income (Loss)	(2,567,515)	-	(2,567,515)
<b>Total Members' Capital</b>	<b>(23,968,945)</b>	<b>(21,860,809)</b>	<b>(2,108,136)</b>
<b>TOTAL LIABILITIES &amp; MEMBERS' CAPITAL</b>	<b>122,540,804</b>	<b>119,802,211</b>	<b>2,738,592</b>

**ERICKSON RETIREMENT COMMUNITIES**  
**Kansas Campus**  
**Landowner Income Statement**  
**Mar, FY09**

04/22/09 09:04 AM

	Period Activity	Period Budget	Period Variance	Year-to-Date Actual	Year-to-Date Budget	Year-to-Date Variance
<b>Departmental Expenses</b>						
Development Administration	66,006	63,705	(2,301)	242,138	190,010	(52,127)
Construction Management Services	23,153	5,224	(17,929)	151,477	15,671	(135,805)
Administration	56,800	56,800	-	170,399	170,399	-
Marketing	196,808	250,022	53,213	511,344	750,065	238,721
Sales and Information	59,351	78,694	19,343	187,783	228,823	41,040
Information Services	16,550	16,550	-	49,650	49,650	-
Legal	4,839	4,839	-	14,518	14,518	0
Capitalized Costs	(226,699)	-	226,699	(815,963)	-	815,963
<b>Net Departmental Expense</b>	<b>196,808</b>	<b>475,833</b>	<b>279,025</b>	<b>511,344</b>	<b>1,419,135</b>	<b>907,791</b>
<b>Other Operating Expenses</b>						
Bank Charges/Other Fees	3,280	-	(3,280)	12,049	-	(12,049)
Depreciation	168,665	-	(168,665)	510,264	-	(510,264)
Amortization	53,165	-	(53,165)	159,494	-	(159,494)
<b>Total Other Operating Expenses</b>	<b>225,110</b>	<b>-</b>	<b>(225,110)</b>	<b>681,807</b>	<b>-</b>	<b>(681,807)</b>
<b>Total Operating Expenses</b>	<b>421,918</b>	<b>475,833</b>	<b>53,915</b>	<b>1,193,151</b>	<b>1,419,135</b>	<b>225,984</b>
<b>Non-Operating Revenue</b>						
Note Rec/Other Interest	51,375	-	51,375	155,203	-	155,203
Community Lease Revenue	129,824	-	129,824	369,883	-	369,883
Earned Inc-Nonrefund Dep	(31,040)	-	(31,040)	(31,040)	-	(31,040)
<b>Total Non-Operating Revenue</b>	<b>150,159</b>	<b>-</b>	<b>150,159</b>	<b>494,046</b>	<b>-</b>	<b>494,046</b>
<b>Non-Operating Expenses</b>						
Interest Expense LOC, net(Sub-debt)	67,502	-	(67,502)	282,543	-	(282,543)
Mortgage Interest Expense	114,558	-	(114,558)	324,087	-	(324,087)
Equity Partner Interest Expense	175,000	-	(175,000)	525,000	-	(525,000)
Bond Interest Expense	62,938	-	(62,938)	188,814	-	(188,814)
Additional Equity Partner	131,250	-	(131,250)	364,583	-	(364,583)
Financing Costs	175,152	-	(175,152)	181,592	-	(181,592)
Real Estate & Other Taxes	1,194	-	(1,194)	1,791	-	(1,791)
<b>Total Non-Operating Expenses</b>	<b>727,595</b>	<b>-</b>	<b>(727,595)</b>	<b>1,868,410</b>	<b>-</b>	<b>(1,868,410)</b>
<b>NET INCOME (LOSS)</b>	<b>(999,353)</b>	<b>(475,833)</b>	<b>(523,520)</b>	<b>(2,567,515)</b>	<b>(1,419,135)</b>	<b>(1,148,380)</b>

