



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

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# 1 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 \$11.6M in equity to date, including \$5.8M to cover sub debt interest payments and \$5.8M in short term funding.

### **Executive Summary**

#### **Marketing Overview**

Tallgrass Creek ended December with 2 initial deposits and 1 settlement. As of the end of December, Tallgrass Creek has 18 reservations, 80 standbys and 91 futures in its pipeline.

#### **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. An extension of the PNC waiver for this covenant has been requested.

## 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. An extension of the PNC waiver for this covenant has been requested and discussions to determine an appropriate settlement rate for this project have been initiated.
- 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 12/31/2008 Budget
Entrance Deposits	319	332 (1)
Purchase Price	41	72 (2)
Working Capital Payments	0	
Net Operating Lease	0	
<b>Total Funds</b>	<b>360</b>	<b>404</b>
Project Costs	248	287 (3)
Financing Costs	45	65 (4)
Operations Start Up (Working Capital) Ex. Reserves	21	32 (5)
Development Fees	16	17
<b>Total Costs</b>	<b>330</b>	<b>401</b>
<b>Enterprise Margin</b>	<b>30</b>	<b>3</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



**2008 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)*	0	4	2	8	1	-2	1	3	4	-1	5	2	27	2.25
* New	0	4	2	8	1	-2	1	3	2	-1	5	1	24	2.00
* Resale	0	0	0	0	0	0	0	0	2	0	0	1	3	0.25
2 Gross Reservations (MS)	11	7	7	12	2	4	7	7	10	5	6	4	82	6.83
3 No. of Total Settlements (MS)*	0	3	6	17	10	2	3	6	1	2	2	1	53	4.42
* New	0	3	6	17	10	2	3	6	1	2	1	1	52	4.33
* Resale	0	0	0	0	0	0	0	0	0	0	1	0	1	0.08
4 No. of Initial Deposits (MS)	15	5	9	11	4	6	9	3	6	9	5	2	84	7.00
5 Requests for Refunds (MS)	5	6	6	4	4	4	4	1	5	4	0	1	44	3.67
6 Total Kit Requests (OT)	321	244	299	303	276	248	196	129	164	221	99	157	2,657	221.42
* MJO (OT)	215	154	164	173	160	104	109	74	114	92	51	92	1,502	125.17
* Sales Office (OT)	95	79	121	114	94	121	62	41	33	116	37	58	971	80.92
* Walk-ins (OT)	11	11	14	16	22	23	25	14	17	13	11	7	184	15.33
HC Kit Requests	0	0	0	0	2	0	1	0	0	1	0	0	4	0.33
7 Total Apts (OT)**	56	55	80	91	85	54	71	56	69	33	35	49	734	61.17
* First Time Apts (OT)	32	21	33	32	42	26	39	25	24	14	16	16	320	26.67
* Non Depositor Repeat Apts (OT)	7	6	14	12	8	10	7	4	8	7	3	8	94	7.83
* Depositor Apts (OT)	17	28	33	47	35	18	25	27	37	12	16	25	320	26.67
8 Walk-in Apts (OT)	1	3	0	1	0	0	0	0	4	1	2	0	12	1.00
<b>Pipeline</b>														
9 Reserved but Unsettled (P)	44	45	41	32	23	19	17	14	17	14	17	18	18	25.08
* New	44	45	41	32	23	19	17	14	15	12	16	16	16	24.50
* Resale	0	0	0	0	0	0	0	0	2	2	1	2	2	0.58
FPP	0	0	0	0	0	0	0	0	2	2	2	2	2	2.00
10 Standby (P)	114	105	104	97	95	92	92	90	87	94	81	80	80	94.25
11 Futures (P)	60	64	65	71	72	80	79	79	79	78	92	91	91	75.83
12 Total Deposits w/o Settled Apts (C) [9+10+11]	218	214	210	200	190	191	188	183	183	186	190	189	189	195.17
13 Total Settled Apts (P)	58	61	67	84	94	96	99	104	104	106	107	108	108	90.67
Total New Settled Apts (BS)	58	61	67	84	94	96	99	105	106	108	109	110	110	91.42
14 No. of Unsettled Apts (PRU)	169	166	160	143	133	131	128	124	123	121	120	119	119	136.42
15 Apts released by keys not turned in	0	0	0	0	0	0	0	1	0	0	0	0	0	0.08
Ratio (Line 12/14) (C)	1.29	1.29	1.31	1.40	1.43	1.46	1.47	1.48	1.49	1.54	1.58	1.59	1.59	1.43

**Notes**

\* Net Reservations = Gross Reservations - Reservations withdrawn

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





**Marketing Summary**

**Date Range** [ >=12/1/08 and <=12/31/08 ]

**TCK**

**LOC: Independent**

Settlements	Count	Cash Collected	Current P-Note Due	Total
New	1	\$283,000	\$0	\$283,000
Resale	0	\$0	\$0	\$0
<b>Total</b>	<b>1</b>	<b>\$283,000</b>	<b>\$0</b>	<b>\$283,000</b>

Reservations	Initial Deposits	Priority List	Left To Settled	Withdraw	Net	Deposits Reserved	Reservations Settled	Reservations Withdrawn	Net Reservations
New	1	2	1	2	0	\$705,000	\$283,000	\$455,000	-\$33,000
Resale	0	1	0	0	1	\$275,000	\$0	\$0	\$275,000
<b>Total</b>	<b>1</b>	<b>3</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>\$980,000</b>	<b>\$283,000</b>	<b>\$455,000</b>	<b>\$242,000</b>

Waiting Lists	Initial Deposits	Priority List	Changed Status	Net Change
Futures	0	0	1	-1
Standby	1	2	4	-1
<b>Total</b>	<b>1</b>	<b>2</b>	<b>5</b>	<b>-2</b>

Initial Deposits	Initial Deposits	Requests for Refund
Initial Deposits	2	
Requests for Refund	1	

