



**Naperville Campus, LLC  
Monthly Reporting Package  
September 2007**

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# 1 Project Summary

# Naperville Campus, LLC

## Project Overview

### Project Description

Naperville Campus is a 76 acre project located in Naperville, Illinois. The community is marketed under the name Monarch Landing and will consist of approximately 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 \$8.5M in equity to date to cover sub debt interest.
- Erickson has funded approximately \$46M in short term funding to cover project expenses in excess of entrance fees and the construction loan.

## Executive Summary

### Marketing Overview

Monarch Landing had 1 net reservation, 13 initial deposits, and 3 settlements in September. The community continues to focus on strengthening its pipeline. Monarch Landing finished the month with 61 reservations, 86 standbys and 81 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.
- **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

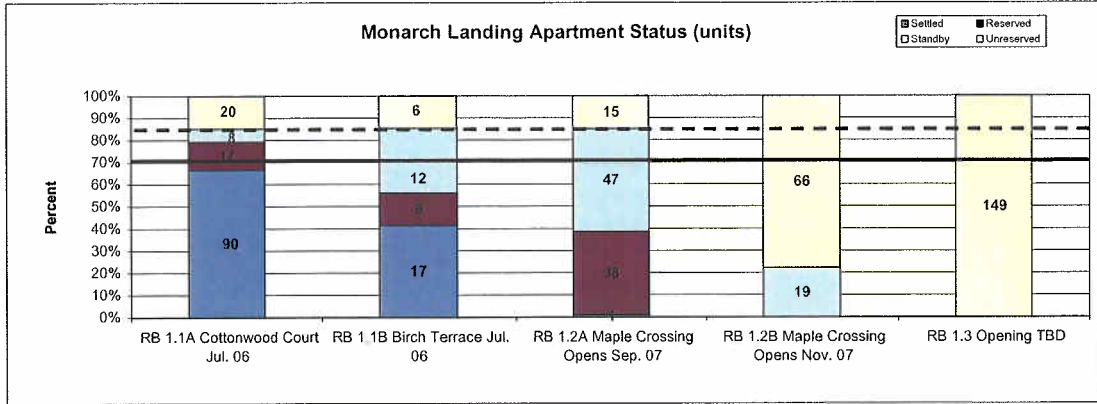
	Original Budget	CURRENT 9/30/2007 Budget
Entrance Deposits	543	572 (1)
Purchase Price	105	111 (2)
Net Operating Lease	0	0
Total Funds	<u>647</u>	<u>683</u>
Project Costs (excludes financing costs & dev. fees)	462	505 (3)
Financing Costs	53	82 (4)
Operations Start Up (Working Capital) Ex. Reserves	(12)	(8) (5)
Development Fees	27	29
Total Costs	<u>531</u>	<u>608</u>
<b>Enterprise Margin</b>	<b><u>116</u></b>	<b><u>75</u></b>

(1) (2) (3) (4) (5) Variance is due primarily to revised slower absorption schedule, which increased deposit & costs due to inflation.

(3) Variance is partly due to steel cost increases.

# 2 Marketing Reports

Apartment Status by Building as of 09-27-07



Total Units

	2005 Year End	2006 1st Qtr	2006 2nd Qtr	2006 3rd Qtr	2006 4th Qtr	2007 1st Qtr	2007 2nd Qtr	2007 3rd Qtr
Settled	0	0	0	53	82	86	98	108
Reservations	99	94	100	43	16	30	45	61
Standby	40	71	79	87	93	93	79	86
Futures	21	27	27	49	61	71	74	81
<b>Total</b>	<b>160</b>	<b>192</b>	<b>206</b>	<b>232</b>	<b>252</b>	<b>280</b>	<b>296</b>	<b>336</b>

**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	107	Test Satisfied
RB 1.1B	41	21	23	Test Satisfied
RB 1.2A	101	51	39	12
RB 1.2B	85	43	0	43

**Analysis of Deposits/Reservations/Standbys for Construction Starts**

	Units	Test	Required eserved/Standb	Settled	Reserved	Standby	Total	Needed		
<b>Current Buildings</b>										
Open	RB 1.1A	135	85%	115	90	17	8	115	0	Test Satisfied
Open	RB 1.1B	41	85%	35	17	6	12	35	0	Test Satisfied
Began Const. Sep. 06	RB 1.2A	101	85%	86	1	38	47	86	0	Test Satisfied
<b>Construction Test for Funding of Next Building</b>										
Began Const. Nov. 06	RB 1.2B	85	70%	60	0	0	19	19	41	
TBD	RB 1.3	149	70%	104	0	0	0	0	104	

