



Naperville Campus, LLC
Monthly Reporting Package
June 2007

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← 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 1503 independent living apartments, 96 assisted living apartment and 132 skilled nursing beds upon its expected completion in 2012.

Financing Overview

- \$68 million Revolving Credit Facility (construction loan) with LaSalle Bank which closed in June 2005.
- \$25 million of sub debt structured as a land sale/leaseback agreement with Morgan Stanley (annual rent/interest of 14.5%) that was executed in May, 2005.
- In addition, a “Special Tax District” Bond Issue for \$15 million closed in June of 2006.
- Erickson has funded approximately \$7.6M in equity to date to cover sub debt interest.
- Erickson has funded approximately \$30.8M in short term funding to cover project expenses in excess of entrance fees and the construction loan.

Executive Summary

Marketing Overview

Monarch Landing totals once again showed some improvement in June. While the community did have a decrease with only 7 net reservations, there was a huge increase with 16 initial deposits and 5 total settlements. The community continues to focus on strengthening its pipeline. Monarch Landing finished the month with 45 reservations, 79 standbys and 76 futures.

Naperville Campus, LLC

Critical Issues

- **Construction Loan Covenants** - The Naperville Campus (Monarch Landing) Development has fallen below its required move-in covenant, which is fifteen residents per month. Since marketing has slowed, additional covenants could potentially be tripped, such as certain timing performance hurdles. Erickson is currently updating the proforma and working with Lasalle Bank to amend to the loan documents.
- **Liens** - On 2/10/07, Schweppe, Inc. filed a notice of intent to lien in the amount of \$121,375.34 against Erickson Construction on the CB1.0 project. The issue involved settlement of change orders for the closeout of the project. Final payment was made in late June 2007, removal of the lien is scheduled for early July 2007.
- **Construction Costs** - Rising Construction Costs -A thorough review of all projects assessing the impact of rising construction costs is currently in process.

Active Phase Status

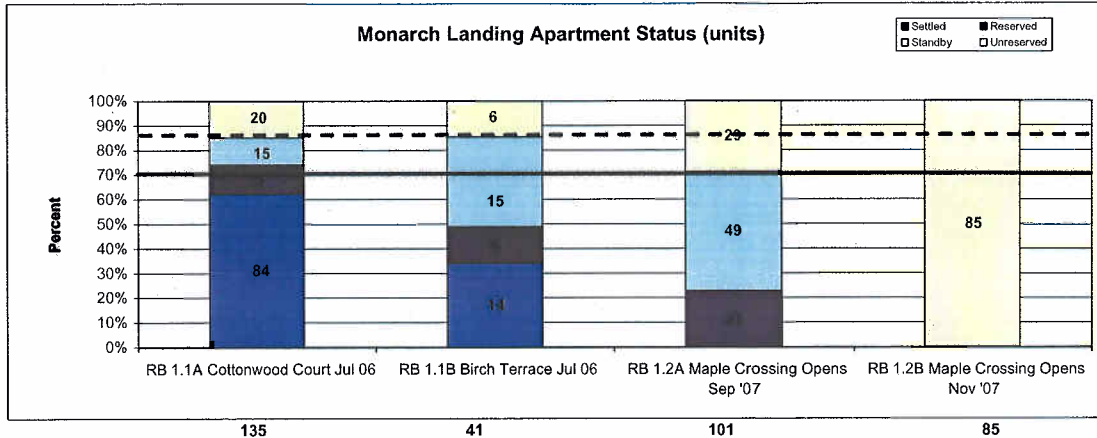
<i>Phase/Item</i>	<i>Construction Began</i>	<i>Projected to Open</i>
Sitework 1.0	Apr-05	N/A
Residential Building 1.2	May-06	Sep-07

Proforma Update

	Original Budget	CURRENT 6/30/2007 Budget
Entrance Deposits	543	572
Purchase Price	105	111
Net Operating Lease	0	0
Total Funds	647	683
Project Costs (excludes financing costs & dev. fees)	462	504
Financing Costs	53	82
Operations Start Up (Working Capital) Ex. Reserves	(12)	(8)
Development Fees	27	29
Total Costs	531	607
Enterprise Margin	116	76

2 Marketing Reports

Apartment Status by Building as of 06-28-07



Total Units

	2005 Year End	2006 1st Qtr	2006 2nd Qtr	2006 3rd Qtr	2006 4th Qtr	2007 1st Qtr	2007 2nd Qtr
Settled	0	0	0	53	82	86	98
Reservations	99	94	100	43	16	30	45
Standby	40	71	79	87	93	93	79
Futures	21	27	27	49	61	71	74
Total	160	192	206	232	252	280	296

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%)	# of units Settled/Reserved	# of Units Needed	
RB 1.1A	135	68	100	Test Satisfied	
RB 1.1B	41	21	20	1	Bond Posted
RB 1.2A	101	51	23	28	
RB 1.2B	85	43	0	43	

