



**Kansas Campus, LLC**  
**Monthly Reporting Package**  
**September 2007**

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# ↳ 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, 64 assisted living apartment and 88 skilled nursing beds upon its expected completion in 2013.

#### **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 \$1.2M in equity to date to cover sub debt interest.

### **Executive Summary**

#### **Marketing Overview**

Tallgrass Creek continued its solid start to 2007. Through the end of September, the community is averaging 14 initial deposits and 14.22 net reservations per month. Through September, Tallgrass Creek has 90 reservations, 93 standbys and 40 futures in its pipeline. Tallgrass Creek has met the Construction test for 1.1 and 1.2. Tallgrass Creek has good reason to be excited for their first residential building opening in October 2007, the second in March 2008, and third in October 2008.

## Kansas Campus, LLC

### Critical Issues

There are no critical issues to report at this time.

### Active Phase Status

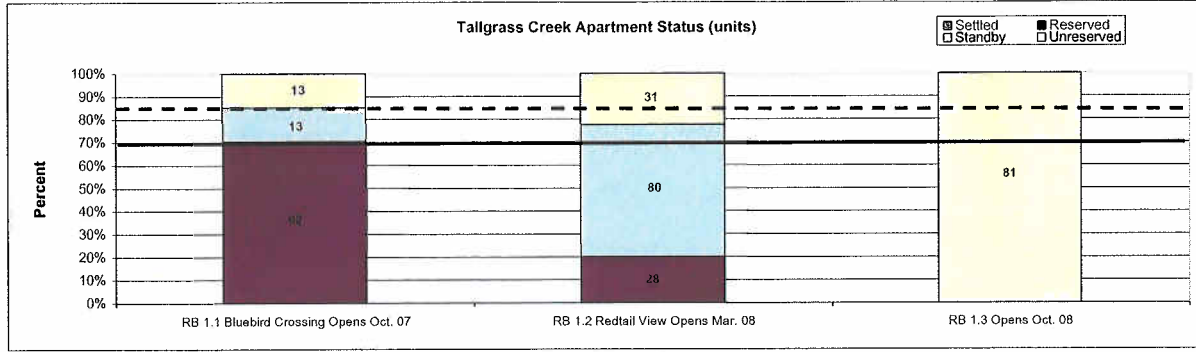
<i>Phase/Item</i>	<i>Construction Began</i>	<i>Projected to Open</i>
Residential Building 1.1	Oct-06	Oct-07
Community Building 1.0	Oct-06	Oct-07
Residential Building 1.2	Apr-07	Mar-08
Sitework 1.0	Oct-06	N/A

### Proforma Update

	Original Budget	CURRENT 9/30/2007 Budget
Entrance Deposits	319	319
Purchase Price	41	43
Working Capital Payments	0	
Net Operating Lease	0	
Total Funds	<u>360</u>	<u>362</u>
Project Costs	248	249
Financing Costs	45	45
Operations Start Up (Working Capital) Ex. Reserves	21	21
Development Fees	16	16
Total Costs	<u>330</u>	<u>331</u>
<b>Enterprise Margin</b>	<b><u>30</u></b>	<b><u>31</u></b>

# 2 Marketing Reports

Apartment Status by Building as of 09-27-07



Total Units

	2006 2nd Qtr	2006 3rd Qtr	2006 4th Qtr	2007 1st Qtr	2007 2nd Qtr	2007 3rd Qtr
Settled	0	0	0	0	0	0
Reservations	0	0	0	53	58	90
Standby	77	77	111	66	94	93
Futures	5	5	13	20	24	40
<b>Total</b>	<b>82</b>	<b>82</b>	<b>124</b>	<b>139</b>	<b>176</b>	<b>223</b>

**Anticipated Construction Test:**

In order to start construction on new building, current buildings must be 85% Settled, Reserved, or Standby and there must be 70% of the new building under Standby

	Units	Test	Required Reserved/Standby	Settled	Reserved	Standby	Total	Needed
<b>Current Buildings</b>								
Began Const. Oct. 06	RB 1.1	88	85%	75	0	13	75	0
Began Const. Apr. 07	RB 1.2	139	85%	118	0	28	108	10
<b>Construction Test for Funding of Next Building</b>								
Begins Const. Dec. 07	RB 1.3	81	70%	57	0	0	0	57

Test Satisfied

**\*Settlement vs. Covenant**

Covenant Requirement  
N/A

PTD Monthly Average as of 9/30/07  
Opens Oct '07

\*Test to break escrow is not applicable

**NOTES:**

We need 10 more standbys to meet the 85% requirement before we can begin applying deposits toward the test for RB 1.3.

