



**Kansas Campus, LLC
Monthly Reporting Package
September 2008**

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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, 84 assisted living apartment and 36 skilled nursing beds upon its expected completion in 2014.

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 \$4.95M in equity to date to cover sub debt interest.

Executive Summary

Marketing Overview

Tallgrass Creek ended September with 6 initial deposits and 1 settlement. Through September, Tallgrass Creek has 17 reservations, 87 standbys and 79 futures in its pipeline.

Critical Issues

- Lien - On 2/12/08, Houston-Stafford Electric (HSE) filed a lien in the amount of \$160,963.20 on the RB1.1 project. HSE is a subcontractor to Erickson Construction. A lien bond was filed with Johnson County, Kansas, on 4/28/08, and the lien has been released. An agreement was reached in late September, and the lien is expected to be removed in October 2008.
- 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 through November 30, 2008.

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 through November 30, 2008.

Active Phase Status

<i>Phase/Item</i>	<i>Construction Began</i>	<i>Projected to Open</i>
Residential Building 1.3	Mar-09	Feb-10
Sitework 1.0	Oct-06	N/A

Proforma Update

	Original Budget	CURRENT 9/30/2008 Budget
Entrance Deposits	319	332 (1)
Purchase Price	41	72 (2)
Working Capital Payments	0	
Net Operating Lease	0	
Total Funds	360	404
Project Costs	248	286 (3)
Financing Costs	45	65 (4)
Operations Start Up (Working Capital) Ex. Reserves	21	32 (5)
Development Fees	16	17
Total Costs	330	400
Enterprise Margin	30	4

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

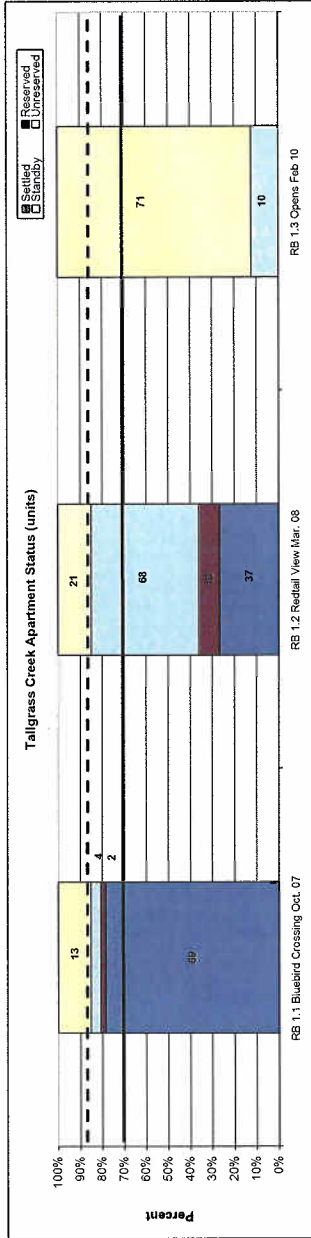
(2) Variance is due to lower regional factor, an increase in monthly fee pricing of 2.3% and capitalization rate change from 10% to 8%.

(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

Apartment Status by Building as of 09-30-08



Total Units: 88
 Flex Pay: 0
 Flex Pay Ratio: 1.7%

	2006 Year End	2007 1st Qtr	2007 2nd Qtr	2007 3rd Qtr	2007 4th Qtr	2008 1st Qtr	2008 2nd Qtr	2008 3rd Qtr	2008 4th Qtr
Settled Reservations Standby	0	53	58	90	54	41	19	15	15
Futures	13	20	24	40	55	65	80	79	287
Total	13	73	82	130	109	106	99	94	302
Monthly Trends									
Net Settlements/Reservations/Standbys	37.0	2.7	11.0	10.3	12.3	-2.7	-1.7	0.3	3.3
Settlements	0	0.0	0.0	0.0	19.3	3.0	9.7	3.3	0

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	Total	Test Satisfied
Current Buildings	88	85%	75	69	2	75	0
Open	139	85%	118	37	13	118	0

	Units	Test	Required Reserved/Standby	Settled	Reserved	Total	Test Satisfied
Construction Test for Funding of Next Building Begins Const. Oct. 08	81	70%	57	0	0	57	0
Total	169		132	69	13	132	0

*Settlement vs. Covenant
 Covenant Requirement: 10
 PTD Monthly Average as of 9/30/08: 8.8

*Test to break escrow is not applicable

NOTES: We need 71 more standbys to meet the construction test for RB 1.3.

