



**Naperville Campus, LLC &
Monarch Landing, Inc.
Monthly Reporting Package
September 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> |

↳ 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 \$4.1M in short term funding to cover project expenses in excess of entrance fees and the construction loan.

Executive Summary

Marketing Overview

Monarch Landing ended September 13 initial deposits, and 10 settlements. The community continues to focus on strengthening its pipeline. Monarch Landing finished the month with 58 reservations, 76 standbys and 128 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> |
|--------------------------|---------------------------|--------------------------|
| Residential Building 1.3 | Apr-09 | Apr-10 |
| Community Building 2.0 | Oct-09 | Oct-10 |
| Residential Building 2.1 | Oct-09 | Oct-10 |
| Sitework 1.0 | Apr-05 | N/A |
| Extended Care 1A | Jun-09 | Aug-10 |

Proforma Update

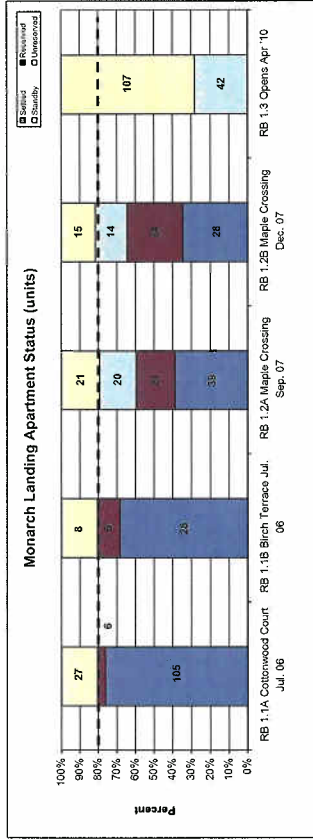
**** in millions

| | Original Budget | CURRENT 9/30/2008 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 | 547 (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> |
| Enterprise Margin | <u>116</u> | <u>(27)</u> |

(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



Total Units: 138
 Flex Pay: 1
 Flex Pay Ratio: 1.2%

| | 2005 Year End | 2006 Year End | 2007 1st Qtr | 2007 2nd Qtr | 2007 3rd Qtr | 2007 4th Qtr | 2008 1st Qtr | 2008 2nd Qtr | 2008 3rd Qtr | 2008 4th Qtr |
|---------------------------------------|---------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Settled | 0 | 82 | 86 | 96 | 106 | 133 | 150 | 178 | 200 | 200 |
| Reservations | 99 | 16 | 30 | 45 | 61 | 59 | 57 | 62 | 56 | 56 |
| Standby | 40 | 83 | 83 | 79 | 86 | 91 | 100 | 91 | 76 | 76 |
| Futures | 21 | 61 | 71 | 74 | 81 | 84 | 94 | 100 | 128 | 128 |
| Total | 160 | 252 | 280 | 296 | 336 | 387 | 401 | 431 | 460 | 460 |
| Monthly Trends | 11.6 | 4.3 | 6.0 | 4.3 | 11.0 | 9.3 | 8.0 | 8.0 | 6.3 | 6.3 |
| Net Settlements/Reservations/Standbys | 0 | 6.8 | 1.3 | 4.0 | 3.3 | 8.3 | 5.7 | 9.3 | 7.3 | 7.3 |

| Test to Break Escrow* (Buildings with at least 50% Sold or bond posted for 50% of entrance fees) | | | |
|---|-------------|---------------------|-----------------------------|
| Building | Total Units | # of Units Required | # of Units Settled/Reserved |
| RB 1.1A | 138 | 69 | 111 |
| RB 1.1B | 41 | 21 | 33 |
| RB 1.2A | 101 | 51 | 60 |
| RB 1.2B | 81 | 41 | 52 |
| Total | 361 | 182 | 256 |

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, Reservations, 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.

| Test for RB 1.3 | |
|-----------------|------------|
| Settled | 200 |
| Reservations | 56 |
| Standby | 41 |
| Futures | 100 |
| Total | 432 |

Bond Commitment Ratio = $\frac{432}{518} = 83\%$

Original Covenant Requirement: N/A
 PTD Monthly Average as of 8/30/08: 7.7

Maximum Number of Units Completed & Under Construction Within Complete = 548

*Settlement vs. Covenant

NOTES:

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

2008 Monthly Marketing Trend Report

Campus: Monarch Landing

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD | Average |
|---|------|------|------|------|------|------|------|------|------|-----|-----|-----|-------|---------|
| Monthly Activity | | | | | | | | | | | | | | |
| 1 Net Apt Reservations (MS)* | 8 | -3 | 12 | 10 | 11 | 14 | 15 | 3 | -1 | | | | 69 | 7.67 |
| * New | 8 | -4 | 11 | 9 | 10 | 14 | 14 | 3 | -1 | | | | 64 | 7.11 |
| * Resale | 0 | 1 | 1 | 1 | 1 | 0 | 1 | 0 | 0 | | | | 5 | 0.56 |
| 2 Gross Reservations (MS) | 18 | 5 | 20 | 19 | 22 | 21 | 25 | 17 | 12 | | | | 159 | 17.67 |
| 3 No. of Total Settlements (MS)* | 5 | 7 | 5 | 11 | 9 | 10 | 6 | 7 | 10 | | | | 70 | 7.78 |
| * New | 5 | 7 | 5 | 11 | 7 | 10 | 6 | 7 | 9 | | | | 67 | 7.44 |
| * Resale | 0 | 0 | 0 | 0 | 2 | 0 | 0 | 0 | 1 | | | | 3 | 0.33 |
| 4 No. of Initial Deposits (MS) | 23 | 7 | 17 | 14 | 12 | 12 | 12 | 14 | 13 | | | | 124 | 13.78 |
| 5 Requests for Refunds (MS) | 5 | 3 | 3 | 3 | 2 | 2 | 3 | 2 | 4 | | | | 27 | 3.00 |
| 6 Total Kit Requests (OT) | 572 | 562 | 756 | 486 | 470 | 402 | 439 | 601 | 458 | | | | 4,746 | 527.33 |
| * MJO (OT) | 407 | 285 | 525 | 246 | 257 | 197 | 184 | 350 | 231 | | | | 2,682 | 298.00 |
| * Sales Office (OT) | 147 | 263 | 200 | 205 | 191 | 155 | 225 | 225 | 199 | | | | 1,810 | 201.11 |
| * Walk-ins (OT) | 18 | 14 | 31 | 35 | 22 | 50 | 30 | 26 | 28 | | | | 254 | 28.22 |
| HC Kit Requests | 0 | 0 | 2 | 3 | 1 | 0 | 2 | 3 | 2 | | | | 13 | 1.44 |
| 7 Total Appts (OT)** | 70 | 61 | 101 | 101 | 103 | 99 | 100 | 79 | 53 | | | | 767 | 85.22 |
| * First Time Appts (OT) | 30 | 18 | 47 | 45 | 46 | 36 | 34 | 39 | 33 | | | | 328 | 36.44 |
| * Non Depositor Repeat Appts (OT) | 8 | 11 | 18 | 11 | 11 | 15 | 12 | 16 | 8 | | | | 110 | 12.22 |
| * Depositor Appts (OT) | 32 | 32 | 36 | 45 | 46 | 48 | 54 | 24 | 12 | | | | 329 | 36.56 |
| 8 Walk-in Appts (OT) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | | | | 1 | 0.11 |
| Pipeline | | | | | | | | | | | | | | |
| 9 Reserved but Unsettled (P) | 62 | 52 | 59 | 58 | 60 | 64 | 73 | 69 | 58 | | | | 58 | 61.67 |
| * New | 62 | 51 | 57 | 55 | 58 | 62 | 70 | 66 | 56 | | | | 56 | 59.67 |
| * Resale | 0 | 1 | 2 | 3 | 2 | 2 | 3 | 3 | 2 | | | | 2 | 2.00 |
| FPP | | | | | | | | | 2 | | | | 2 | 2.00 |
| 10 Standby (P) | 95 | 100 | 100 | 100 | 99 | 91 | 62 | 68 | 76 | | | | 76 | 87.89 |
| 11 Futures (P) | 90 | 92 | 94 | 95 | 96 | 100 | 125 | 127 | 128 | | | | 128 | 105.22 |
| 12 Total Deposits w/o Settled Appts (C) [9+10+11] | 247 | 244 | 253 | 253 | 255 | 255 | 260 | 264 | 262 | | | | 262 | 254.78 |
| 13 Total Settled Appts (P) | 135 | 142 | 146 | 157 | 165 | 175 | 179 | 186 | 195 | | | | 195 | 164.44 |
| Total New Settled Appts (BS) | 138 | 145 | 150 | 161 | 168 | 178 | 184 | 191 | 200 | | | | 200 | 168.33 |
| 14 No. of Unsettled Appts (PRU) | 226 | 219 | 215 | 204 | 196 | 188 | 182 | 175 | 166 | | | | 166 | 196.78 |
| 15 Appts released by keys not turned in | 0 | 0 | 0 | 0 | 0 | 2 | 0 | 0 | 0 | | | | 0 | 0.22 |
| Ratio (Line 12/14) (C) | 1.09 | 1.11 | 1.18 | 1.24 | 1.30 | 1.36 | 1.43 | 1.51 | 1.58 | N/A | N/A | N/A | 1.58 | 1.29 |

Notes

* Net Reservations = Gross Reservations - Reservations withdrawn

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



Marketing Summary

MLN

Date Range [>=9/1/08 and <=9/30/08]