**ERICKSON RETIREMENT COMMUNITIES**  
**Kansas Campus**  
**Landowner Cash Flow Statement**  
**Mar, FY09**

04/22/09 9:04 AM

	<u>Period Activity</u>	<u>Year-to-Date</u>
<b>Cash Flows from Operating Activities:</b>		
Net Income (Loss)	(999,353)	(2,567,515)
Adjustments to reconcile Net Income (Loss) to Net Cash (Used In) Provided by Operating Activities:		
Depreciation	168,665	510,264
Amortization	53,165	159,494
Changes in:		
Assets Limited as to Use	(393,018)	(738,813)
Current Liabilities	36,027	(90,450)
Interest Payable	385,327	468,900
ERC Short-Term Funding	1,143,357	3,438,457
Development Fees Payable	51,289	123,954
Intercompany	(10,758)	129,873
<b>Net Cash (Used In) Provided by Operating Activities</b>	<b>434,700</b>	<b>1,434,164</b>
<b>Cash Flows from Investing Activities:</b>		
CIP and Other Fixed Assets	(384,730)	(1,590,654)
<b>Net Cash (Used In) Provided by Investing Activities</b>	<b>(384,730)</b>	<b>(1,590,654)</b>
<b>Cash Flows from Financing Activities:</b>		
Deferred Financing Costs	-	-
Community Note Receivable	(49,982)	(646,831)
Retainage Withheld (Released)	-	(52,426)
Mortgage Proceeds	1,056,812	2,510,115
Change in General Contractor Payable	(44,861)	(162,122)
Proceeds (Repay) LOC Sub-Debt	(635,677)	(1,519,573)
Members' Capital	-	-
Members' Drawing	(51,289)	(123,954)
<b>Net Cash (Used In) Provided by Financing Activities</b>	<b>275,004</b>	<b>5,210</b>
<b>Change in Cash</b>	<b>327,956</b>	<b>425,457</b>
Beginning Cash Balance	161,946	64,445
<b>Ending Cash Balance</b>	<b>489,902</b>	<b>489,902</b>

# 9 Community Financial Statements

**TCK**  
**Comparative Balance Sheet**  
(in thousands)

	YTDMar FY09	YTDFeb FY09	Change	YTDDec FY08	Change
<b>Assets</b>					
<i>Current Assets</i>					
Cash	237	478	(242)	982	(746)
Accounts Receivable	73	135	(62)	63	9
Inventory	26	29	(3)	31	(5)
Prepays	55	56	(2)	19	36
14100-Promissory Notes	59	147	(88)	59	-
<b>Total Current Assets</b>	<b>449</b>	<b>845</b>	<b>(396)</b>	<b>1,154</b>	<b>(705)</b>
<i>Limited Use Cash and Investments</i>					
Escrow Deposits	411	588	(177)	835	(424)
Restricted Fund Accounts	122	120	2	119	3
<b>Total Limited Use Cash &amp; Investments</b>	<b>533</b>	<b>708</b>	<b>(175)</b>	<b>954</b>	<b>(421)</b>
<i>Non-Current Assets</i>					
Fixed Assets- Net	2,143	2,181	(37)	2,226	(82)
LT Mortgage & Note Receivables	30,149	29,092	1,057	27,639	2,510
<b>Total Non-Current Assets</b>	<b>32,292</b>	<b>31,272</b>	<b>1,020</b>	<b>29,864</b>	<b>2,428</b>
<b>Total Assets</b>	<b>33,273</b>	<b>32,825</b>	<b>448</b>	<b>31,972</b>	<b>1,301</b>
<b>Liabilities</b>					
<i>Current Liabilities</i>					
Accounts Payable and Accrued Liabilities	599	524	75	505	93
<b>Total Current Liabilities</b>	<b>599</b>	<b>524</b>	<b>75</b>	<b>505</b>	<b>93</b>
<i>Non-Current Liabilities</i>					
Advance Deposits	409	306	103	443	(34)
Capital	30,206	29,506	699	28,083	2,122
Amort of Capital	(899)	(832)	(67)	(703)	(196)
Long Term Liabilities	14,538	14,488	50	13,890	647
<b>Total Non-Current Liabilities</b>	<b>44,253</b>	<b>43,468</b>	<b>785</b>	<b>41,714</b>	<b>2,540</b>
<b>Total Liabilities</b>	<b>44,852</b>	<b>43,992</b>	<b>860</b>	<b>42,219</b>	<b>2,633</b>
<b>Net Assets</b>					
Unrestricted Net Assets	(10,312)	(10,312)	-	(4,622)	(5,689)
Temporarily Restricted	68	66	2	65	3
Current Year Increase (Decrease) In Net Assets	(1,335)	(921)	(414)	(5,689)	4,354
<b>Total Net Assets</b>	<b>(11,578)</b>	<b>(11,167)</b>	<b>(412)</b>	<b>(10,247)</b>	<b>(1,332)</b>
<b>Total Liabilities and Net Assets</b>	<b>33,273</b>	<b>32,825</b>	<b>448</b>	<b>31,972</b>	<b>1,301</b>