2008 Monthly Marketing Trend Report

Campus: Tallgrass Creek

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Average
Monthly Activity														
1 Net Apt Reservations (MS)*	0	4	2	8	1	-2	1	3	4				21	2.33
* New	0	4	2	8	1	-2	1	3	2				19	2.11
* Resale	0	0	0	0	0	0	0	0	2				2	0.22
2 Gross Reservations (MS)	11	7	7	12	2	4	7	7	10				67	7.44
3 No. of Total Settlements (MS)*	0	3	6	17	10	2	3	6	1				48	5.33
* New	0	3	6	17	10	2	3	6	1				48	5.33
* Resale	0	0	0	0	0	0	0	0	0				0	0
4 No. of Initial Deposits (MS)	15	5	9	11	4	6	9	3	6				68	7.56
5 Requests for Refunds (MS)	5	6	6	4	4	4	4	1	5				39	4.33
6 Total Kit Requests (OT)	321	244	299	303	276	248	196	129	164				2,180	242.22
* MJO (OT)	215	154	164	173	160	104	109	74	114				1,267	140.78
* Sales Office (OT)	95	79	121	114	94	121	62	41	33				760	84.44
* Walk-ins (OT)	11	11	14	16	22	23	25	14	17				153	17.00
HC Kit Requests	0	0	0	0	2	0	1	0	0				3	0.33
7 Total Appts (OT)**	56	55	80	91	85	54	71	56	69				617	68.56
* First Time Appts (OT)	32	21	33	32	42	26	39	25	24				274	30.44
* Non Depositor Repeat Appts (OT)	7	6	14	12	8	10	7	4	8				76	8.44
* Depositor Appts (OT)	17	28	33	47	35	18	25	27	37				267	29.67
8 Walk-in Appts (OT)	1	3	0	1	0	0	0	0	4				9	1.00
Pipeline														
9 Reserved but Unsettled (P)	44	45	41	32	23	19	17	14	17				17	28.00
* New	44	45	41	32	23	19	17	14	15				15	27.78
* Resale	0	0	0	0	0	0	0	0	2				2	0.22
FPP									2				2	2.00
10 Standby (P)	114	105	104	97	95	92	92	90	87				87	97.33
11 Futures (P)	60	64	65	71	72	80	79	79	79				79	72.11
12 Total Deposits w/o Settled Appts (C) [9+10+11]	218	214	210	200	190	191	188	183	183				183	197.44
13 Total Settled Appts (P)	58	61	67	84	94	96	99	104	104				104	85.22
Total New Settled Appts (BS)	58	61	67	84	94	96	99	105	106				106	85.56
14 No. of Unsettled Appts (PRU)	169	166	160	143	133	131	128	124	123				123	141.89
15 Appts released by keys not turned in	0	0	0	0	0	0	0	1	0				0	0.11
Ratio (Line 12/14) (C)	1.29	1.29	1.31	1.40	1.43	1.46	1.47	1.48	1.49	N/A	N/A	N/A	1.49	1.39

Notes

* Net Reservations = Gross Reservations - Reservations withdrawn

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



Marketing Summary

TCK

Date Range [9/1/08 thru 9/30/08]

LOC: Independent

Settlements	Count	Cash Collected	Current P-Note Due	Total
New	1	\$349,000	\$0	\$349,000
Resale	0	\$0	\$0	\$0
Total	1	\$349,000	\$0	\$349,000

Reservations	Initial Deposits	Priority List	Left To Settled	Withdraw	Net	Deposits Reserved	Reservations Settled	Reservations Withdrawn	Net Reservations
New	1	7	1	6	1	\$2,057,000	\$349,000	\$1,428,000	\$280,000
Resale	0	2	0	0	2	\$442,000	\$0	\$0	\$442,000
Total	1	9	1	6	3	\$2,499,000	\$349,000	\$1,428,000	\$722,000

Waiting Lists	Initial Deposits	Priority List	Changed Status	Net Change
Futures	3	0	3	0
Standby	2	7	12	-3
Total	5	7	15	-3

