



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

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 \$4.3M in short term funding to cover project expenses in excess of entrance fees and the construction loan.

Executive Summary

Marketing Overview

Monarch Landing ended December with 7 initial deposits and 8 settlements. The community continues to focus on strengthening its pipeline. Monarch Landing finished the month with 45 reservations, 81 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.
- We are currently re-evaluating demand and inventory to determine the most prudent building schedule. The attached project schedule is reflective of our 2009 and 2010 plan; these changes have not been incorporated in the enterprise value. An updated enterprise value will be forthcoming.

Active Phase Status

No Active Phases.

Proforma Update

**** in millions

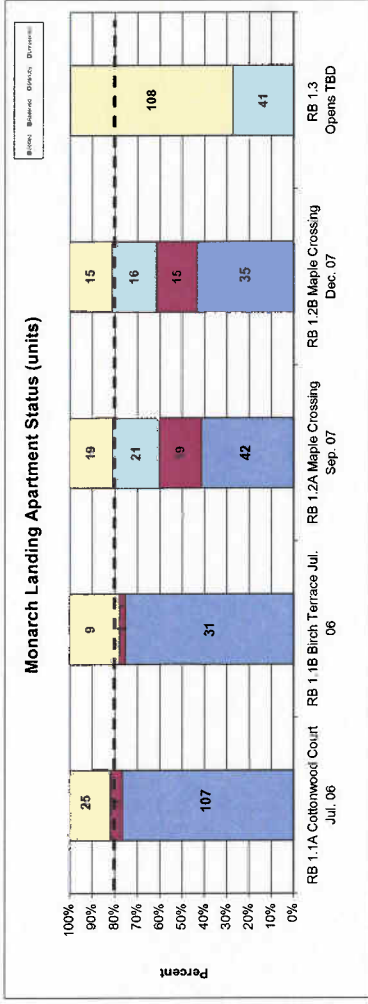
	Original Budget	CURRENT 12/31/2008 Budget
Entrance Deposits	543	592 (1)
Purchase Price	105	131 (2)
Total Funds	<u>647</u>	<u>722</u>
Project Costs (excludes financing costs & dev. fees)	462	547 (3)
Financing Costs	53	161 (4)
Operations Start Up (Working Capital) Ex. Reserves	(12)	12 (5)
Development Fees	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

Apartment Status by Building as of 12-31-08



Total Units
Flex Pay
Flex Pay Ratio

	2005	2006	2007	2007	2007	2007	2008	2008	2008	2008
	Year End	Year End	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
Settled	0	82	86	98	108	133	150	178	200	215
Reservations	99	16	30	45	61	59	57	62	56	42
Standby	40	93	93	79	86	91	100	81	76	78
Futures	21	61	71	74	81	94	94	100	128	128
Total	160	252	280	296	336	367	401	431	460	463
Monthly Trends	11.6	4.3	6.0	4.3	11.0	9.3	8.0	8.0	0.3	1.0
Net Settlements/Reservations/Standbys	0	6.8	1.3	4.0	3.3	8.3	5.7	9.3	7.3	5.0

Test to Break Escrow:
(Buildings with at least 50% Sold or bond posted for 50% of entrance fees)

Building	Total Units	# of Units Required (50%)	Settled/Reserved	# of Units Needed Test Satisfied	Bonded
RB 1.1A	139	70	114	32	Bonded
RB 1.1B	41	21	61	61	Bonded
RB 1.2A	101	51	50	50	Bonded
RB 1.2B	81	41	41	41	Bonded

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.

Test for RB 1.3	
Settled	215
Reservations	42
Standby	78
Futures	100
Total	435

Total Available Units	
RB 1.1A	139
RB 1.1B	41
RB 1.2A	101
RB 1.2B	81
RB 1.3	149
Total	511

Bond Commitment Ratio = $\frac{435}{511} = 85\%$
Maximum Number of Units Completed & Under Construction Within Compli = 543.75

Original Covenant Requirement N/A
PTD Monthly Average as of 12/31/08 7.4

*Settlement vs. Covenant

NOTES:



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	15	3	-1	3	-3	2	71	5.92
* New	8	-4	11	9	10	14	14	3	-1	3	-4	2	65	5.42
* Resale	0	1	1	1	1	0	1	0	0	0	1	0	6	0.50
2 Gross Reservations (MS)	18	5	20	19	22	21	25	17	12	11	6	16	192	16.00
3 No. of Total Settlements (MS)*	5	7	5	11	9	10	6	7	10	3	4	8	85	7.08
* New	5	7	5	11	7	10	6	7	9	3	4	8	82	6.83
* Resale	0	0	0	0	2	0	0	0	1	0	0	0	3	0.25
4 No. of Initial Deposits (MS)	23	7	17	14	12	12	12	14	13	8	7	7	146	12.17
5 Requests for Refunds (MS)	5	3	3	3	2	2	3	2	4	5	6	4	42	3.50
6 Total Kit Requests (OT)	572	562	756	486	470	402	439	601	468	408	349	405	5,908	492.33
* MJO (OT)	407	285	525	246	257	197	184	350	231	160	171	182	3,195	266.25
* Sales Office (OT)	147	263	200	205	191	155	225	225	199	215	166	201	2,392	199.33
* Walk-ins (OT)	18	14	31	35	22	50	30	26	28	33	12	22	321	26.75
HC Kit Requests	0	0	2	3	1	0	2	3	2	1	1	3	18	1.50
7 Total Apts (OT)**	70	61	101	101	103	99	100	79	53	41	49	41	898	74.83
* First Time Apts (OT)	30	18	47	45	46	36	34	39	33	22	30	15	395	32.92
* Non Depositor Repeat Apts (OT)	8	11	18	11	11	15	12	16	8	15	6	11	142	11.83
* Depositor Apts (OT)	32	32	36	45	46	48	54	24	12	4	13	15	361	30.08
8 Walk-in Apts (OT)	0	0	0	0	0	0	0	0	1	0	0	0	1	0.08
Pipeline														
9 Reserved but Unsettled (P)	62	52	59	58	60	64	73	69	58	58	51	45	45	59.08
* New	62	51	57	55	58	62	70	66	56	56	48	42	42	56.92
* Resale	0	1	2	3	2	2	3	3	2	2	3	3	3	2.17
FPP	0	0	0	0	0	0	0	0	2	2	2	3	3	2.25
10 Standby (P)	95	100	100	100	99	91	62	68	76	76	80	81	81	85.67
11 Futures (P)	90	92	94	95	96	100	125	127	128	128	128	128	128	110.92
12 Total Deposits w/o Settled Apts (C) [9+10+11]	247	244	253	253	255	255	260	264	262	262	259	254	254	255.67
13 Total Settled Apts (P)	135	142	146	157	165	175	179	186	195	197	201	209	209	173.92
Total New Settled Apts (BS)	138	145	150	161	168	178	184	191	200	203	207	215	215	178.33
14 No. of Unsettled Apts (PRU)	226	219	215	204	196	188	182	175	166	166	162	154	154	187.75
15 Apts released by keys not turned in	0	0	0	0	0	2	0	0	0	0	0	0	0	0.17
Ratio (Line 12/14) (C)	1.09	1.11	1.18	1.24	1.30	1.36	1.43	1.51	1.58	1.58	1.60	1.65	1.65	1.36

Notes

* Net Reservations = Gross Reservations - Reservations withdrawn

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



Marketing Summary

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

MLN

LOC: Independent

Settlements	Count	Cash Collected	Current P-Note Due	Total
New	8	\$1,338,650	\$1,092,350	\$2,431,000
Resale	0	\$0	\$0	\$0
Total	8	\$1,338,650	\$1,092,350	\$2,431,000

Reservations	Initial Deposits	Priority List	Left To Settled	Withdraw	Net	Deposits Reserved	Reservations Settled	Reservations Withdrawn	Net Reservations
New	3	12	8	13	-6	\$4,404,500	\$2,431,000	\$3,810,500	-\$1,837,000
Resale	0	1	0	1	0	\$527,000	\$0	\$527,000	\$0
Total	3	13	8	14	-6	\$4,931,500	\$2,431,000	\$4,337,500	-\$1,837,000

Waiting Lists	Initial Deposits	Priority List	Changed Status	Net Change
Futures	1	1	2	0
Standby	3	6	8	1
Total	4	7	10	1

Initial Deposits	
Initial Deposits	7
Requests for Refund	4

Key Definitions for the Apartment Status Report

Settled

Represents the total number of new settlements Project to Date. It is a continuous count of how many apartments we have settled for the first time.

Reservations

Groups that have reserved a particular floorplan, given a deposit, but have not fully settled.