**TCK**  
**Statement of Operations by Account**  
All LOB, All Entities  
Mar, FY09  
(in thousands)

	Mar		YTD(Mar)		YTDDec	
	Actual	BudVar	Actual	BudVar	JanForecas	JanFcstVar
<b>Operating Revenue</b>						
Resident Monthly Fees	237	13	697	28	2,943	(2,246)
Departmental Revenues	62	(21)	184	(56)	882	(687)
<b>Total Operating Revenue</b>	<b>299</b>	<b>(8)</b>	<b>881</b>	<b>(28)</b>	<b>3,825</b>	<b>(2,933)</b>
<b>Operating Expense</b>						
Wages	198	48	617	89	2,275	1,687
Employee Benefits	51	5	179	(19)	504	330
Other Employee Expense	4	13	34	17	206	179
Contract Labor Expense	61	15	208	27	830	603
Supplies Expense	41	4	115	14	568	432
Repairs and Maintenance Expense	10	(1)	33	1	111	84
Professional Fee Expense	10	(4)	14	3	67	49
Purchased Services Expense	173	3	518	9	2,091	1,573
Resident Related_	0	0	4	(4)	-	(4)
Administrative Related Expense	3	2	16	(5)	41	46
Insurance_	37	(30)	48	(27)	84	31
Utilities_	33	4	162	24	530	441
Rent and Lease Expense	1	(1)	1	(1)	-	(1)
684-Taxes	33	16	100	49	400	300
59200-Management Fees	12	(1)	35	(1)	147	101
Operating Reserve Expense	1	(1)	2	(2)	-	(2)
Other Expenses	-	27	-	81	274	274
<b>Total Operating Expense</b>	<b>669</b>	<b>99</b>	<b>2,085</b>	<b>255</b>	<b>8,129</b>	<b>6,122</b>
<b>Operating Income</b>	<b>(369)</b>	<b>90</b>	<b>(1,204)</b>	<b>228</b>	<b>(4,304)</b>	<b>3,189</b>
<b>Non-Operating Income</b>						
Investment Income	1	1	4	4	-	4
47770-Amortization Income	67	6	196	16	814	(618)
<b>Total Non-Operating Income</b>	<b>68</b>	<b>7</b>	<b>200</b>	<b>20</b>	<b>814</b>	<b>(614)</b>
<b>Non-Operating Expense</b>						
Net Rent	15	0	46	1	186	141
Interest Expense	50	48	142	140	1,330	1,188
59950-FF&E Depreciation Expense	48	3	143	8	553	409
<b>Total Non-Operating Expense</b>	<b>113</b>	<b>51</b>	<b>331</b>	<b>148</b>	<b>2,069</b>	<b>1,738</b>
<b>Increase (Decrease) in Net Assets</b>	<b>(414)</b>	<b>149</b>	<b>(1,335)</b>	<b>396</b>	<b>(5,559)</b>	<b>4,313</b>

**TCK**  
**Statement of Operations by Account**  
 All LOB, All Entities  
 Mar, FY09  
 (in thousands)

**Current Month Occupancy**

	Independent	Assisted Living	Skilled Nursing
Billed Units	118	#MISSING	#MISSING
Available Units	227	#MISSING	#MISSING
Occupancy %	52.2%	#MISSING	#MISSING

**YTD Payor Mix**

	SNF Totals		SNF %'s	
	Operating Revenue	Resident Days	Opt Rev %'s	Resident Days%'s
Private	-	-	-	-
Medicare A	-	-	-	-
Medicaid	-	-	-	-
Other Insurance	-	-	-	-
<b>Total</b>	-	-	-	-