## **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 December 31, 2008**

	<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	27,638,500	8%	304,164,409	331,802,909	318,262,397	13,540,512	
Operating Lease	228,186	3%	8,698,054	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>27,866,686</b>	<b>9%</b>	<b>279,525,096</b>	<b>307,391,782</b>	<b>317,460,158</b>	<b>(10,068,376)</b>	A
Hard Costs - Building	38,503,211	24%	119,542,038	158,045,249	144,005,940	(14,039,309)	
Hard Costs - Sitework	17,348,872	74%	6,229,075	23,577,947	19,193,119	(4,384,828)	
Architecture	6,305,320	53%	5,537,596	11,842,915	10,469,774	(1,373,141)	
Engineering	3,164,040	66%	1,636,703	4,800,743	3,634,697	(1,166,046)	
Builder's Risk	127,209	18%	573,880	701,089	643,153	(57,936)	
Fees, Permits & Bonds	1,443,034	29%	3,556,250	4,999,284	4,951,054	(48,230)	
Development Fee	1,381,925	8%	15,208,220	16,590,145	15,913,120	(677,025)	
Outside Legal	287,269	27%	778,529	1,065,798	811,523	(254,275)	
<b>Phase Costs Before Contingency</b>	<b>68,560,881</b>	<b>31%</b>	<b>153,062,291</b>	<b>221,623,172</b>	<b>199,622,380</b>	<b>(22,000,792)</b>	
Contingency	0	0%	3,909,669	3,909,669	5,303,835	1,394,166	
<b>Total Phase Costs</b>	<b>68,560,881</b>	<b>30%</b>	<b>156,971,960</b>	<b>225,532,841</b>	<b>204,926,215</b>	<b>(20,606,626)</b>	B
Department Costs							
Pre-Development	0	0%	0	0	0	-	
Administration Department	1,069,480	44%	1,369,188	2,438,668	2,633,333	194,665	
Acquisitions and Development	3,120,423	31%	7,083,702	10,204,125	8,329,167	(1,874,958)	
Construction Services	984,122	13%	6,553,896	7,538,018	0	(7,538,018)	
Finance	0	0%	1,996,365	1,996,365	730,750	(1,265,615)	
Marketing Department	8,761,690	28%	23,051,621	31,813,311	23,662,380	(8,150,931)	
Information Services	359,415	23%	1,235,359	1,594,774	803,167	(791,607)	
Legal Department	93,939	26%	273,997	367,937	322,583	(45,354)	
<b>Total Departmental Costs</b>	<b>14,389,070</b>	<b>26%</b>	<b>41,564,128</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>82,949,950</b>	<b>29%</b>	<b>198,536,088</b>	<b>281,486,038</b>	<b>241,407,595</b>	<b>(40,078,443)</b>	
Other Development Costs							
Land	20,254,249	100%	-	20,254,249	20,252,445	(1,804)	
Interest Costs	13,046,354	21%	48,268,700	61,315,054	43,114,942	(18,200,112)	
Financing Costs - L.O.C	3,175,323	79%	842,868	4,018,191	1,180,627	(2,837,564)	
Property Taxes	52,170	7%	681,420	733,589	587,321	(146,268)	
Capital Expenditures/	497,684	43%	669,446	1,167,130	1,175,730	8,600	
Community Loan Interest	(737,392)		737,392	-	-	-	
<b>Total Other Development Costs</b>	<b>36,288,387</b>	<b>41%</b>	<b>51,199,826</b>	<b>87,488,214</b>	<b>66,311,065</b>	<b>(21,177,149)</b>	D
<b>Total Costs</b>	<b>119,238,337</b>	<b>32%</b>	<b>249,735,915</b>	<b>368,974,252</b>	<b>307,718,660</b>	<b>(61,255,592)</b>	
<b>Profit Margin</b>	<b>(91,371,652)</b>		<b>29,789,182</b>	<b>(61,582,470)</b>	<b>9,741,498</b>	<b>(71,323,968)</b>	
<b>Profit Margin %</b>				<b>-20.03%</b>	<b>3.07%</b>	<b>-23.10%</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>2,991,052</b>			

# Kansas Campus, LLC

\$'s in Millions

<u>Variations to Original Proforma by Reason</u>	<u>Category</u>	<u>\$ Detail</u>	<u>\$ Summary</u>
<b>1</b> Change in RG Metric Assumption (2006)			
Working Capital	A	(16.6)	
Other Development Costs	D	(10.2)	(26.8)
<b>2</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	(1.3)	(0.4)
<b>3</b> Increased costs for CB10, RB11, and RB12 due to unanticipated field conditions (2007)			
Phase Costs	B	(4.6)	(4.6)
<b>4</b> Updated RG assumptions to 100% collection of deposits based on historical experience (2007)			
Deposits	A	7.5	
Other Development Costs	D	1.0	8.5
<b>5</b> 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	(9.0)	(20.4)
<b>6</b> RG Acceleration (from October 2011 to October 2009)			
Deposits	A	(1.5)	
Phase Costs	B	1.3	
Other Development Costs	D	2.3	2.2
<b>7</b> 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	(3.6)	(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	(6.3)	(24.4)
<b>8</b> Decreased projected construction loan interest from 8% to 6.25% in 2008 and 6.75% in 2009 (2007)			
Other Development Costs	D	5.0	5.0
<b>9</b> Increased departmental costs due to proforma update with 2008 budget (2007)			
Departmental Costs	C	(1.2)	(1.2)
<b>10</b> 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	(0.4)	(3.6)
<b>11</b> 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	0.1	0.1
<b>12</b> Hard cost increases above model and inflation			
	B	(0.3)	(0.3)
<b>13</b> Reclass of construction management services (2008)			
Phase Costs	B	6.9	
Departmental Costs	C	(6.9)	0.0
<b>14</b> Other			
Phase Costs	B	(0.8)	(0.8)
			<u>(71.3)</u>

## Variance by line item (reference category code)

	<u>Total</u>
<b>A</b> Total Deposits (Deposits/ Working Capital/ Operating Lease)	(10.0)
<b>B</b> Phase Costs	(20.6)
<b>C</b> Departmental Costs	(19.5)
<b>D</b> Other Development Costs	(21.2)
Total Variance	<u>(71.3)</u>

