



**Naperville Campus, LLC &  
Monarch Landing, Inc.  
Monthly Reporting Package  
June 2008**

## *Table of Contents*

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

# 1 Project Summary

# Naperville Campus, LLC

## Project Overview

### Project Description

Naperville Campus is a 76 acre project located in Naperville, Illinois. The community is marketed under the name Monarch Landing and will consist of approximately 1498 independent living apartments, 84 assisted living apartment and 132 skilled nursing beds upon its expected completion in 2016.

### Financing Overview

- In December of 2007, Monarch Landing, Inc. issued \$178.7 million in municipal bonds. The bonds have a \$50.6M Letter of Credit enhancement from Fifth Third Bank, M&T Bank is serving as bond trustee.
- The bond issuance provided Monarch Landing, Inc with the funds to place a \$162M purchase deposit with Naperville Campus, LLC. Naperville Campus, in turn, paid off the \$85M construction revolver with Bank of America/Lasalle and the \$25M of sub debt financing with Morgan Stanley.
- In addition, a “Special Tax District” Bond Issue for \$15 million closed in June of 2006.
- Erickson has funded approximately \$30M in equity to date.
- Erickson has funded approximately \$3.9M in short term funding to cover project expenses in excess of entrance fees and the construction loan.

## Executive Summary

### Marketing Overview

Monarch Landing ended June with 14 net reservations, 12 initial deposits, and 10 settlements. The community continues to focus on strengthening its pipeline. Monarch Landing finished the month with 64 reservations, 91 standbys and 100 futures

## Naperville Campus, LLC

### Critical Issues

#### Lien:

- On 1/23/08, Illini Hi-Reach, Inc. filed a lien in the amount of \$9,960.00 on the RB1.2 project. Illini Hi-Reach rented equipment (lifts) to A-Tech Stucco EIFS Co., a subcontractor to Erickson Construction on the project. The issue involves non-payment for the equipment rented to A-Tech Stucco. A-Tech Stucco has been paid for this work by Erickson Construction. Illini's lien rights as an equipment rental supplier are questionable in the state of Illinois.

### Active Phase Status

<i>Phase/Item</i>	<i>Construction Began</i>	<i>Projected to Open</i>
Sitework 1.0	Apr-05	N/A
Residential Building 1.3	Sep-08	Sep-09

### Proforma Update

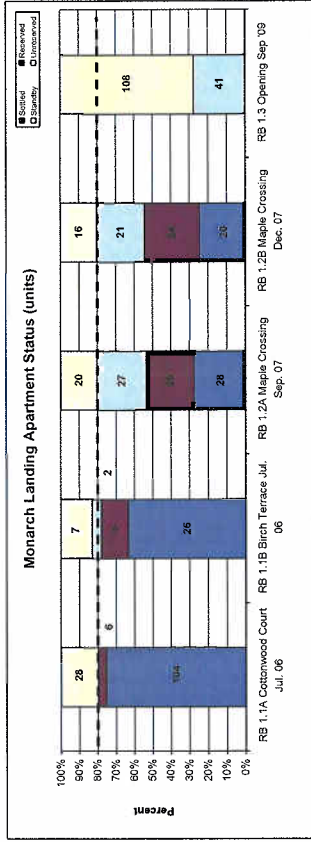
\*\*\*\* in millions

	Original Budget	CURRENT 6/30/2008 Budget
Entrance Deposits	543	592 (1)
Purchase Price	105	131 (2)
Total Funds	<u>647</u>	<u>722</u>
Project Costs (excludes financing costs & dev. fees)	462	546 (3)
Financing Costs	53	161 (4)
Operations Start Up (Working Capital) Ex. Reserves	(12)	12 (5)
Development Fees	27	30
Total Costs	<u>531</u>	<u>749</u>
<b>Enterprise Margin</b>	<b><u>116</u></b>	<b><u>(26)</u></b>

(1) (2) (3) (4) (5) Variance is due primarily to slower project schedule, which increased deposit & costs due to inflation, and bond issuance.

(3) Variance is mainly due to steel cost increases and slower project schedule.

# 2 Marketing Reports



<b>Total Units</b>	138	41	101	81	149
<b>Flex Pay</b>	4	3	9	11	0
<b>Flex Pay Ratio</b>	2.9%	7.3%	8.9%	13.6%	0.0%

	2006 Year End	2007 1st Qtr	2007 2nd Qtr	2007 3rd Qtr	2007 4th Qtr	2008 1st Qtr	2008 2nd Qtr
Settled	0	82	66	108	133	150	178
Reservations	99	16	30	45	61	59	62
Standby	40	93	79	88	91	100	91
Futures	21	61	71	74	84	94	100
<b>Total</b>	<b>160</b>	<b>252</b>	<b>280</b>	<b>336</b>	<b>367</b>	<b>401</b>	<b>431</b>
<b>Monthly Trends</b>	<b>11.6</b>	<b>4.3</b>	<b>6.0</b>	<b>11.0</b>	<b>9.3</b>	<b>8.0</b>	<b>5.7</b>
<b>Net Settlements/Reservations/Standbys</b>	<b>0</b>	<b>8.8</b>	<b>1.3</b>	<b>4.0</b>	<b>8.3</b>	<b>8.0</b>	<b>5.7</b>
<b>Settlements</b>							

Test to Break Even			
(Buildings with at least 50% Sold or bond posted for 50% of entrance fees)			
Building	Total Units	# of Units Required (50%)	# of Units Settled/Reserved
RB 1.1A	138	69	110
RB 1.1B	41	21	32
RB 1.2A	101	51	54
RB 1.2B	81	41	44
<b>Total</b>	<b>361</b>	<b>181</b>	<b>240</b>

**Project Phasing Test:**  
 Can't commence construction on a Residential Building until the Commitment ratio is at least 80%.  
 The Commitment Ratio is the sum of Settled Units, Reserved Units, Standbys and Futures divided by sum of all Completed Residential Units plus the Units of the Residential Building for which the ratio is being computed.