Standby

Groups that have placed a deposit with us to join the priority list and wish to reserve but because the unit they want is not available at that time. These groups do have specific preferences in regards to what type of unit they want. These people would have priority over other groups which join at a later date.

Future

Groups that have placed a deposit with us to join the priority list and wish to reserve at a later date. These groups do not have any specific preferences in regards to units at this time. These people would have priority over other groups which join at a later date.

Flex Pay

The Flexible Payment Program is designed to allow the customer to move to an Erickson community prior to the sale of their house. The customer who moves in under the Flexible Payment Program does not count as a settlement until they have paid their full Entrance Deposit **(see Flexible Pricing Program Policy for complete details)**.

3 Total Anticipated Budget

**Erickson Retirement Communities
Naperville Campus
Total Anticipated Budget
As of Dec 31, 2008**

	<u>Actual Costs JTD</u>	<u>% Complete to Budget</u>	<u>Estimate to Complete</u>	<u>As of 12/31/08 Estimate at Completion</u>	<u>Original Budget</u>	<u>Favorable/ (Unfavorable)</u>	Notes
Entrance Deposits	64,887,018	11%	526,698,984	591,586,001	542,559,462	49,026,539	
Operating Lease	443,241	3%	13,673,278	14,116,519	20,281,314	(6,164,795)	
Funds Held/WC Loan Repayment	(29,112,018)	19%	(121,537,310)	(150,649,327)	-	(150,649,327)	
Total Deposits	36,218,241	8%	418,834,952	455,053,193	562,840,776	(107,787,583)	A
Hard Costs - Building	93,962,070	25%	282,735,885	376,697,955	325,683,141	(51,014,814)	
Hard Costs - Sitework	14,217,165	60%	9,440,782	23,657,948	23,394,543	(263,405)	
Architecture	9,151,944	67%	4,602,580	13,754,524	12,310,747	(1,443,777)	
Engineering	3,010,690	78%	844,254	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	3,418,539	44%	4,280,544	7,699,083	11,183,040	3,483,957	
Development Fee	3,244,351	11%	26,334,949	29,579,300	27,127,975	(2,451,325)	
Outside Legal	754,898	64%	415,554	1,170,452	666,284	(504,168)	
Phase Costs Before Contingency	127,911,284	28%	329,223,157	457,134,441	404,448,489	(52,685,952)	
Contingency	0	0%	9,142,103	9,142,103	10,965,661	1,823,558	
Total Phase Costs	127,911,284	27%	338,365,260	466,276,544	415,414,150	(50,862,394)	B
Department Costs							
Administration Department	1,811,679	48%	1,986,257	3,797,936	2,530,035	(1,267,901)	
Acquisitions and Development	6,076,418	39%	9,464,880	15,541,298	11,235,995	(4,305,303)	
Construction Services	809,248	14%	5,169,706	5,978,954	0	(5,978,954)	
Finance	197,651	7%	2,629,359	2,827,010	839,945	(1,987,065)	
Marketing Department	17,860,661	33%	35,780,700	53,641,361	30,661,482	(22,979,879)	
Information Services	521,829	24%	1,674,354	2,196,183	188,392	(2,007,791)	
Legal Department	184,141	33%	375,768	559,909	375,807	(184,102)	
Total Departmental Costs	27,461,627	32%	57,081,024	84,542,651	45,831,656	(38,710,995)	C
Total Hard & Soft Costs	155,372,910	28%	395,446,284	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	29,276,774	82%	6,220,748	35,497,522	34,790,867	(706,655)	
Financing Costs - L.O.C	3,862,938	106%	(213,027)	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/	740,878	49%	774,080	1,514,958	1,206,910	(308,048)	
Community Loan Interest	(2,389,206)	0%	2,389,206	-	(8,298,079)	(8,298,079)	
Total Other Development Costs	55,800,255	84%	10,555,213	66,355,468	54,688,365	(11,667,103)	D
Total Costs	211,173,166	34%	406,001,497	617,174,663	515,934,171	(101,240,492)	
Profit Margin	(174,954,924)		12,833,455	(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	1.4	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	(18.2)	(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	(5.0)	(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	(8.3)	(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	0.4	2.8
6 Increase in construction loan rates from 8.5% to 9% (2005/2007) Other Development Costs	D	(3.9)	(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	(14.9)	(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	(2.1)	(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	(0.5)	(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	(0.7)	(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	(7.0)	(2.5)
12 Maximum Construction Line Increased from \$68M to \$85M (2007) Other Development Costs	D	(12.0)	(12.0)
13 Update RG assumptions to 100% collection of deposits based on historical experience (2007) Entrance Deposits	A	4.0	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	(0.5)	(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	(1.5)	(7.3)
16 Bond Issuance (2007) Operating Lease	A	(6.9)	