# 4 Project Schedule

**Erickson Retirement Communities  
Enterprise Project Schedule  
January 16, 2009**

<u>Site</u>	<u>Units</u>	<u>Construction Start Date</u>	<u>Construction Open Date</u>
<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	3/1/2009	3/1/2010 *
CB 2.0	-	8/1/2009	8/1/2010
RB 2.1	118	8/1/2009	8/1/2010
SW 2.0	-	6/1/2009	
EC 1.0A	36	3/1/2010	6/1/2011
<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	12/1/2009	3/1/2011
<b>Maris Grove (Concord)</b>			
RB 2.2	131	3/1/2008	5/1/2009
RB 2.4	105	6/1/2008	6/1/2009
RB 2.5	84	3/1/2009	1/1/2010
CB 3.0	-	12/1/2009	12/1/2010
RB 3.1	123	12/1/2009	12/1/2010
RB 3.2	60	4/1/2010	4/1/2011
RB 3.3	67	8/1/2010	8/1/2011
EC 1.0	132	3/1/2008	7/1/2009
<b>Wind Crest (Denver)</b>			
CB 2.0	-	2/1/2009	10/1/2009 *
RB 2.1	124	9/1/2009	6/1/2010
RB 2.2	84	2/1/2009	10/1/2009 *
<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>			
RB 2.5	120	4/1/2009	4/1/2010
		<b>Last Completed Building/Info</b>	
<b>Eagle's Trace (Houston)</b>		RB 1.4; RB 2.1 & SW 2 Stopped	
<b>Fox Run (Novi)</b>		RB 2.2	
<b>Monarch Landing (Naperville)</b>		RB 1.2	
<b>Tallgrass Creek (Kansas)</b>		RB 1.2	
<b>Highland Springs (Dallas)</b>		RB 1.3	
<b>Ann's Choice (Warminster) NH 4</b>		Pending Financing	
<b>Seabrook (Tinton Falls) NH 3</b>		Pending Financing	
<b>Grant's Farm (St. Louis)</b>		Not Started	
<b>Tanglewood Creek (Westminster)</b>		Not Started	
<b>Windsor Run (Matthews)</b>		Not Started	

\*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**  
**Dec, FY08**

2:55 PM

	<u>Current Balance</u>	<u>Prior Year End Balance</u>	<u>Change from Prior Year</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	64,445	56,916	7,529
Assets Limited as to Use	1,974,091	2,706,890	(732,799)
Bonds Receivable	813,426	1,627,134	(813,708)
Other Current Assets	-	16,499	(16,499)
<b>Total Current Assets</b>	<b>2,851,963</b>	<b>4,407,440</b>	<b>(1,555,477)</b>
<b>Fixed Assets</b>			
Land and Improvements	21,871,824	21,573,226	298,598
Buildings	63,414,076	37,307,171	26,106,905
Other Fixed Assets	1,703,910	1,288,047	415,863
<b>Total Fixed Assets</b>	<b>86,989,810</b>	<b>60,168,444</b>	<b>26,821,366</b>
Accumulated Depreciation	(2,266,297)	(385,344)	(1,880,953)
Total Fixed Assets net of Depreciation	84,723,513	59,783,100	24,940,413
Construction in Progress	16,318,152	27,919,914	(11,601,763)
<b>Total Fixed Assets, Net and CIP</b>	<b>101,041,665</b>	<b>87,703,014</b>	<b>13,338,651</b>
<b>Other Assets</b>			
Community Note Receivable	13,889,711	6,307,616	7,582,096
Deferred Financing Costs, net	2,018,872	2,250,598	(231,726)
<b>Total Other Assets</b>	<b>15,908,583</b>	<b>8,558,213</b>	<b>7,350,370</b>
<b>TOTAL ASSETS</b>	<b>119,802,211</b>	<b>100,668,667</b>	<b>19,133,544</b>
<b>LIABILITIES &amp; MEMBERS' CAPITAL</b>			
<b>Current Liabilities</b>			
Accounts Payable	68,777	92,142	(23,365)
Construction G.C. Payable	180,531	1,630,458	(1,449,927)
Retainage Payable	52,426	2,328,347	(2,275,921)
Other Current Liabilities	272,365	215,508	56,856
Short-Term Interest Payable	760,412	910,782	(150,370)
ERC Short-Term Funding	5,799,094	-	5,799,094
Development Fees Payable	1,381,925	648,900	733,025
Intercompany	871,083	296,291	574,792
<b>Total Current Liabilities</b>	<b>9,386,613</b>	<b>6,122,428</b>	<b>3,264,185</b>
<b>Long-Term Liabilities</b>			
Mortgage Payable	27,638,500	12,978,000	14,660,500
Line of Credit Payable	64,687,907	56,720,678	7,967,229
Sale/Leaseback Payable	25,000,000	25,000,000	-
Bonds Payable	14,950,000	14,950,000	-
<b>Total Long-Term Liabilities</b>	<b>132,276,407</b>	<b>109,648,678</b>	<b>22,627,729</b>
<b>Total Liabilities</b>	<b>141,663,020</b>	<b>115,771,106</b>	<b>25,891,915</b>
<b>Members' Capital</b>			
Members' Capital	(9,999,998)	(9,999,998)	-
Members' Capital Sub-Debt Interest	5,826,142	2,320,548	3,505,594
Development Fee Distributions	(1,381,925)	(648,900)	(733,025)
Retained Earnings	(6,774,088)	(6,774,088)	-
Current Year's Income (Loss)	(9,530,940)	-	(9,530,940)
<b>Total Members' Capital</b>	<b>(21,860,809)</b>	<b>(15,102,438)</b>	<b>(6,758,371)</b>
<b>TOTAL LIABILITIES &amp; MEMBERS' CAPITAL</b>	<b>119,802,211</b>	<b>100,668,667</b>	<b>19,133,544</b>