Initial Deposits	
Initial Deposits	6
Requests for Refund	5

3 Total Anticipated Budget

Erickson Retirement Communities
Kansas Campus
Total Anticipated Budget
As of September 30, 2008

	Actual Costs JTD	% Complete to Budget	Estimate to Complete	Estimate at Completion	Original Budget	Favorable/ (Unfavorable)	Notes
Entrance Deposits	27,105,993	8%	304,696,916	331,802,909	318,262,397	13,540,512	
Operating Lease	182,389	2%	8,743,850	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)	
Total Deposits	27,288,382	9%	280,103,400	307,391,782	317,460,158	(10,068,376)	A
Hard Costs - Building	38,229,321	24%	119,517,599	157,746,920	144,005,940	(13,740,980)	
Hard Costs - Sitework	17,137,750	73%	6,440,197	23,577,947	19,193,119	(4,384,828)	
Architecture	6,219,331	53%	5,543,459	11,762,790	10,469,774	(1,293,016)	
Engineering	3,138,023	72%	1,202,108	4,340,131	3,634,697	(705,434)	
Builder's Risk	107,353	15%	593,736	701,089	643,153	(57,936)	
Fees, Permits & Bonds	1,425,108	29%	3,574,176	4,999,284	4,951,054	(48,230)	
Development Fee	1,355,300	8%	15,234,846	16,590,145	15,913,120	(677,025)	
Outside Legal	262,106	25%	803,693	1,065,798	811,523	(254,275)	
Phase Costs Before Contingency	67,874,292	31%	152,909,814	220,784,106	199,622,380	(21,161,726)	
Contingency	0	0%	3,909,669	3,909,669	5,303,835	1,394,166	
Total Phase Costs	67,874,292	30%	156,819,483	224,693,775	204,926,215	(19,767,560)	B
Department Costs							
Pre-Development	0	0%	0	0	0	-	
Administration Department	925,242	38%	1,513,426	2,438,668	2,633,333	194,665	
Acquisitions and Development	2,868,438	28%	7,335,686	10,204,125	8,329,167	(1,874,958)	
Construction Services	764,045	10%	6,773,973	7,538,018	0	(7,538,018)	
Finance	0	0%	1,996,365	1,996,365	730,750	(1,265,615)	
Marketing Department	7,767,206	24%	24,046,105	31,813,311	23,662,380	(8,150,931)	
Information Services	362,211	23%	1,232,563	1,594,774	803,167	(791,607)	
Legal Department	82,197	22%	285,740	367,937	322,583	(45,354)	
Total Departmental Costs	12,769,339	23%	43,183,858	55,953,198	36,481,380	(19,471,818)	C
Total Hard & Soft Costs	80,643,631	29%	200,003,341	280,646,972	241,407,595	(39,239,377)	
Other Development Costs							
Land	20,254,249	100%	-	20,254,249	20,252,445	(1,804)	
Interest Costs	11,616,452	19%	49,698,602	61,315,054	43,114,942	(18,200,112)	
Financing Costs - L.O.C	3,168,096	79%	850,095	4,018,191	1,180,627	(2,837,564)	
Property Taxes	65,488	9%	668,102	733,589	587,321	(146,268)	
Capital Expenditures/	473,463	41%	693,667	1,167,130	1,175,730	8,600	
Community Loan Interest	(590,032)		590,032	-	-	-	
Total Other Development Costs	34,987,716	40%	52,500,498	87,488,214	66,311,065	(21,177,149)	D
Total Costs	115,631,347	31%	252,503,839	368,135,186	307,718,660	(60,416,526)	
Profit Margin	(88,342,965)		27,599,561	(60,743,404)	9,741,498	(70,484,902)	
Profit Margin %				-19.76%	3.07%	-22.83%	
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)			
Total Adjustments				64,573,522			
Enterprise Value				3,830,118			

Kansas Campus, LLC

\$'s in Millions

<u>Variations to Original Proforma by Reason</u>	<u>Category</u>	<u>\$ Detail</u>	<u>\$ Summary</u>
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
			<u>(70.4)</u>

Variance by line item (reference category code)

	<u>Total</u>
A Total Deposits (Deposits/ Working Capital/ Operating Lease)	(10.0)
B Phase Costs	(19.8)
C Departmental Costs	(19.5)
D Other Development Costs	(21.2)
Total Variance	<u>(70.4)</u>