Analysis of Deposits/Reservations/Standbys for Construction Starts

	Units	Test	Required Reserved/Standby	Settled	Reserved	Standby	Total	Needed	
Current Buildings									
RB 1.1A	135	85%	115	84	16	15	115	0	Test Satisfied
RB 1.1B	41	85%	35	14	6	15	35	0	Test Satisfied
Construction Test for Funding of Next Building									
Began Construct Sep '06	RB 1.2A	101	70%	71	0	23	67	4	
Began Construct Nov '06	RB 1.2B	85	70%	60	0	0	0	60	
Begin Construct Sep '07	RB 1.3	149	70%	104	0	0	0	104	

*Settlement vs. Covenant

Covenant Requirement	15	PTD Monthly Average as of 6/30/07	8.9
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NOTES:

We have not met the construction test for RB 1.2A and RB 1.2B. Construction began in September though we are currently 4 standbys short in RB 1.2A and 60 short in RB 1.2B.

2007 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)*	7	9	4	3	16	7							46	7.67
* New	7	9	3	3	16	8							46	7.67
* Resale	0	0	1	0	0	-1							0	0
2 Gross Reservations (MS)	10	11	11	8	20	16							76	12.67
3 No. of Total Settlements (MS)*	0	3	2	6	1	5							17	2.83
* New	0	3	1	6	1	5							16	2.67
* Resale	0	0	1	0	0	0							1	0.17
4 No. of Initial Deposits (MS)	15	10	20	10	6	16							77	12.83
5 Requests for Refunds (MS)	3	3	8	3	8	4							29	4.83
6 Total Kit Requests (OT)	790	572	497	431	600	960							3,850	641.67
* MJO (OT)	393	316	323	276	289	574							2,171	361.83
* Sales Office (OT)	370	244	134	138	289	363							1,538	256.33
* Walk-ins (OT)	27	12	40	17	22	23							141	23.50
HC Kit Requests	0	0	1	1	1	1							4	0.67
7 Total Apts (OT)**	48	44	72	63	80	72							379	63.17
* First Time Apts (OT)	23	23	35	23	39	43							186	31.00
* Non Depositor Repeat Apts (OT)	15	10	20	11	11	16							83	13.83
* Depositor Apts (OT)	10	11	17	29	30	13							110	18.33
8 Walk-in Apts (OT)	1	0	0	0	0	0							1	0.17
Pipeline														
9 Reserved but Unsettled (P)	23	29	31	28	43	45							45	33.17
* New	22	28	30	27	42	45							45	32.33
* Resale	1	1	1	1	1	0							0	0.83
10 Standby (P)	95	92	93	93	77	79							79	88.17
11 Futures (P)	64	65	71	75	73	76							76	70.67
12 Total Deposits w/o Settled Apts (C) [9+10+11]	182	186	195	196	193	200							200	192.00
13 Total Settled Apts (P)	80	83	85	91	92	97							97	88.00
Total New Settled Apts (BS)	82	85	86	92	93	98							98	89.33
14 No. of Unsettled Apts (PRU)	97	94	92	271	270	265							265	181.50
15 Apts released by keys not turned in	0	0	0	0	0	0							0	0
Ratio (Line 12/14) (C)	1.88	1.98	2.12	0.72	0.71	0.75	N/A	N/A	N/A	N/A	N/A	N/A	0.75	1.06

Notes

* Net Reservations = Gross Reservations - Reservations withdrawn.

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



Marketing Summary

Date Range [>=6/1/2007 and	MLN
LOC: Independent	

Settlements	Count	Cash Collected	Current P-Note Due	Total
New	5	\$792,650	\$707,850	\$1,500,500
Resale	0	\$0	\$0	\$0
Total	5	\$792,650	\$707,850	\$1,500,500

Reservations	Initial Deposits	Priority List	Left To Settled	Withdraw	Net	Deposits Reserved	Reservations Settled	Reservations Withdrawn	Net Reservations
New	7	9	5	8	3	\$5,442,000	\$1,500,500	\$2,793,500	\$1,148,000
Resale	0	0	0	1	-1	\$0	\$0	\$325,000	-\$325,000
Total	7	9	5	9	2	\$5,442,000	\$1,500,500	\$3,118,500	\$823,000

Waiting Lists	Initial Deposits	Priority List	Changed Status	Net Change
Futures	5	1	3	3
Standby	4	2	4	2
Total	9	3	7	5