**ERICKSON RETIREMENT COMMUNITIES**  
**Kansas Campus**  
**Landowner Income Statement**  
**Dec, FY08**

01/22/09 12:55 PM

	<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	91,540	101,958	10,418	1,066,354	1,215,614	149,260
Construction Management Services	77,567	3,647	(73,920)	938,876	43,761	(895,115)
Administration	48,079	48,079	-	576,952	576,952	0
Marketing	386,948	152,609	(234,339)	2,046,979	1,824,815	(222,164)
Sales and Information	98,852	97,733	(1,119)	955,196	1,159,421	204,226
Information Services	(36,565)	16,884	53,450	149,163	202,613	53,450
Legal	3,914	3,914	-	46,971	46,971	-
Capitalized Costs	<u>(283,386)</u>	<u>(272,216)</u>	<u>11,171</u>	<u>(3,733,512)</u>	<u>(3,245,332)</u>	<u>488,179</u>
<b>Net Departmental Expense</b>	<b>386,948</b>	<b>152,609</b>	<b>(234,339)</b>	<b>2,046,979</b>	<b>1,824,815</b>	<b>(222,164)</b>
<b>Other Operating Expenses</b>						
Bank Charges/Other Fees	-	-	-	4,760	-	(4,760)
Depreciation	168,794	207,432	38,638	1,880,953	2,196,870	315,917
Amortization	53,165	-	(53,165)	529,642	-	(529,642)
<b>Total Other Operating Expenses</b>	<b>221,959</b>	<b>207,432</b>	<b>(14,527)</b>	<b>2,415,355</b>	<b>2,196,870</b>	<b>(218,486)</b>
<b>Total Operating Expenses</b>	<b>608,907</b>	<b>360,041</b>	<b>(248,866)</b>	<b>4,462,334</b>	<b>4,021,685</b>	<b>(440,650)</b>
<b>Non-Operating Revenue</b>						
Note Rec/Other Interest	64,297	72,650	(8,353)	728,839	617,712	111,127
Community Lease Revenue	122,852	183,800	(60,948)	1,185,652	1,517,311	(331,659)
<b>Total Non-Operating Revenue</b>	<b>187,148</b>	<b>256,450</b>	<b>(69,302)</b>	<b>1,914,491</b>	<b>2,135,023</b>	<b>(220,532)</b>
<b>Non-Operating Expenses</b>						
Interest Expense LOC, net(Sub-debt)	116,909	-	(116,909)	1,680,368	-	(1,680,368)
Mortgage Interest Expense	107,587	168,350	60,763	1,002,466	1,331,911	329,445
Equity Partner Interest Expense	175,000	291,667	116,667	2,100,000	3,500,000	1,400,000
Bond Interest Expense	62,938	74,750	11,812	755,256	897,000	141,744
Additional Equity Partner	116,667	-	(116,667)	1,400,000	-	(1,400,000)
Financing Costs	2,870	4,000	1,130	64,684	277,015	212,331
Real Estate & Other Taxes	(17,870)	182,272	200,142	(19,679)	182,272	201,951
<b>Total Non-Operating Expenses</b>	<b>564,100</b>	<b>721,039</b>	<b>156,938</b>	<b>6,983,096</b>	<b>6,188,198</b>	<b>(794,898)</b>
<b>NET INCOME (LOSS)</b>	<b><u>(985,858)</u></b>	<b><u>(824,629)</u></b>	<b><u>(161,229)</u></b>	<b><u>(9,530,940)</u></b>	<b><u>(8,074,860)</u></b>	<b><u>(1,456,080)</u></b>

**ERICKSON RETIREMENT COMMUNITIES**  
**Kansas Campus**  
**Landowner Cash Flow Statement**  
**Dec, FY08**

01/22/09 12:55 PM

	Period Activity	Year-to-Date
<b>Cash Flows from Operating Activities:</b>		
Net Income (Loss)	(985,858)	(9,530,940)
Adjustments to reconcile Net Income (Loss) to Net Cash (Used In) Provided by Operating Activities:		
Depreciation	168,794	1,880,953
Amortization	53,165	529,642
Changes in:		
Assets Limited as to Use	30,817	732,799
Other Current Assets	-	16,499
Current Liabilities	(31,756)	33,492
Interest Payable	49,731	(150,370)
ERC Short-Term Funding	2,530,200	5,799,094
Development Fees Payable	14,180	733,025
Intercompany	218,954	574,792
<b>Net Cash (Used In) Provided by Operating Activities</b>	<b>2,048,226</b>	<b>618,987</b>
<b>Cash Flows from Investing Activities:</b>		
CIP and Other Fixed Assets	(546,671)	(15,219,603)
<b>Net Cash (Used In) Provided by Investing Activities</b>	<b>(546,671)</b>	<b>(15,219,603)</b>
<b>Cash Flows from Financing Activities:</b>		
Deferred Financing Costs	-	(325,000)
Community Note Receivable	(1,445,523)	(7,582,096)
Retainage Withheld (Released)	(12,348)	(2,275,921)
Mortgage Proceeds	283,593	14,660,500
Change in General Contractor Payable	(313,643)	(1,449,927)
Proceeds (Repay) LOC Sub-Debt	(312,093)	7,967,229
Members' Capital	-	-
Members' Drawing	(14,180)	(733,025)
<b>Net Cash (Used In) Provided by Financing Activities</b>	<b>(1,814,194)</b>	<b>10,261,760</b>
<b>Change in Cash</b>	<b>(22,210)</b>	<b>7,529</b>
Beginning Cash Balance	86,655	56,916
<b>Ending Cash Balance</b>	<b>64,445</b>	<b>64,445</b>

# 9 Community Financial Statements

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

 **DRAFT**

	YTDDec FY08	YTDNov FY08	Change	YTDDec FY07	Change
<b>Assets</b>					
<i>Current Assets</i>					
Cash	982	732	250	273	709
Accounts Receivable	63	81	(18)	35	28
Inventory	31	30	2	27	4
Prepays	19	17	2	24	(5)
Short Term Notes Receivable	59	619	(561)	1,009	(951)
<b>Total Current Assets</b>	<b>1,154</b>	<b>1,479</b>	<b>(325)</b>	<b>1,368</b>	<b>(215)</b>
<i>Limited Use Cash and Investments</i>					
Escrow Deposits	835	402	433	1,142	(307)
Restricted Fund Accounts	119	99	20	9	110
<b>Total Limited Use Cash &amp; Investments</b>	<b>954</b>	<b>501</b>	<b>454</b>	<b>1,152</b>	<b>(197)</b>
<i>Non-Current Assets</i>					
Fixed Assets- Net	2,226	2,215	10	2,344	(118)
LT Mortgage & Note Receivables	27,639	27,355	284	12,978	14,661
<b>Total Non-Current Assets</b>	<b>29,864</b>	<b>29,570</b>	<b>294</b>	<b>15,322</b>	<b>14,543</b>
<b>Total Assets</b>	<b>31,972</b>	<b>31,550</b>	<b>423</b>	<b>17,842</b>	<b>14,131</b>
<b>Liabilities</b>					
<i>Current Liabilities</i>					
Accounts Payable and Accrued Liabilities	704	976	(272)	1,111	(407)
Resident Refunds	-	170	(170)	-	-
<b>Total Current Liabilities</b>	<b>704</b>	<b>1,146</b>	<b>(442)</b>	<b>1,111</b>	<b>(407)</b>
<i>Non-Current Liabilities</i>					
Advance Deposits	443	401	43	435	9
Capital	28,083	27,800	283	14,692	13,391
Amort of Capital	(703)	(640)	(63)	(81)	(622)
Long Term Liabilities	13,890	12,445	1,446	6,308	7,582
<b>Total Non-Current Liabilities</b>	<b>41,714</b>	<b>40,005</b>	<b>1,708</b>	<b>21,353</b>	<b>20,361</b>
<b>Total Liabilities</b>	<b>42,418</b>	<b>41,151</b>	<b>1,267</b>	<b>22,464</b>	<b>19,954</b>
<b>Net Assets</b>					
Unrestricted Net Assets	(4,622)	(4,622)	-	(144)	(4,478)
Temporarily Restricted	65	90	(25)	0	65
Current Year Increase (Decrease) In Net Assets	(5,889)	(5,069)	(819)	(4,478)	(1,410)
<b>Total Net Assets</b>	<b>(10,446)</b>	<b>(9,602)</b>	<b>(844)</b>	<b>(4,622)</b>	<b>(5,824)</b>
<b>Total Liabilities and Net Assets</b>	<b>31,972</b>	<b>31,550</b>	<b>423</b>	<b>17,842</b>	<b>14,131</b>