**\*Settlement vs. Covenant**

Covenant Requirement  
15

PTD Monthly Average as of 9/30/07  
7.7

NOTES:

We are currently 41 standbys short of the meeting the construction funding test 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	7	18	1				72	8.00
* New	7	9	3	3	16	8	7	18	1				72	8.00
* Resale	0	0	1	0	0	-1	0	0	0				0	0
2 Gross Reservations (MS)	10	11	11	8	20	16	13	25	8				122	13.56
3 No. of Total Settlements (MS)*	0	3	2	6	1	5	7	0	3				27	3.00
* New	0	3	1	6	1	5	7	0	3				26	2.89
* Resale	0	0	1	0	0	0	0	0	0				1	0.11
4 No. of Initial Deposits (MS)	15	10	20	10	6	16	18	20	13				128	14.22
5 Requests for Refunds (MS)	3	3	8	3	8	4	4	4	4				41	4.56
6 Total Kit Requests (OT)	790	572	497	431	600	960	881	798	478				6,007	667.44
* MJO (OT)	393	316	323	276	289	574	512	357	256				3,296	366.22
* Sales Office (OT)	370	244	134	138	289	363	338	410	194				2,480	275.56
* Walk-ins (OT)	27	12	40	17	22	23	31	31	28				231	25.67
HC Kit Requests	0	0	1	1	1	1	0	1	0				5	0.56
7 Total Appts (OT)**	48	44	72	63	80	72	74	85	47				585	65.00
* First Time Appts (OT)	23	23	35	23	39	43	48	50	28				312	34.67
* Non Depositor Repeat Appts (OT)	15	10	20	11	11	16	15	20	9				127	14.11
* Depositor Appts (OT)	10	11	17	29	30	13	11	15	10				146	16.22
8 Walk-in Appts (OT)	1	0	0	0	0	0	0	0	0				1	0.11
<b>Pipeline</b>														
9 Reserved but Unsettled (P)	23	29	31	28	43	45	45	63	61				61	40.89
* New	22	28	30	27	42	45	45	63	61				61	40.33
* Resale	1	1	1	1	1	0	0	0	0				0	0.56
10 Standby (P)	95	92	93	93	77	79	78	77	86				86	85.56
11 Futures (P)	64	65	71	75	73	76	84	82	81				81	74.56
12 Total Deposits w/o Settled Appts (C) [9+10+11]	182	186	195	196	193	200	207	222	228				228	201.00
13 Total Settled Appts (P)	80	83	85	91	92	97	104	102	105				105	93.22
Total New Settled Appts (BS)	82	85	86	92	93	98	105	105	108				108	94.89
14 No. of Unsettled Appts (PRU)	97	94	92	271	270	265	258	260	258				258	207.22
15 Appts released by keys not turned in	0	0	0	0	0	0	0	0	1				1	0.11
Ratio (Line 12/14) (C)	1.88	1.98	2.12	0.72	0.71	0.75	0.80	0.85	0.88	N/A	N/A	N/A	0.88	0.97

Notes

\* Net Reservations = Gross Reservations - Reservations withdrawn

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





**Marketing Summary**

Date Range [**>=9/1/07 and <=9/30/07**] **MLN**  
**LOC: Independent**

Settlements	Count	Cash Collected	Current P-Note Due	Total
New	3	\$856,030	\$229,470	\$1,085,500
Resale	0	\$0	\$0	\$0
<b>Total</b>	<b>3</b>	<b>\$856,030</b>	<b>\$229,470</b>	<b>\$1,085,500</b>

Reservations	Initial Deposits	Priority List	Left To Settled	Withdraw	Net	Deposits Reserved	Reservations Settled	Reservations Withdrawn	Net Reservations
New	1	7	3	7	-2	\$2,364,000	\$1,085,500	\$1,879,500	-\$601,000
Resale	0	0	0	0	0	\$0	\$0	\$0	\$0
<b>Total</b>	<b>1</b>	<b>7</b>	<b>3</b>	<b>7</b>	<b>-2</b>	<b>\$2,364,000</b>	<b>\$1,085,500</b>	<b>\$1,879,500</b>	<b>-\$601,000</b>

Waiting Lists	Initial Deposits	Priority List	Changed Status	Net Change
Futures	2	1	4	-1
Standby	10	2	3	9
<b>Total</b>	<b>12</b>	<b>3</b>	<b>7</b>	<b>8</b>