LOC: Independent

| Settlements | Count | Cash Collected | Current P-Note Due | Total |
|--------------|-----------|------------------|--------------------|--------------------|
| New | 9 | \$516,931 | \$2,440,069 | \$2,957,000 |
| Resale | 1 | \$282,500 | \$42,500 | \$325,000 |
| Total | 10 | \$799,431 | \$2,482,569 | \$3,282,000 |

| Reservations | Initial Deposits | Priority List | Left To Settled | Withdraw | Net | Deposits | | Reservations | | Net Reservations |
|--------------|------------------|---------------|-----------------|-----------|------------|--------------------|--------------------|--------------------|---------------------|------------------|
| | | | | | | Reserved | Settled | Withdrawn | Reservations | |
| New | 2 | 10 | 9 | 13 | -10 | \$3,749,500 | \$2,957,000 | \$4,247,000 | -\$3,454,500 | |
| Resale | 0 | 0 | 1 | 0 | -1 | \$0 | \$325,000 | \$0 | -\$325,000 | |
| Total | 2 | 10 | 10 | 13 | -11 | \$3,749,500 | \$3,282,000 | \$4,247,000 | -\$3,779,500 | |

| Waiting Lists | Initial Deposits | Priority List | Changed Status | Net Change |
|---------------|------------------|---------------|----------------|------------|
| Futures | 4 | 0 | 3 | 1 |
| Standby | 7 | 7 | 6 | 8 |
| Total | 11 | 7 | 9 | 9 |

| Initial Deposits | Initial Deposits | Requests for Refund |
|---------------------|------------------|---------------------|
| Initial Deposits | 13 | |
| Requests for Refund | 4 | |

∞ Total Anticipated Budget

**Erickson Retirement Communities
Naperville Campus
Total Anticipated Budget
As of Sep 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 | 58,797,537 | 10% | 532,788,464 | 591,586,001 | 542,559,462 | 49,026,539 | |
| Operating Lease | 396,293 | 3% | 13,720,226 | 14,116,519 | 20,281,314 | (6,164,795) | |
| Funds Held/WC Loan Repayment | (16,828,270) | 11% | (133,821,057) | (150,649,327) | - | (150,649,327) | |
| Total Deposits | 42,365,560 | 9% | 412,687,633 | 455,053,193 | 562,840,776 | (107,787,583) | A |
| Hard Costs - Building | 93,950,653 | 25% | 282,747,301 | 376,697,955 | 325,683,141 | (51,014,814) | |
| Hard Costs - Sitework | 14,217,165 | 60% | 9,566,755 | 23,783,921 | 23,394,543 | (389,378) | |
| Architecture | 8,798,289 | 64% | 4,956,235 | 13,754,524 | 12,310,747 | (1,443,777) | |
| Engineering | 2,884,090 | 75% | 970,854 | 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 | 3,405,826 | 44% | 4,293,257 | 7,699,083 | 11,183,040 | 3,483,957 | |
| Development Fee | 2,939,877 | 10% | 26,639,423 | 29,579,300 | 27,127,975 | (2,451,325) | |
| Outside Legal | 743,460 | 64% | 426,992 | 1,170,452 | 666,284 | (504,168) | |
| Phase Costs Before Contingency | 127,090,988 | 28% | 330,169,426 | 457,260,414 | 404,448,489 | (52,811,925) | |
| Contingency | 0 | 0% | 9,016,130 | 9,016,130 | 10,965,661 | 1,949,531 | |
| Total Phase Costs | 127,090,988 | 27% | 339,185,556 | 466,276,544 | 415,414,150 | (50,862,394) | B |
| Department Costs | | | | | | | |
| Administration Department | 1,667,441 | 44% | 2,130,495 | 3,797,936 | 2,530,035 | (1,267,901) | |
| Acquisitions and Development | 5,811,482 | 37% | 9,729,816 | 15,541,298 | 11,235,995 | (4,305,303) | |
| Construction Services | 689,302 | 12% | 5,289,652 | 5,978,954 | 0 | (5,978,954) | |
| Finance | 197,651 | 7% | 2,629,359 | 2,827,010 | 839,945 | (1,987,065) | |
| Marketing Department | 15,711,676 | 29% | 37,929,685 | 53,641,361 | 30,661,482 | (22,979,879) | |
| Information Services | 524,626 | 24% | 1,671,557 | 2,196,183 | 188,392 | (2,007,791) | |
| Legal Department | 172,399 | 31% | 387,510 | 559,909 | 375,807 | (184,102) | |
| Total Departmental Costs | 24,774,576 | 29% | 59,768,075 | 84,542,651 | 45,831,656 | (38,710,995) | C |
| Total Hard & Soft Costs | 151,865,564 | 28% | 398,953,631 | 550,819,195 | 461,245,806 | (89,573,389) | |
| Other Development Costs | | | | | | | |
| Land | 22,970,488 | 100% | - | 22,970,488 | 22,951,000 | (19,488) | |
| Interest Costs | 29,067,147 | 82% | 6,430,375 | 35,497,522 | 34,790,867 | (706,655) | |
| Financing Costs - L.O.C | 3,860,688 | 106% | (210,777) | 3,649,911 | 1,959,500 | (1,690,411) | |
| Property Taxes | 1,338,384 | 49% | 1,384,205 | 2,722,589 | 2,078,167 | (644,422) | |
| Capital Expenditures/ | 716,657 | 47% | 798,301 | 1,514,958 | 1,206,910 | (308,048) | |
| Community Loan Interest | (2,295,931) | 0% | 2,295,931 | - | (8,298,079) | (8,298,079) | |
| Total Other Development Costs | 55,657,432 | 84% | 10,698,036 | 66,355,468 | 54,688,365 | (11,667,103) | D |
| Total Costs | 207,522,996 | 34% | 409,651,667 | 617,174,663 | 515,934,171 | (101,240,492) | |
| Profit Margin | (165,157,436) | | 3,035,966 | (162,121,470) | 46,906,605 | (209,028,075) | |
| Profit Margin % | | | | -35.63% | 8.33% | -43.96% | |
| 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) | | | |
| Total Adjustments | | | | 135,314,394 | | | |
| Enterprise Value | | | | (26,807,076) | | | |