**2007 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)*	25	24	4	-1	2	4	1	24	7				90	10.00
* New	25	24	4	-1	2	4	1	24	7				90	10.00
* Resale	0	0	0	0	0	0	0	0	0				0	0
2 Gross Reservations (MS)	26	27	13	4	5	9	3	29	12				128	14.22
3 No. of Total Settlements (MS)*	0	0	0	0	0	0	0	0	0				0	0
* New	0	0	0	0	0	0	0	0	0				0	0
* Resale	0	0	0	0	0	0	0	0	0				0	0
4 No. of Initial Deposits (MS)	10	11	5	9	17	20	19	14	21				126	14.00
5 Requests for Refunds (MS)	3	2	6	1	5	4	2	2	2				27	3.00
6 Total Kit Requests (OT)	336	330	295	331	334	519	622	742	360				3,869	429.89
* MJO (OT)	215	221	204	220	162	238	312	314	214				2,100	233.33
* Sales Office (OT)	103	98	65	87	151	249	278	391	107				1,529	169.89
* Walk-ins (OT)	18	11	26	24	21	32	32	37	39				240	26.67
HC Kit Requests	0	0	0	0	0	0	0	0	0				0	0
7 Total Apts (OT)**	67	75	63	61	73	66	53	103	82				643	71.44
* First Time Apts (OT)	32	28	21	31	37	35	33	47	51				315	35.00
* Non Depositor Repeat Apts (OT)	3	2	2	6	2	6	4	3	12				40	4.44
* Depositor Apts (OT)	32	45	40	24	34	25	16	53	19				288	32.00
8 Walk-in Apts (OT)	0	0	0	0	0	0	0	0	0				0	0
<b>Pipeline</b>														
9 Reserved but Unsettled (P)	25	49	53	52	54	58	59	83	90				90	58.11
* New	25	49	53	52	54	58	59	83	90				90	58.11
* Resale	0	0	0	0	0	0	0	0	0				0	0
10 Standby (P)	89	70	66	75	83	94	108	93	93				93	85.67
11 Futures (P)	16	20	20	21	23	24	27	29	40				40	24.44
12 Total Deposits w/o Settled Apts (C) [9+10+11]	130	139	139	148	160	176	194	205	223				223	168.22
13 Total Settled Apts (P)	0	0	0	0	0	0	0	0	0				0	0
Total New Settled Apts (BS)	0	0	0	0	0	0	0	0	0				0	0
14 No. of Unsettled Apts (PRU)	88	88	88	88	88	88	223	223	227				227	133.44
15 Apts released by keys not turned in	0	0	0	0	0	0	0	0	0				0	0
Ratio (Line 12/14) (C)	1.48	1.58	1.58	1.68	1.82	2.00	0.87	0.92	0.98	N/A	N/A	N/A	0.98	1.26

**Notes**

\* Net Reservations = Gross Reservations - Reservations withdrawn

\*\* Total Apts = Non-Depositor (First-time and repeat) + Depositor (Futures, Standby, Reserved, Settle/Resident)





**Marketing Summary**

Date Range [9/1/07 thru 9/30/07] **TCK**  
**LOC: Independent**

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

Reservations	Initial Deposits	Priority List	Left To Settled	Withdraw	Net	Deposits Reserved	Reservations Settled	Reservations Withdrawn	Net Reservations
New	1	11	0	5	7	\$2,939,000	\$0	\$1,423,000	\$1,516,000
Resale	0	0	0	0	0	\$0	\$0	\$0	\$0
<b>Total</b>	<b>1</b>	<b>11</b>	<b>0</b>	<b>5</b>	<b>7</b>	<b>\$2,939,000</b>	<b>\$0</b>	<b>\$1,423,000</b>	<b>\$1,516,000</b>

Waiting Lists	Initial Deposits	Priority List	Changed Status	Net Change
Futures	12	0	1	11
Standby	8	4	12	0
<b>Total</b>	<b>20</b>	<b>4</b>	<b>13</b>	<b>11</b>