Initial Deposits	16
Requests for Refund	4

3 Total Anticipated Budget

**Erickson Retirement Communities
Naperville Campus
Total Anticipated Budget
As of June 30, 2007**

	Actual Costs JTD	% Complete to Budget	Estimate to Complete	Estimate at Completion	Original Budget	Favorable/ (Unfavorable)	Notes
Entrance Deposits	30,202,050	5%	542,171,206	572,373,256	542,559,462	29,813,794	
Operating Lease	165,225	1%	18,324,678	18,489,903	20,281,314	(1,791,411)	
Funds Held/WC Loan Repayment	0	0%	(14,150,597)	(14,150,597)	-	(14,150,597)	
Total Deposits	30,367,275	5%	546,345,287	576,712,562	562,840,776	13,871,786	A
Hard Costs - Building	78,718,690	22%	276,707,537	355,426,227	325,683,141	(29,743,086)	
Hard Costs - Sitework	13,272,449	56%	10,350,717	23,623,166	23,394,543	(228,623)	
Architecture	6,555,221	49%	6,909,052	13,464,273	12,310,747	(1,153,526)	
Engineering	2,539,612	70%	1,063,446	3,603,058	3,444,962	(158,096)	
Builder's Risk	123,397	19%	543,206	666,603	637,797	(28,806)	
Fees, Permits & Bonds	3,104,344	41%	4,431,736	7,536,079	11,183,040	3,646,961	
Development Fee	1,510,103	5%	27,108,463	28,618,565	27,127,975	(1,490,590)	
Outside Legal	641,230	61%	405,765	1,046,995	666,284	(380,711)	
Construction MNGT Fee	0	0%	-	0	0	-	
Warranty Expense	0	0%	-	0	0	-	
Phase Costs Before Contingency	106,465,046	25%	327,519,921	433,984,967	404,448,489	(29,536,478)	
Contingency	0	0%	8,672,929	8,672,929	10,965,661	2,292,732	
Total Phase Costs	106,465,046	24%	336,192,850	442,657,896	415,414,150	(27,243,746)	B
Department Costs							
Administration Department	979,007	19%	4,091,494	5,070,501	2,530,035	(2,540,466)	
Acquisitions and Development	4,473,221	30%	10,469,285	14,942,506	11,235,995	(3,706,511)	
Finance	197,651	19%	833,947	1,031,598	839,945	(191,653)	
Marketing Department	9,904,877	22%	35,395,857	45,300,734	30,661,482	(14,639,252)	
Information Services	266,148	23%	914,090	1,180,238	188,392	(991,846)	
Legal Department	113,686	23%	375,770	489,456	375,807	(113,649)	
Total Departmental Costs	15,934,590	23%	52,080,443	68,015,033	45,831,656	(22,183,377)	C
Total Hard & Soft Costs	122,399,635	24%	388,273,294	510,672,929	461,245,806	(49,427,123)	
Other Development Costs							
Land	22,970,488	100%	-	22,970,488	22,951,000	(19,488)	
Interest Costs	18,045,258	24%	58,031,869	76,077,127	34,790,867	(41,286,260)	
Financing Costs - L.O.C	2,434,680	80%	591,681	3,026,361	1,959,500	(1,066,861)	
Property Taxes	506,503	23%	1,708,516	2,215,019	2,078,167	(136,852)	
Capital Expenditures/	463,025	33%	923,237	1,386,262	1,206,910	(179,352)	
Community Loan Interest	(963,533)	231%	546,875	(416,658)	(8,298,079)	(7,881,421)	
Total Other Development Costs	43,456,422	41%	61,802,177	105,258,599	54,688,365	(50,570,234)	D
Total Costs	165,856,057	27%	450,075,471	615,931,528	515,934,171	(99,997,357)	
Profit Margin	(135,488,782)		96,269,816	(39,218,966)	46,906,605	(86,125,571)	
Profit Margin %				-6.80%	8.33%	-15.13%	
Purchase Price				111,250,000			
Adjustment to Funds Held/WC Loan Repayment				14,150,597			
Start Up Loss Adjustment				7,900,000			
Operating Lease Adjustment				(18,489,903)			
Total Adjustments				114,810,694			
Enterprise Value				75,591,728			

Naperville Campus, LLC

\$'s in Millions

Variations 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	<u>(7.8)</u>	
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) Working Capital	A	<u>(1.5)</u>	
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) Deposits	A	<u>2.4</u>	
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 RB1.2 and RB1.3 costs adjusted for cost increase of steel - from \$103 to \$113.6 (2007) Phase Costs	B	<u>(2.1)</u>	
Other Development Costs	D	<u>(1.2)</u>	(3.3)
8 Delay of project schedule due to slower than anticipated absorption rate (12.5/mo versus 15/mo) in Chicago market (2007) Deposits	A	<u>27.4</u>	
Operating Lease	A	<u>(2.2)</u>	
Development Fees	B	<u>(1.4)</u>	
Working Capital	A	<u>(4.7)</u>	
Phase Costs	B	<u>(15.2)</u>	
Departmental Costs	C	<u>(21.3)</u>	
Other Development Costs	D	<u>(11.4)</u>	(28.8)
9 Adjustment of funds held related to updating metrics with historical performance (2007) Working Capital	A	<u>(7.9)</u>	
Other Development Costs	D	<u>(2.1)</u>	(10.0)
10 RB1.2 and RB1.3 costs adjusted for cost increase of steel - from \$103 to \$113.6 (2007) Phase Costs	B	<u>(2.1)</u>	
Other Development Costs	D	<u>(0.5)</u>	(2.6)
11 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>(0.1)</u>	(0.1)
12 Other Departmental Costs	C	<u>(0.8)</u>	(0.8)
			<u>(86.1)</u>