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 | (4.7) | |
| 2008 Phase Costs | B | <u>(0.5)</u> | (15.4) |
| 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) | |

Naperville Campus, LLC

\$'s in Millions

Variations to Original Proforma by Reason

| | <u>Category</u> | <u>\$ Detail</u> | <u>\$ Summary</u> |
|---|-----------------|------------------|-------------------|
| Funds Held/WC Loan | A | (150.6) | |
| Financing Costs (Construction Loan) | D | <u>68.0</u> | (89.5) |
| 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>(209.0)</u> |

Variance by line item (reference category code)

| | <u>Total</u> |
|--|----------------|
| A Total Deposits (Deposits/ Working Capital/ Operating Lease) | (107.8) |
| B Phase Costs | (50.9) |
| C Departmental Costs | (38.7) |
| D Other Development Costs | (11.7) |
| Total Variance | <u>(209.0)</u> |

4 Project Schedule

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

| Project | Original Scheduled Completion Date | Substantially Completed | Variance (in Months) |
|--------------------------|---|------------------------------------|---------------------------------|
| 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 | Apr-10 | (25.0) |
| 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 1A | Mar-10 | Aug-10 | (5.0) |
| Extended Care 1B | Mar-10 | Jun-12 | (27.0) |
| Extended Care 2.0 | Jul-12 | Mar-16 | (44.0) |

5 Landowner Financial Statements

ERICKSON RETIREMENT COMMUNITIES
Naperville Campus
Landowner Balance Sheet
Sep, FY08

8 04:18 PM

| | <u>Current Balance</u> | <u>Prior Year End Balance</u> | <u>Change from Prior Year</u> |
|---|----------------------------|-----------------------------------|-----------------------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash | 127,161 | 47,630 | 79,531 |
| Assets Limited as to Use | 33,703,482 | 36,939,986 | (3,236,505) |
| Bonds Receivable | - | 577,743 | (577,743) |
| Other Current Assets | 1,077,115 | 4,789,453 | (3,712,338) |
| Total Current Assets | 34,907,758 | 42,354,813 | (7,447,055) |
| Fixed Assets | | | |
| Land and Improvements | 25,485,569 | 25,485,569 | - |
| Buildings | 118,035,335 | 114,942,941 | 3,092,394 |
| Other Fixed Assets | 2,211,706 | 2,077,753 | 133,953 |
| Total Fixed Assets | 145,732,610 | 142,506,262 | 3,226,348 |
| Accumulated Depreciation | (6,319,861) | (3,676,961) | (2,642,900) |
| Total Fixed Assets net of Depreciation | 139,412,749 | 138,829,302 | 583,447 |
| Construction in Progress | 27,666,292 | 23,731,583 | 3,934,709 |
| Total Fixed Assets, Net and CIP | 167,079,041 | 162,560,885 | 4,518,156 |
| Other Assets | | | |
| Community Note Receivable | 8,266,897 | 18,620,580 | (10,353,684) |
| Deferred Financing Costs, net | 700,937 | 727,103 | (26,166) |
| Total Other Assets | 8,967,833 | 19,347,683 | (10,379,850) |
| TOTAL ASSETS | 210,954,633 | 224,263,381 | (13,308,749) |
| LIABILITIES & MEMBERS' CAPITAL | | | |
| Current Liabilities | | | |
| Accounts Payable | 80,496 | 119,890 | (39,394) |
| Construction G.C. Payable | 290,642 | 1,177,582 | (886,940) |
| Retainage Payable | 4,450 | 1,719,441 | (1,714,991) |
| Other Current Liabilities | 417,006 | 483,821 | (66,814) |
| ERC Short-Term Funding | 4,102,192 | 8,084,536 | (3,982,344) |
| Development Fees Payable | 88,690 | 1,788,975 | (1,700,285) |
| Intercompany | 853,535 | 282,519 | 571,016 |
| Total Current Liabilities | 5,837,012 | 13,656,763 | (7,819,752) |
| Long-Term Liabilities | | | |
| Mortgage Payable | 35,775,000 | 35,779,500 | (4,500) |
| Bonds Payable | 15,000,000 | 15,000,000 | - |
| Purchase Option Deposit | 162,000,000 | 162,000,000 | - |
| Total Long-Term Liabilities | 212,775,000 | 212,779,500 | (4,500) |
| Total Liabilities | 218,612,012 | 226,436,263 | (7,824,252) |
| Members' Capital | | | |
| 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 | (2,939,877) | (1,788,975) | (1,150,902) |
| Retained Earnings | (29,625,387) | (29,625,387) | - |
| Current Year's Income (Loss) | (5,374,339) | - | (5,374,339) |
| Total Members' Capital | (7,657,379) | (2,172,882) | (5,484,497) |
| TOTAL LIABILITIES & MEMBERS' CAPITAL | 210,954,633 | 224,263,381 | (13,308,749) |