4 Project Schedule

**Kansas Campus
Project Schedule
September 30, 2008**

Project	Original Scheduled Completion Date	Substantially Completed	Variance (in Months)
Community Building 1.0	Oct-07	Oct-07	-
Transitional Spaces	Jun-10	Jul-12	(25.0)
Residential Building 1.1	Oct-07	Oct-07	-
Residential Building 1.2	Oct-07	Mar-08	(5.0)
Residential Building 1.3	Oct-08	Feb-10	(16.0)
Residential Building 1.4	May-09	Jul-10	(14.0)
Residential Building 1.5	Oct-09	Mar-11	(17.0)
Community Building 2.0	Jun-10	Jul-12	(25.0)
Residential Building 2.1	Jun-10	Sep-11	(15.0)
Residential Building 2.2	Jun-10	Jul-12	(25.0)
Residential Building 2.3	Oct-11	Jun-13	(20.0)
Residential Building 2.4	Oct-12	Mar-14	(17.0)
Residential Building 2.5	Jul-13	Oct-14	(15.0)
Bridge 10	Jun-10	Sep-11	(15.0)
Bridge 20	Jun-10	Jul-12	(25.0)
Bridge 30	Oct-11	Dec-09	22.0
Bridge 40	Oct-12	Mar-14	(17.0)
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	Oct-07	5.0
Carport 2	Jun-10	Jul-12	(25.0)
Extended Care 1.0	Oct-11	Jan-11	9.0
Extended Care 2.0	N/A	Oct-14	

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, FY08

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	<u>Current Balance</u>	<u>Prior Year End Balance</u>	<u>Change from Prior Year</u>
ASSETS			
Current Assets			
Cash	425,263	56,916	368,347
Assets Limited as to Use	2,097,534	2,706,890	(609,356)
Bonds Receivable	810,501	1,627,134	(816,634)
Other Current Assets	-	16,499	(16,499)
Total Current Assets	3,333,298	4,407,440	(1,074,141)
Fixed Assets			
Land and Improvements	21,871,824	21,573,226	298,598
Buildings	62,559,011	37,307,171	25,251,840
Other Fixed Assets	1,679,689	1,288,047	391,642
Total Fixed Assets	86,110,524	60,168,444	25,942,080
Accumulated Depreciation	(1,749,342)	(385,344)	(1,363,998)
Total Fixed Assets net of Depreciation	84,361,182	59,783,100	24,578,082
Construction in Progress	15,447,548	27,919,914	(12,472,366)
Total Fixed Assets, Net and CIP	99,808,730	87,703,014	12,105,715
Other Assets			
Community Note Receivable	11,270,171	6,307,616	4,962,555
Deferred Financing Costs, net	2,178,366	2,250,598	(72,232)
Total Other Assets	13,448,537	8,558,213	4,890,323
TOTAL ASSETS	116,590,565	100,668,667	15,921,897
LIABILITIES & MEMBERS' CAPITAL			
Current Liabilities			
Accounts Payable	38,323	92,142	(53,819)
Construction G.C. Payable	1,210,059	1,630,458	(420,399)
Retainage Payable	894,371	2,328,347	(1,433,976)
Other Current Liabilities	372,113	215,508	156,605
Short-Term Interest Payable	634,651	910,782	(276,131)
Development Fees Payable	1,355,300	648,900	706,400
Intercompany	256,013	296,291	(40,278)
Total Current Liabilities	4,760,829	6,122,428	(1,361,599)
Long-Term Liabilities			
Mortgage Payable	27,105,993	12,978,000	14,127,993
Line of Credit Payable	64,738,182	56,720,678	8,017,504
Sale/Leaseback Payable	25,000,000	25,000,000	-
Bonds Payable	14,950,000	14,950,000	-
Total Long-Term Liabilities	131,794,175	109,648,678	22,145,497
Total Liabilities	136,555,004	115,771,106	20,783,899
Members' Capital			
Members' Capital	(9,999,998)	(9,999,998)	-
Members' Capital Sub-Debt Interest	4,951,142	2,320,548	2,630,594
Development Fee Distributions	(1,355,300)	(648,900)	(706,400)
Retained Earnings	(6,774,088)	(6,774,088)	-
Current Year's Income (Loss)	(6,786,195)	-	(6,786,195)
Total Members' Capital	(19,964,439)	(15,102,438)	(4,862,001)
TOTAL LIABILITIES & MEMBERS' CAPITAL	116,590,565	100,668,667	15,921,897