Variance by line item (reference category code)

	Total
A Total Deposits (Deposits/ Working Capital/ Operating Lease)	13.9
B Phase Costs	(27.3)
C Departmental Costs	(22.1)
D Other Development Costs	(50.6)
Total Variance	<u>(86.1)</u>

4 Project Schedule

**Naperville Campus
Project Schedule
May 31, 2007**

Project	Original Scheduled Completion Date	Substantially Completed	Variance (in Months)
Community Building 1.0	Jun-06	Jul-06	(1.0)
Transitional Spaces	Sep-08	Aug-09	(11.0)
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	Mar-09	(12.0)
Community Building 2.0	Sep-08	Oct-09	(13.0)
Residential Building 2.1	Sep-08	Oct-09	(13.0)
Residential Building 2.2	Sep-08	Sep-10	(24.0)
Residential Building 2.3	Jul-09	May-11	(22.0)
Residential Building 2.4	Mar-10	Mar-12	(24.0)
Community Building 3.0	Mar-11	Oct-12	(19.0)
Residential Building 3.1	Aug-10	Oct-12	(26.0)
Residential Building 3.2	Oct-11	Aug-13	(22.0)
Residential Building 3.3	Mar-12	May-14	(26.0)
Residential Building 3.4	Jul-12	Mar-15	(32.0)
Master Planning	Apr-05	Apr-05	-
Bridge 10	Mar-07	Sep-07	(6.0)
Bridge 20	Sep-08	Sep-10	(24.0)
Bridge 30	Sep-08	Oct-09	(13.0)
Bridge 40	Mar-10	Mar-12	(24.0)
Bridge 50	Jul-12	Mar-15	(32.0)
Bridge 60	Jul-12	Mar-15	(32.0)
Chapel 1	Oct-11	Aug-13	(22.0)
Gate House 1	Jun-06	Jul-06	(1.0)
Maintenance Building 1	Dec-06	Dec-06	-
Marketing Center 1	Oct-04	Oct-04	-
Extended Care 1.0	Mar-10	Nov-09	4.0
Extended Care 2.0	Jul-12	Mar-15	(32.0)

LaSalle Bank Covenant:

Phases CB 1.0 - RB 2.1 - Substantial completion shall be 3 months after original schedule date.
 RB 2.2 & thereafter - Substantial completion shall be 6 months after original schedule date.

5 Landowner Financial Statements

ERICKSON RETIREMENT COMMUNITIES
Naperville Campus
Landowner Balance Sheet
Jun, FY07

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	<u>Current Balance</u>	<u>Prior Year End Balance</u>	<u>Change from Prior Year</u>
ASSETS			
Current Assets			
Cash	176,884	50,416	126,468
Assets Limited as to Use	29,700	561,100	(531,400)
Other Current Assets	7,263,725	7,723,723	(459,998)
Total Current Assets	7,470,310	8,335,239	(864,930)
Fixed Assets			
Land and Improvements	25,041,851	25,041,851	-
Buildings	72,627,065	69,175,686	3,451,379
Other Fixed Assets	1,539,516	1,325,182	214,334
Total Fixed Assets	99,208,432	95,542,719	3,665,713
Accumulated Depreciation	(2,133,303)	(997,890)	(1,135,413)
Total Fixed Assets net of Depreciation	97,075,129	94,544,828	2,530,300
Construction in Progress	47,095,200	29,122,198	17,973,002
Total Fixed Assets, Net and CIP	144,170,328	123,667,026	20,503,302
Other Assets			
Community Note Receivable	14,464,383	11,163,944	3,300,439
Deferred Financing Costs, net	1,581,775	1,697,573	(115,798)
Total Other Assets	16,046,158	12,861,517	3,184,641
TOTAL ASSETS	167,686,796	144,863,782	22,823,014
LIABILITIES & MEMBERS' CAPITAL			
Current Liabilities			
Accounts Payable	301,618	375,146	(73,529)
Construction G.C. Payable	5,949,969	3,002,788	2,947,181
Retainage Payable	1,861,376	3,146,863	(1,285,487)
Other Current Liabilities	230,179	341,362	(111,183)
Short-Term Interest Payable	808,982	824,444	(15,462)
ERC Short-Term Funding	30,774,881	16,131,883	14,642,998
Development Fees Payable	1,510,103	1,010,688	499,415
Intercompany	832,745	607,695	225,050
Total Current Liabilities	42,269,852	25,440,868	16,828,983
Long-Term Liabilities			
Mortgage Payable	30,202,050	20,213,750	9,988,300
Line of Credit Payable	67,702,618	67,702,618	-
Sale/Leaseback Payable	25,000,000	25,000,000	-
Bonds Payable	15,000,000	15,000,000	-
Total Long-Term Liabilities	137,904,668	127,916,368	9,988,300
Total Liabilities	180,174,520	153,357,236	26,817,283
Members' Capital			
Members' Capital	44,224,367	42,411,867	1,812,500
Members' Drawing	(38,319,474)	(37,820,059)	(499,415)
Retained Earnings	(13,085,262)	(13,085,262)	-
Current Year's Income (Loss)	(5,307,354)	-	(5,307,354)
Total Members' Capital	(12,487,724)	(8,493,454)	(3,994,269)
TOTAL LIABILITIES & MEMBERS' CAPITAL	167,686,796	144,863,782	22,823,014