<b>Initial Deposits</b>	
Initial Deposits	21
Requests for Refund	2

# ∞ Total Anticipated Budget

**Erickson Retirement Communities  
Kansas Campus  
Total Anticipated Budget  
As of September 30, 2007**

	<u>Actual Costs JTD</u>	<u>% Complete to Budget</u>	<u>Estimate to Complete</u>	<u>Estimate at Completion</u>	<u>Original Budget</u>	<u>Favorable/ (Unfavorable)</u>	<u>Notes</u>
Entrance Deposits	0	0%	319,298,477	319,298,477	318,262,397	1,036,080	
Operating Lease	0	0%	11,495,691	11,495,691	11,495,691	-	
Funds Held/WC Loan Repayment	0	0%	(12,297,930)	(12,297,930)	(12,297,930)	-	
<b>Total Deposits</b>	<b>-</b>	<b>0%</b>	<b>318,496,238</b>	<b>318,496,238</b>	<b>317,460,158</b>	<b>1,036,080</b>	<b>A</b>
Hard Costs - Building	27,017,463	18%	119,187,149	146,204,612	144,005,940	(2,198,672)	
Hard Costs - Sitework	13,377,732	69%	6,003,806	19,381,538	19,193,119	(188,419)	
Architecture	5,092,198	48%	5,539,144	10,631,342	10,469,774	(161,568)	
Engineering	2,639,791	76%	833,339	3,473,129	3,634,697	161,568	
Builder's Risk	28,873	4%	614,280	643,153	643,153	-	
Fees, Permits & Bonds	1,247,078	25%	3,703,976	4,951,054	4,951,054	-	
Development Fee	0	0%	15,964,924	15,964,924	15,913,120	(51,804)	
Outside Legal	238,109	29%	573,414	811,523	811,523	-	
<b>Phase Costs Before Contingency</b>	<b>49,641,244</b>	<b>25%</b>	<b>152,420,032</b>	<b>202,061,275</b>	<b>199,622,380</b>	<b>(2,438,895)</b>	
Contingency	0	0%	4,155,209	4,155,209	5,303,835	1,148,626	
<b>Total Phase Costs</b>	<b>49,641,244</b>	<b>24%</b>	<b>156,575,241</b>	<b>206,216,484</b>	<b>204,926,215</b>	<b>(1,290,269)</b>	<b>B</b>
Department Costs							
Administration Department	369,396	14%	2,263,937	2,633,333	2,633,333	-	
Acquisitions and Development	1,715,463	19%	7,307,086	9,022,549	8,329,167	(693,382)	
Finance	0	0%	730,750	730,750	730,750	-	
Marketing Department	5,062,386	21%	18,873,309	23,935,695	23,662,380	(273,315)	
Information Services	157,689	20%	645,478	803,167	803,167	-	
Legal Department	35,226	11%	287,357	322,583	322,583	-	
<b>Total Departmental Costs</b>	<b>7,340,160</b>	<b>20%</b>	<b>30,107,917</b>	<b>37,448,077</b>	<b>36,481,380</b>	<b>(966,697)</b>	<b>C</b>
<b>Total Hard &amp; Soft Costs</b>	<b>56,981,403</b>	<b>23%</b>	<b>186,683,158</b>	<b>243,664,561</b>	<b>241,407,595</b>	<b>(2,256,966)</b>	
Other Development Costs							
Land	20,254,249	100%	(1,804)	20,252,445	20,252,445	-	
Interest Costs	4,947,434	11%	38,167,508	43,114,942	43,114,942	-	
Financing Costs - L.O.C	2,794,312	237%	(1,613,685)	1,180,627	1,180,627	-	
Property Taxes	17,968	3%	569,353	587,321	587,321	-	
Capital Expenditures/	367,648	31%	808,082	1,175,730	1,175,730	-	
Community Loan Interest	(69,854)	0%	69,854	0	0	-	
<b>Total Other Development Costs</b>	<b>28,311,756</b>	<b>43%</b>	<b>37,999,309</b>	<b>66,311,065</b>	<b>66,311,065</b>	<b>-</b>	<b>D</b>
<b>Total Costs</b>	<b>85,293,160</b>	<b>28%</b>	<b>224,682,467</b>	<b>309,975,626</b>	<b>307,718,660</b>	<b>(2,256,966)</b>	
<b>Profit Margin</b>	<b>(85,293,160)</b>		<b>93,813,771</b>	<b>8,520,612</b>	<b>9,741,498</b>	<b>(1,220,886)</b>	
<b>Profit Margin %</b>				<b>2.68%</b>	<b>3.07%</b>	<b>-0.39%</b>	
Purchase Price				42,900,000			
Adjustment to Funds Held/WC Loan Repayment				12,297,930			
Start Up Loss Adjustment				(21,300,000)			
Operating Lease Adjustment				(11,495,691)			
Total Adjustments				22,402,239			
Enterprise Value				30,922,851			