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

 **DRAFT**

	Dec		YTD(Dec)		YTDDec	
	Actual	BudVar	Actual	BudVar	Forecast	FcstVar
<b>Operating Revenue</b>						
Resident Monthly Fees	212	(55)	2,063	(8)	2,026	(45)
Departmental Revenues	89	0	948	(3)	936	(15)
<b>Total Operating Revenue</b>	<b>300</b>	<b>(55)</b>	<b>3,011</b>	<b>(11)</b>	<b>2,962</b>	<b>(60)</b>
<b>Operating Expense</b>						
Wages	220	45	2,730	200	2,753	177
Employee Benefits	49	4	566	12	579	(1)
Other Employee Expense	39	(14)	227	23	148	103
Contract Labor Expense	86	(7)	956	(53)	860	44
Supplies Expense	52	11	486	27	476	38
Repairs and Maintenance Expense	7	11	115	41	96	60
Professional Fee Expense	12	(4)	56	33	50	39
Purchased Services Expense	511	(378)	1,974	(378)	1,974	(378)
Other Expense	94	61	1,199	375	1,507	67
Operating Reserve Expense	0	0	1	(1)	0	0
<b>Total Operating Expense</b>	<b>1,070</b>	<b>(272)</b>	<b>8,309</b>	<b>280</b>	<b>8,442</b>	<b>147</b>
<b>Operating Income</b>	<b>(770)</b>	<b>(327)</b>	<b>(5,298)</b>	<b>269</b>	<b>(5,480)</b>	<b>87</b>
Net Rent	15	0	183	2	184	2
Interest Expense	48	24	572	46	608	10
Investment Income	2	2	42	42	41	41
47770-Amortization Income	63	(43)	622	(204)	626	(200)
59950-FF&E Depreciation Expense	51	2	499	46	530	15
<b>Total Non-Operating Income</b>	<b>(50)</b>	<b>(15)</b>	<b>(590)</b>	<b>(68)</b>	<b>(654)</b>	<b>(132)</b>
<b>Increase (Decrease) in Net Assets</b>	<b>(819)</b>	<b>(342)</b>	<b>(5,889)</b>	<b>201</b>	<b>(6,135)</b>	<b>(45)</b>

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

 **DRAFT**

Current Month Occupancy

	Independent	Assisted Living	Skilled Nursing
Billed Units	111	#MISSING	#MISSING
Available Units	227	#MISSING	#MISSING
Occupancy %	48.9%	#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**  
 Dec , FY08  
 (in thousands)

	Current	YTD
<b>Cash Flows from Operating Activities</b>		
Net Income	(819)	(5,889)
<b>Adjustments to Reconcile Income</b>		
Depreciation and Amortization Expense	51	499
Amortization Income	(63)	(622)
(Increase)/Decrease in Accounts Receivable	18	(28)
(Increase)/Decrease in Inventory	(2)	(4)
(Increase)/Decrease in Prepaid Expenses	(2)	5
Increase/(Decrease) in Accounts Payable and Accrued Liabilities	(272)	(407)
<b>Net Cash Provided by Operating Activities</b>	<u>(1,089)</u>	<u>(6,445)</u>
<b>Cash Flows from Investing Activities</b>		
(Increase)/Decrease in Short Term Notes	561	951
(Increase)/Decrease in Limited Use Cash and Investments	(478)	262
(Increase)/Decrease in Fixed Assets	(61)	(381)
(Increase)/Decrease in LT Mortgage & Note Receivables	(284)	(14,661)
<b>Net Cash Used in Investing Activities</b>	<u>(262)</u>	<u>(13,828)</u>
<b>Cash Flows from Financing Activities</b>		
Increase/(Decrease) in Resident Refunds	(170)	-
Increase/(Decrease) in Advance Deposits	43	9
Increase/(Decrease) in Resident Deposits	283	13,391
Increase/(Decrease) in Long Term Liabilities	1,446	7,582
<b>Net Cash Provided by Financing Activities</b>	<u>1,601</u>	<u>20,983</u>
<b>Increase (Decrease) in Cash</b>	250	709
Aggregate Other Items to Reconcile Cash	-	-
<b>Cash Beginning of Period</b>	732	273
<b>Cash End of Period</b>	<u>982</u>	<u>982</u>



# 7 Supplemental Information

## Kansas Campus, LLC Loan Covenant Compliance Summary

As of December 31, 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	
2009 Community Budget	Enclosed-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	\$ 129.9	
Letter of Credit Sub-Limit (in millions)	Maximum	\$ 7.0	-	
Working Capital Loan Sub-Limit (in millions)	Maximum	\$ 30.0	\$ 13.2	
PTD Absorption/Month	Minimum	10.0	7.3	

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

\*\*An extension of the PNC waiver for the Kansas PTD Absorption Covenant of 10 per month has been requested. Discussions are currently underway to determine the appropriate PTD Absorption amount.



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Covenant Compliance Letter

January 30, 2009

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

RE: Kansas Campus/Tallgrass Creek, Inc.

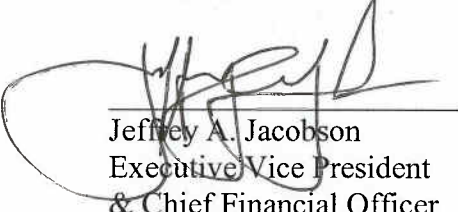
Ladies and Gentlemen:

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 December 31, 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. An extension of the PNC waiver for this covenant has been requested.