<b>Test for RB 1.3</b>	178	138
Settled	62	41
Reservations	91	61
Standby	25	81
<b>Total</b>	<b>431</b>	<b>149</b>

**Total Available Units**

RB 1.1A	138
RB 1.1B	41
RB 1.2A	61
RB 1.2B	81
RB 1.3	149
<b>Total</b>	<b>510</b>

**Bond Commitment** 491 = 85%  
**RSBs** 510

Original Covenant Requirement N/A  
 PTD Monthly Average as of 6/30/08 7.7

\*Settlement vs. Covenant

NOTES:

MLN has satisfied the escrow test for RB 1.2A and RB 1.2B.

Maximum Number of Units Completed & Under Construction Within Compli 534.75  
 80%

**2008 Monthly Marketing Trend Report**

Campus: Monarch Landing

Monthly Activity	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Average
1 Net Apt Reservations (MS)*	8	-3	12	10	11	14							52	8.67
* New	8	-4	11	9	10	14							48	8.00
* Resale	0	1	1	1	1	0							4	0.67
2 Gross Reservations (MS)	18	5	20	19	22	21							105	17.50
3 No. of Total Settlements (MS)*	5	7	5	11	9	10							47	7.83
* New	5	7	5	11	7	10							45	7.50
* Resale	0	0	0	0	2	0							2	0.33
4 No. of Initial Deposits (MS)	23	7	17	14	12	12							85	14.17
5 Requests for Refunds (MS)	5	3	3	3	2	2							18	3.00
6 Total Kit Requests (OT)	572	562	756	486	470	402							3,248	541.33
* MJO (OT)	407	285	525	246	257	197							1,917	319.50
* Sales Office (OT)	147	263	200	205	191	155							1,161	193.50
* Walk-ins (OT)	18	14	31	35	22	50							170	28.33
HC Kit Requests	0	0	2	3	1	0							6	1.00
7 Total Appts (OT)**	70	61	101	101	103	99							535	89.17
* First Time Appts (OT)	30	18	47	45	46	36							222	37.00
* Non Depositor Repeat Appts (OT)	8	11	18	11	11	15							74	12.33
* Depositor Appts (OT)	32	32	36	45	46	48							239	39.83
8 Walk-in Appts (OT)	0	0	0	0	0	0							0	0
<b>Pipeline</b>														
9 Reserved but Unsettled (P)	62	52	59	58	60	64							64	59.17
* New	62	51	57	55	58	62							62	57.50
* Resale	0	1	2	3	2	2							2	1.67
10 Standby (P)	95	100	100	100	99	91							91	97.50
11 Futures (P)	90	92	94	95	96	100							100	94.50
12 Total Deposits w/o Settled Appts (C) [9+10+11]	247	244	253	253	255	255							255	251.17
13 Total Settled Appts (P)	135	142	146	157	165	175							175	153.33
Total New Settled Appts (BS)	138	145	150	161	168	178							178	156.67
14 No. of Unsettled Appts (PRU)	226	219	215	204	196	188							188	208.00
15 Appts released by keys not turned in	0	0	0	0	0	2							2	0.33
Ratio (Line 12/14) (C)	1.09	1.11	1.18	1.24	1.30	1.36	N/A	N/A	N/A	N/A	N/A	N/A	1.36	1.21

Notes

\* Net Reservations = Gross Reservations - Reservations withdrawn

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





**Marketing Summary**

**MLN**

**Date Range [ >=6/1/08 and <=6/30/08 ]**

**LOC: Independent**

Settlements	Count	Cash Collected	Current P-Note Due	Total
New	10	\$1,210,750	\$1,952,250	\$3,163,000
Resale	0	\$0	\$0	\$0
<b>Total</b>	<b>10</b>	<b>\$1,210,750</b>	<b>\$1,952,250</b>	<b>\$3,163,000</b>

Reservations	Initial Deposits	Priority List	Left To Settled	Withdrawn	Net	Deposits Reserved	Reservations Settled	Reservations Withdrawn	Net Reservations
New	6	15	10	7	4	\$5,813,500	\$3,163,000	\$1,809,000	\$841,500
Resale	0	0	0	0	0	\$0	\$0	\$0	\$0
<b>Total</b>	<b>6</b>	<b>15</b>	<b>10</b>	<b>7</b>	<b>4</b>	<b>\$5,813,500</b>	<b>\$3,163,000</b>	<b>\$1,809,000</b>	<b>\$841,500</b>

Waiting Lists	Initial Deposits	Priority List	Changed Status	Net Change
Futures	3	8	7	4
Standby	3	6	17	-8
<b>Total</b>	<b>6</b>	<b>14</b>	<b>24</b>	<b>-4</b>