ERICKSON RETIREMENT COMMUNITIES
Naperville Campus
Landowner Income Statement
Jun, FY07

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	<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	117,618	108,929	(8,689)	687,892	654,666	(33,226)
Administration	42,620	30,419	(12,201)	255,720	182,515	(73,205)
Finance	-	12,201	12,201	-	73,204	73,204
Marketing	250,595	212,680	(37,915)	1,351,662	1,277,123	(74,539)
Sales and Information	136,707	105,943	(30,764)	656,881	637,918	(18,963)
Information Services	17,753	17,752	(1)	106,518	106,514	(4)
Legal	3,914	3,914	0	23,484	23,486	2
Capitalized Costs	(318,612)	(277,154)	41,458	(1,730,495)	(1,666,278)	64,217
Net Departmental Expense	250,595	214,684	(35,911)	1,351,662	1,289,147	(62,515)
Other Operating Expenses						
Bank Charges/Other Fees	594	-	(594)	3,262	-	(3,262)
Depreciation	189,529	250,571	61,042	1,135,413	1,411,568	276,155
Amortization	19,300	-	(19,300)	115,798	-	(115,798)
Total Other Operating Expenses	209,423	250,571	41,148	1,254,473	1,411,568	157,095
Total Operating Expenses	460,018	465,254	5,236	2,606,134	2,700,715	94,580
Non-Operating Revenue						
Note Rec/Other Interest	98,737	72,220	26,517	546,875	387,965	158,910
Community Lease Revenue	125,067	453,026	(327,959)	657,194	2,037,156	(1,379,962)
Total Non-Operating Revenue	223,804	525,246	(301,442)	1,204,070	2,425,121	(1,221,051)
Non-Operating Expenses						
Interest Expense LOC, net(Sub-debt)	237,585	75,000	(162,585)	1,477,774	450,000	(1,027,774)
CNL Interest Expense	-	302,083	302,083	-	1,812,500	1,812,500
Mortgage Interest Expense	110,029	438,026	327,997	566,969	1,947,156	1,380,187
Equity Partner Interest Expense	302,083	-	(302,083)	1,812,500	-	(1,812,500)
Financing Costs	11,810	4,000	(7,810)	47,746	84,000	36,254
Real Estate & Other Taxes	-	-	-	300	-	(300)
Total Non-Operating Expenses	661,507	819,109	157,602	3,905,289	4,293,656	388,367
NET INCOME (LOSS)	(897,721)	(759,118)	(138,603)	(5,307,354)	(4,569,250)	(738,104)

ERICKSON RETIREMENT COMMUNITIES
Naperville Campus
Landowner Cash Flow Statement
Jun, FY07

08/13/07 3:04 PM

	<u>Period Activity</u>	<u>Year-to-Date</u>
Cash Flows from Operating Activities:		
Net Income (Loss)	(897,721)	(5,307,354)
Adjustments to reconcile Net Income (Loss) to Net Cash (Used In) Provided by Operating Activities:		
Depreciation	189,529	1,135,413
Amortization	19,300	115,798
Changes in:		
Assets Limited as to Use	1,173,523	531,400
Other Current Assets	69,876	459,998
Current Liabilities	31,908	(184,712)
Interest Payable	(16,449)	(15,462)
ERC Short-Term Funding	4,150,000	14,642,998
Development Fees Payable	46,985	499,415
Intercompany	(498,475)	225,050
Net Cash (Used In) Provided by Operating Activities	4,268,475	12,102,543
Cash Flows from Investing Activities:		
CIP and Other Fixed Assets	(4,108,352)	(21,638,715)
Net Cash (Used In) Provided by Investing Activities	(4,108,352)	(21,638,715)
Cash Flows from Financing Activities:		
Deferred Financing Costs	-	-
Community Note Receivable	(1,448,737)	(3,300,439)
Retainage Withheld (Released)	(131,732)	(1,285,487)
Mortgage Proceeds	939,700	9,988,300
Change in General Contractor Payable	329,037	2,947,181
Proceeds (Repay) LOC Sub-Debt	-	-
Members' Capital	302,083	1,812,500
Members' Drawing	(46,985)	(499,415)
Net Cash (Used In) Provided by Financing Activities	(56,634)	9,662,640
Change in Cash	103,489	126,468
Beginning Cash Balance	73,395	50,416
Ending Cash Balance	176,884	176,884