Initial Deposits	Initial Deposits	Requests for Refund
	13	
	4	

# ∞ Total Anticipated Budget

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

	<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	32,605,930	6%	539,767,326	572,373,256	542,559,462	29,813,794	
Operating Lease	210,338	1%	18,279,566	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)	
<b>Total Deposits</b>	<b>32,816,268</b>	<b>6%</b>	<b>543,896,294</b>	<b>576,712,562</b>	<b>562,840,776</b>	<b>13,871,786</b>	<b>A</b>
Hard Costs - Building	86,025,990	24%	270,044,685	356,070,675	325,683,141	(30,387,534)	
Hard Costs - Sitework	13,547,363	57%	10,203,882	23,751,245	23,394,543	(356,702)	
Architecture	6,991,109	52%	6,473,165	13,464,273	12,310,747	(1,153,526)	
Engineering	2,714,898	75%	888,160	3,603,058	3,444,962	(158,096)	
Builder's Risk	148,478	22%	518,125	666,603	637,797	(28,806)	
Fees, Permits & Bonds	3,109,220	41%	4,426,860	7,536,079	11,183,040	3,646,961	
Development Fee	1,630,297	6%	26,988,268	28,618,565	27,127,975	(1,490,590)	
Outside Legal	662,995	63%	384,000	1,046,995	666,284	(380,711)	
<b>Phase Costs Before Contingency</b>	<b>114,830,350</b>	<b>26%</b>	<b>319,927,144</b>	<b>434,757,493</b>	<b>404,448,489</b>	<b>(30,309,004)</b>	
Contingency	0	0%	8,488,919	8,488,919	10,965,661	2,476,742	
<b>Total Phase Costs</b>	<b>114,830,350</b>	<b>26%</b>	<b>328,416,063</b>	<b>443,246,413</b>	<b>415,414,150</b>	<b>(27,832,263)</b>	<b>B</b>
Department Costs							
Administration Department	1,106,867	22%	3,963,634	5,070,501	2,530,035	(2,540,466)	
Acquisitions and Development	4,762,339	32%	10,180,167	14,942,506	11,235,995	(3,706,511)	
Finance	197,651	19%	833,947	1,031,598	839,945	(191,653)	
Marketing Department	11,139,845	25%	34,160,889	45,300,734	30,661,482	(14,639,252)	
Information Services	319,407	27%	860,831	1,180,238	188,392	(991,846)	
Legal Department	125,428	26%	364,028	489,456	375,807	(113,649)	
<b>Total Departmental Costs</b>	<b>17,651,537</b>	<b>26%</b>	<b>50,363,496</b>	<b>68,015,033</b>	<b>45,831,656</b>	<b>(22,183,377)</b>	<b>C</b>
<b>Total Hard &amp; Soft Costs</b>	<b>132,481,887</b>	<b>26%</b>	<b>378,779,559</b>	<b>511,261,446</b>	<b>461,245,806</b>	<b>(50,015,640)</b>	
Other Development Costs							
Land	22,970,488	100%		22,970,488	22,951,000	(19,488)	
Interest Costs	20,701,849	27%	55,375,278	76,077,127	34,790,867	(41,286,260)	
Financing Costs - L.O.C	2,452,990	81%	573,371	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/	469,995	34%	916,267	1,386,262	1,206,910	(179,352)	
Community Loan Interest	(1,293,852)	311%	877,194	(416,658)	(8,298,079)	(7,881,421)	
<b>Total Other Development Costs</b>	<b>45,807,973</b>	<b>44%</b>	<b>59,450,626</b>	<b>105,258,599</b>	<b>54,688,365</b>	<b>(50,570,234)</b>	<b>D</b>
<b>Total Costs</b>	<b>178,289,859</b>	<b>29%</b>	<b>438,230,185</b>	<b>616,520,045</b>	<b>515,934,171</b>	<b>(100,585,874)</b>	
<b>Profit Margin</b>	<b>(145,473,591)</b>		<b>105,666,109</b>	<b>(39,807,483)</b>	<b>46,906,605</b>	<b>(86,714,088)</b>	
<b>Profit Margin %</b>				<b>-6.90%</b>	<b>8.33%</b>	<b>-15.24%</b>	
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)			
<b>Total Adjustments</b>				<b>114,810,694</b>			
<b>Enterprise Value</b>				<b>75,003,211</b>			