Initial Deposits	Initial Deposits	Requests for Refund
Initial Deposits	12	
Requests for Refund	2	

# ∞ Total Anticipated Budget

**Erickson Retirement Communities  
Naperville Campus  
Total Anticipated Budget  
As of Jun 30, 2008**

	<u>Actual Costs JTD</u>	<u>% Complete to Budget</u>	<u>Estimate to Complete</u>	<u>Estimate at Completion</u>	<u>Original Budget</u>	<u>Favorable/ (Unfavorable)</u>	Notes
Entrance Deposits	52,133,638	9%	539,452,364	591,586,001	542,559,462	49,026,539	
Operating Lease	349,346	2%	13,767,173	14,116,519	20,281,314	(6,164,795)	
Funds Held/WC Loan Repayment	(10,357,371)	7%	(140,291,956)	(150,649,327)	-	(150,649,327)	
<b>Total Deposits</b>	<b>42,125,612</b>	<b>9%</b>	<b>412,927,581</b>	<b>455,053,193</b>	<b>562,840,776</b>	<b>(107,787,583)</b>	<b>A</b>
Hard Costs - Building	93,871,834	25%	282,405,353	376,277,187	325,683,141	(50,594,046)	
Hard Costs - Sitework	14,091,267	59%	9,633,959	23,725,226	23,394,543	(330,683)	
Architecture	8,630,991	63%	5,123,533	13,754,524	12,310,747	(1,443,777)	
Engineering	2,846,128	74%	1,008,816	3,854,944	3,444,962	(409,982)	
Builder's Risk	151,627	21%	568,608	720,235	637,797	(82,438)	
Fees, Permits & Bonds	3,308,344	43%	4,390,740	7,699,083	11,183,040	3,483,957	
Development Fee	2,606,907	9%	26,972,393	29,579,300	27,127,975	(2,451,325)	
Outside Legal	706,354	60%	464,098	1,170,452	666,284	(504,168)	
<b>Phase Costs Before Contingency</b>	<b>126,213,451</b>	<b>28%</b>	<b>330,567,500</b>	<b>456,780,951</b>	<b>404,448,489</b>	<b>(52,332,462)</b>	
Contingency	0	0%	9,016,130	9,016,130	10,965,661	1,949,531	
<b>Total Phase Costs</b>	<b>126,213,451</b>	<b>27%</b>	<b>339,583,630</b>	<b>465,797,081</b>	<b>415,414,150</b>	<b>(50,382,931)</b>	<b>B</b>
Department Costs							
Administration Department	1,523,203	40%	2,274,733	3,797,936	2,530,035	(1,267,901)	
Acquisitions and Development	5,551,890	36%	9,989,408	15,541,298	11,235,995	(4,305,303)	
Construction Services	503,855	8%	5,475,099	5,978,954	0	(5,978,954)	
Finance	197,651	7%	2,629,359	2,827,010	839,945	(1,987,065)	
Marketing Department	14,644,111	27%	38,997,250	53,641,361	30,661,482	(22,979,879)	
Information Services	473,972	22%	1,722,211	2,196,183	188,392	(2,007,791)	
Legal Department	160,656	29%	399,253	559,909	375,807	(184,102)	
<b>Total Departmental Costs</b>	<b>23,055,337</b>	<b>27%</b>	<b>61,487,314</b>	<b>84,542,651</b>	<b>45,831,656</b>	<b>(38,710,995)</b>	<b>C</b>
<b>Total Hard &amp; Soft Costs</b>	<b>149,268,788</b>	<b>27%</b>	<b>401,070,944</b>	<b>550,339,732</b>	<b>461,245,806</b>	<b>(89,093,926)</b>	
Other Development Costs							
Land	22,970,488	100%	-	22,970,488	22,951,000	(19,488)	
Interest Costs	28,857,520	81%	6,640,002	35,497,522	34,790,867	(706,655)	
Financing Costs - L.O.C	3,951,485	108%	(301,574)	3,649,911	1,959,500	(1,690,411)	
Property Taxes	1,139,237	42%	1,583,352	2,722,589	2,078,167	(644,422)	
Capital Expenditures/	675,327	45%	839,631	1,514,958	1,206,910	(308,048)	
Community Loan Interest	(2,155,531)	#DIV/0!	2,155,531	-	(8,298,079)	(8,298,079)	
<b>Total Other Development Costs</b>	<b>55,438,526</b>	<b>84%</b>	<b>10,916,942</b>	<b>66,355,468</b>	<b>54,688,365</b>	<b>(11,667,103)</b>	<b>D</b>
<b>Total Costs</b>	<b>204,707,313</b>	<b>33%</b>	<b>411,987,886</b>	<b>616,695,200</b>	<b>515,934,171</b>	<b>(100,761,029)</b>	
<b>Profit Margin</b>	<b>(162,581,701)</b>		<b>939,694</b>	<b>(161,642,007)</b>	<b>46,906,605</b>	<b>(208,548,612)</b>	
<b>Profit Margin %</b>				<b>-35.52%</b>	<b>8.33%</b>	<b>-43.86%</b>	
Purchase Price				130,700,000			
Adjustment to Funds Held/WC Loan Repayment Net of \$120M Bond Financing				30,730,913			
Start Up Loss Adjustment				(12,000,000)			
Operating Lease Adjustment				(14,116,519)			
<b>Total Adjustments</b>				<b>135,314,394</b>			
<b>Enterprise Value</b>				<b>(26,327,613)</b>			