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. An extension of the PNC waiver for this covenant has been requested and discussions to determine an appropriate settlement rate for this project have been initiated.

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



# EVIDENCE OF PERSONAL PROPERTY INSURANCE

DATE (MM/DD/YYYY)  
01/14/2009 17:00

THIS IS EVIDENCE THAT INSURANCE AS IDENTIFIED BELOW HAS BEEN ISSUED, IS IN FORCE, AND CONVEYS ALL THE RIGHTS AND PRIVILEGES AFFORDED UNDER THE POLICY.

<b>AGENCY</b> Riggs, Counselman, Michaels & Downes 555 Fairmount Avenue Towson, MD 21286-5497 410-339-7263		<b>PHONE (A/C, No, Ext):</b> 443-921-2548 ext. 1378		<b>COMPANY</b>  Travelers Property Casualty Company of America	
<b>FAX (A/C, No):</b>		<b>E-MAIL ADDRESS:</b>			
<b>CODE:</b>		<b>SUB CODE:</b>			
<b>AGENCY CUSTOMER ID #:</b> 13387		<b>LOAN NUMBER</b>		<b>POLICY NUMBER</b> QT6605484C978	
<b>INSURED</b> Erickson Retirement Communities, LLC  c/o Risk Management 991 Corporate Blvd. Linthicum, MD 21090		<b>EFFECTIVE DATE</b> 1/1/2009		<b>EXPIRATION DATE</b> 1/1/2010	
				<input type="checkbox"/> CONTINUED UNTIL TERMINATED IF CHECKED	
<b>THIS REPLACES PRIOR EVIDENCE DATED:</b>					

**PROPERTY INFORMATION**

<b>LOCATION/DESCRIPTION</b> See Below
--

**COVERAGE INFORMATION Insuring against risks of direct physical loss or damage subject to policy terms, conditions and exclusions.**

COVERAGE/PERILS/FORMS	AMOUNT OF INSURANCE	DEDUCTIBLE
Builder's Risk-Blanket per Project Limit/Repl. Cost/Special Form/No Co-Ins./Incl. Boiler & Machinery	\$75,000,000	\$25,000
Earthquake	\$5,000,000	\$50,000
Flood (A,A1-A30, AH,A99, V, V1-V30 & VE Excluded)	\$5,000,000	\$50,000
Insuring Against Risks of Direct Physical Loss except as Modified or Excluded		
Soft Costs	\$6,000,000	5 Days
Temporary Off Site Storage	\$1,000,000	\$25,000
Transit Limit	\$1,000,000	\$25,000


**REMARKS (Including Special Conditions)**

Tallgrass Creek, Inc, 13800 Metcalf Avenue, Overland Park, KS 66223 Named Insureds-Kansas Campus, LLC, Erickson Retirement Communities, LLC, Erickson Construction, LLC & all Sub-Contractors
--

**CANCELLATION**

THE POLICY IS SUBJECT TO THE PREMIUMS, FORMS, AND RULES IN EFFECT FOR EACH POLICY PERIOD. SHOULD THE POLICY BE TERMINATED, THE COMPANY WILL GIVE THE ADDITIONAL INTEREST IDENTIFIED BELOW 30 DAYS WRITTEN NOTICE, AND WILL SEND NOTIFICATION OF ANY CHANGES TO THE POLICY THAT WOULD AFFECT THAT INTEREST, IN ACCORDANCE WITH THE POLICY PROVISIONS OR AS REQUIRED BY LAW.

**ADDITIONAL INTEREST**

<b>NAME AND ADDRESS</b> PNC Bank, National Association 500 First Ave., Firstside Ctr., 4th Floor Pittsburgh, PA 15219	<input checked="" type="checkbox"/> MORTGAGEE	<b>ADDITIONAL INSURED</b>
	<input checked="" type="checkbox"/> LOSS PAYEE	
<b>LOAN #</b>		
<b>AUTHORIZED REPRESENTATIVE</b> 		

ACORD 27 (2004/04)

Client # 13387

Mst # 09-10 Erickson - Builders Risk

Cert # 215880

© ACORD CORPORATION 1993



# EVIDENCE OF PERSONAL PROPERTY INSURANCE

DATE (MM/DD/YYYY)  
01/14/2009 17:00

THIS IS EVIDENCE THAT INSURANCE AS IDENTIFIED BELOW HAS BEEN ISSUED, IS IN FORCE, AND CONVEYS ALL THE RIGHTS AND PRIVILEGES AFFORDED UNDER THE POLICY.

<b>AGENCY</b> Riggs, Counselman, Michaels & Downes 555 Fairmount Avenue Towson, MD 21286-5497 410-339-7263		<b>PHONE (A/C, No, Ext):</b> 443-921-2548 ext. 1378	<b>COMPANY</b>  Travelers Property Casualty Company of America	
<b>FAX (A/C, No):</b>	<b>E-MAIL ADDRESS:</b>			
<b>CODE:</b>	<b>SUB CODE:</b>			
<b>AGENCY CUSTOMER ID #:</b> 13387				
<b>INSURED</b>  Erickson Retirement Communities, LLC  c/o Risk Management 991 Corporate Blvd. Linthicum, MD 21090		<b>LOAN NUMBER</b>	<b>POLICY NUMBER</b> QT6605484C978	
		<b>EFFECTIVE DATE</b> 1/1/2009	<b>EXPIRATION DATE</b> 1/1/2010	<input type="checkbox"/> <b>CONTINUED UNTIL TERMINATED IF CHECKED</b>
<b>THIS REPLACES PRIOR EVIDENCE DATED:</b>				

### PROPERTY INFORMATION

**LOCATION/DESCRIPTION**

See Below

### COVERAGE INFORMATION Insuring against risks of direct physical loss or damage subject to policy terms, conditions and exclusions.