Naperville Campus, LLC

\$'s in Millions

Variances 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	<u>(11.7)</u>
Total Variance	<u>(209.0)</u>

4 Project Schedule

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

<u>Site</u>	<u>Units</u>	<u>Construction Start Date</u>	<u>Construction Open Date</u>
Ashby Ponds (Loudoun)			
RB 1.4	78	5/1/2008	5/1/2009
RB 1.5	79	5/1/2008	5/1/2009
RB 1.6	80	3/1/2009	3/1/2010 *
CB 2.0	-	8/1/2009	8/1/2010
RB 2.1	118	8/1/2009	8/1/2010
SW 2.0	-	6/1/2009	
EC 1.0A	36	3/1/2010	6/1/2011
Hickory Chase (Hilliard)			
CB 1.0	-	6/1/2008	6/1/2009
RB 1.1	145	8/1/2008	6/1/2009
RB 1.2	91	7/1/2009	5/1/2010
RB 1.3	87	12/1/2009	10/1/2010
EC 1.0A	36	12/1/2009	3/1/2011
Maris Grove (Concord)			
RB 2.2	131	3/1/2008	5/1/2009
RB 2.4	105	6/1/2008	6/1/2009
RB 2.5	84	3/1/2009	1/1/2010
CB 3.0	-	12/1/2009	12/1/2010
RB 3.1	123	12/1/2009	12/1/2010
RB 3.2	60	4/1/2010	4/1/2011
RB 3.3	67	8/1/2010	8/1/2011
EC 1.0	132	3/1/2008	7/1/2009
Wind Crest (Denver)			
CB 2.0	-	2/1/2009	10/1/2009 *
RB 2.1	124	9/1/2009	6/1/2010
RB 2.2	84	2/1/2009	10/1/2009 *
Sedgebrook (Lincolnshire)			
EC 1.0	132	11/1/2007	7/1/2009 **
SW 4.0	-	11/2/2007	8/1/2009
Linden Ponds (Hingham)			
RB 2.5	120	4/1/2009	4/1/2010
		Last Completed Building/Info	
Eagle's Trace (Houston)		RB 1.4; RB 2.1 & SW 2 Stopped	
Fox Run (Novi)		RB 2.2	
Monarch Landing (Naperville)		RB 1.2	
Tallgrass Creek (Kansas)		RB 1.2	
Highland Springs (Dallas)		RB 1.3	
Ann's Choice (Warminster) NH 4		Pending Financing	
Seabrook (Tinton Falls) NH 3		Pending Financing	
Grant's Farm (St. Louis)		Not Started	
Tanglewood Creek (Westminster)		Not Started	
Windsor Run (Matthews)		Not Started	

*Start date is the date for construction to resume after the stop

** Construction Completed 4/15/2009, but opened for occupancy 7/1/2009

19 Landowner Financial Statements

ERICKSON RETIREMENT COMMUNITIES
Naperville Campus
Landowner Balance Sheet
Dec, FY08