# Naperville Campus, LLC

\$'s in Millions

## Variance 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) Working Capital	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) 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 RB1.2 and RB1.3 costs adjusted for cost increase of steel - from \$103 to \$113.6 (2007) Phase Costs	B	(2.1)	
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	27.4	
Operating Lease	A	(2.2)	
Development Fees	B	(1.4)	
Working Capital	A	(4.7)	
Phase Costs	B	(15.2)	
Departmental Costs	C	(21.3)	
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	(7.9)	
Other Development Costs	D	<u>(2.1)</u>	(10.0)
10 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)
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>(0.7)</u>	(0.7)
12 Other Departmental Costs	C	<u>(0.8)</u>	(0.8)
			<u>(86.7)</u>

### Variance by line item (reference category code)

	<u>Total</u>
A Total Deposits (Deposits/ Working Capital/ Operating Lease)	13.9
B Phase Costs	(27.9)
C Departmental Costs	(22.1)
D Other Development Costs	(50.6)
Total Variance	<u>(86.7)</u>

# 4 Project Schedule

**Naperville Campus  
Project Schedule  
September 19, 2007**

<b>Project</b>	<b>Original Scheduled Completion Date</b>	<b>Substantially Completed</b>	<b>Variance (in Months)</b>
Community Building 1.0	Jun-06	Jul-06	(1.0)
Transitional Spaces	Sep-08	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.

# 19 Landowner Financial Statements

**ERICKSON RETIREMENT COMMUNITIES**  
**Naperville Campus**  
**Landowner Balance Sheet**  
**Sep, FY07**

03:05 PM

	<u>Current Balance</u>	<u>Prior Year End Balance</u>	<u>Change from Prior Year</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	211,000	50,416	160,583
Assets Limited as to Use	512,530	561,100	(48,570)
Other Current Assets	<u>7,054,098</u>	<u>7,723,723</u>	<u>(669,624)</u>
<b>Total Current Assets</b>	<b>7,777,629</b>	<b>8,335,239</b>	<b>(557,610)</b>
<b>Fixed Assets</b>			
Land and Improvements	25,485,569	25,041,851	443,718
Buildings	107,631,595	69,175,686	38,455,910
Other Fixed Assets	<u>1,965,044</u>	<u>1,325,182</u>	<u>639,862</u>
<b>Total Fixed Assets</b>	<u>135,082,208</u>	<u>95,542,719</u>	<u>39,539,490</u>
Accumulated Depreciation	<u>(2,795,448)</u>	<u>(997,890)</u>	<u>(1,797,558)</u>
Total Fixed Assets net of Depreciation	132,286,760	94,544,828	37,741,932
Construction in Progress	<u>21,654,088</u>	<u>29,122,198</u>	<u>(7,468,110)</u>
<b>Total Fixed Assets, Net and CIP</b>	<b>153,940,848</b>	<b>123,667,026</b>	<b>30,273,822</b>
<b>Other Assets</b>			
Community Note Receivable	16,484,702	11,163,944	5,320,758
Deferred Financing Costs, net	<u>1,523,876</u>	<u>1,697,573</u>	<u>(173,697)</u>
<b>Total Other Assets</b>	<u>18,008,578</u>	<u>12,861,517</u>	<u>5,147,061</u>
<b>TOTAL ASSETS</b>	<b><u>179,727,055</u></b>	<b><u>144,863,782</u></b>	<b><u>34,863,272</u></b>
<b>LIABILITIES &amp; MEMBERS' CAPITAL</b>			
<b>Current Liabilities</b>			
Accounts Payable	156,701	375,146	(218,445)
Construction G.C. Payable	2,237,812	3,002,788	(764,976)
Retainage Payable	1,977,978	3,146,863	(1,168,885)
Other Current Liabilities	235,833	341,362	(105,530)
Short-Term Interest Payable	746,852	824,444	(77,592)
ERC Short-Term Funding	45,994,681	16,131,883	29,862,799
Development Fees Payable	1,630,297	1,010,688	619,609
Intercompany	<u>707,598</u>	<u>607,695</u>	<u>99,903</u>
<b>Total Current Liabilities</b>	<b>53,687,752</b>	<b>25,440,868</b>	<b>28,246,884</b>
<b>Long-Term Liabilities</b>			
Mortgage Payable	32,605,930	20,213,750	12,392,180
Line of Credit Payable	67,702,618	67,702,618	-
Sale/Leaseback Payable	25,000,000	25,000,000	-
Bonds Payable	<u>15,000,000</u>	<u>15,000,000</u>	<u>-</u>
<b>Total Long-Term Liabilities</b>	<b>140,308,548</b>	<b>127,916,368</b>	<b>12,392,180</b>
<b>Total Liabilities</b>	<b>193,996,300</b>	<b>153,357,236</b>	<b>40,639,064</b>
<b>Members' Capital</b>			
Members' Capital	118,496	118,496	-
Members' Capital Sub-Debt Interest	8,202,750	5,484,000	2,718,750
Development Fee Distributions	(1,630,297)	(1,010,688)	(619,609)
Retained Earnings	(13,085,262)	(13,085,262)	-
Current Year's Income (Loss)	<u>(7,874,933)</u>	<u>(13,085,262)</u>	<u>5,210,330</u>
<b>Total Members' Capital</b>	<b>(14,269,246)</b>	<b>(21,578,717)</b>	<b>7,309,471</b>
<b>TOTAL LIABILITIES &amp; MEMBERS' CAPITAL</b>	<b><u>179,727,055</u></b>	<b><u>132,789,207</u></b>	<b><u>46,937,847</u></b>



