

**\$20,000,000 SENIOR SECURED SUPERPRIORITY DEBTOR-IN-POSSESSION
POSTPETITION REVOLVING CREDIT FACILITY**

SUMMARY OF TERMS AND CONDITIONS

This Summary of Terms and Conditions ("**Summary**") outlines certain terms of the proposed Senior Secured Superpriority Debtor-in-Possession Postpetition Revolving Credit Facility. This Summary does not constitute a commitment of any of the lending parties, or any of their respective affiliates, to lend or to syndicate a financing or an agreement of any of the foregoing to prepare, negotiate, execute or deliver such a commitment.

Borrower: Hingham Campus, LLC, Lincolnshire Campus, LLC and Naperville Campus, LLC, as a debtor, and Erickson Retirement Communities, LLC, Ashburn Campus, LLC, Columbus Campus, LP, Concord Campus GP, LLC, Concord Campus, LP, Dallas Campus GP, LLC, Dallas Campus, LP, Erickson Construction, LLC, Erickson Group, LLC, Houston Campus, LP, Kansas Campus, LLC, Littleton Campus, LLC, Novi Campus, LLC, Senior Campus Services, LLC, Warminster Campus GP, Warminster Campus, LP. (collectively, the "**Borrowers**" and each a "**Borrower**"), as a debtor and debtor in possession under title 11 of chapter 11 of the United States Code (the "**Bankruptcy Code**").

Lenders: ERC Funding Co. LLC (collectively, the "**DIP Lenders**").

Facility: A revolving credit facility made available to the Borrower in a principal amount of up to \$20,000,000 (the "**Facility**") of which up to \$5,000,000 shall be available during the period from the Closing Date (as defined below) through the entry of the final order approved on a final basis (the "**Final Order**") by the United States Bankruptcy Court (the "**Bankruptcy Court**") approving the Facility. All loans outstanding under the Facility (the "**Loans**") shall become due and payable on the Maturity Date (as defined below).

On a business day and on two (2) business days written notice, and not more frequently than twice per calendar week, the Borrowers shall be permitted to request a borrowing under the Facility.

Maturity Date: The maturity date ("**Maturity Date**") shall be the earlier to occur of (i) 60 days after the date upon which a bidder other than Redwood Capital Investments, LLC (or its affiliates) (herein the "**Redwood Purchasers**") is selected as the purchaser and/or plan sponsor of substantially all of the Borrowers' assets/operations pursuant to an auction process envisioned in the Master Purchase and Sale Agreement with the Redwood Purchasers (the "**Auction**"); provided that if the Redwood Purchasers are not selected on or before December 16, 2009, another bidder will be deemed to have been selected as of such date or (ii) the effective date of a plan of reorganization under Chapter 11 of the Bankruptcy Code in a bankruptcy proceeding in which the Borrower is a debtor and debtor-in-possession (the "**Chapter 11 Case**") or (iii) February 16, 2010, with the right to extend the foregoing maturity in item (iii) hereof for an additional 60 days subject to payment of an extension fee of 3.0% of the outstanding principal balance of the Loans as of February 16, 2010; provided, in no event will such Maturity Date be extended beyond April 17, 2010, such extension may only be exercised if there is no Event of Default other than the occurrence of the Maturity Date in (iii) above, and Redwood Purchasers shall have been announced as the

winner bidder as provided above.

Any confirmation order entered in these Chapter 11 Cases shall not discharge or otherwise affect in any way any of the joint and several obligations of the Borrowers to the DIP Lenders under the Facilities and any loan documents, other than after the payment in full and in cash on or before the effective date of a plan of reorganization.

Closing Date: On or before [____], 2009 (the “*Closing Date*”).

Purpose/Use of Proceeds: Proceeds of the Loans under the Facility will be used solely in accordance with the cash flow projections of the Borrower showing anticipated cash receipts and disbursements on a weekly basis for the periods as required under the loan documentation and in form and substance satisfactory to the DIP Lenders (the “*Budget*”), which will consist of the following payments: (i) to pay interest, fees and expenses in respect of the Facility to the DIP Lender in accordance with the Facility loan documentation; (ii) to fund the postpetition operating expenses of the Borrower incurred in the ordinary course of business; (iii) to fund the postpetition operating expenses of the affiliated not-for-profit entity in the ordinary course of business through the Working Capital Loan; and (iv) to pay certain other costs and expenses of administration of the Chapter 11 Case.