# Naperville Campus, LLC

\$'s in Millions

## Variances to Original Proforma by Reason

	<u>Category</u>	<u>\$ Detail</u>	<u>\$ Summary</u>
1 Naperville Road Impact Fees, and Park District Fees were renegotiated and thus lower than originally anticipated (2005) Phase Costs	B	<u>1.4</u>	1.4
2 Naperville Campus enters into ground lease agreement with Morgan Stanley, which had not been anticipated in original budget (2005) Other Development Costs	D	<u>(18.2)</u>	(18.2)
3 Increases of CB1.0, RB1.1 and PKD1.0 cost per square foot as well as projected costs for RB1.5 through RB3.4 (from \$102.91 to \$103) due to increases in steel costs. Also, adjustment of CB2.0 and CB3.0 cost per square foot (from \$180.35 to \$200) due to projected increases in materials costs (2005 & 2006) Phase Costs	B	(7.8)	
Other Development Costs	D	<u>(5.0)</u>	(12.9)
4 Updated G&A cost assumptions and lowered monthly pricing for the Chicago area (2005) Funds Held/WC Loan	A	(1.5)	
Community Loan Interest	D	<u>(8.3)</u>	(9.8)
5 Updated absorption schedule (from 17/mo to 15/mo) due to Chicago market challenges (2005) Entrance Deposits	A	2.4	
Operating Lease	A	<u>0.4</u>	2.8
6 Increase in construction loan rates from 8.5% to 9% (2005/2007) Other Development Costs	D	<u>(3.9)</u>	(3.9)
7 Delay of project schedule due to weak market demand (2006/2007) Entrance Deposits	A	33.1	
Operating Lease	A	2.5	
Development Fees	B	(1.7)	
Funds Held/WC Loan	A	(4.7)	
Phase Costs	B	(19.2)	
Departmental Costs	C	(22.8)	
Other Development Costs	D	<u>(14.9)</u>	(27.7)
8 Adjustment of funds held related to updating metrics with historical performance (2007) Funds Held/WC Loan	A	(7.9)	
Other Development Costs	D	<u>(2.1)</u>	(10.0)
9 Unanticipated Adverse Field Conditions in construction of RB1.2 and in SW10 work (2007) Phase Costs	B	(2.1)	
Other Development Costs	D	<u>(0.5)</u>	(2.6)
10 RB2.1 through RB3.4 construction plans changed from steel to woodframe due to rising cost of steel - \$10M, and also included a change from parking decks to underground parking for RB2.1 through RB3.4 - (\$10.1M) (2007) Phase Costs	B	<u>(0.7)</u>	(0.7)
11 Change of RG1 from mainstreet to household model (2007) Entrance Deposits	A	(1.5)	
Funds Held/WC Loan	A	14.0	
Phase Costs	B	(8.0)	
Other Development Costs	D	<u>(7.0)</u>	(2.5)
12 Maximum Construction Line Increased from \$68M to \$85M (2007) Other Development Costs	D	<u>(12.0)</u>	(12.0)
13 Update RG assumptions to 100% collection of deposits based on historical experience (2007) Entrance Deposits	A	<u>4.0</u>	4.0
14 RB, CB, bridge costs escalation due to materials cost increases and unanticipated conditions (2007) Phase Costs	B	(10.2)	
Other Development Costs	D	<u>(4.7)</u>	(14.9)
15 Slow absorption schedule from 12.85 to 11.35 average settlements per month (2007) Entrance Deposits	A	11.0	
Operating Lease	A	(2.0)	
Phase Costs	B	(7.7)	
Departmental Costs	C	(7.1)	
Other Development Costs	D	<u>(1.5)</u>	(7.3)
16 Bond Issuance (2007) Operating Lease	A	(6.9)	
Funds Held/WC Loan	A	(150.6)	
Financing Costs (Construction Loan)	D	<u>68.0</u>	(89.5)

# Naperville Campus, LLC

\$'s in Millions

## Variances to Original Proforma by Reason

	<u>Category</u>	<u>\$ Detail</u>	<u>\$ Summary</u>
17 Increase departmental costs due to proforma update with 2008 budget (2007) Departmental Costs	C	<u>(2.0)</u>	(2.0)
18 Interest on working capital loan is not part of enterprise value calculation (2007) Other Development Costs	D	<u>(1.6)</u>	(1.6)
10 Reclass of construction management services (2008) Phase Costs	B	6.0	
Departmental Costs	C	<u>(6.0)</u>	0.0
19 Other Phase Costs	B	(0.4)	
Departmental Costs	C	<u>(0.8)</u>	(1.2)
			<u>(208.5)</u>

## Variance by line item (reference category code)

	<u>Total</u>
A Total Deposits (Deposits/ Working Capital/ Operating Lease)	(107.8)
B Phase Costs	(50.4)
C Departmental Costs	(38.7)
D Other Development Costs	<u>(11.7)</u>
Total Variance	<u>(208.5)</u>