**ERICKSON RETIREMENT COMMUNITIES**  
**Naperville Campus**  
**Landowner Income Statement**  
**Sep, FY07**

10/16/07 03:05 PM

	Period Activity	Period Budget	Period Variance	Year-to-Date Actual	Year-to-Date Budget	Year-to-Date Variance
<b>Departmental Expenses</b>						
Development Administration	94,345	108,929	14,584	977,010	983,637	6,627
Administration	42,620	30,419	(12,201)	383,580	273,772	(109,808)
Finance	-	12,201	12,201	-	109,806	109,806
Marketing	236,466	212,680	(23,786)	2,138,138	1,917,252	(220,886)
Sales and Information	114,925	105,943	(8,982)	1,114,432	960,269	(154,163)
Information Services	17,753	17,752	(1)	159,777	159,771	(6)
Legal	3,914	3,914	0	35,226	35,229	3
Capitalized Costs	(273,557)	(277,154)	(3,597)	(2,670,025)	(2,504,447)	165,578
<b>Net Departmental Expense</b>	<b>236,466</b>	<b>214,684</b>	<b>(21,782)</b>	<b>2,138,138</b>	<b>1,935,288</b>	<b>(202,850)</b>
<b>Other Operating Expenses</b>						
Bank Charges/Other Fees	958	-	(958)	5,906	-	(5,906)
Depreciation	271,380	272,188	808	1,797,558	2,204,579	407,022
Amortization	19,300	-	(19,300)	173,697	-	(173,697)
<b>Total Other Operating Expenses</b>	<b>291,637</b>	<b>272,188</b>	<b>(19,450)</b>	<b>1,977,160</b>	<b>2,204,579</b>	<b>227,419</b>
<b>Total Operating Expenses</b>	<b>528,103</b>	<b>486,871</b>	<b>(41,232)</b>	<b>4,115,299</b>	<b>4,139,868</b>	<b>24,569</b>
<b>Non-Operating Revenue</b>						
Note Rec/Other Interest	109,307	80,007	29,300	877,194	620,520	256,674
Community Lease Revenue	133,992	594,945	(460,953)	1,060,958	3,695,841	(2,634,883)
<b>Total Non-Operating Revenue</b>	<b>243,299</b>	<b>674,952</b>	<b>(431,653)</b>	<b>1,938,151</b>	<b>4,316,361</b>	<b>(2,378,210)</b>
<b>Non-Operating Expenses</b>						
Interest Expense LOC, net(Sub-debt)	136,942	75,000	(61,942)	1,987,060	675,000	(1,312,060)
CNL Interest Expense	-	302,083	302,083	-	2,718,750	2,718,750
Mortgage Interest Expense	118,954	579,945	460,991	925,620	3,560,841	2,635,221
Equity Partner Interest Expense	302,083	-	(302,083)	2,718,750	-	(2,718,750)
Financing Costs	7,310	4,000	(3,310)	66,055	96,000	29,945
Real Estate & Other Taxes	-	-	-	300	-	(300)
<b>Total Non-Operating Expenses</b>	<b>565,289</b>	<b>961,028</b>	<b>395,739</b>	<b>5,697,785</b>	<b>7,050,591</b>	<b>1,352,806</b>
<b>NET INCOME (LOSS)</b>	<b>(850,093)</b>	<b>(772,948)</b>	<b>(77,145)</b>	<b>(7,874,933)</b>	<b>(6,874,098)</b>	<b>(1,000,835)</b>