9 12:55 PM

	<u>Current Balance</u>	<u>Prior Year End Balance</u>	<u>Change from Prior Year</u>
ASSETS			
Current Assets			
Cash	15,375	47,630	(32,255)
Assets Limited as to Use	32,662,314	36,939,986	(4,277,672)
Bonds Receivable	-	577,743	(577,743)
Other Current Assets	1,055,686	4,789,453	(3,733,768)
Total Current Assets	33,733,375	42,354,813	(8,621,438)
Fixed Assets			
Land and Improvements	25,485,569	25,485,569	-
Buildings	118,156,055	114,942,941	3,213,114
Other Fixed Assets	2,235,927	2,077,753	158,175
Total Fixed Assets	145,877,551	142,506,262	3,371,289
Accumulated Depreciation	(7,205,775)	(3,676,961)	(3,528,814)
Total Fixed Assets net of Depreciation	138,671,776	138,829,302	(157,525)
Construction in Progress	29,256,050	23,731,583	5,524,467
Total Fixed Assets, Net and CIP	167,927,826	162,560,885	5,366,941
Other Assets			
Community Note Receivable	6,779,460	18,620,580	(11,841,121)
Deferred Financing Costs, net	692,215	727,103	(34,888)
Total Other Assets	7,471,675	19,347,683	(11,876,009)
TOTAL ASSETS	209,132,876	224,263,381	(15,130,505)
LIABILITIES & MEMBERS' CAPITAL			
Current Liabilities			
Accounts Payable	152,393	119,890	32,503
Construction G.C. Payable	58,448	1,177,582	(1,119,134)
Retainage Payable	0	1,719,441	(1,719,440)
Other Current Liabilities	561,493	483,821	77,672
ERC Short-Term Funding	4,302,192	8,084,536	(3,782,344)
Development Fees Payable	-	1,788,975	(1,788,975)
Intercompany	1,656,876	282,519	1,374,357
Total Current Liabilities	6,731,402	13,656,763	(6,925,361)
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	219,506,402	226,436,263	(6,929,861)
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	(3,244,351)	(1,788,975)	(1,455,376)
Retained Earnings	(29,625,387)	(29,625,387)	-
Current Year's Income (Loss)	(7,786,012)	-	(7,786,012)
Total Members' Capital	(10,373,526)	(2,172,882)	(8,200,644)
TOTAL LIABILITIES & MEMBERS' CAPITAL	209,132,876	224,263,381	(15,130,505)

ERICKSON RETIREMENT COMMUNITIES
Naperville Campus
Landowner Income Statement
Dec, FY08

01/22/09 12:55 PM

	<u>Period Activity</u>	<u>Period Budget</u>	<u>Period Variance</u>	<u>Year-to-Date Actual</u>	<u>Year-to-Date Budget</u>	<u>Year-to-Date Variance</u>
Departmental Expenses						
Development Administration	91,413	98,559	7,146	1,066,075	1,175,070	108,995
Construction Management Services	49,842	3,647	(46,195)	690,177	43,761	(646,416)
Administration	48,079	48,079	-	576,952	576,952	0
Marketing	969,355	212,097	(757,258)	3,866,170	2,538,645	(1,327,525)
Sales and Information	200,304	116,696	(83,608)	1,524,713	1,385,689	(139,024)
Information Services	(36,565)	16,884	53,450	149,163	202,613	53,450
Legal	3,914	3,914	-	46,971	46,971	-
Capitalized Costs	<u>(356,987)</u>	<u>(287,779)</u>	<u>69,207</u>	<u>(4,054,051)</u>	<u>(3,431,056)</u>	<u>622,995</u>
Net Departmental Expense	969,355	212,097	(757,258)	3,866,170	2,538,645	(1,327,525)
Other Operating Expenses						
Bank Charges/Other Fees	660	-	(660)	5,328	-	(5,328)
Depreciation	298,715	327,678	28,962	3,528,814	3,776,575	247,761
Amortization	<u>2,907</u>	<u>-</u>	<u>(2,907)</u>	<u>34,888</u>	<u>-</u>	<u>(34,888)</u>
Total Other Operating Expenses	302,282	327,678	25,395	3,569,030	3,776,575	207,545
Total Operating Expenses	1,271,637	539,775	(731,863)	7,435,200	6,315,220	(1,119,980)
Non-Operating Revenue						
Note Rec/Other Interest	40,284	-	40,284	1,252,268	-	1,252,268
Community Lease Revenue	<u>152,378</u>	<u>296,604</u>	<u>(144,226)</u>	<u>1,802,110</u>	<u>2,928,932</u>	<u>(1,126,822)</u>
Total Non-Operating Revenue	192,663	296,604	(103,941)	3,054,378	2,928,932	125,446
Non-Operating Expenses						
Interest Expense LOC, net(Sub-debt)	(69,876)	75,000	144,876	(579,725)	900,000	1,479,725
Mortgage Interest Expense	136,729	281,154	144,425	1,614,319	2,743,532	1,129,213
Equity Partner Interest Expense	-	-	-	1,040,744	-	(1,040,744)
Bond Interest Expense	69,876	-	(69,876)	838,508	-	(838,508)
Financing Costs	8,393	4,000	(4,393)	92,751	126,491	33,740
Real Estate & Other Taxes	<u>-</u>	<u>408,558</u>	<u>408,558</u>	<u>398,594</u>	<u>408,558</u>	<u>9,964</u>
Total Non-Operating Expenses	145,122	768,712	623,590	3,405,190	4,178,581	773,391
NET INCOME (LOSS)	<u>(1,224,097)</u>	<u>(1,011,883)</u>	<u>(212,214)</u>	<u>(7,786,012)</u>	<u>(7,564,869)</u>	<u>(221,143)</u>