# 4 Project Schedule

**Naperville Campus  
Project Schedule  
June 30, 2008**

<b>Project</b>	<b>Original Scheduled Completion Date</b>	<b>Substantially Completed</b>	<b>Variance (in Months)</b>
Community Building 1.0	Jun-06	Jul-06	(1.0)
Transitional Spaces	Sep-08	Oct-10	(25.0)
Residential Building 1.1	Jun-06	Jul-06	(1.0)
Residential Building 1.2	Mar-07	Sep-07	(6.0)
Residential Building 1.3	Mar-08	Sep-09	(18.0)
Community Building 2.0	Sep-08	Oct-10	(25.0)
Residential Building 2.1	Sep-08	Oct-10	(25.0)
Residential Building 2.2	Sep-08	Sep-11	(36.0)
Residential Building 2.3	Jul-09	Jun-12	(35.0)
Residential Building 2.4	Mar-10	Mar-13	(36.0)
Community Building 3.0	Mar-11	Oct-13	(31.0)
Residential Building 3.1	Aug-10	Oct-13	(38.0)
Residential Building 3.2	Oct-11	Sep-14	(35.0)
Residential Building 3.3	Mar-12	Apr-15	(37.0)
Residential Building 3.4	Jul-12	Mar-16	(44.0)
Master Planning	Apr-05	Apr-05	-
Bridge 10	Mar-07	Sep-07	(6.0)
Bridge 20	Sep-08	Sep-11	(36.0)
Bridge 30	Sep-08	Oct-10	(25.0)
Bridge 40	Mar-10	Mar-13	(36.0)
Bridge 50	Jul-12	Mar-16	(44.0)
Bridge 60	Jul-12	Mar-16	(44.0)
Chapel 1	Oct-11	Sep-14	(35.0)
Gate House 1	Jun-06	Jun-06	-
Maintenance Building 1	Dec-06	Dec-06	-
Marketing Center 1	Oct-04	Oct-04	-
Extended Care 1.0	Mar-10	Aug-10	(5.0)
Extended Care 2.0	Jul-12	Mar-16	(44.0)

# 19 Landowner Financial Statements



**ERICKSON RETIREMENT COMMUNITIES**  
**Naperville Campus**  
**Landowner Balance Sheet**  
**Jun, FY08**

8 02:58 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	146,298	47,630	98,668
Assets Limited as to Use	33,406,392	36,939,986	(3,533,595)
Bonds Receivable	577,743	577,743	-
Other Current Assets	<u>1,195,942</u>	<u>4,789,453</u>	<u>(3,593,511)</u>
<b>Total Current Assets</b>	<b>35,326,375</b>	<b>42,354,813</b>	<b>(7,028,438)</b>
<b>Fixed Assets</b>			
Land and Improvements	25,485,569	25,485,569	-
Buildings	117,909,202	114,942,941	2,966,262
Other Fixed Assets	<u>2,170,376</u>	<u>2,077,753</u>	<u>92,623</u>
<b>Total Fixed Assets</b>	<u>145,565,147</u>	<u>142,506,262</u>	<u>3,058,885</u>
Accumulated Depreciation	<u>(5,437,088)</u>	<u>(3,676,961)</u>	<u>(1,760,127)</u>
Total Fixed Assets net of Depreciation	140,128,059	138,829,302	1,298,758
Construction in Progress	<u>25,951,427</u>	<u>23,731,583</u>	<u>2,219,844</u>
<b>Total Fixed Assets, Net and CIP</b>	<b>166,079,487</b>	<b>162,560,885</b>	<b>3,518,602</b>
<b>Other Assets</b>			
Community Note Receivable	10,113,336	18,620,580	(8,507,244)
Deferred Financing Costs, net	<u>709,659</u>	<u>727,103</u>	<u>(17,444)</u>
<b>Total Other Assets</b>	<b>10,822,995</b>	<b>19,347,683</b>	<b>(8,524,688)</b>
<b>TOTAL ASSETS</b>	<b><u>212,228,857</u></b>	<b><u>224,263,381</u></b>	<b><u>(12,034,524)</u></b>
<b>LIABILITIES &amp; MEMBERS' CAPITAL</b>			
<b>Current Liabilities</b>			
Accounts Payable	70,171	119,890	(49,719)
Construction G.C. Payable	305,744	1,177,582	(871,838)
Retainage Payable	212,004	1,719,441	(1,507,436)
Other Current Liabilities	367,868	483,821	(115,953)
ERC Short-Term Funding	3,902,192	8,084,536	(4,182,344)
Development Fees Payable	64,504	1,788,975	(1,724,471)
Intercompany	<u>469,382</u>	<u>282,519</u>	<u>186,864</u>
<b>Total Current Liabilities</b>	<b>5,391,866</b>	<b>13,656,763</b>	<b>(8,264,897)</b>
<b>Long-Term Liabilities</b>			
Mortgage Payable	35,775,000	35,779,500	(4,500)
Bonds Payable	15,000,000	15,000,000	-
Purchase Option Deposit	<u>162,000,000</u>	<u>162,000,000</u>	<u>-</u>
<b>Total Long-Term Liabilities</b>	<b>212,775,000</b>	<b>212,779,500</b>	<b>(4,500)</b>
<b>Total Liabilities</b>	<b>218,166,866</b>	<b>226,436,263</b>	<b>(8,269,397)</b>
<b>Members' Capital</b>			
Members' Capital	20,118,496	20,118,496	-
Members' Capital Sub-Debt Interest	10,163,728	9,122,984	1,040,744
Development Fee Distributions	(2,606,907)	(1,788,975)	(817,932)
Retained Earnings	(29,625,387)	(29,625,387)	-
Current Year's Income (Loss)	<u>(3,987,939)</u>	<u>-</u>	<u>(3,987,939)</u>
<b>Total Members' Capital</b>	<b>(5,938,009)</b>	<b>(2,172,882)</b>	<b>(3,765,127)</b>
<b>TOTAL LIABILITIES &amp; MEMBERS' CAPITAL</b>	<b><u>212,228,857</u></b>	<b><u>224,263,381</u></b>	<b><u>(12,034,524)</u></b>