**ERICKSON RETIREMENT COMMUNITIES**  
**Naperville Campus**  
**Landowner Cash Flow Statement**  
**Sep, FY07**

10/16/07 3:05 PM

	Period Activity	Year-to-Date
<b>Cash Flows from Operating Activities:</b>		
Net Income (Loss)	(850,093)	(7,874,933)
Adjustments to reconcile Net Income (Loss) to Net Cash (Used In) Provided by Operating Activities:		
Depreciation	271,380	1,797,558
Amortization	19,300	173,697
Changes in:		
Assets Limited as to Use	(512,530)	48,570
Other Current Assets	69,876	669,624
Current Liabilities	54,689	(323,975)
Interest Payable	(77,659)	(77,592)
ERC Short-Term Funding	4,793,129	29,862,799
Development Fees Payable	25,627	619,609
Intercompany	(549,992)	99,903
<b>Net Cash (Used In) Provided by Operating Activities</b>	<b>3,243,724</b>	<b>24,995,260</b>
<b>Cash Flows from Investing Activities:</b>		
CIP and Other Fixed Assets	(3,134,638)	(32,071,380)
<b>Net Cash (Used In) Provided by Investing Activities</b>	<b>(3,134,638)</b>	<b>(32,071,380)</b>
<b>Cash Flows from Financing Activities:</b>		
Deferred Financing Costs	-	-
Community Note Receivable	(1,099,307)	(5,320,758)
Retainage Withheld (Released)	(27,565)	(1,168,885)
Mortgage Proceeds	512,530	12,392,180
Change in General Contractor Payable	217,889	(764,976)
Proceeds (Repay) LOC Sub-Debt	-	-
Members' Capital	-	-
Members' Drawing	(25,627)	(619,609)
<b>Net Cash (Used In) Provided by Financing Activities</b>	<b>(422,079)</b>	<b>4,517,953</b>
<b>Change in Cash</b>	<b>(10,910)</b>	<b>160,583</b>
Beginning Cash Balance	221,909	50,416
<b>Ending Cash Balance</b>	<b>211,000</b>	<b>211,000</b>

# 9 Community Financial Statements

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

	YTD Sep FY07	YTD Aug FY07	Change	YTD Dec FY06	Change
<b>Assets</b>					
<i>Current Assets</i>					
Cash	1,095	352	743	1,342	(247)
Designated Cash	227	246	(19)	-	227
Accounts Receivable	56	35	21	47	9
Inventory	42	46	(5)	40	2
Prepays	8	13	(5)	59	(51)
Short Term Notes Receivable	233	17	216	2,025	(1,791)
<b>Total Current Assets</b>	<b>1,661</b>	<b>710</b>	<b>951</b>	<b>3,512</b>	<b>(1,851)</b>
<i>Limited Use Cash and Investments</i>					
Escrow Deposits	2,746	2,637	109	4,934	(2,188)
Restricted Fund Accounts	2,889	2,854	35	2,716	174
<b>Total Limited Use Cash &amp; Investments</b>	<b>5,635</b>	<b>5,491</b>	<b>145</b>	<b>7,649</b>	<b>(2,014)</b>
<i>Non-Current Assets</i>					
Fixed Assets- Net	2,536	2,557	(21)	2,734	(197)
LT Mortgage & Note Receivables	32,606	32,093	513	20,214	12,392
<b>Total Non-Current Assets</b>	<b>35,142</b>	<b>34,650</b>	<b>492</b>	<b>22,947</b>	<b>12,195</b>
<b>Total Assets</b>	<b>42,439</b>	<b>40,851</b>	<b>1,588</b>	<b>34,109</b>	<b>8,330</b>
<b>Liabilities</b>					
<i>Current Liabilities</i>					
Accounts Payable and Accrued Liabilities	521	745	(225)	1,237	(716)
<b>Total Current Liabilities</b>	<b>521</b>	<b>745</b>	<b>(225)</b>	<b>1,237</b>	<b>(716)</b>
<i>Non-Current Liabilities</i>					
Advance Deposits	1,380	1,290	90	430	950
Capital	34,176	33,434	742	26,739	7,437
Amort of Capital	(755)	(688)	(67)	(215)	(540)
Long Term Liabilities	16,488	15,388	1,100	11,164	5,324
<b>Total Non-Current Liabilities</b>	<b>51,289</b>	<b>49,424</b>	<b>1,864</b>	<b>38,118</b>	<b>13,170</b>
<b>Total Liabilities</b>	<b>51,809</b>	<b>50,170</b>	<b>1,640</b>	<b>39,355</b>	<b>12,454</b>
<b>Net Assets</b>					
Unrestricted Net Assets	(5,251)	(5,251)	-	(260)	(4,991)
Temporarily Restricted	71	46	24	5	66
Current Year Increase (Decrease) In Net Assets	(4,190)	(4,115)	(76)	(4,991)	800
<b>Total Net Assets</b>	<b>(9,370)</b>	<b>(9,319)</b>	<b>(52)</b>	<b>(5,246)</b>	<b>(4,125)</b>
<b>Total Liabilities and Net Assets</b>	<b>42,439</b>	<b>40,851</b>	<b>1,588</b>	<b>34,109</b>	<b>8,330</b>