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

01/22/09 12:55 PM

	Period Activity	Year-to-Date
Cash Flows from Operating Activities:		
Net Income (Loss)	(1,224,097)	(7,786,012)
Adjustments to reconcile Net Income (Loss) to Net Cash (Used In) Provided by Operating Activities:		
Depreciation	298,715	3,528,814
Amortization	2,907	34,888
Changes in:		
Assets Limited as to Use	56,265	4,277,672
Other Current Assets	7,143	3,733,768
Current Liabilities	(24,113)	110,175
ERC Short-Term Funding	900,000	(3,782,344)
Development Fees Payable	(44,351)	(1,788,975)
Intercompany	601,917	1,374,357
Net Cash (Used In) Provided by Operating Activities	574,387	(297,657)
Cash Flows from Investing Activities:		
CIP and Other Fixed Assets	(587,903)	(8,895,756)
Net Cash (Used In) Provided by Investing Activities	(587,903)	(8,895,756)
Cash Flows from Financing Activities:		
Deferred Financing Costs	-	-
Community Note Receivable	(24,593)	11,841,121
Retainage Withheld (Released)	(4,450)	(1,719,440)
Mortgage Proceeds	-	(4,500)
Change in General Contractor Payable	22,895	(1,119,134)
Proceeds (Repay) of Purchase Deposit	-	-
Members' Capital	-	-
Members' Drawing	(56,004)	(1,455,376)
Net Cash (Used In) Provided by Financing Activities	(62,152)	7,542,670
Change in Cash	(75,668)	(32,255)
Beginning Cash Balance	91,043	47,630
Ending Cash Balance	15,375	15,375

9 Community Financial Statements

MLN
Comparative Balance Sheet
(in thousands)

	YTDDec FY08	YTDNov FY08	Change	YTDDec FY07	Change
Assets					
<i>Current Assets</i>					
Cash	142	754	(612)	1,684	(1,541)
Designated Cash	203	206	(3)	170	33
Accounts Receivable	158	110	49	90	68
Inventory	47	48	(1)	46	0
Prepays	690	739	(48)	767	(76)
Short Term Notes Receivable	2,136	1,491	645	2,730	(594)
<i>Total Current Assets</i>	<u>3,377</u>	<u>3,347</u>	<u>30</u>	<u>5,487</u>	<u>(2,110)</u>
<i>Limited Use Cash and Investments</i>					
Escrow Deposits	1,796	1,359	437	5,255	(3,460)
Restricted Fund Accounts	17,087	22,098	(5,011)	15,872	1,215
<i>Total Limited Use Cash & Investments</i>	<u>18,883</u>	<u>23,457</u>	<u>(4,574)</u>	<u>21,127</u>	<u>(2,244)</u>
<i>Non-Current Assets</i>					
Work-In-Process	43,304	-	43,304	-	43,304
Fixed Assets- Net	2,503	2,451	52	2,885	(382)
Capitalized Bond Interest	2,163	9,209	(7,045)	147	2,016
Deferred Assets	2,694	2,701	(7)	3,022	(328)
LT Mortgage & Note Receivables	197,775	197,775	-	197,775	-
<i>Total Non-Current Assets</i>	<u>248,439</u>	<u>212,136</u>	<u>36,304</u>	<u>203,830</u>	<u>44,610</u>
Total Assets	<u>270,699</u>	<u>238,939</u>	<u>31,759</u>	<u>230,444</u>	<u>40,255</u>
Liabilities					
<i>Current Liabilities</i>					
Accounts Payable and Accrued Liabilities	821	1,082	(261)	1,709	(888)
Short Term Obligations Debt	2,442	5,781	(3,339)	1,247	1,195
<i>Total Current Liabilities</i>	<u>3,263</u>	<u>6,863</u>	<u>(3,600)</u>	<u>2,956</u>	<u>307</u>
<i>Non-Current Liabilities</i>					
Advance Deposits	944	1,008	(64)	1,165	(221)
Capital	67,853	65,390	2,463	42,334	25,519
Amort of Capital	(2,444)	(2,300)	(144)	(1,001)	(1,443)
Long Term Liabilities	226,086	184,102	41,984	195,959	30,127
<i>Total Non-Current Liabilities</i>	<u>292,440</u>	<u>248,201</u>	<u>44,238</u>	<u>238,457</u>	<u>53,983</u>
Total Liabilities	<u>295,702</u>	<u>255,064</u>	<u>40,639</u>	<u>241,412</u>	<u>54,290</u>
Net Assets					
Unrestricted Net Assets	(11,074)	(11,074)	-	(5,251)	(5,823)
Temporarily Restricted	164	223	(59)	105	59
Current Year Increase (Decrease) In Net Assets	<u>(14,094)</u>	<u>(5,274)</u>	<u>(8,820)</u>	<u>(5,823)</u>	<u>(8,271)</u>
Total Net Assets	<u>(25,004)</u>	<u>(16,124)</u>	<u>(8,880)</u>	<u>(10,969)</u>	<u>(14,035)</u>
Total Liabilities and Net Assets	<u>270,699</u>	<u>238,939</u>	<u>31,759</u>	<u>230,444</u>	<u>40,255</u>