# Kansas Campus, LLC

\$'s in Millions

## Variances to Original Proforma by Reason

	<u>Category</u>	<u>\$ Detail</u>	<u>\$ Summary</u>
<b>1</b> 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>(1.0)</u>	(0.1)
<b>2</b> Increased costs for CB10, RB11, and RB12 due to unanticipated field conditions (2007)			
Phase Costs	B	<u>(1.2)</u>	(1.2)
			<u>(1.2)</u>

## Variance by line item (reference category code)

	<u>Total</u>
<b>A</b> Total Deposits (Deposits/ Working Capital/ Operating Lease)	1.0
<b>B</b> Phase Costs	(1.3)
<b>C</b> Departmental Costs	(1.0)
<b>D</b> Other Development Costs	<u>0.0</u>
Total Variance	<u>(1.2)</u>

# 4 Project Schedule

**Kansas Campus  
Project Schedule  
October 18, 2007**

<b>Project</b>	<b>Original Scheduled Completion Date</b>	<b>Substantially Completed</b>	<b>Variance (in Months)</b>
Community Building 1.0	Oct-07	Oct-07	-
Transitional Spaces	Jun-10	Jun-10	-
Residential Building 1.1	Oct-07	Oct-07	-
Residential Building 1.2	Oct-07	Mar-08	(5.0)
Residential Building 1.3	Oct-08	Oct-08	-
Residential Building 1.4	May-09	May-09	-
Residential Building 1.5	Oct-09	Oct-09	-
Community Building 2.0	Jun-10	Jun-10	-
Residential Building 2.1	Jun-10	Jun-10	-
Residential Building 2.2	Jun-10	Jun-10	-
Residential Building 2.3	Oct-11	Oct-11	-
Residential Building 2.4	Oct-12	Oct-12	-
Residential Building 2.5	Jul-13	Jul-13	-
Bridge 10	Jun-10	Jun-10	-
Bridge 20	Jun-10	Jun-10	-
Bridge 30	Oct-11	Oct-11	-
Bridge 40	Oct-12	Oct-12	-
Gate House 1	Oct-07	Oct-07	-
Maintenance Building 1	May-09	May-09	-
Marketing Center 1	Jul-06	Jul-06	-
Carport 1	Mar-08	Mar-08	-
Carport 2	Jun-10	Jun-10	-
Extended Care 1.0	Oct-11	Oct-09	24.0

**PNC Bank Covenant:**

Phases CB 1.0 - RB 2.1 - Substantial completion shall be 3 months after original schedule date.  
 RB 2.2 & thereafter - Substantial completion shall be 6 months after original schedule date.