ERICKSON RETIREMENT COMMUNITIES
Naperville Campus
Landowner Income Statement
Sep, FY08

10/29/08 04:18 PM

| | Period Activity | Period Budget | Period Variance | Year-to-Date Actual | Year-to-Date Budget | Year-to-Date Variance |
|---------------------------------------|--------------------|------------------|--------------------|------------------------|------------------------|--------------------------|
| Departmental Expenses | | | | | | |
| Development Administration | 85,991 | 97,497 | 11,506 | 801,139 | 880,455 | 79,316 |
| Construction Mangement Services | 47,741 | 3,647 | (44,095) | 570,231 | 32,821 | (537,410) |
| Administration | 48,079 | 48,079 | - | 432,714 | 432,714 | 0 |
| Marketing | 332,780 | 211,191 | (121,590) | 2,164,148 | 1,903,260 | (260,888) |
| Sales and Information | 137,863 | 114,609 | (23,254) | 1,077,750 | 1,037,688 | (40,061) |
| Information Services | 16,884 | 16,884 | - | 151,959 | 151,959 | 0 |
| Legal | 3,914 | 3,914 | - | 35,229 | 35,229 | - |
| Capitalized Costs | (340,473) | (284,631) | 55,842 | (3,069,022) | (2,570,866) | 498,155 |
| Net Departmental Expense | 332,780 | 211,191 | (121,590) | 2,164,148 | 1,903,260 | (260,888) |
| Other Operating Expenses | | | | | | |
| Bank Charges/Other Fees | 805 | - | (805) | 3,527 | - | (3,527) |
| Depreciation | 294,151 | 317,516 | 23,365 | 2,642,900 | 2,808,580 | 165,680 |
| Amortization | 2,907 | - | (2,907) | 26,166 | - | (26,166) |
| Total Other Operating Expenses | 297,863 | 317,516 | 19,652 | 2,672,594 | 2,808,580 | 135,986 |
| Total Operating Expenses | 630,644 | 528,706 | (101,937) | 4,836,742 | 4,711,840 | (124,902) |
| Non-Operating Revenue | | | | | | |
| Note Rec/Other Interest | 115,133 | - | 115,133 | 1,088,751 | - | 1,088,751 |
| Community Lease Revenue | 147,968 | 270,733 | (122,765) | 1,349,386 | 2,063,815 | (714,429) |
| Total Non-Operating Revenue | 263,101 | 270,733 | (7,632) | 2,438,137 | 2,063,815 | 374,322 |
| Non-Operating Expenses | | | | | | |
| Interest Expense LOC, net(Sub-debt) | - | 75,000 | 75,000 | 258,782 | 675,000 | 416,218 |
| Mortgage Interest Expense | 132,318 | 255,283 | 122,965 | 1,208,542 | 1,924,765 | 716,223 |
| Equity Partner Interest Expense | - | - | - | 1,040,744 | - | (1,040,744) |
| Financing Costs | 8,143 | 4,000 | (4,143) | 69,072 | 114,491 | 45,419 |
| Real Estate & Other Taxes | - | - | - | 398,594 | - | (398,594) |
| Total Non-Operating Expenses | 140,462 | 334,283 | 193,821 | 2,975,734 | 2,714,256 | (261,478) |
| NET INCOME (LOSS) | (508,005) | (592,256) | 84,252 | (5,374,339) | (5,362,281) | (12,058) |