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

 **DRAFT**

	Dec		YTD(Dec)		YTDDec	
	Actual	BudVar	Actual	BudVar	Forecast	FcstVar
Operating Revenue						
Resident Monthly Fees	385	(56)	4,207	29	4,205	27
Departmental Revenues	168	46	1,871	654	1,796	579
Total Operating Revenue	554	(10)	6,077	683	6,001	606
Operating Expense						
Wages	361	(31)	3,694	89	3,775	7
Employee Benefits	79	(7)	832	3	835	0
Other Employee Expense	28	(7)	174	32	126	81
Contract Labor Expense	102	3	1,369	(165)	1,281	(77)
Supplies Expense	108	(34)	886	(155)	836	(105)
Repairs and Maintenance Expense	39	(24)	269	(112)	239	(82)
Professional Fee Expense	11	(5)	85	5	83	7
Purchased Services Expense	510	(369)	2,056	(369)	2,056	(369)
Other Expense	131	40	1,592	467	1,732	327
Operating Reserve Expense	(60)	60	87	(87)	197	(197)
Total Operating Expense	1,308	(372)	11,044	(293)	11,161	(409)
Operating Income	(754)	(382)	(4,967)	390	(5,160)	197
Net Rent	16	0	188	(2)	187	(2)
Interest Expense	8,015	(7,802)	8,749	(6,487)	842	1,420
Investment Income	18	6	182	32	165	15
Self - Funded Insurance Plan	-	-	0	0	0	0
47770-Amortization Income	144	16	1,443	167	1,399	123
59910-Amortization Expense	7	(7)	81	(81)	79	(79)
59950-FF&E Depreciation Expense	92	(20)	899	(101)	903	(106)
68300-Letter of Credit Fees	98	(98)	836	(836)	631	(631)
Total Non-Operating Income	(8,066)	(7,905)	(9,127)	(7,308)	(1,080)	739
Increase (Decrease) in Net Assets	(8,820)	(8,287)	(14,094)	(6,918)	(6,240)	936

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

Current Month Occupancy

	Independent	Assisted Living	Skilled Nursing
Billed Units	202	#MISSING	#MISSING
Available Units	362	#MISSING	#MISSING
Occupancy %	55.9%	#MISSING	#MISSING

YTD Payor Mix

	SNF Totals		SNF %'s	
	Operating Revenue	Resident Days	Opt Rev %'s	Resident Days%'s
Private	-	-	-	-
Medicare A	-	-	-	-
Medicaid	-	-	-	-
Other Insurance	-	-	-	-
Total	-	-	-	-