9 Community Financial Statements

MLN
Comparative Balance Sheet
(in thousands)

	YTDJun FY07	YTDMay FY07	Change	YTDDec FY06	Change
Assets					
<i>Current Assets</i>					
Cash	841	155	686	1,342	(501)
Designated Cash	246	238	9	-	246
Accounts Receivable	52	39	13	47	6
Inventory	40	40	0	40	1
Prepays	32	49	(17)	59	(27)
Short Term Notes Receivable	708	275	433	2,025	(1,317)
<i>Total Current Assets</i>	<u>1,920</u>	<u>795</u>	<u>1,125</u>	<u>3,512</u>	<u>(1,593)</u>
<i>Limited Use Cash and Investments</i>					
Escrow Deposits	1,306	1,027	280	4,934	(3,628)
Restricted Fund Accounts	2,819	2,802	17	2,716	103
<i>Total Limited Use Cash & Investments</i>	<u>4,125</u>	<u>3,829</u>	<u>297</u>	<u>7,649</u>	<u>(3,524)</u>
<i>Non-Current Assets</i>					
Fixed Assets- Net	2,613	2,650	(36)	2,734	(120)
LT Mortgage & Note Receivables	30,202	29,262	940	20,214	9,988
<i>Total Non-Current Assets</i>	<u>32,815</u>	<u>31,912</u>	<u>903</u>	<u>22,947</u>	<u>9,868</u>
Total Assets	<u>38,860</u>	<u>36,536</u>	<u>2,325</u>	<u>34,109</u>	<u>4,751</u>
Liabilities					
<i>Current Liabilities</i>					
Accounts Payable and Accrued Liabilities	1,092	1,333	(241)	1,237	(145)
<i>Total Current Liabilities</i>	<u>1,092</u>	<u>1,333</u>	<u>(241)</u>	<u>1,237</u>	<u>(145)</u>
<i>Non-Current Liabilities</i>					
Advance Deposits	930	779	151	430	500
Capital	31,270	29,770	1,501	26,739	4,531
Amort of Capital	(553)	(491)	(62)	(215)	(339)
Long Term Liabilities	14,467	13,017	1,451	11,164	3,304
<i>Total Non-Current Liabilities</i>	<u>46,114</u>	<u>43,074</u>	<u>3,040</u>	<u>38,118</u>	<u>7,995</u>
Total Liabilities	<u>47,206</u>	<u>44,407</u>	<u>2,799</u>	<u>39,355</u>	<u>7,851</u>
Net Assets					
Unrestricted Net Assets	(5,251)	(5,251)	-	(260)	(4,991)
Temporarily Restricted	33	28	6	5	29
Current Year Increase (Decrease) In Net Assets	(3,128)	(2,648)	(480)	(4,991)	1,862
Total Net Assets	<u>(8,345)</u>	<u>(7,871)</u>	<u>(474)</u>	<u>(5,246)</u>	<u>(3,100)</u>
Total Liabilities and Net Assets	<u>38,860</u>	<u>36,536</u>	<u>2,325</u>	<u>34,109</u>	<u>4,751</u>

MLN
Statement of Operations by Natural Expense
All LOB, All Entities
Jun, FY07
(in thousands)

	Jun		YTD(Jun)		YTDDec	
	Actual	BudVar	Actual	BudVar	Forecast	FcstVar
Operating Revenue						
Resident Monthly Fees	216	(88)	1,206	(441)	2,684	(1,532)
Departmental Revenues	124	48	554	168	1,083	145
Total Operating Revenue	340	(40)	1,761	(273)	3,767	(1,388)
Operating Expense						
Wages	232	54	1,599	131	3,329	214
Employee Benefits	58	4	384	(8)	779	(7)
Other Employee Expense	14	(2)	70	(4)	130	9
Contract Labor Expense	108	(27)	480	(17)	1,074	(95)
Supplies Expense	50	1	302	(24)	645	52
Repairs and Maintenance Expense	10	(2)	60	(12)	112	0
Professional Fee Expense	6	1	44	(4)	85	(4)
Purchased Services Expense	121	0	728	0	1,456	0
Other Expense	125	126	800	768	1,916	1,248
Operating Reserve Expense	0	0	(25)	25	(25)	25
Total Operating Expense	725	154	4,443	855	9,499	1,441
Operating Income	(385)	115	(2,682)	582	(5,732)	53
Net Rent	15	0	90	0	180	0
Interest Expense	99	(27)	547	(159)	1,035	(159)
Investment Income	12	12	178	178	178	178
47770-Amortization Income	62	(26)	339	(140)	1,107	(140)
59950-FF&E Depreciation Expense	55	0	326	8	661	8
Total Non-Operating Income	(95)	(40)	(446)	(113)	(592)	(113)
Increase (Decrease) in Net Assets	(480)	74	(3,128)	469	(6,324)	(60)