ERICKSON RETIREMENT COMMUNITIES
Kansas Campus
Landowner Income Statement
Sep, FY08

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	Period Activity	Period Budget	Period Variance	Year-to-Date Actual	Year-to-Date Budget	Year-to-Date Variance
Departmental Expenses						
Development Administration	83,641	100,862	17,221	814,369	910,836	96,467
Construction Mangement Services	84,628	3,647	(80,981)	718,799	32,821	(685,978)
Administration	48,079	48,079	-	432,714	432,714	0
Marketing	201,480	151,706	(49,774)	1,277,845	1,367,891	90,046
Sales and Information	71,154	95,833	24,679	729,648	868,124	138,475
Information Services	16,884	16,884	-	151,959	151,959	0
Legal	3,914	3,914	-	35,229	35,229	-
Capitalized Costs	(308,301)	(269,219)	39,082	(2,882,718)	(2,431,682)	451,036
Net Departmental Expense	201,480	151,706	(49,774)	1,277,845	1,367,891	90,046
Other Operating Expenses						
Bank Charges/Other Fees	1,118	-	(1,118)	3,485	-	(3,485)
Depreciation	168,911	190,055	21,143	1,363,998	1,597,465	233,466
Amortization	53,165	-	(53,165)	370,148	-	(370,148)
Total Other Operating Expenses	223,193	190,055	(33,139)	1,737,632	1,597,465	(140,167)
Total Operating Expenses	424,674	341,761	(82,913)	3,015,477	2,965,355	(50,121)
Non-Operating Revenue						
Note Rec/Other Interest	53,652	61,050	(7,398)	513,623	411,332	102,291
Community Lease Revenue	115,840	148,128	(32,288)	822,622	998,839	(176,217)
Total Non-Operating Revenue	169,492	209,178	(39,686)	1,336,244	1,410,171	(73,927)
Non-Operating Expenses						
Interest Expense LOC, net(Sub-debt)	204,684	-	(204,684)	1,745,634	-	(1,745,634)
Mortgage Interest Expense	100,574	132,678	32,104	685,232	859,789	174,557
Equity Partner Interest Expense	175,000	291,667	116,667	1,575,000	2,625,000	1,050,000
Bond Interest Expense	-	74,750	74,750	-	672,750	672,750
Additional Equity Partner	116,667	-	(116,667)	1,050,000	-	(1,050,000)
Financing Costs	1,350	4,000	2,650	57,457	205,015	147,558
Real Estate & Other Taxes	4,551	-	(4,551)	(6,361)	-	6,361
Total Non-Operating Expenses	602,826	503,095	(99,731)	5,106,963	4,362,554	(744,409)
NET INCOME (LOSS)	(858,007)	(635,677)	(222,330)	(6,786,195)	(5,917,738)	(868,457)

ERICKSON RETIREMENT COMMUNITIES
Kansas Campus
Landowner Cash Flow Statement
Sep, FY08

10/29/08 4:19 PM

	<u>Period Activity</u>	<u>Year-to-Date</u>
Cash Flows from Operating Activities:		
Net Income (Loss)	(858,007)	(6,786,195)
Adjustments to reconcile Net Income (Loss) to Net Cash (Used In) Provided by Operating Activities:		
Depreciation	168,911	1,363,998
Amortization	53,165	370,148
Changes in:		
Assets Limited as to Use	1,129,074	609,356
Other Current Assets	-	16,499
Current Liabilities	29,794	102,786
Interest Payable	(321,910)	(276,131)
Development Fees Payable	54,370	706,400
Intercompany	(101,117)	(40,278)
Net Cash (Used In) Provided by Operating Activities	154,279	(3,933,417)
Cash Flows from Investing Activities:		
CIP and Other Fixed Assets	(1,403,485)	(13,469,714)
Net Cash (Used In) Provided by Investing Activities	(1,403,485)	(13,469,714)
Cash Flows from Financing Activities:		
Deferred Financing Costs	-	(325,000)
Community Note Receivable	(429,081)	(4,962,555)
Retainage Withheld (Released)	(195,082)	(1,433,976)
Mortgage Proceeds	1,087,409	14,127,993
Change in General Contractor Payable	41,783	(420,399)
Proceeds (Repay) LOC Sub-Debt	489,686	8,017,504
Members' Capital	-	-
Members' Drawing	(54,370)	(706,400)
Net Cash (Used In) Provided by Financing Activities	940,345	14,297,167
Change in Cash	96,628	368,347
Beginning Cash Balance	328,635	56,916
Ending Cash Balance	425,263	425,263