# 19 Landowner Financial Statements

**ERICKSON RETIREMENT COMMUNITIES**  
**Kansas Campus**  
**Landowner Balance Sheet**  
**Sep, FY07**

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	<u>Current Balance</u>	<u>Prior Year End Balance</u>	<u>Change from Prior Year</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	11,208,220	38,053	11,170,167
Other Current Assets	4,483,130	14,737,545	(10,254,415)
<b>Total Current Assets</b>	<b>15,691,350</b>	<b>14,775,598</b>	<b>915,752</b>
<b>Fixed Assets</b>			
Land and Improvements	20,254,249	20,254,249	-
Other Fixed Assets	367,648	278,580	89,067
<b>Total Fixed Assets</b>	<b>20,621,897</b>	<b>20,532,829</b>	<b>89,067</b>
Accumulated Depreciation	(69,083)	-	(69,083)
Total Fixed Assets net of Depreciation	20,552,814	20,532,829	19,984
Construction in Progress	57,672,924	15,597,917	42,075,007
<b>Total Fixed Assets, Net and CIP</b>	<b>78,225,738</b>	<b>36,130,747</b>	<b>42,094,991</b>
<b>Other Assets</b>			
Community Note Receivable	3,262,519	-	3,262,519
Deferred Financing Costs, net	2,237,798	661,446	1,576,352
<b>Total Other Assets</b>	<b>5,500,317</b>	<b>661,446</b>	<b>4,838,871</b>
<b>TOTAL ASSETS</b>	<b>99,417,405</b>	<b>51,567,790</b>	<b>47,849,614</b>
<b>LIABILITIES &amp; MEMBERS' CAPITAL</b>			
<b>Current Liabilities</b>			
Accounts Payable	208,050	516,604	(308,554)
Construction G.C. Payable	5,079,081	1,359,261	3,719,820
Retainage Payable	2,488,174	244,846	2,243,328
Other Current Liabilities	181,571	148,996	32,575
Short-Term Interest Payable	1,120,898	146,389	974,509
ERC Short-Term Funding	-	659,200	(659,200)
Intercompany	520,196	307,653	212,543
<b>Total Current Liabilities</b>	<b>9,597,969</b>	<b>3,382,948</b>	<b>6,215,022</b>
<b>Long-Term Liabilities</b>			
Line of Credit Payable	62,400,094	20,000,000	42,400,094
Sale/Leaseback Payable	25,000,000	-	25,000,000
Bonds Payable	14,950,000	14,950,000	-
<b>Total Long-Term Liabilities</b>	<b>102,350,094</b>	<b>34,950,000</b>	<b>67,400,094</b>
<b>Total Liabilities</b>	<b>111,948,063</b>	<b>38,332,948</b>	<b>73,615,115</b>
<b>Members' Capital</b>			
Members' Capital	(8,855,863)	14,869,076	(23,724,939)
Members' Capital Sub-Debt Interest	1,447,945	-	1,447,945
Retained Earnings	(1,634,233)	(1,634,233)	-
Current Year's Income (Loss)	(3,488,507)	(1,634,233)	(1,854,274)
<b>Total Members' Capital</b>	<b>(12,530,658)</b>	<b>11,600,610</b>	<b>(24,131,268)</b>
<b>TOTAL LIABILITIES &amp; MEMBERS' CAPITAL</b>	<b>99,417,405</b>	<b>49,933,557</b>	<b>49,483,847</b>



**ERICKSON RETIREMENT COMMUNITIES**  
**Kansas Campus**  
**Landowner Income Statement**  
**Sep, FY07**

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	<u>Period Activity</u>	<u>Period Budget</u>	<u>Period Variance</u>	<u>Year-to-Date Actual</u>	<u>Year-to-Date Budget</u>	<u>Year-to-Date Variance</u>
<b>Departmental Expenses</b>						
Development Administration	109,036	93,141	(15,895)	922,081	841,540	(80,541)
Administration	41,044	29,943	(11,101)	369,396	269,486	(99,910)
Finance	-	11,101	11,101	-	99,908	99,908
Marketing	122,998	114,161	(8,837)	1,726,345	1,030,327	(696,018)
Sales and Information	102,539	92,788	(9,751)	762,726	840,579	77,853
Information Services	17,521	17,522	1	157,689	157,696	7
Legal	3,914	3,914	0	35,226	35,229	3
Capitalized Costs	(274,055)	(205,699)	68,356	(2,247,118)	(1,856,775)	390,343
<b>Net Departmental Expense</b>	<b>122,998</b>	<b>156,872</b>	<b>33,874</b>	<b>1,726,345</b>	<b>1,417,990</b>	<b>(308,355)</b>
<b>Other Operating Expenses</b>						
Bank Charges/Other Fees	-	-	-	36	-	(36)
Depreciation	8,495	110,911	102,416	69,083	675,065	605,982
Amortization	230,896	-	(230,896)	244,204	-	(244,204)
<b>Total Other Operating Expenses</b>	<b>239,391</b>	<b>110,911</b>	<b>(128,480)</b>	<b>313,323</b>	<b>675,065</b>	<b>361,742</b>
<b>Total Operating Expenses</b>	<b>362,389</b>	<b>267,783</b>	<b>(94,607)</b>	<b>2,039,668</b>	<b>2,093,055</b>	<b>53,387</b>
<b>Non-Operating Revenue</b>						
Note Rec/Other Interest	67,109	19,165	47,944	440,497	74,301	366,195
<b>Total Non-Operating Revenue</b>	<b>67,109</b>	<b>19,165</b>	<b>47,944</b>	<b>440,497</b>	<b>74,301</b>	<b>366,195</b>
<b>Non-Operating Expenses</b>						
CNL Interest Expense	-	175,000	175,000	-	1,575,000	1,575,000
Equity Partner Interest Expense	172,603	74,750	(97,853)	1,041,370	672,750	(368,620)
Additional Equity Partner	115,068	-	(115,068)	694,247	-	(694,247)
Financing Costs	6,864	4,000	(2,864)	153,719	36,000	(117,719)
<b>Total Non-Operating Expenses</b>	<b>294,535</b>	<b>253,750</b>	<b>(40,785)</b>	<b>1,889,335</b>	<b>2,283,750</b>	<b>394,415</b>
<b>NET INCOME (LOSS)</b>	<b>(589,816)</b>	<b>(502,368)</b>	<b>(87,448)</b>	<b>(3,488,507)</b>	<b>(4,302,504)</b>	<b>813,997</b>