Current Month Occupancy

	Independent	Assisted Living	Skilled Nursing
Billed Units	95	#MISSING	#MISSING
Available Units	181	#MISSING	#MISSING
Occupancy %	52.7%	#MISSING	#MISSING

MLN
Statement of Cash Flows
 Jun , FY07
 (in thousands)

	Current	YTD
Cash Flows from Operating Activities		
Net Income	(480)	(3,128)
Adjustments to Reconcile Income		
Depreciation and Amortization Expense	55	326
Amortization Income	(62)	(339)
(Increase)/Decrease in Accounts Receivable	(13)	(6)
(Increase)/Decrease in Inventory	0	(1)
(Increase)/Decrease in Prepaid Expenses	17	27
Increase/(Decrease) in Accounts Payable and Accrued Liabilities	(241)	(145)
Net Cash Provided by Operating Activities	<u>(724)</u>	<u>(3,265)</u>
Cash Flows from Investing Activities		
(Increase)/Decrease in Short Term Notes	(433)	1,317
(Increase)/Decrease in Limited Use Cash and Investments	(291)	3,553
(Increase)/Decrease in Designated Cash	(9)	(246)
(Increase)/Decrease in Fixed Assets	(19)	(206)
(Increase)/Decrease in LT Mortgage & Note Receivables	(940)	(9,988)
Net Cash Used in Investing Activities	<u>(1,692)</u>	<u>(5,570)</u>
Cash Flows from Financing Activities		
Increase/(Decrease) in Advance Deposits	151	500
Increase/(Decrease) in Resident Deposits	1,501	4,531
Increase/(Decrease) in Long Term Liabilities	1,451	3,304
Net Cash Provided by Financing Activities	<u>3,102</u>	<u>8,334</u>
Increase (Decrease) in Cash	686	(501)
Aggregate Other Items to Reconcile Cash	-	-
Cash Beginning of Period	155	1,342
Cash End of Period	<u>841</u>	<u>841</u>

7 Supplemental Information

Naperville Campus, LLC

Loan Covenant Compliance Summary

As of June 30, 2007

Satisfied
Pending
Not Met

Reporting Covenants

Description		Status
Monthly-Landowner Financial Statements	Enclosed	
Monthly-Community Financial Statements	Enclosed	
Monthly-Community Marketing Reports	Enclosed	
Monthly-ERC Financial Statements/MD&A	Attached	
Monthly-Project Status Report	Enclosed	
Monthly-Compliance Letter	Enclosed	
2006 Audited Financial Statements	Attached-Feb07	
2007 Community Budget	Enclosed-Dec06	
2006 Tax Returns or Extensions (if applicable)*	Enclosed-Mar07	
2007 Annual Insurance Certificates	Enclosed-Dec06	

Financial/Other Covenants

Description	Covenant		Actual	Status
ERC Liquidity (in millions)	Minimum	\$ 69.0	\$ 93.0	
Letter of Credit Sub-Limit (in millions)	Maximum	\$ 9.0	\$ 0.3	
Working Capital Loan Sub-Limit (in millions)	Maximum	\$ 28.5	\$ 13.5	
PTD Absorbtion/Month	Minimum	15.0	8.9	

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

** See Compliance Letter for additional detail



SCHEDULE XII

COVENANT COMPLIANCE LETTER

August 14, 2007

LaSalle Bank National Association,
Collateral and Administrative Agent
135 S. LaSalle Street
Suite 826
Chicago, IL 60603
Attn: Naomi O'Dell
Commercial Banking Officer

RE: Naperville

Ladies and Gentlemen:

This letter is submitted in connection with the monthly financial statements required to be provided under Section 8.3 of the Construction Loan Agreement dated July 8, 2005 (the "Loan Agreement") relating to Monarch Landing for the month ending June 30, 2007. To the best knowledge of the undersigned, who is the chief financial officer of the entities submitting such financial statements, no Default, with the exception noted below, as defined in the Loan Agreement, has occurred and is continuing, and no Event of Default, as defined in the Loan Agreement, has occurred. [If a Default or Event of Default has occurred, detailed information with respect thereto must be supplied with this letter.] All original promissory notes evidencing advances under the Community Loan Documents have been delivered (or are being delivered herewith) to you.

Compliance Exception: Section 9.1r(i) of the Loan Agreement with Lasalle Bank requires that once a Certificate of Occupancy is issued for one or more buildings the project must maintain a project-to-date average rate of 15 settlements per month. The current project-to-date settlement average is below this requirement. Discussions with Lasalle are currently underway to determine an appropriate settlement rate for this project and amend this covenant.