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

	Sep		YTD(Sep)		YTDDec	
	Actual	BudVar	Actual	BudVar	Forecast	FcstVar
<b>Operating Revenue</b>						
Resident Monthly Fees	239	(144)	1,908	(777)	2,548	(1,668)
Departmental Revenues	70	(23)	817	177	1,097	159
<b>Total Operating Revenue</b>	<b>309</b>	<b>(166)</b>	<b>2,726</b>	<b>(600)</b>	<b>3,645</b>	<b>(1,510)</b>
<b>Operating Expense</b>						
Wages	268	32	2,386	242	3,262	281
Employee Benefits	56	10	554	18	754	17
Other Employee Expense	18	(8)	106	(12)	118	20
Contract Labor Expense	54	34	706	13	981	(3)
Supplies Expense	48	14	454	(3)	623	74
Repairs and Maintenance Expense	25	(15)	102	(27)	120	(9)
Professional Fee Expense	5	1	56	5	76	5
Purchased Services Expense	121	0	1,092	0	1,456	0
Other Expense	(305)	551	749	1,552	1,449	1,715
Operating Reserve Expense	1	(1)	(24)	24	(24)	24
<b>Total Operating Expense</b>	<b>292</b>	<b>618</b>	<b>6,181</b>	<b>1,811</b>	<b>8,817</b>	<b>2,123</b>
<b>Operating Income</b>	<b>16</b>	<b>452</b>	<b>(3,456)</b>	<b>1,212</b>	<b>(5,172)</b>	<b>614</b>
Net Rent	15	0	135	0	180	0
Interest Expense	109	(29)	877	(257)	1,133	(257)
Investment Income	20	20	233	233	233	233
47770-Amortization Income	67	(52)	540	(249)	998	(249)
59950-FF&E Depreciation Expense	55	1	495	7	662	7
<b>Total Non-Operating Income</b>	<b>(92)</b>	<b>(61)</b>	<b>(735)</b>	<b>(266)</b>	<b>(745)</b>	<b>(266)</b>
<b>Increase (Decrease) in Net Assets</b>	<b>(76)</b>	<b>391</b>	<b>(4,190)</b>	<b>946</b>	<b>(5,916)</b>	<b>348</b>

Current Month Occupancy

	Independent	Assisted Living	Skilled Nursing
Billed Units	105	#MISSING	#MISSING
Available Units	277	#MISSING	#MISSING
Occupancy %	37.9%	#MISSING	#MISSING

**MLN**  
**Statement of Cash Flows**  
 Sep , FY07  
 (in thousands)

	Current	YTD
<b>Cash Flows from Operating Activities</b>		
Net Income	(76)	(4,190)
<b>Adjustments to Reconcile Income</b>		
Depreciation and Amortization Expense	55	495
Amortization Income	(67)	(540)
(Increase)/Decrease in Accounts Receivable	(21)	(9)
(Increase)/Decrease in Inventory	5	(2)
(Increase)/Decrease in Prepaid Expenses	5	51
Increase/(Decrease) in Accounts Payable and Accrued Liabilities	(225)	(716)
<b>Net Cash Provided by Operating Activities</b>	<u>(323)</u>	<u>(4,912)</u>
<b>Cash Flows from Investing Activities</b>		
(Increase)/Decrease in Short Term Notes	(216)	1,791
(Increase)/Decrease in Limited Use Cash and Investments	(121)	2,080
(Increase)/Decrease in Designated Cash	19	(227)
(Increase)/Decrease in Fixed Assets	(34)	(298)
(Increase)/Decrease in LT Mortgage & Note Receivables	(513)	(12,392)
<b>Net Cash Used in Investing Activities</b>	<u>(865)</u>	<u>(9,046)</u>
<b>Cash Flows from Financing Activities</b>		
Increase/(Decrease) in Advance Deposits	90	950
Increase/(Decrease) in Resident Deposits	742	7,437
Increase/(Decrease) in Long Term Liabilities	1,100	5,324
<b>Net Cash Provided by Financing Activities</b>	<u>1,932</u>	<u>13,711</u>
<b>Increase (Decrease) in Cash</b>	743	(247)
Aggregate Other Items to Reconcile Cash	-	-
<b>Cash Beginning of Period</b>	352	1,342
<b>Cash End of Period</b>	<u>1,095</u>	<u>1,095</u>