Rate: The Loans will bear interest at the Applicable Margin *plus* the LIBOR Rate, payable at the end of the relevant interest period.

“*LIBOR Rate*” means the higher of (i) 2.5% or (ii) the then current LIBOR Rate for interest periods of one month.

“*Applicable Margin*” means 7.5% *per annum*.

Interest shall be calculated on the basis of the actual number of days elapsed in a 360-day year.

Default Rate: Effective immediately upon the occurrence and during the continuance of an Event of Default (as defined in the loan documentation), Loans will bear interest at an additional 3.0% *per annum*.

Unused Line Fee: From and after the Closing Date, a non-refundable unused commitment fee of 0.5% *per annum* will accrue as a percentage of the daily average unused portion of the Facility (whether or not then available), payable monthly in arrears and on the Maturity Date.

Upfront Commitment Fee: On the Closing Date, the Debtor shall pay a fee of 3.0% of the Facility amount.

Exit Fee: On the Maturity Date, the Debtor shall pay a fee of 2.0% of the Facility amount.

Optional Commitment Reductions: The Borrower may permanently and irrevocably reduce the commitments under the Facility upon at least five business days’ notice; *provided* that each such reduction shall be in an amount of \$250,000 or multiples of \$250,000 in excess thereof and any mandatory prepayment resulting from such reduction shall have been made.

Mandatory Repayments: Mandatory repayments of the Loans under the Facility shall be required in an amount equal to (i) 100% of the net sale proceeds from non-ordinary course asset sales (including, without limitation, a sale of all or substantially all of the Borrowers' assets), (ii) 100% of extraordinary receipt proceeds, (iii) 100% of the proceeds of the incurrence of any indebtedness other than in the ordinary course of business and (iv) 100% of insurance and condemnation proceeds, in each case received by the Borrower. Mandatory repayments shall result in a permanent reduction of the Facility.

Voluntary Prepayments: Upon three (3) business days written notice and not more frequently than once per calendar week, permitted in whole or in part, with prior written notice but without premium or penalty, subject to limitations as to minimum amounts of prepayments and customary indemnification. Such repayments shall only be in increments of \$250,000.

Repayment at Maturity The Facility will be repaid in full at the Maturity Date.

- In the event that the Facility is not repaid on the Maturity Date with the Collateral (as defined below) or other proceeds, the DIP Lender shall have the option to seek to surcharge the cash and cash equivalents of Erickson Retirement Communities, LLC in the amount of the unpaid Facility.
- The DIP Lender shall have the right to credit bid the amount outstanding on the Facility against the purchase price to be paid by Redwood Purchasers of the sale transaction, provided that the credit bid amount shall equal 110% of the amount outstanding under the Facility as of the auction.

Priority: Subject to the Carve Out (as defined below), all amounts owing by the Borrowers under the Facility shall be joint and several as to each Borrower and (a) will be entitled to super priority claim status pursuant to section 364(c)(1) of the Bankruptcy Code with priority over any or all administrative expense claims of every kind and nature whatsoever, and (b) will be secured by a perfected security interest pursuant to section 364(c)(2), section 364(c)(3) and section 364(d) of the Bankruptcy Code with priority over the security interest securing Borrowers' existing senior secured credit facilities (the "**Existing Facility**") pursuant to section 364(d)(1) of the Bankruptcy Code in all of the assets of the Borrowers, whether consisting of real, personal, tangible or intangible property (including, without limitation, all of the outstanding shares of capital stock of the Borrowers' subsidiaries) and all proceeds and products of all of the foregoing (collectively, the "**Collateral**," described more fully below). The Collateral shall not include cash and cash equivalents held by Erickson Retirement Communities, LLC in an approximate amount equal to \$35,700,000 (the "**Separate Funds**"). The relative priority of all amounts owed under the Facility will be subject only to a carve-out for (i) the Borrowers' professional fees incurred in the Chapter 11 Case in an amount acceptable to the DIP Lender, (ii) other professional fees incurred in the Chapter 11 Case in an amount acceptable to the DIP Lender, (iii) the payment of fees pursuant to 28 U.S.C. § 1930, and (iv) costs and administrative expenses permitted to be incurred by any Chapter 7 trustee under Section 726(b) of the Bankruptcy Code pursuant to an order of the

Bankruptcy Court following any conversion of the Chapter 11 Case pursuant to section 1112 of the Bankruptcy Code in an amount not to exceed \$100,000 (collectively, the "*Carve-out*"). Nothing herein shall be construed as impairing the ability of any party to object to any fees and expenses of a professional in these cases.