9 Community Financial Statements

TCK
Comparative Balance Sheet
(in thousands)

	YTD Sep FY08	YTD Aug FY08	Change	YTD Dec FY07	Change
Assets					
<i>Current Assets</i>					
Cash	515	355	159	273	242
Accounts Receivable	18	204	(185)	35	(17)
Inventory	30	27	3	27	3
Prepays	10	9	1	24	(14)
Short Term Notes Receivable	-	260	(260)	1,009	(1,009)
<i>Total Current Assets</i>	<u>573</u>	<u>855</u>	<u>(282)</u>	<u>1,368</u>	<u>(796)</u>
<i>Limited Use Cash and Investments</i>					
Escrow Deposits	383	803	(420)	1,142	(760)
Restricted Fund Accounts	53	30	23	9	44
<i>Total Limited Use Cash & Investments</i>	<u>436</u>	<u>833</u>	<u>(397)</u>	<u>1,152</u>	<u>(716)</u>
<i>Non-Current Assets</i>					
Fixed Assets- Net	2,273	2,312	(39)	2,344	(71)
LT Mortgage & Note Receivables	27,106	26,019	1,087	12,978	14,128
<i>Total Non-Current Assets</i>	<u>29,379</u>	<u>28,331</u>	<u>1,048</u>	<u>15,322</u>	<u>14,057</u>
Total Assets	<u>30,387</u>	<u>30,018</u>	<u>369</u>	<u>17,842</u>	<u>12,545</u>
Liabilities					
<i>Current Liabilities</i>					
Accounts Payable and Accrued Liabilities	944	948	(5)	1,111	(167)
<i>Total Current Liabilities</i>	<u>944</u>	<u>948</u>	<u>(5)</u>	<u>1,111</u>	<u>(167)</u>
<i>Non-Current Liabilities</i>					
Advance Deposits	382	355	26	435	(53)
Capital	27,104	26,727	377	14,692	12,412
Amort of Capital	(518)	(447)	(72)	(81)	(437)
Long Term Liabilities	11,270	10,841	429	6,308	4,963
<i>Total Non-Current Liabilities</i>	<u>38,238</u>	<u>37,477</u>	<u>761</u>	<u>21,353</u>	<u>16,885</u>
Total Liabilities	<u>39,181</u>	<u>38,425</u>	<u>756</u>	<u>22,464</u>	<u>16,718</u>
Net Assets					
Unrestricted Net Assets	(4,622)	(4,622)	-	(144)	(4,478)
Temporarily Restricted	44	21	23	0	44
Current Year Increase (Decrease) In Net Assets	(4,216)	(3,806)	(410)	(4,478)	262
Total Net Assets	<u>(8,794)</u>	<u>(8,407)</u>	<u>(387)</u>	<u>(4,622)</u>	<u>(4,173)</u>
Total Liabilities and Net Assets	<u>30,387</u>	<u>30,018</u>	<u>369</u>	<u>17,842</u>	<u>12,545</u>

TCK
Statement of Operations by Natural Expense
All LOB, All Entities
Sep, FY08
(in thousands)

	Sep		YTD(Sep)		YTDDec	
	Actual	BudVar	Actual	BudVar	Forecast	FcstVar
Operating Revenue						
Resident Monthly Fees	205	(21)	1,433	111	2,026	(45)
Departmental Revenues	60	(23)	745	69	936	(15)
Total Operating Revenue	265	(44)	2,179	180	2,962	(60)
Operating Expense						
Wages	229	18	2,050	104	2,753	177
Employee Benefits	49	(1)	422	4	579	(1)
Other Employee Expense	16	4	122	54	148	103
Contract Labor Expense	56	32	771	(110)	860	44
Supplies Expense	39	15	347	(11)	476	38
Repairs and Maintenance Expense	(1)	16	81	26	96	60
Professional Fee Expense	7	0	38	29	50	39
Purchased Services Expense	133	0	1,197	0	1,974	(378)
Other Expense	98	35	915	207	1,507	67
Operating Reserve Expense	0	0	0	0	0	0
Total Operating Expense	627	120	5,942	302	8,442	147
Operating Income	(362)	75	(3,763)	482	(5,480)	87
Net Rent	15	0	137	2	184	2
Interest Expense	52	9	424	(13)	608	10
Investment Income	2	2	36	36	41	41
47770-Amortization Income	72	(14)	437	(90)	626	(200)
59950-FF&E Depreciation Expense	55	(6)	365	27	530	15
Total Non-Operating Income	(49)	(9)	(453)	(38)	(654)	(132)
Increase (Decrease) in Net Assets	(410)	66	(4,216)	444	(6,135)	(45)