**ERICKSON RETIREMENT COMMUNITIES**  
**Kansas Campus**  
**Landowner Cash Flow Statement**  
**Sep, FY07**

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	Period Activity	Year-to-Date
<b>Cash Flows from Operating Activities:</b>		
Net Income (Loss)	(589,816)	(3,488,507)
Adjustments to reconcile Net Income (Loss) to Net Cash (Used In) Provided by Operating Activities:		
Depreciation	8,495	69,083
Amortization	230,896	244,204
Changes in:		
Other Current Assets	9,666,330	10,254,415
Current Liabilities	85,935	(275,979)
Interest Payable	85,981	974,509
ERC Short-Term Funding	(1,462,275)	(659,200)
Intercompany	(1,449)	212,543
<b>Net Cash (Used In) Provided by Operating Activities</b>	<b>8,024,097</b>	<b>7,331,068</b>
<b>Cash Flows from Investing Activities:</b>		
CIP and Other Fixed Assets	(6,283,212)	(42,164,074)
<b>Net Cash (Used In) Provided by Investing Activities</b>	<b>(6,283,212)</b>	<b>(42,164,074)</b>
<b>Cash Flows from Financing Activities:</b>		
Deferred Financing Costs	*	(1,820,556)
Community Note Receivable	(305,880)	(3,262,519)
Retainage Withheld (Released)	224,599	2,243,328
Change in General Contractor Payable	(146,046)	3,719,820
Proceeds (Repay) LOC Sub-Debt	8,899,920	67,400,094
Members' Capital	-	1,319,313
Members' Drawing	-	(25,044,251)
<b>Net Cash (Used In) Provided by Financing Activities</b>	<b>8,672,593</b>	<b>44,555,227</b>
<b>Change in Cash</b>	<b>10,710,739</b>	<b>11,170,167</b>
Beginning Cash Balance	497,481	38,053
<b>Ending Cash Balance</b>	<b>11,208,220</b>	<b>11,208,220</b>

# 9 Community Financial Statements

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

	YTD Sep FY07	YTD Aug FY07	Change	YTD Dec FY06	Change
<b>Assets</b>					
<i>Current Assets</i>					
Cash	547	698	(151)	-	547
Prepays	2	5	(2)	24	(21)
<b>Total Current Assets</b>	<b>549</b>	<b>703</b>	<b>(153)</b>	<b>24</b>	<b>526</b>
<i>Limited Use Cash and Investments</i>					
Escrow Deposits	1,552	1,426	126	159	1,393
Restricted Fund Accounts	0	-	0	0	0
<b>Total Limited Use Cash &amp; Investments</b>	<b>1,552</b>	<b>1,426</b>	<b>126</b>	<b>159</b>	<b>1,393</b>
<i>Non-Current Assets</i>					
Fixed Assets- Net	537	328	209	0	537
<b>Total Non-Current Assets</b>	<b>537</b>	<b>328</b>	<b>209</b>	<b>0</b>	<b>537</b>
<b>Total Assets</b>	<b>2,639</b>	<b>2,457</b>	<b>182</b>	<b>183</b>	<b>2,456</b>
<b>Liabilities</b>					
<i>Current Liabilities</i>					
Accounts Payable and Accrued Liabilities	246	138	108	202	44
<b>Total Current Liabilities</b>	<b>246</b>	<b>138</b>	<b>108</b>	<b>202</b>	<b>44</b>
<i>Non-Current Liabilities</i>					
Advance Deposits	1,536	1,417	120	125	1,411
Long Term Liabilities	3,263	2,957	306	-	3,263
<b>Total Non-Current Liabilities</b>	<b>4,799</b>	<b>4,373</b>	<b>426</b>	<b>125</b>	<b>4,674</b>
<b>Total Liabilities</b>	<b>5,045</b>	<b>4,511</b>	<b>534</b>	<b>327</b>	<b>4,718</b>
<b>Net Assets</b>					
Unrestricted Net Assets	(144)	(144)	-	-	(144)
Temporarily Restricted	0	0	0	0	0
Current Year Increase (Decrease) In Net Assets	(2,262)	(1,911)	(352)	(144)	(2,118)
<b>Total Net Assets</b>	<b>(2,406)</b>	<b>(2,055)</b>	<b>(352)</b>	<b>(144)</b>	<b>(2,262)</b>
<b>Total Liabilities and Net Assets</b>	<b>2,639</b>	<b>2,457</b>	<b>182</b>	<b>183</b>	<b>2,456</b>