**TCK**  
**Statement of Cash Flows**  
Mar , FY09  
(in thousands)

	<u>Current</u>	<u>YTD</u>
<b>Cash Flows from Operating Activities</b>		
Net Income	(414)	(1,335)
<b>Adjustments to Reconcile Income</b>		
Depreciation and Amortization Expense	48	143
Amortization Income	(67)	(196)
(Increase)/Decrease in Accounts Receivable	62	(9)
(Increase)/Decrease in Inventory	3	5
(Increase)/Decrease in Prepaid Expenses	2	(36)
Increase/(Decrease) in Accounts Payable and Accrued Liabilities	75	93
<b>Net Cash Provided by Operating Activities</b>	<u>(292)</u>	<u>(1,335)</u>
<b>Cash Flows from Investing Activities</b>		
(Increase)/Decrease in Short Term Notes	88	-
(Increase)/Decrease in Limited Use Cash and Investments	177	424
(Increase)/Decrease in Fixed Assets	(10)	(61)
(Increase)/Decrease in LT Mortgage & Note Receivables	(1,057)	(2,510)
<b>Net Cash Used in Investing Activities</b>	<u>(802)</u>	<u>(2,146)</u>
<b>Cash Flows from Financing Activities</b>		
Increase/(Decrease) in Advance Deposits	103	(34)
Increase/(Decrease) in Resident Deposits	699	2,122
Increase/(Decrease) in Long Term Liabilities	50	647
<b>Net Cash Provided by Financing Activities</b>	<u>852</u>	<u>2,736</u>
<b>Increase (Decrease) in Cash</b>	(242)	(746)
Aggregate Other Items to Reconcile Cash	-	-
<b>Cash Beginning of Period</b>	478	982
<b>Cash End of Period</b>	<u>237</u>	<u>237</u>



# 7 Supplemental Information

## Kansas Campus, LLC Loan Covenant Compliance Summary

As of March 31, 2009

Satisfied
Pending
Not Met

### Reporting Covenants

Description		Status
Monthly-Landowner Financial Statements	Enclosed	
Monthly-Community Financial Statements	Enclosed	
Monthly-Community Marketing Reports	Enclosed	
Monthly-ERC Financial Statements/MD&A	Attached	
Monthly-Project Status Report	Enclosed	
Monthly-Compliance Letter	Enclosed	
2007 Audited Financial Statements	Delivered-Apr08	
2009 Community Budget	Delivered-Dec08	
2007 Tax Returns or Extensions (if applicable)*	Delivered-Oct08	
2008-09 Annual Insurance Certificates	Delivered-Nov08	

### Financial/Other Covenants

Description	Covenant		Actual	Status
ERC Liquidity (in millions)	Minimum	\$ 100.0	\$ 107.5	
Letter of Credit Sub-Limit (in millions)	Maximum	\$ 7.0	-	
Working Capital Loan Sub-Limit (in millions)	Maximum	\$ 30.0	\$ 13.7	
PTD Absorption/Month	Minimum	10.0	6.6	

\* Landowners which are Limited Liability Corporations (LLC's) do not file tax returns, these entities are consolidated with the Erickson Group Tax Filings

\*\*PNC has waived the PTD Absorption Covenant of 10 per month through April 30, 2009. Discussions are currently underway to determine the appropriate PTD Absorption amount.



---

Covenant Compliance Letter

April 30, 2009

PNC Bank  
Two Hopkins Plaza  
Baltimore, Maryland 21201  
Attention: Chip Woelper

RE: Kansas Campus/Tallgrass Creek, Inc.

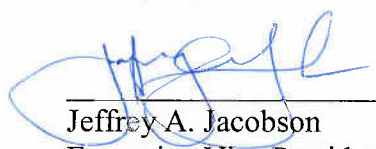
Ladies and Gentlemen:

This letter is submitted in connection with monthly financial statements required to be provided under section 8.3 of the Construction Loan Agreement dated April 3, 2007 (the "Loan Agreement") relating to Tallgrass Creek Retirement Community for the month ended March 31, 2009. To the best knowledge of the undersigned, who is Chief Financial Officer of the entities submitting such financial statements, no Default, with the exceptions noted below, as defined in the Loan Agreement, has occurred and is continuing, and no Event of Default, as defined in the loan agreement, has occurred. All original promissory notes evidencing advances under the Community Loan Documents have been delivered (or are being delivered herewith) to you.

Compliance Exceptions:

Section 8.1 of the Loan Agreement with PNC requires a building to be substantially completed within certain parameters compared to the original project schedule. Buildings CB1.0 to RB2.1 must be completed within 90 days of the original projected date, buildings after RB2.1 must be completed within 6 months of the original project schedule date. Due to adjustments to the project schedule, Kansas Campus no longer meets this requirement. This covenant has been waived by PNC through April 30, 2009.

Section 9.1r of the Loan Agreement with PNC requires that once a Certificate of Occupancy is issued for one or more buildings the project must maintain a project-to-date average rate of 10 settlements per month. The project-to-date average settlements for Tallgrass Creek is currently below this requirement. This covenant has been waived by PNC through April 30, 2009, and discussions to determine an appropriate settlement rate for this project have been initiated.

  
\_\_\_\_\_  
Jeffrey A. Jacobson  
Executive Vice President  
& Chief Financial Officer