No portion of the Carve-Out, any cash collateral or proceeds of the Facilities may be used for the payment of the fees and expenses of any person incurred challenging, or in relation to the challenge of the DIP Lenders liens or in any way that is materially adverse to the DIP Lenders rights under the Facility.

All of the liens described herein shall be effective and perfected as of the entry of any DIP Order and without the necessity of the execution of mortgages, security agreements, pledge agreements, financing statements or other agreements.

Separate Cash Account: The proceeds of the Facility and all other cash from operation of the Borrowers (other than the Separate Funds and the proceeds thereof) shall be maintained in a segregated account over which the DIP Lenders shall have a Lien as described above. The Borrowers shall also enter into an account control agreement with respect to that account.

Collateral: All amounts owing by the Borrower under the Facility in respect thereof will be secured by a first priority perfected security interest in and lien on all assets (tangible, intangible, real, personal and mixed) of the Borrowers, whether now owned or hereafter acquired, including, without limitation, management contracts, accounts, inventory, equipment, receivables, capital stock or other ownership interest in subsidiaries, investment property, instruments, chattel paper, real estate, leasehold interests, contracts, patents, copyrights, trademarks, avoidance actions and other general intangibles, and all products and proceeds thereof, subject only to the Carve-out and all other prepetition perfected and unavoidable security interests. Collateral shall include all Initial Entrance Deposits (whether existing or new) which will be deposited in a separate escrow account over which the DIP Lenders will have a first lien as described in the "Priority" section above.

The Facility shall be joint and several obligations of each Borrower and the DIP Lenders may exercise its rights with respect to any asset or grouping of assets, through foreclosure or otherwise. The Debtors shall waive and the DIP Order shall prohibit marshalling of any of the Collateral or other interest of the DIP Lenders or under any similar theory. In the event of foreclosure, all lenders will be subrogated to the rights of the DIP Lenders.

The DIP Lenders shall reserve the right, in consultation with the Borrowers, to retain expert consultants and financial advisors at the expense of the Borrowers, which consultants and advisors shall be given reasonable access for purposes of monitoring the business of the Borrowers and the value of the Collateral.

Adequate Protection: The lenders under the Existing Credit Facility (the "Prepetition Lenders") shall consent or the Bankruptcy Court shall find otherwise pursuant to the DIP Orders that the Prepetition Lenders are adequately protected by: (i) the

preservation of the cash and cash equivalents held by Erickson Retirement Communities, LLC as of the Closing Date and/or (ii) the preservation of the enterprise value of the Borrowers, jointly and severally.

Conditions Precedent to the Closing:

The loan documentation will contain conditions to the closing of the Facility customarily found in loan agreements for similar debtor in possession financings and other conditions deemed by the DIP Lender to be appropriate to the specific transaction, and in any event including without limitation:

- All fees and expenses (including reasonable fees and expenses of counsel) required to be paid to the DIP Lender and the DIP Lenders on or before the Closing Date shall have been paid and the Borrowers shall fund a \$250,000 deposit to cover such fees and expenses (whether or not the DIP Orders are entered).
- All motions and other documents to be filed with and submitted to the Bankruptcy Court in connection with the Facility and the approval thereof shall be in form and substance reasonably satisfactory to the Lender.
- The DIP Lenders shall have received and approve the Budget, which shall include the items set forth in "*Use of Proceeds*" and any changes or amendments to the Budget.
- Approval of bidding procedures as approved by the Redwood Purchasers.

Conditions Precedent to Each Loan:

On the Closing Date and the funding date of each Loan, the following conditions precedent shall have been satisfied:

- Each of the Interim Order or Final Order (the "*DIP Orders*"), as the case may be, shall be in a form that is acceptable to the DIP Lenders in their sole and absolute discretion;
- The Interim Order or Final Order, as the case may be, shall be in full force and effect, and shall not have been reversed, modified, amended, stayed for a period of five business days or longer, vacated or subject to a stay pending appeal, in the case of any modification, amendment or stay pending appeal, in a manner, or relating to a matter, that is materially adverse to the interests of the DIP Lenders;
- The Borrowers use of the proceeds is consistent with the Budget;
- There shall exist no default under the loan documentation; and
- The representations and warranties of the Borrower shall be true and correct immediately prior to, and after giving effect to, funding.