COVERAGE/PERILS/FORMS	AMOUNT OF INSURANCE	DEDUCTIBLE
Builder's Risk-Blanket per Project Limit/Repl. Cost/Special Form/No Co-Ins./Incl. Boiler & Machinery	\$75,000,000	\$25,000
Earthquake	\$5,000,000	\$50,000
Flood (A,A1-A30, AH,A99, V, V1-V30 & VE Excluded)	\$5,000,000	\$50,000
Insuring Against Risks of Direct Physical Loss except as Modified or Excluded		
Soft Costs	\$6,000,000	5 Days
Temporary Off Site Storage	\$1,000,000	\$25,000
Transit Limit	\$1,000,000	\$25,000


### REMARKS (Including Special Conditions)

7100 W. 141st Street, Overland Park, Johnson County, Kansas/Additional Named Insured - Kansas Campus, LLC/Certificate Holder is a Mortgagee &amp; Loss Payee w/respect to the above referenced property.

### CANCELLATION

THE POLICY IS SUBJECT TO THE PREMIUMS, FORMS, AND RULES IN EFFECT FOR EACH POLICY PERIOD. SHOULD THE POLICY BE TERMINATED, THE COMPANY WILL GIVE THE ADDITIONAL INTEREST IDENTIFIED BELOW 30 DAYS WRITTEN NOTICE, AND WILL SEND NOTIFICATION OF ANY CHANGES TO THE POLICY THAT WOULD AFFECT THAT INTEREST, IN ACCORDANCE WITH THE POLICY PROVISIONS OR AS REQUIRED BY LAW.

### ADDITIONAL INTEREST

<b>NAME AND ADDRESS</b> PNC Bank, National Association 500 First Avenue, Firstside Ctr., 4th Floor Pittsburgh, PA 15219	<input checked="" type="checkbox"/> MORTGAGEE	<b>ADDITIONAL INSURED</b>
	<input checked="" type="checkbox"/> LOSS PAYEE	
<b>LOAN #</b>		
<b>AUTHORIZED REPRESENTATIVE</b> 		

ACORD 27 (2004/04)

Client # 13387

Mst # 09-10 Erickson - Builders Risk

Cert # 215882

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# EVIDENCE OF PERSONAL PROPERTY INSURANCE

DATE (MM/DD/YYYY)  
01/14/2009 17:00

THIS IS EVIDENCE THAT INSURANCE AS IDENTIFIED BELOW HAS BEEN ISSUED, IS IN FORCE, AND CONVEYS ALL THE RIGHTS AND PRIVILEGES AFFORDED UNDER THE POLICY.

<b>AGENCY</b> Riggs, Counselman, Michaels & Downes 555 Fairmount Avenue Towson, MD 21286-5497 410-339-7263		<b>PHONE (A/C, No, Ext):</b> 443-921-2548 ext. 1378		<b>COMPANY</b>  Travelers Property Casualty Company of America	
<b>FAX (A/C, No):</b> <b>E-MAIL ADDRESS:</b>		<b>CODE:</b> <b>AGENCY CUSTOMER ID #:</b> 13387		<b>LOAN NUMBER</b>  <b>POLICY NUMBER</b> QT6605484C978	
<b>INSURED</b>  Erickson Retirement Communities, LLC  c/o Risk Management 991 Corporate Blvd. Linthicum, MD 21090		<b>EFFECTIVE DATE</b> 1/1/2009		<b>EXPIRATION DATE</b> 1/1/2010	
				<input type="checkbox"/> CONTINUED UNTIL TERMINATED IF CHECKED	
<b>THIS REPLACES PRIOR EVIDENCE DATED:</b>					

### PROPERTY INFORMATION

<b>LOCATION/DESCRIPTION</b> See Below
--

### COVERAGE INFORMATION Insuring against risks of direct physical loss or damage subject to policy terms, conditions and exclusions.

COVERAGE/PERILS/FORMS	AMOUNT OF INSURANCE	DEDUCTIBLE
Builder's Risk-Blanket per Project Limit/Repl. Cost/Special Form/No Co-Ins./Incl. Boiler & Machinery	\$75,000,000	\$25,000
Earthquake	\$5,000,000	\$50,000
Flood (A,A1-A30, AH,A99, V, V1-V30 & VE Excluded)	\$5,000,000	\$50,000
Insuring Against Risks of Direct Physical Loss except as Modified or Excluded		
Soft Costs	\$6,000,000	5 Days
Temporary Off Site Storage	\$1,000,000	\$25,000
Transit Limit	\$1,000,000	\$25,000


### REMARKS (Including Special Conditions)

7100 W. 141st St., Overland Park, Johnson County, Kansas/Additional Named Insured - Kansas Campus, LLC/Certificate holder is a mortgagee & loss payee w/respect to Property located at the above location.
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### CANCELLATION

THE POLICY IS SUBJECT TO THE PREMIUMS, FORMS, AND RULES IN EFFECT FOR EACH POLICY PERIOD. SHOULD THE POLICY BE TERMINATED, THE COMPANY WILL GIVE THE ADDITIONAL INTEREST IDENTIFIED BELOW 30 DAYS WRITTEN NOTICE, AND WILL SEND NOTIFICATION OF ANY CHANGES TO THE POLICY THAT WOULD AFFECT THAT INTEREST, IN ACCORDANCE WITH THE POLICY PROVISIONS OR AS REQUIRED BY LAW.

### ADDITIONAL INTEREST

<b>NAME AND ADDRESS</b> MSRESS III Kansas Campus, L.P. Morgan Stanley/US RE Investing Division 1585 Broadway, Floor 37 New York, NY 10036	<input checked="" type="checkbox"/> MORTGAGEE	<b>ADDITIONAL INSURED</b>
	<input checked="" type="checkbox"/> LOSS PAYEE	
<b>LOAN #</b>		
<b>AUTHORIZED REPRESENTATIVE</b> 		

# ACORD™ CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)  
01/06/2009 16:32

<b>PRODUCER</b> Riggs, Counselman, Michaels & Downes 555 Fairmount Avenue Towson, MD 21286-5497 410-339-7263	THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.	
	<b>INSURERS AFFORDING COVERAGE</b>	<b>NAIC #</b>
<b>INSURED</b> Tallgrass Creek, Inc. c/o Risk Management 991 Corporate Blvd. Linthicum, MD 21090	INSURER A: Valley Forge Insurance Company	20508
	INSURER B: American Zurich Insurance Company	40142
	INSURER C:	
	INSURER D:	
	INSURER E:	