TCK
Statement of Operations by Natural Expense
 All LOB, All Entities
 Sep, FY08
 (in thousands)

Current Month Occupancy

	Independent	Assisted Living	Skilled Nursing
Billed Units	107	#MISSING	#MISSING
Available Units	227	#MISSING	#MISSING
Occupancy %	47.2%	#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	-	-	-	-
Total	-	-	-	-

TCK
Statement of Cash Flows
 Sep , FY08
 (in thousands)

	<u>Current</u>	<u>YTD</u>
Cash Flows from Operating Activities		
Net Income	(410)	(4,216)
Adjustments to Reconcile Income		
Depreciation and Amortization Expense	55	365
Amortization Income	(72)	(437)
(Increase)/Decrease in Accounts Receivable	185	17
(Increase)/Decrease in Inventory	(3)	(3)
(Increase)/Decrease in Prepaid Expenses	(1)	14
Increase/(Decrease) in Accounts Payable and Accrued Liabilities	(5)	(167)
Net Cash Provided by Operating Activities	<u>(251)</u>	<u>(4,427)</u>
Cash Flows from Investing Activities		
(Increase)/Decrease in Short Term Notes	260	1,009
(Increase)/Decrease in Limited Use Cash and Investments	420	760
(Increase)/Decrease in Fixed Assets	(15)	(294)
(Increase)/Decrease in LT Mortgage & Note Receivables	(1,087)	(14,128)
Net Cash Used in Investing Activities	<u>(422)</u>	<u>(12,653)</u>
Cash Flows from Financing Activities		
Increase/(Decrease) in Advance Deposits	26	(53)
Increase/(Decrease) in Resident Deposits	377	12,412
Increase/(Decrease) in Long Term Liabilities	429	4,963
Net Cash Provided by Financing Activities	<u>833</u>	<u>17,322</u>
Increase (Decrease) in Cash	159	242
Aggregate Other Items to Reconcile Cash	-	-
Cash Beginning of Period	355	273
Cash End of Period	<u>515</u>	<u>515</u>

7 Supplemental Information

Kansas Campus, LLC

Loan Covenant Compliance Summary

As of September 30, 2008

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	
2008 Community Budget	Enclosed-Nov07	
2007 Tax Returns or Extensions (if applicable)*	Delivered-Aug08	
2008 Annual Insurance Certificates	Delivered-Dec07	

Financial/Other Covenants

Description	Covenant		Actual	Status
ERC Liquidity (in millions)	Minimum	\$ 100.0	\$ 134.7	
Letter of Credit Sub-Limit (in millions)	Maximum	\$ 7.0	-	
Working Capital Loan Sub-Limit (in millions)	Maximum	\$ 30.0	\$ 10.7	
PTD Absorbtion/Month	Minimum	10.0	8.8	

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

**The Kansas PTD Absorption Covenant of 10 per month has been waived by PNC through 11/30/08. Discussions are currently underway to determine the appropriate PTD Absorption amount.



Covenant Compliance Letter

October 30, 2008

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

RE: Kansas Campus/Tallgrass Creek, Inc.

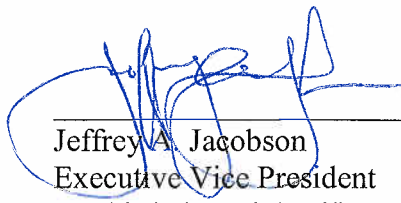
Ladies and Gentlemen:

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 September 30, 2008. 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 November 30, 2008.

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 November 30, 2008.



Jeffrey A. Jacobson
Executive Vice President
& Chief Financial Officer