Representations and Warranties:

The loan documentation will contain representations and warranties customarily found in loan agreements for similar debtor in possession financings and other representations and warranties deemed by the DIP Lender appropriate in their sole and absolute discretion, including, without limitation, with respect to: valid existence, requisite power, due authorization, no conflict with agreements or applicable law, enforceability

of loan documentation, accuracy of financial statements and all other information provided, compliance with law, absence of material adverse change, no default under the loan documentation, absence of material litigation, absence of liens on assets, ownership of properties and necessary rights to intellectual property, no burdensome restrictions, inapplicability of Investment Company Act, compliance and continued effectiveness of the applicable Order.

**Affirmative, Negative
and Financial
Covenants:**

The loan documentation will contain affirmative, negative and financial covenants deemed by the DIP Lender appropriate to the transaction in their reasonable discretion, including, without limitation, the following:

- The DIP Orders shall prohibit and the Borrowers shall waive the claims arising under Bankruptcy Code section 506(c) against the DIP Lenders or the Facility or the commencement of other actions adverse to the DIP Lenders or their rights and remedies under the Facility.
- Compliance with total net cash flow of the Budget, reported weekly and tested weekly on a rolling four week basis.
- The definitive documentation will contain additional financial covenants as reasonably determined by the DIP Lenders.
- Interim Order or the Final Order; Deliver to DIP Lender each month of the Borrower's rolling 13-week cash flow projections (together with a comparison of actual payments to budgeted line items for the prior monthly period) in form and substance reasonably satisfying to the DIP Lenders.

Certain Affirmative Covenants – The Borrowers shall and their affiliates and affiliated not-for-profit entities (collectively referred to herein for ease of reference as "*Affiliates*" and each an "*Affiliate*") shall:

- Deliver weekly updates of the cash flow forecast and weekly variance reports;
- Deliver monthly updates by the Chief Restructuring Officer with respect to asset sales, cost savings, construction progress, and other matters reasonably requested by the DIP Lenders;
- Deliver to the DIP Lenders as soon as practicable in advance of filing with the Bankruptcy Court the Interim Order and the Final Order (which must be in form and substance reasonably satisfactory to the DIP Lenders), all other proposed orders and pleadings related to the Facilities (which must be in form and substance reasonably satisfactory to the DIP Lenders), any plan of reorganization or liquidation, and/or any disclosure statement related to such plan;
- Comply with milestones with respect to the Cases to be determined in any definitive documentation;
- Comply with additional reporting requirements reasonably requested by the DIP Lenders;

- Provide access to the DIP Lender for information (including historical information) and personnel, including, without limitation, regularly scheduled meetings as mutually agreed with senior management and the Chief Restructuring Officer and other Borrower advisors; and
- Such other ordinary and customary affirmative covenants proposed by the DIP Lenders.

Certain Negative Covenants – the Borrowers shall be barred from and its Affiliates shall be barred from:

- Creating or permitting to exist any liens or encumbrances on any assets, other than liens securing the Facilities and any permitted liens (which liens shall include scheduled liens in existence on the Closing Date) and other liens described in “Priority” above;
- Creating or permitting to exist any other superpriority claim which is pari passu with or senior to the claims of the DIP Lenders under the Facilities, except for the Carve-Out and liens of the DIP Lenders;
- Disposing of assets (including, without limitation, any sale and leaseback transaction and any disposition under Bankruptcy Code section 363 or otherwise) out of the ordinary course of business or in excess of \$1,000,000;
- Modifying or altering (i) in any material manner the nature and type of its business or the manner in which such business is conducted or (ii) its organizational documents, except as required by the Bankruptcy Code;
- Asserting any right of subrogation or contribution against any other Borrower until all borrowings under the Facilities are paid in full and the Commitments are terminated;
- Paying amounts not within the Budget (subject to the variances allowed above) without the DIP Lenders' consent
- Making any material investment in excess of \$500,000 (subject to the variances allowed above) not approved in the Budget without the DIP Lenders' consent; and
- Such other ordinary and customary negative covenants proposed by the DIP Lenders.