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

	Current	YTD
Cash Flows from Operating Activities		
Net Income	(8,820)	(14,094)
Adjustments to Reconcile Income		
Depreciation and Amortization Expense	99	980
Amortization Income	(144)	(1,443)
Unrealized (Gain) Loss on Investments	(14)	(12)
Realized (Gain) Loss on Investments	-	-
(Increase)/Decrease in Accounts Receivable	(49)	(68)
(Increase)/Decrease in Inventory	1	0
(Increase)/Decrease in Prepaid Expenses	48	76
Increase/(Decrease) in Accounts Payable and Accrued Liabilities	(261)	(888)
Net Cash Provided by Operating Activities	<u>(9,139)</u>	<u>(15,449)</u>
Cash Flows from Investing Activities		
(Increase)/Decrease in Short Term Notes	(645)	594
(Increase)/Decrease in Limited Use Cash and Investments	4,515	2,303
(Increase)/Decrease in Designated Cash	3	(33)
(Increase)/Decrease in Designated Securities	14	12
(Increase)/Decrease in Work-In-Process	(43,304)	(43,304)
(Increase)/Decrease in Fixed Assets	(144)	(517)
(Increase)/Decrease in Capitalized Bond Interest	7,045	(2,016)
(Increase)/Decrease in Deferred Assets	-	247
(Increase)/Decrease in LT Mortgage & Note Receivables	-	-
Net Cash Used in Investing Activities	<u>(32,516)</u>	<u>(42,713)</u>
Cash Flows from Financing Activities		
Increase/(Decrease) in Advance Deposits	(64)	(221)
Increase/(Decrease) in Resident Deposits	2,463	25,519
Increase/(Decrease) in Short Term Obligations	(3,339)	1,195
Increase/(Decrease) in Long Term Liabilities	41,984	30,127
Net Cash Provided by Financing Activities	<u>41,043</u>	<u>56,620</u>
Increase (Decrease) in Cash	(612)	(1,541)
Aggregate Other Items to Reconcile Cash	-	-
Cash Beginning of Period	754	1,684
Cash End of Period	<u>142</u>	<u>142</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 December 31, 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 January 30, 2009.

MONARCH LANDING, INC.

By: _____

Jeffrey A. Jacobson
Asst. Treasurer

ACORD™ CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)
01/06/2009 16:00

PRODUCER Riggs, Counselman, Michaels & Downes 555 Fairmount Avenue Towson, MD 21286-5497 410-339-7263	THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.	
	INSURED Monarch Landing, Inc. c/o Risk Management 991 Corporate Blvd. Linthicum, MD 21090	INSURERS AFFORDING COVERAGE
	INSURER A: Columbia Casualty Company	31127
	INSURER B: Valley Forge Insurance Company	20508
	INSURER C: American Zurich Insurance Company	40142
	INSURER D:	
	INSURER E:	

COVERAGES

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

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

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES / EXCLUSIONS ADDED BY ENDORSEMENT / SPECIAL PROVISIONS

Re: Monarch Landing, Inc. Facility, Certificate holder is a Mortgagee/Loss Payee with respect to Property. Named Insureds Include-Monarch Landing, Inc., Erickson Retirement Communities, LLC & Naperville Campus, LLC.

CERTIFICATE HOLDER

Fifth Third Bank
 222 South Riverside Plaza
 32nd Floor/MDGRVR2D
 Chicago, IL 60606

CANCELLATION

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

AUTHORIZED REPRESENTATIVE

Albert R. Counselman

ACORD EVIDENCE OF PROPERTY INSURANCE

DATE (MM/DD/YY)
01/15/2009

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

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

PROPERTY INFORMATION

LOCATION/DESCRIPTION
See Below

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

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


REMARKS (Including Special Conditions)

Re: Monarch Landing, Inc. Facility, Certificate holder is a Mortgagee/Loss Payee with respect to Property. Named Insureds Include-Monarch Landing, Inc., Erickson Retirement Communities, LLC & Naperville Campus, LLC.

CANCELLATION

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

ADDITIONAL INTEREST

NAME AND ADDRESS Fifth Third Bank 222 South Riverside Plaza 32nd Floor/MDGRVR2D Chicago, IL 60606	<input checked="" type="checkbox"/> MORTGAGEE	ADDITIONAL INSURED
	<input checked="" type="checkbox"/> LOSS PAYEE	
LOAN #		
AUTHORIZED REPRESENTATIVE 		

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

	YearTotal Budget
Operating Revenue	
Resident Monthly Fees	5,700
Departmental Revenues	1,705
Operating Revenue	7,405
Operating Expense	
Wages	4,154
Employee Benefits	958
Other Employee Expense	204
Contract Labor Expense	1,351
Supplies Expense	1,087
Repairs and Maintenance Expense	297
Professional Fee Expense	114
Purchased Services Expense	2,238
Other Expense	2,079
Operating Reserve Expense	100
Operating Expenses	12,482
Operating Income	(5,177)
Net Rent	185
Interest Expense	566
47770-Amortization Income	1,957
59910-Amortization Expense	72
59950-FF&E Depreciation Expense	1,025
68300-Letter of Credit Fees	408
Net Income	(5,477)