## COVERAGES

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	ADD'L INSRD	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS
		<b>GENERAL LIABILITY</b> <input type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS MADE <input type="checkbox"/> OCCUR  GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC				EACH OCCURRENCE \$ DAMAGE TO RENTED PREMISES (Ea occurrence) \$ MED EXP (Any one person) \$ PERSONAL & ADV INJURY \$ GENERAL AGGREGATE \$ PRODUCTS - COMP/OP AGG \$
A		<b>AUTOMOBILE LIABILITY</b> <input checked="" type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS <input checked="" type="checkbox"/> NON-OWNED AUTOS	C2091777844	10/15/2008	10/15/2009	COMBINED SINGLE LIMIT (Ea accident) \$ 1,000,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$
		<b>GARAGE LIABILITY</b> <input type="checkbox"/> ANY AUTO				AUTO ONLY - EA ACCIDENT \$ OTHER THAN EA ACC \$ AUTO ONLY: AGG \$
		<b>EXCESS/UMBRELLA LIABILITY</b> <input type="checkbox"/> OCCUR <input type="checkbox"/> CLAIMS MADE  <input type="checkbox"/> DEDUCTIBLE <input type="checkbox"/> RETENTION \$				EACH OCCURRENCE \$ AGGREGATE \$ \$ \$ \$
B		<b>WORKERS COMPENSATION AND EMPLOYERS' LIABILITY</b> ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? If yes, describe under SPECIAL PROVISIONS below OTHER	WC343390605	1/1/2009	1/1/2010	<input checked="" type="checkbox"/> WC STATU-TORY LIMITS <input type="checkbox"/> OTH-ER E.L. EACH ACCIDENT \$ 500,000 E.L. DISEASE - EA EMPLOYEE \$ 500,000 E.L. DISEASE - POLICY LIMIT \$ 500,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES / EXCLUSIONS ADDED BY ENDORSEMENT / SPECIAL PROVISIONS  
 General Proof of Coverage

## CERTIFICATE HOLDER

PNC Bank, National Association, as Administrative Agent on behalf of lenders, their respective successors and assigns.  
 500 First Avenue  
 PNC Firstside Center, 4th Floor  
 Pittsburgh, PA 15219

## CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL ENDEAVOR TO MAIL 30 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO DO SO SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR REPRESENTATIVES.

AUTHORIZED REPRESENTATIVE

*Albert R. Gonsky*

ACORD 25 (2001/08)

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Client # 13387 Mst # 08-09 Tallgrass Creek Auto & Cert # 194528



# ACORD™ CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)  
01/06/2009 15:10

**PRODUCER**  
Riggs, Counselman, Michaels & Downes  
555 Fairmount Avenue  
Towson, MD 21286-5497  
410-339-7263

**INSURED**  
Erickson Retirement Communities, LLC  
c/o Risk Management  
991 Corporate Blvd.  
Linthicum, MD 21090

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

INSURERS AFFORDING COVERAGE	NAIC #
INSURER A: Columbia Casualty Company	31127
INSURER B: Valley Forge Insurance Company	20508
INSURER C: American Zurich Insurance Company	40142
INSURER D:	
INSURER E:	

## COVERAGES

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR ADD'L LTR	INSRD	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS
		<b>GENERAL LIABILITY</b> <input type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS MADE <input type="checkbox"/> OCCUR  GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC				EACH OCCURRENCE \$ DAMAGE TO RENTED PREMISES (Ea occurrence) \$ MED EXP (Any one person) \$ PERSONAL & ADV INJURY \$ GENERAL AGGREGATE \$ PRODUCTS - COMP/OP AGG \$
B		<b>AUTOMOBILE LIABILITY</b> <input checked="" type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS <input checked="" type="checkbox"/> NON-OWNED AUTOS	C2091777844	10/15/2008	10/15/2009	COMBINED SINGLE LIMIT (Ea accident) \$ 1,000,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$
		<b>GARAGE LIABILITY</b> <input type="checkbox"/> ANY AUTO				AUTO ONLY - EA ACCIDENT \$ OTHER THAN EA ACC \$ AUTO ONLY: AGG \$
A		<b>EXCESS/UMBRELLA LIABILITY</b> <input checked="" type="checkbox"/> OCCUR <input type="checkbox"/> CLAIMS MADE  <input type="checkbox"/> DEDUCTIBLE <input checked="" type="checkbox"/> RETENTION \$	2048948763	10/15/2008	10/15/2009	EACH OCCURRENCE \$ 15,000,000 AGGREGATE \$ 15,000,000 \$ \$ \$
C		<b>WORKERS COMPENSATION AND EMPLOYERS' LIABILITY</b> ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? If yes, describe under SPECIAL PROVISIONS below OTHER	WC343390605	1/1/2009	1/1/2010	<input checked="" type="checkbox"/> WC STATU-TORY LIMITS <input type="checkbox"/> OTH-ER E.L. EACH ACCIDENT \$ 500,000 E.L. DISEASE - EA EMPLOYEE \$ 500,000 E.L. DISEASE - POLICY LIMIT \$ 500,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES / EXCLUSIONS ADDED BY ENDORSEMENT / SPECIAL PROVISIONS  
 7100 W. 141st St., Overland Park, Johnson County, Kansas/Additional Named Insured - Kansas Campus, LLC and Erickson Construction, LLC

## CERTIFICATE HOLDER

MSRESS III Kansas Campus, L.P.  
 Morgan Stanley/US RE Investing Division  
 1585 Broadway, Floor 37  
 New York, NY 10036

## CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL ENDEAVOR TO MAIL 30 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO DO SO SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR REPRESENTATIVES.

AUTHORIZED REPRESENTATIVE

*Albert R. Counselman*

ACORD 25 (2001/08)

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Client # 13387 Mst # 08-09 Erickson - Auto, Umb, Cert # 194441



**TCK**  
**Budget Profit and Loss by Account**  
 All LOB,Entities  
 FY09  
 (in thousands)

	YearTotal Budget
<b>Operating Revenue</b>	
Resident Monthly Fees	2,975
Departmental Revenues	1,022
<b>Operating Revenue</b>	<b>3,996</b>
<b>Operating Expense</b>	
Wages	2,934
Employee Benefits	665
Other Employee Expense	210
Contract Labor Expense	941
Supplies Expense	576
Repairs and Maintenance Expense	131
Professional Fee Expense	67
Purchased Services Expense	2,106
Other Expense	1,852
<b>Operating Expenses</b>	<b>9,483</b>
<b>Operating Income</b>	<b>(5,487)</b>
Net Rent	186
Interest Expense	1,330
47770-Amortization Income	814
59950-FF&E Depreciation Expense	620
<b>Net Income</b>	<b>(6,809)</b>