# ↳ Supplemental Information

# Naperville Campus, LLC

## Loan Covenant Compliance Summary

As of September 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	\$ 100.0	\$ 156.0	
Letter of Credit Sub-Limit (in millions)	Maximum	\$ 9.0	0.3	
Working Capital Loan Sub-Limit (in millions)	Maximum	\$ 28.5	\$ 15.2	
PTD Absorbtion/Month	Minimum	15.0	7.7	

\* 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





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SCHEDULE XII

COVENANT COMPLIANCE LETTER

October 17, 2007

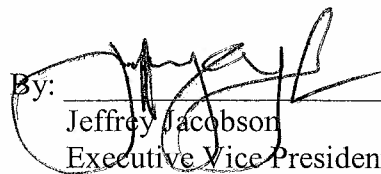
LaSalle Bank National Association,  
Collateral and Administrative Agent  
135 S. LaSalle Street  
Suite 826  
Chicago, IL 60603  
Attn: Naomi O'Dell  
Commercial Banking Officer

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 September 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

## Naperville Campus, LLC

## Balance Test

Projected: As of September 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	32,605,930	24,443,145	
Residential	1.2		187	332,756	62,225,335	0	62,225,335	
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		132	138,445	18,274,797	0	18,274,797	1,200,000
Extended Care	2		96	178,298	17,116,597	0	17,116,597	1,200,000

Minimum Coverage Amount

9,000,000

1,731

572,373,256

32,605,930

539,767,326

17,400,000

**BALANCE TEST COMPUTATIONS**

Estimate at Completion

Through 2015

Future Deposits Remaining to Be Collected

539,767,326

Operating Lease through December 2015

18,279,566

Less: Working Capital Loan

(14,150,597)

Purchase Option <sup>3</sup>

55,500,000

Total Future Deposit/Lease Cash Receipts

599,396,294

**Total Future Anticipated Cash Receipts****599,396,294**

Cost to Complete:

Hard Costs <sup>1</sup>

280,248,567

Soft Costs <sup>2</sup>

112,837,764

Total Costs to Complete

393,086,331

Cash on Hand/AR

7,777,629

**7,777,629**

Other Current Liabilities

Construction G.C. Payable

2,237,812

Retainage Payable/Current Liabilities \*

51,449,940

Total Other Current Liabilities

53,687,752

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

17,400,000

**Total Future Anticipated Cash Disbursements****556,876,701****BALANCE TEST****50,297,222 Passes Test**<sup>1/</sup> Hard Costs Include Building and Sitework.<sup>2/</sup> 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.<sup>3/</sup> Purchase option corresponds to 50% of current purchase price amount.

**Monarch Landing  
Balance Test  
As of 09/30/07**

<b>Gross Entrance Fees to be Collected</b>	539,767,326
Total Future Deposits	<u>539,767,326</u>
Less: Funds Held (Debt Service, Operations Deficits, Capital Exp.)	<b>(14,150,597)</b>
<b>Net Entrance Fees to be Collected</b>	525,616,729
Plus: Lease Payments Through 12/2009	18,279,566
<b>Total Entrance Fees to Complete Construction</b>	<u>543,896,294</u>
<b>Costs to Complete Construction</b>	
Capitalized Dept.	16,202,607
Hard Costs (Estimate to Complete)	280,248,567
Soft Costs (Estimate to Complete)*	58,931,188
<hr/>	
Purchase of capital items	355,382,362
Departmental expenses	34,160,889
Community Loan Interest	877,194
Member's Drawing(Development Fee Expense)	26,988,366
Other Financing Costs, Outside Legal & Property Tax	2,665,887
<b>Total Costs to Complete Construction</b>	<u>420,074,697</u>
<b>Plus: Naperville cash requirements/Liabilities</b>	
Construction G.C. Payable	2,237,812
Retainage Payable/Current Liabilities	51,449,940
Line of Credit Payable	67,702,618
<b>Total Anticipated Cash Disbursements</b>	<u>541,465,067</u>
<b>Total Entrance Fees to Complete minus Total Anticipated Cash Disbursements</b>	<u>2,431,227</u>
<b>Plus: Cash on hand/ Other as of 8/31/07</b>	<u>7,777,629</u>
<b>Balance Test</b>	<u><u>10,208,856</u></u>