By: _____

Jeffrey Jacobson
Executive Vice President and
Chief Financial Officer

**Monarch Landing
Balance Test
As of 06/30/07**

Gross Entrance Fees to be Collected	542,171,206
Total Future Deposits	<u>542,171,206</u>
Less: Funds Held (Debt Service, Operations Deficits, Capital Exp.)	(14,150,597)
Net Entrance Fees to be Collected	528,020,609
Plus: Lease Payments Through 12/2009	18,324,678
Total Entrance Fees to Complete Construction	<u>546,345,287</u>
Costs to Complete Construction	
Capitalized Dept.	37,446,922
Hard Costs (Estimate to Complete)	287,058,254
Soft Costs (Estimate to Complete)*	61,329,629
<hr/>	
Purchase of capital items	385,834,805
Departmental expenses	14,633,521
Community Loan Interest	546,875
Member's Drawing(Development Fee Expense)	27,108,560
Other Financing Costs, Outside Legal & Property Tax	2,705,961
Total Costs to Complete Construction	<u>430,829,723</u>
Plus: Naperville cash requirements/Liabilities	
Construction G.C. Payable	5,949,969
Retainage Payable/Current Liabilities	36,319,883
Line of Credit Payable	67,702,618
Total Anticipated Cash Disbursements	<u>540,802,192</u>
Total Entrance Fees to Complete minus Total Anticipated Cash Disbursements	<u>5,543,095</u>
Plus: Cash on hand/ Other as of 5/31/07	<u>7,470,310</u>
Balance Test	<u><u>13,013,404</u></u>
Reconciling to Financial Cash Balance:	
Less: Sub Lease Debt	25,000,000
Bonds Payable	15,000,000
Contingency/Other	1,659,453
Sub Debt Interest Expense	10,572,917
Cash Balance per Financials	<u><u>(39,218,966)</u></u>

Naperville Campus, LLC

Balance Test

Projected: As of June 30, 2007

Projected Fair Market Value at Completion

Phase	Completion Date	Status	No. of Units	Average Deposit per Unit	Total Deposit by Phase	Total Deposits Received	Future Deposits Remaining to be Collected	Coverage Amount
Residential	1.1		181	315,188	57,049,075	30,202,050	26,847,025	
Residential	1.2		187	332,756	62,225,335	0	62,225,335	2,400,000
Residential	1.3		149	331,209	49,350,101	0	49,350,101	1,200,000
Residential	2.1		101	348,076	35,155,684	0	35,155,684	1,200,000
Residential	2.2		90	334,801	30,132,065	0	30,132,065	1,200,000
Residential	2.3		129	378,128	48,778,510	0	48,778,510	1,200,000
Residential	2.4		83	382,168	31,719,960	0	31,719,960	1,200,000
Residential	3.1		228	225,892	51,503,420	0	51,503,420	
Residential	3.2		99	341,640	33,822,385	0	33,822,385	
Residential	3.3		91	643,659	58,572,929	0	58,572,929	
Residential	3.4		165	476,802	78,672,398	0	78,672,398	
Extended Care 1	9/1/2009		132	138,445	18,274,797	0	18,274,797	1,200,000
Extended Care 2	9/1/2014		96	178,298	17,116,597	0	17,116,597	1,200,000

Minimum Coverage Amount

	1,731	572,373,256	30,202,050	542,171,206	19,800,000
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BALANCE TEST COMPUTATIONS

Estimate at Completion

	Through 2015	
Future Deposits Remaining to Be Collected	542,171,206	
Operating Lease through December 2015	18,324,678	
Less: Working Capital Loan	(14,150,597)	
Purchase Option	55,500,000	
Total Future Deposit/Lease Cash Receipts	601,845,287	
Total Future Anticipated Cash Receipts		601,845,287
Cost to Complete:		
Hard Costs ¹	287,058,254	
Soft Costs ²	116,662,908	
Total Costs to Complete	403,721,163	
Cash on Hand/AR	7,470,310	7,470,310
Other Current Liabilities		
Construction G.C. Payable	5,949,969	
Retainage Payable/Current Liabilities *	36,319,883	
Total Other Current Liabilities	42,269,852	
Line of Credit Payable	67,702,618	
ERE Liquidation Preference		
Outstanding Equity	25,000,000	
Total ERE Liquidation Preference	25,000,000	
Balance Test Coverage Amount	19,800,000	
Total Future Anticipated Cash Disbursements		558,493,632

BALANCE TEST

50,821,964 Passes Test

^{1/} Hard Costs Include Building and Sitework.

^{2/} Soft Costs Include: Architecture, Engineering, Fees & Permits, Builder's Risk, Outside Legal, Departmental Costs, Warranty, FF&E, Financing costs, Interest Costs, Land, Property Taxes, Development Fees (deferred). Soft Costs exclude Contingency and Sub-Debt Interest.