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

10/29/08 4:19 PM

| | <u>Period Activity</u> | <u>Year-to-Date</u> |
|---|----------------------------|---------------------|
| Cash Flows from Operating Activities: | | |
| Net Income (Loss) | (508,005) | (5,374,339) |
| Adjustments to reconcile Net Income (Loss) to Net Cash (Used In) Provided by Operating Activities: | | |
| Depreciation | 294,151 | 2,642,900 |
| Amortization | 2,907 | 26,166 |
| Changes in: | | |
| Assets Limited as to Use | (873,408) | 3,236,505 |
| Other Current Assets | 7,143 | 3,712,338 |
| Current Liabilities | 135,996 | (106,208) |
| ERC Short-Term Funding | - | (3,982,344) |
| Development Fees Payable | (16,512) | (1,700,285) |
| Intercompany | 166,317 | 571,016 |
| Net Cash (Used In) Provided by Operating Activities | (791,410) | (974,251) |
| Cash Flows from Investing Activities: | | |
| CIP and Other Fixed Assets | (576,967) | (7,161,057) |
| Net Cash (Used In) Provided by Investing Activities | (576,967) | (7,161,057) |
| Cash Flows from Financing Activities: | | |
| Deferred Financing Costs | - | - |
| Community Note Receivable | 860,494 | 10,353,684 |
| Retainage Withheld (Released) | (169,507) | (1,714,991) |
| Mortgage Proceeds | - | (4,500) |
| Change in General Contractor Payable | 208,968 | (886,940) |
| Proceeds (Repay) of Purchase Deposit | - | - |
| Members' Capital | - | - |
| Members' Drawing | (88,903) | (1,150,902) |
| Net Cash (Used In) Provided by Financing Activities | 811,053 | 6,596,352 |
| Change in Cash | 20,419 | 79,531 |
| Beginning Cash Balance | 106,743 | 47,630 |
| Ending Cash Balance | 127,161 | 127,161 |

HSD
Comparative Balance Sheet
(in thousands)

| | YTD Sep FY08 | YTD Aug FY08 | Change | YTD Dec FY07 | Change |
|---|------------------------|------------------------|---------------------|-----------------------|-----------------------|
| Assets | | | | | |
| <i>Current Assets</i> | | | | | |
| Cash | 540 | 206 | 334 | 915 | (375) |
| Designated Cash | 309 | 303 | 6 | 172 | 137 |
| Accounts Receivable | 148 | 231 | (83) | 207 | (59) |
| Inventory | 29 | 19 | 10 | 20 | 9 |
| Prepays | 43 | 45 | (2) | 71 | (28) |
| Short Term Notes Receivable | 1,221 | 821 | 401 | 837 | 384 |
| <i>Total Current Assets</i> | <u>2,289</u> | <u>1,624</u> | <u>665</u> | <u>2,221</u> | <u>68</u> |
| <i>Limited Use Cash and Investments</i> | | | | | |
| Escrow Deposits | 726 | 760 | (34) | 767 | (41) |
| Restricted Fund Accounts | 5,311 | 5,282 | 29 | 5,178 | 133 |
| <i>Total Limited Use Cash & Investments</i> | <u>6,038</u> | <u>6,042</u> | <u>(4)</u> | <u>5,946</u> | <u>92</u> |
| <i>Non-Current Assets</i> | | | | | |
| Fixed Assets- Net | 2,263 | 2,290 | (27) | 2,237 | 26 |
| LT Mortgage & Note Receivables | 75,725 | 74,251 | 1,474 | 58,728 | 16,997 |
| <i>Total Non-Current Assets</i> | <u>77,988</u> | <u>76,541</u> | <u>1,447</u> | <u>60,965</u> | <u>17,023</u> |
| Total Assets | <u>86,314</u> | <u>84,207</u> | <u>2,108</u> | <u>69,132</u> | <u>17,183</u> |
| Liabilities | | | | | |
| <i>Current Liabilities</i> | | | | | |
| Accounts Payable and Accrued Liabilities | 1,832 | 1,770 | 62 | 2,937 | (1,105) |
| Resident Refunds | - | 7 | (7) | 299 | (299) |
| <i>Total Current Liabilities</i> | <u>1,832</u> | <u>1,777</u> | <u>55</u> | <u>3,236</u> | <u>(1,404)</u> |
| <i>Non-Current Liabilities</i> | | | | | |
| Advance Deposits | 349 | 423 | (74) | 782 | (434) |
| Capital | 76,869 | 75,030 | 1,839 | 58,814 | 18,055 |
| Amort of Capital | (2,676) | (2,518) | (158) | (1,376) | (1,300) |
| Long Term Liabilities | 21,787 | 21,013 | 773 | 16,214 | 5,572 |
| <i>Total Non-Current Liabilities</i> | <u>96,329</u> | <u>93,948</u> | <u>2,381</u> | <u>74,435</u> | <u>21,894</u> |
| Total Liabilities | <u>98,161</u> | <u>95,726</u> | <u>2,435</u> | <u>77,671</u> | <u>20,490</u> |
| Net Assets | | | | | |
| Unrestricted Net Assets | (8,598) | (8,598) | - | (3,512) | (5,086) |
| Temporarily Restricted | 132 | 108 | 24 | 59 | 73 |
| Current Year Increase (Decrease) In Net Assets | <u>(3,380)</u> | <u>(3,029)</u> | <u>(351)</u> | <u>(5,086)</u> | <u>1,706</u> |
| Total Net Assets | <u>(11,847)</u> | <u>(11,519)</u> | <u>(327)</u> | <u>(8,540)</u> | <u>(3,307)</u> |
| Total Liabilities and Net Assets | <u>86,314</u> | <u>84,207</u> | <u>2,108</u> | <u>69,132</u> | <u>17,183</u> |