TCK  
Statement of Operations by Natural Expense  
All LOB, All Entities  
Sep, FY07  
(in thousands)

	Sep		YTD(Sep)		YTDDec	
	Actual	BudVar	Actual	BudVar	Forecast	FcstVar
<b>Operating Revenue</b>						
Resident Monthly Fees	-	-	-	-	-	(87)
Departmental Revenues	37	18	40	(1)	129	1
<b>Total Operating Revenue</b>	<b>37</b>	<b>18</b>	<b>40</b>	<b>(1)</b>	<b>129</b>	<b>(86)</b>
<b>Operating Expense</b>						
Wages	157	11	517	44	1,206	36
Employee Benefits	24	7	79	26	180	47
Other Employee Expense	23	18	315	70	331	89
Contract Labor Expense	8	13	60	17	297	27
Supplies Expense	9	2	38	1	86	17
Repairs and Maintenance Expense	2	0	3	1	11	2
Professional Fee Expense	6	4	89	(6)	114	(6)
Purchased Services Expense	107	0	967	0	1,289	0
Other Expense	30	40	173	45	457	21
Operating Reserve Expense	-	11	-	50	35	50
<b>Total Operating Expense</b>	<b>365</b>	<b>106</b>	<b>2,240</b>	<b>248</b>	<b>4,007</b>	<b>283</b>
<b>Operating Income</b>	<b>(328)</b>	<b>124</b>	<b>(2,200)</b>	<b>247</b>	<b>(3,878)</b>	<b>197</b>
Net Rent	-	15	-	15	45	15
Interest Expense	23	(5)	70	(13)	169	(13)
Investment Income	4	4	13	10	14	10
47770-Amortization Income	-	-	-	-	55	-
59950-FF&E Depreciation Expense	6	(1)	6	13	140	13
<b>Total Non-Operating Income</b>	<b>(24)</b>	<b>13</b>	<b>(63)</b>	<b>25</b>	<b>(284)</b>	<b>25</b>
<b>Increase (Decrease) in Net Assets</b>	<b>(352)</b>	<b>137</b>	<b>(2,262)</b>	<b>272</b>	<b>(4,162)</b>	<b>222</b>

Current Month Occupancy

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

**TCK**  
**Statement of Cash Flows**  
 Sep , FY07  
 (in thousands)

	Current	YTD
<b>Cash Flows from Operating Activities</b>		
Net Income	(352)	(2,262)
<b>Adjustments to Reconcile Income</b>		
Depreciation and Amortization Expense	6	6
(Increase)/Decrease in Prepaid Expenses	2	21
Increase/(Decrease) in Accounts Payable and Accrued Liabilities	108	44
<b>Net Cash Provided by Operating Activities</b>	<u>(235)</u>	<u>(2,191)</u>
<b>Cash Flows from Investing Activities</b>		
(Increase)/Decrease in Limited Use Cash and Investments	(126)	(1,393)
(Increase)/Decrease in Fixed Assets	(215)	(543)
<b>Net Cash Used in Investing Activities</b>	<u>(341)</u>	<u>(1,936)</u>
<b>Cash Flows from Financing Activities</b>		
Increase/(Decrease) in Advance Deposits	120	1,411
Increase/(Decrease) in Long Term Liabilities	306	3,263
<b>Net Cash Provided by Financing Activities</b>	<u>426</u>	<u>4,674</u>
<b>Increase (Decrease) in Cash</b>	(151)	547
Aggregate Other Items to Reconcile Cash	-	-
<b>Cash Beginning of Period</b>	698	-
<b>Cash End of Period</b>	<u>547</u>	<u>547</u>

# ↳ Supplemental Information

## Kansas Campus, LLC Loan Covenant Compliance Summary

As of September 30, 2007

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	
2006 Audited Financial Statements	Attached-Feb07	
2007 Community Budget	Enclosed-Dec06	
2006 Tax Returns or Extensions (if applicable)*	Enclosed-Mar07	
2007 Annual Insurance Certificates	At Closing	