**ERICKSON RETIREMENT COMMUNITIES**  
**Naperville Campus**  
**Landowner Income Statement**  
**Jun, FY08**

07/17/08 02:58 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	86,315	97,497	11,182	541,547	585,840	44,293
Construction Mangement Services	66,013	3,647	(62,366)	384,783	21,880	(362,903)
Administration	48,079	48,079	-	288,476	288,476	0
Marketing	390,220	211,191	(179,029)	1,531,713	1,267,876	(263,837)
Sales and Information	147,533	114,609	(32,924)	642,620	689,688	47,068
Information Services	16,884	16,884	-	101,306	101,306	0
Legal	3,914	3,914	-	23,486	23,486	-
Capitalized Costs	<u>(368,739)</u>	<u>(284,631)</u>	<u>84,108</u>	<u>(1,982,218)</u>	<u>(1,710,676)</u>	<u>271,542</u>
<b>Net Departmental Expense</b>	<b>390,220</b>	<b>211,191</b>	<b>(179,029)</b>	<b>1,531,713</b>	<b>1,267,876</b>	<b>(263,837)</b>
<b>Other Operating Expenses</b>						
Bank Charges/Other Fees	3,368	-	(3,368)	16,721	-	(16,721)
Depreciation	297,455	313,859	16,404	1,760,127	1,859,738	99,610
Amortization	<u>2,907</u>	<u>-</u>	<u>(2,907)</u>	<u>17,444</u>	<u>-</u>	<u>(17,444)</u>
<b>Total Other Operating Expenses</b>	<b>303,730</b>	<b>313,859</b>	<b>10,129</b>	<b>1,794,293</b>	<b>1,859,738</b>	<b>65,445</b>
<b>Total Operating Expenses</b>	<b>693,950</b>	<b>525,049</b>	<b>(168,900)</b>	<b>3,326,006</b>	<b>3,127,613</b>	<b>(198,392)</b>
<b>Non-Operating Revenue</b>						
Note Rec/Other Interest	99,430	-	99,430	784,186	-	784,186
Community Lease Revenue	<u>147,968</u>	<u>238,982</u>	<u>(91,014)</u>	<u>896,661</u>	<u>1,283,367</u>	<u>(386,706)</u>
<b>Total Non-Operating Revenue</b>	<b>247,398</b>	<b>238,982</b>	<b>8,416</b>	<b>1,680,847</b>	<b>1,283,367</b>	<b>397,480</b>
<b>Non-Operating Expenses</b>						
Interest Expense LOC, net(Sub-debt)	-	75,000	75,000	258,782	450,000	191,218
Mortgage Interest Expense	132,318	223,532	91,214	802,765	1,190,667	387,902
Equity Partner Interest Expense	-	-	-	1,040,744	-	(1,040,744)
Financing Costs	8,543	4,000	(4,543)	41,042	102,491	61,449
Real Estate & Other Taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>199,447</u>	<u>-</u>	<u>(199,447)</u>
<b>Total Non-Operating Expenses</b>	<b>140,862</b>	<b>302,532</b>	<b>161,670</b>	<b>2,342,781</b>	<b>1,743,158</b>	<b>(599,623)</b>
<b>NET INCOME (LOSS)</b>	<b><u>(587,414)</u></b>	<b><u>(588,599)</u></b>	<b><u>1,186</u></b>	<b><u>(3,987,939)</u></b>	<b><u>(3,587,404)</u></b>	<b><u>(400,535)</u></b>

**ERICKSON RETIREMENT COMMUNITIES**  
**Naperville Campus**  
**Landowner Cash Flow Statement**  
**Jun, FY08**

07/17/08 2:58 PM

	<u>Period Activity</u>	<u>Year-to-Date</u>
<b>Cash Flows from Operating Activities:</b>		
Net Income (Loss)	(587,414)	(3,987,939)
Adjustments to reconcile Net Income (Loss) to Net Cash (Used In) Provided by Operating Activities:		
Depreciation	297,455	1,760,127
Amortization	2,907	17,444
Changes in:		
Assets Limited as to Use	(509,352)	3,533,595
Other Current Assets	3,755,045	3,593,511
Current Liabilities	92,115	(165,672)
ERC Short-Term Funding	(2,600,000)	(4,182,344)
Development Fees Payable	(89,208)	(1,724,471)
Intercompany	(571,823)	186,864
<b>Net Cash (Used In) Provided by Operating Activities</b>	<b>(210,275)</b>	<b>(968,885)</b>
<b>Cash Flows from Investing Activities:</b>		
CIP and Other Fixed Assets	(592,109)	(5,278,729)
<b>Net Cash (Used In) Provided by Investing Activities</b>	<b>(592,109)</b>	<b>(5,278,729)</b>
<b>Cash Flows from Financing Activities:</b>		
Deferred Financing Costs	-	-
Community Note Receivable	1,171,511	8,507,244
Retainage Withheld (Released)	(171,639)	(1,507,436)
Mortgage Proceeds	-	(4,500)
Change in General Contractor Payable	(185,318)	(871,838)
Proceeds (Repay) of Purchase Deposit	-	-
Members' Capital	-	-
Members' Drawing	(64,504)	(817,932)
<b>Net Cash (Used In) Provided by Financing Activities</b>	<b>750,050</b>	<b>5,305,538</b>
<b>Change in Cash</b>	<b>(52,334)</b>	<b>98,668</b>
Beginning Cash Balance	198,632	47,630
<b>Ending Cash Balance</b>	<b>146,298</b>	<b>146,298</b>