Events of Default:

The loan documentation will contain events of default customarily found in the DIP Lender’s loan agreements for similar debtor in possession financings and other events of default deemed by the DIP Lender appropriate to the specific transaction, including, without limitation, failure to make payments when due; noncompliance with covenants; breaches of representations and warranties; failure to satisfy or stay execution of judgments in excess of specified amounts; impairment of loan documentation or security; change of ownership or control; dismissal of the Chapter 11 Case or conversion to a chapter 7 case; appointment of a chapter 11 trustee; judgment against the Borrowers or an Affiliate in an amount to be determined by the DIP Lenders; appointment of a responsible officer or examiner with enlarged powers

beyond those set forth in Section 1106(3) and (4) of the Bankruptcy Code (excluding the incumbent Chief Restructuring Officer or the appointment by the Borrower or its Affiliate of a successor); granting of relief from the automatic stay to permit foreclosure on assets of the Borrowers (other than “friendly foreclosures” agreed to by the Borrowers and the Lender) or that would otherwise have a material adverse affect on the Borrowers or their businesses; entry of an order granting any super-priority claim which is senior or *pari passu* with the DIP Lenders’ claims under the Facility; entry of an order without the prior consent of the DIP Lenders, or the Borrowers otherwise agreeing to incur indebtedness, other than trade debt in the ordinary course of the Borrowers’ businesses or under the Facility; entry of an order without the prior consent of the Lender amending, supplementing or otherwise modifying either Order; reversal, vacation or stay of the effectiveness of either Order; non-entry of the Final Order within 45 days of commencement of the Chapter 11 Case; plan is confirmed without repayment of the Facility in full in cash without consent of the DIP Lenders; reversing, amending, supplementing, vacating, appealing or otherwise modifying any of the DIP Orders without consent of the DIP Lenders; the Borrowers or an Affiliate shall take any action in support of any person who contests the DIP Order or the Borrowers fail to contest in good faith the foregoing; the filing of any motion, pleading or proceeding by any of the Borrowers that could reasonably be expected to result in a material impairment of the rights or interest of the DIP Lenders; cross-default of any material indebtedness or material commitment of the Borrowers or their Affiliates; payment of or granting adequate protection with respect to pre-petition debt (other than as set forth in the Budget or provided in the DIP Order); cessation of liens or super-priority claims granted with respect to the Facility to be valid, perfected and enforceable in all respects.

Further, it shall be deemed an Event of Default if the following consents in support of the Redwood Purchasers’ transaction have not been received on or before the second business day preceding the Auction (herein the “***Stalking Horse Consent Defaults***”): (i) requisite consent (as defined below) from the Construction Lenders at each community, (ii) requisite consent from the Corporate Lenders, if any is required and (iii) affirmation of the consent from National Senior Campuses, Inc. and each of the individual campus boards of directors. “***Requisite Consent***” of the lenders shall mean the consent of lenders holding claims representing at least two-thirds of the value of the facility and one-half in the number of holders. Subject to otherwise complying with the requirements for extension of the Maturity Date as set forth above, the DIP Lenders shall standstill and refrain from exercising remedies in connection with a Stalking Horse Consent Default and shall continue to fund the Facilities until the Maturity Date on account of a Stalking Horse Consent Default; provided, however, interest shall be payable at the Default Rate during such period.

Taxes

The Facilities will include customary provisions reasonably acceptable to the DIP Lenders, as to the Facility, to the effect that all payments are to be made free and clear of any taxes (other than applicable franchise taxes and taxes on overall net income), imposts, assessments, withholdings or other deductions whatsoever.

Assignments and

The DIP Lenders may assign all or any part of the Facilities to one or more affiliates, banks, financial institutions or other entities. Upon such

Participations assignment, such affiliate, bank, financial institution or entity will become a DIP Lenders for all purposes under the Loan Documents.

Indemnification The Borrowers shall jointly and severally provide customary indemnifications for the DIP Lenders and their representatives.

Expenses The Borrower shall pay all customary and reasonable costs and expenses of the Lender and, and upon Bankruptcy Court approval, shall fund a deposit of \$250,000 to cover actual costs and expenses.