### Financial/Other Covenants

Description	Covenant		Actual	Status
ERC Liquidity (in millions)	Minimum	\$ 100.0	\$ 156.0	
Letter of Credit Sub-Limit (in millions)	Maximum	\$ 7.0	-	
Working Capital Loan Sub-Limit (in millions)	Maximum	\$ 30.0	\$ 3.2	
PTD Absorbtion/Month	Minimum	10.0	N/A	

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





Covenant Compliance Letter

October 17, 2007

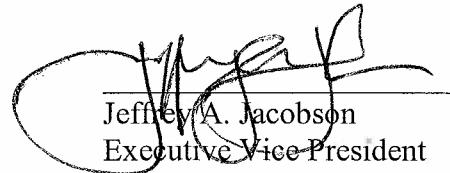
PNC Bank  
Two Hopkins Plaza  
Baltimore, Maryland 21201

Attention: Bruce D. McLean  
Senior Vice President

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 September 30, 2007. To the best knowledge of the undersigned, who is Chief Financial Officer of the entities submitting such financial statements, no Default, 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.



Jeffrey A. Jacobson  
Executive Vice President  
& Chief Financial Officer

**Kansas Campus, LLC**  
**Balance Test**  
**Projected: As of September 30, 2007**

## Projected Fair Market Value at Completion

Phase	Completion Date	Status	No. of Units	Average Deposit per Unit	Total Deposit by Phase	Total Deposits Received	Future Deposits Remaining to be Collected	Coverage Amount	
Residential	1.1		88	256,343	22,558,200	-	22,558,200	1,200,000	
Residential	1.2		139	259,064	36,009,930	0	36,009,930	1,200,000	
Residential	1.3		81	249,167	20,182,560	0	20,182,560	1,200,000	
Residential	1.4		96	277,757	26,664,704	0	26,664,704	1,200,000	
Residential	1.5		75	277,796	20,834,684	0	20,834,684	1,200,000	
Residential	2.1		132	269,544	35,579,755	0	35,579,755	1,200,000	
Residential	2.2		112	259,385	29,051,089	0	29,051,089	1,200,000	
Residential	2.3		150	287,266	43,089,891	0	43,089,891	1,200,000	
Residential	2.4		124	282,629	35,045,939	0	35,045,939	1,200,000	
Residential	2.5		152	204,149	31,030,699	0	31,030,699	1,200,000	
Extended Care	1		103	186,903	19,251,026	0	19,251,026	1,200,000	
Minimum Coverage Amount								9,000,000	
			1,252	319,298,477			0	319,298,477	13,200,000

**BALANCE TEST COMPUTATIONS**

	Estimate at Completion Through 2015	
Future Deposits Remaining to Be Collected	319,298,477	
Operating Lease through December 2015	11,495,691	
Less: Working Capital Loan	(12,297,930)	
Purchase Option <sup>3</sup>	21,450,000	
Total Future Deposit/Lease Cash Receipts	<u>339,946,238</u>	
<b>Total Future Anticipated Cash Receipts</b>		<b><u>339,946,238</u></b>
Cost to Complete:		
Hard Costs <sup>1</sup>	125,190,955	
Soft Costs <sup>2</sup>	95,336,303	
Total Costs to Complete	<u>220,527,258</u>	
Cash on Hand/AR	15,691,350	<b><u>15,691,350</u></b>
Other Current Liabilities		
Construction G.C. Payable	5,079,081	
Retainage Payable/Current Liabilities *	4,518,888	
Total Other Current Liabilities	<u>9,597,969</u>	
Line of Credit Payable/Subordinate Debt	62,400,094	
Equity Partner		
Outstanding Morgan Stanley Equity	25,000,000	
Bonds Payable	14,950,000	
Balance Test Coverage Amount	<u>13,200,000</u>	
<b>Total Future Anticipated Cash Disbursements</b>		<b><u>345,675,321</u></b>

**BALANCE TEST****9,962,267 Passes Test**<sup>1/</sup> Hard Costs Include Building and Sitework.<sup>2/</sup> Soft Costs Include: Architecture, Engineering, Fees & Permits, Builder's Risk, Outside Legal, Departmental Costs, Warranty, FF&E, Financing costs, Interest Costs, Land, Property Taxes, Development Fees. Soft Costs exclude Contingency.<sup>3/</sup> Purchase option corresponds to 50% of current purchase price amount.