# 9 Community Financial Statements

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

	YTDJun FY08	YTDMay FY08	Change	YTDDec FY07	Change
<b>Assets</b>					
<i>Current Assets</i>					
Cash	788	3,237	(2,449)	1,684	(896)
Designated Cash	199	191	8	170	29
Accounts Receivable	100	115	(15)	90	10
Inventory	52	47	5	46	5
Prepays	843	851	(8)	767	76
Short Term Notes Receivable	2,784	1,896	888	2,730	54
<i>Total Current Assets</i>	<u>4,765</u>	<u>6,337</u>	<u>(1,572)</u>	<u>5,487</u>	<u>(721)</u>
<i>Limited Use Cash and Investments</i>					
Escrow Deposits	2,751	2,044	707	5,255	(2,504)
Restricted Fund Accounts	17,053	18,831	(1,778)	15,872	1,181
<i>Total Limited Use Cash &amp; Investments</i>	<u>19,804</u>	<u>20,875</u>	<u>(1,072)</u>	<u>21,127</u>	<u>(1,323)</u>
<i>Non-Current Assets</i>					
Fixed Assets- Net	2,583	2,633	(50)	2,885	(302)
Capitalized Bond Interest	5,060	4,163	897	147	4,913
Deferred Assets	2,693	2,706	(13)	3,022	(329)
LT Mortgage & Note Receivables	197,775	197,775	-	197,775	-
<i>Total Non-Current Assets</i>	<u>208,111</u>	<u>207,278</u>	<u>833</u>	<u>203,830</u>	<u>4,282</u>
<b>Total Assets</b>	<b><u>232,680</u></b>	<b><u>234,490</u></b>	<b><u>(1,810)</u></b>	<b><u>230,444</u></b>	<b><u>2,237</u></b>
<b>Liabilities</b>					
<i>Current Liabilities</i>					
Accounts Payable and Accrued Liabilities	1,299	1,138	161	1,709	(410)
Resident Refunds	-	385	(385)	-	-
Short Term Obligations Debt	2,042	4,975	(2,933)	1,247	795
<i>Total Current Liabilities</i>	<u>3,341</u>	<u>6,497</u>	<u>(3,157)</u>	<u>2,956</u>	<u>385</u>
<i>Non-Current Liabilities</i>					
Advance Deposits	977	1,124	(146)	1,165	(188)
Capital	56,282	53,040	3,242	42,334	13,948
Amort of Capital	(1,625)	(1,507)	(118)	(1,001)	(624)
Long Term Liabilities	187,457	188,628	(1,171)	195,959	(8,502)
<i>Total Non-Current Liabilities</i>	<u>243,092</u>	<u>241,285</u>	<u>1,807</u>	<u>238,457</u>	<u>4,635</u>
<b>Total Liabilities</b>	<b><u>246,432</u></b>	<b><u>247,782</u></b>	<b><u>(1,350)</u></b>	<b><u>241,412</u></b>	<b><u>5,020</u></b>
<b>Net Assets</b>					
Unrestricted Net Assets	(11,074)	(11,074)	-	(5,251)	(5,823)
Temporarily Restricted	158	155	2	105	53
Current Year Increase (Decrease) In Net Assets	(2,835)	(2,373)	(463)	(5,823)	2,988
<b>Total Net Assets</b>	<b><u>(13,752)</u></b>	<b><u>(13,291)</u></b>	<b><u>(460)</u></b>	<b><u>(10,969)</u></b>	<b><u>(2,783)</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>232,680</u></b>	<b><u>234,490</u></b>	<b><u>(1,810)</u></b>	<b><u>230,444</u></b>	<b><u>2,237</u></b>