9 Community Financial Statements

MLN
Comparative Balance Sheet
(in thousands)

| | YTD FY08 | YTD FY08 | Change | YTD FY07 | Change |
|---|------------------------|------------------------|---------------------|------------------------|-----------------------|
| Assets | | | | | |
| <i>Current Assets</i> | | | | | |
| Cash | 456 | 1,159 | (703) | 1,684 | (1,228) |
| Designated Cash | 211 | 209 | 2 | 170 | 41 |
| Accounts Receivable | 90 | 88 | 2 | 90 | 0 |
| Inventory | 51 | 46 | 4 | 46 | 4 |
| Prepays | 732 | 740 | (8) | 767 | (34) |
| Short Term Notes Receivable | 3,717 | 2,483 | 1,233 | 2,730 | 987 |
| <i>Total Current Assets</i> | <u>5,257</u> | <u>4,727</u> | <u>531</u> | <u>5,487</u> | <u>(230)</u> |
| <i>Limited Use Cash and Investments</i> | | | | | |
| Escrow Deposits | 1,671 | 1,524 | 147 | 5,255 | (3,584) |
| Restricted Fund Accounts | 20,134 | 19,082 | 1,052 | 15,872 | 4,262 |
| <i>Total Limited Use Cash & Investments</i> | <u>21,805</u> | <u>20,606</u> | <u>1,199</u> | <u>21,127</u> | <u>678</u> |
| <i>Non-Current Assets</i> | | | | | |
| Fixed Assets- Net | 2,519 | 2,578 | (59) | 2,885 | (367) |
| Capitalized Bond Interest | 7,494 | 6,644 | 849 | 147 | 7,347 |
| Deferred Assets | 2,714 | 2,721 | (7) | 3,022 | (308) |
| LT Mortgage & Note Receivables | 197,775 | 197,775 | - | 197,775 | - |
| <i>Total Non-Current Assets</i> | <u>210,502</u> | <u>209,718</u> | <u>783</u> | <u>203,830</u> | <u>6,672</u> |
| Total Assets | <u>237,564</u> | <u>235,051</u> | <u>2,513</u> | <u>230,444</u> | <u>7,120</u> |
| Liabilities | | | | | |
| <i>Current Liabilities</i> | | | | | |
| Accounts Payable and Accrued Liabilities | 933 | 1,032 | (100) | 1,709 | (776) |
| Short Term Obligations Debt | 4,376 | 3,554 | 822 | 1,247 | 3,129 |
| <i>Total Current Liabilities</i> | <u>5,309</u> | <u>4,587</u> | <u>722</u> | <u>2,956</u> | <u>2,353</u> |
| <i>Non-Current Liabilities</i> | | | | | |
| Advance Deposits | 885 | 957 | (72) | 1,165 | (280) |
| Capital | 63,088 | 59,853 | 3,235 | 42,334 | 20,755 |
| Amort of Capital | (2,022) | (1,869) | (153) | (1,001) | (1,021) |
| Long Term Liabilities | 185,613 | 186,473 | (860) | 195,959 | (10,346) |
| <i>Total Non-Current Liabilities</i> | <u>247,565</u> | <u>245,415</u> | <u>2,150</u> | <u>238,457</u> | <u>9,108</u> |
| Total Liabilities | <u>252,874</u> | <u>250,001</u> | <u>2,872</u> | <u>241,412</u> | <u>11,461</u> |
| Net Assets | | | | | |
| Unrestricted Net Assets | (11,074) | (11,074) | - | (5,251) | (5,823) |
| Temporarily Restricted | 167 | 176 | (9) | 105 | 62 |
| Current Year Increase (Decrease) In Net Assets | (4,403) | (4,053) | (350) | (5,823) | 1,420 |
| Total Net Assets | <u>(15,310)</u> | <u>(14,951)</u> | <u>(359)</u> | <u>(10,969)</u> | <u>(4,341)</u> |
| Total Liabilities and Net Assets | <u>237,564</u> | <u>235,051</u> | <u>2,513</u> | <u>230,444</u> | <u>7,120</u> |