**MLN**  
**Statement of Operations by Natural Expense**  
All LOB, All Entities  
Jun, FY08  
(in thousands)

	Jun		YTD(Jun)		YTDDec	
	Actual	BudVar	Actual	BudVar	Forecast	FcstVar
<b>Operating Revenue</b>						
Resident Monthly Fees	377	38	1,952	177	4,197	19
Departmental Revenues	105	6	916	384	1,627	411
<b>Total Operating Revenue</b>	<b>482</b>	<b>45</b>	<b>2,868</b>	<b>561</b>	<b>5,825</b>	<b>430</b>
<b>Operating Expense</b>						
Wages	293	12	1,765	72	3,650	133
Employee Benefits	68	0	389	18	811	24
Other Employee Expense	14	2	82	13	148	59
Contract Labor Expense	125	(23)	637	(50)	1,317	(113)
Supplies Expense	66	(8)	366	(44)	812	(80)
Repairs and Maintenance Expense	19	(7)	117	(48)	255	(99)
Professional Fee Expense	21	(14)	44	8	82	8
Purchased Services Expense	141	0	843	0	1,686	0
Other Expense	147	14	815	201	1,637	422
Operating Reserve Expense	0	0	(2)	2	(2)	2
<b>Total Operating Expense</b>	<b>894</b>	<b>(24)</b>	<b>5,056</b>	<b>172</b>	<b>10,396</b>	<b>356</b>
<b>Operating Income</b>	<b>(412)</b>	<b>20</b>	<b>(2,188)</b>	<b>733</b>	<b>(4,571)</b>	<b>786</b>
Net Rent	16	0	94	(1)	187	(1)
Interest Expense	54	132	527	521	877	1,385
Investment Income	13	1	172	97	247	97
Self - Funded Insurance Plan	0	0	0	0	0	0
47770-Amortization Income	118	14	624	68	1,344	68
59910-Amortization Expense	13	(13)	82	(82)	163	(163)
59950-FF&E Depreciation Expense	79	(13)	432	(54)	923	(125)
68300-Letter of Credit Fees	19	(19)	308	(308)	368	(368)
<b>Total Non-Operating Income</b>	<b>(51)</b>	<b>101</b>	<b>(647)</b>	<b>240</b>	<b>(927)</b>	<b>892</b>
<b>Increase (Decrease) in Net Assets</b>	<b>(463)</b>	<b>121</b>	<b>(2,835)</b>	<b>972</b>	<b>(5,498)</b>	<b>1,678</b>

	<b>Independent</b>	<b>Assisted Living</b>	<b>Skilled Nursing</b>
Billed Units	168	#MISSING	#MISSING
Available Units	362	#MISSING	#MISSING
<b>Occupancy %</b>	<b>46.4%</b>	<b>#MISSING</b>	<b>#MISSING</b>

**MLN**  
**Statement of Cash Flows**  
 Jun , FY08  
 (in thousands)

	<u>Current</u>	<u>YTD</u>
<b>Cash Flows from Operating Activities</b>		
Net Income	(463)	(2,835)
<b>Adjustments to Reconcile Income</b>		
Depreciation and Amortization Expense	93	514
Amortization Income	(118)	(624)
Unrealized (Gain) Loss on Investments	-	1
Realized (Gain) Loss on Investments	-	-
(Increase)/Decrease in Accounts Receivable	15	(10)
(Increase)/Decrease in Inventory	(5)	(5)
(Increase)/Decrease in Prepaid Expenses	8	(76)
Increase/(Decrease) in Accounts Payable and Accrued Liabilities	161	(410)
<b>Net Cash Provided by Operating Activities</b>	<u>(309)</u>	<u>(3,447)</u>
<b>Cash Flows from Investing Activities</b>		
(Increase)/Decrease in Short Term Notes	(888)	(54)
(Increase)/Decrease in Limited Use Cash and Investments	1,074	1,376
(Increase)/Decrease in Designated Cash	(8)	(29)
(Increase)/Decrease in Designated Securities	-	(1)
(Increase)/Decrease in Fixed Assets	(29)	(129)
(Increase)/Decrease in Capitalized Bond Interest	(897)	(4,913)
(Increase)/Decrease in Deferred Assets	-	247
(Increase)/Decrease in LT Mortgage & Note Receivables	-	-
<b>Net Cash Used in Investing Activities</b>	<u>(748)</u>	<u>(3,503)</u>
<b>Cash Flows from Financing Activities</b>		
Increase/(Decrease) in Resident Refunds	(385)	-
Increase/(Decrease) in Advance Deposits	(146)	(188)
Increase/(Decrease) in Resident Deposits	3,242	13,948
Increase/(Decrease) in Short Term Obligations	(2,933)	795
Increase/(Decrease) in Long Term Liabilities	(1,171)	(8,502)
<b>Net Cash Provided by Financing Activities</b>	<u>(1,392)</u>	<u>6,054</u>
<b>Increase (Decrease) in Cash</b>	(2,449)	(896)
Aggregate Other Items to Reconcile Cash	-	-
<b>Cash Beginning of Period</b>	3,237	1,684
<b>Cash End of Period</b>	<u>788</u>	<u>788</u>

# MONARCH LANDING®

## MONARCH LANDING COMPLIANCE CERTIFICATE

Monarch Landing, Inc. ("Monarch Landing") HEREBY CERTIFIES that:

1. This Certificate is furnished pursuant to Section 8.08 (c) of the Loan Agreement dated as of December 1, 2007 (the "Agreement") among Monarch Landing, Inc. and the Illinois Finance Authority.
2. The financial statements attached hereto have been prepared in accordance with generally accepted accounting principles and, to the best of my knowledge, reflect accurately and completely the financial condition and results of operation of the Borrower as of and for the period ended on the date of such statements.
3. As of June 30, 2008, Monarch Landing was in compliance with the covenants set forth in the Loan Agreement.

IN WITNESS WHEREOF, we have executed this Certificate as of July 31, 2008.

MONARCH LANDING, INC.

By: \_\_\_\_\_

  
Jeffrey A. Jacobson  
Asst. Treasurer