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

| | Sep | | YTD(Sep) | | YTDDec | |
|--|--------------|-------------|----------------|--------------|----------------|--------------|
| | Actual | BudVar | Actual | BudVar | Forecast | FcstVar |
| Operating Revenue | | | | | | |
| Resident Monthly Fees | 361 | (32) | 3,066 | 166 | 4,205 | 27 |
| Departmental Revenues | 243 | 127 | 1,435 | 572 | 1,796 | 579 |
| Total Operating Revenue | 604 | 95 | 4,501 | 738 | 6,001 | 606 |
| Operating Expense | | | | | | |
| Wages | 444 | (125) | 2,819 | (10) | 3,775 | 7 |
| Employee Benefits | 78 | (7) | 622 | 0 | 835 | 0 |
| Other Employee Expense | 14 | 3 | 123 | 37 | 126 | 81 |
| Contract Labor Expense | 87 | 25 | 971 | (68) | 1,281 | (77) |
| Supplies Expense | 76 | (10) | 613 | (98) | 836 | (105) |
| Repairs and Maintenance Expense | 25 | (11) | 180 | (67) | 239 | (82) |
| Professional Fee Expense | 8 | (2) | 64 | 7 | 83 | 7 |
| Purchased Services Expense | 141 | 0 | 1,265 | 0 | 2,056 | (369) |
| Other Expense | 40 | 128 | 1,254 | 256 | 1,732 | 327 |
| Operating Reserve Expense | 48 | (48) | 47 | (47) | 197 | (197) |
| Total Operating Expense | 959 | (48) | 7,959 | 9 | 11,161 | (409) |
| Operating Income | (355) | 48 | (3,458) | 747 | (5,160) | 197 |
| Net Rent | 16 | 0 | 141 | (2) | 187 | (2) |
| Interest Expense | 45 | 155 | 667 | 968 | 842 | 1,420 |
| Investment Income | 2 | (11) | 160 | 48 | 165 | 15 |
| Self - Funded Insurance Plan | - | - | 0 | 0 | 0 | 0 |
| 47770-Amortization Income | 153 | 34 | 1,021 | 123 | 1,399 | 123 |
| 59910-Amortization Expense | 7 | (7) | 61 | (61) | 79 | (79) |
| 59950-FF&E Depreciation Expense | 77 | (7) | 655 | (73) | 903 | (106) |
| 68300-Letter of Credit Fees | 6 | (6) | 601 | (601) | 631 | (631) |
| Total Non-Operating Income | 5 | 158 | (945) | 401 | (1,080) | 739 |
| Increase (Decrease) in Net Assets | (350) | 206 | (4,403) | 1,149 | (6,240) | 936 |

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

Current Month Occupancy

| | <u>Independent</u> | <u>Assisted Living</u> | <u>Skilled Nursing</u> |
|--------------------|--------------------|------------------------|------------------------|
| Billed Units | 189 | #MISSING | #MISSING |
| Available Units | 362 | #MISSING | #MISSING |
| Occupancy % | 52.2% | #MISSING | #MISSING |

YTD Payor Mix

| | <u>SNF Totals</u> | | <u>SNF %'s</u> | |
|-----------------|--------------------------|----------------------|--------------------|-------------------------|
| | <u>Operating Revenue</u> | <u>Resident Days</u> | <u>Opt Rev %'s</u> | <u>Resident Days%'s</u> |
| Private | - | - | - | - |
| Medicare A | - | - | - | - |
| Medicaid | - | - | - | - |
| Other Insurance | - | - | - | - |
| Total | - | - | - | - |

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

| | <u>Current</u> | <u>YTD</u> |
|---|----------------|----------------|
| Cash Flows from Operating Activities | | |
| Net Income | (350) | (4,403) |
| Adjustments to Reconcile Income | | |
| Depreciation and Amortization Expense | 83 | 717 |
| Amortization Income | (153) | (1,021) |
| Unrealized (Gain) Loss on Investments | 0 | 1 |
| Realized (Gain) Loss on Investments | - | - |
| (Increase)/Decrease in Accounts Receivable | (2) | 0 |
| (Increase)/Decrease in Inventory | (4) | (4) |
| (Increase)/Decrease in Prepaid Expenses | 8 | 34 |
| Increase/(Decrease) in Accounts Payable and Accrued Liabilities | (100) | (776) |
| Net Cash Provided by Operating Activities | <u>(518)</u> | <u>(5,452)</u> |
| Cash Flows from Investing Activities | | |
| (Increase)/Decrease in Short Term Notes | (1,233) | (987) |
| (Increase)/Decrease in Limited Use Cash and Investments | (1,208) | (616) |
| (Increase)/Decrease in Designated Cash | (2) | (41) |
| (Increase)/Decrease in Designated Securities | 0 | (1) |
| (Increase)/Decrease in Fixed Assets | (17) | (289) |
| (Increase)/Decrease in Capitalized Bond Interest | (849) | (7,347) |
| (Increase)/Decrease in Deferred Assets | - | 247 |
| (Increase)/Decrease in LT Mortgage & Note Receivables | - | - |
| Net Cash Used in Investing Activities | <u>(3,310)</u> | <u>(9,033)</u> |
| Cash Flows from Financing Activities | | |
| Increase/(Decrease) in Advance Deposits | (72) | (280) |
| Increase/(Decrease) in Resident Deposits | 3,235 | 20,755 |
| Increase/(Decrease) in Short Term Obligations | 822 | 3,129 |
| Increase/(Decrease) in Long Term Liabilities | (860) | (10,346) |
| Net Cash Provided by Financing Activities | <u>3,125</u> | <u>13,258</u> |
| Increase (Decrease) in Cash | (703) | (1,228) |
| Aggregate Other Items to Reconcile Cash | - | - |
| Cash Beginning of Period | 1,159 | 1,684 |
| Cash End of Period | <u>456</u> | <u>456</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 September 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 October 30, 2008.

MONARCH LANDING, INC.

By: _____

Jeffrey A. Jacobson
Asst. Treasurer