DEVELOPMENT ACTIVITY AND DISCLOSURE REPORT

For the Period Ending December 31, 2008

$15,000,000
Village of Lincolnshire, Illinois
Special Service Area Number 1
Special Tax Bonds
(Sedgebrook Project)
Series 2004

Prepared by

MuniCap, Inc.

March 26, 2009

DEVELOPMENT ACTIVITY AND
DISCLOSURE REPORT
For the Period Ending December 31, 2008

I. UPDATED INFORMATION

Information updated as of December 31, 2008 is provided below as follows:

- As of December 31, 2008, the developer reports that all government approvals have been obtained from the appropriate agencies.

- As of December 31, 2008, the developer reports that all public improvements financed by the Series 2004 Bond proceeds are 100 percent complete.
- The developer reports that $13,356,092 has been expended for construction of the public improvements, representing 100 percent of the total budget for public improvements from the bond proceeds.
- As of December 31, 2008, the developer reports that the development is expected to consist of approximately 1,380 independent living apartments, 96 assisted living apartments and 132 skilled nursing beds upon completion.
- According to the developer, the development is anticipated to be completed in 2013.
- The developer maintains three lists of prospective residents for the independent living units in the residential building in the development: a list of prospective residents that have reserved an independent living unit, a standby list and a future list. As of December 31, 2008, the developer reports that there have been 328 apartments settled, 73 apartments reserved, 173 standbys, and 101 futures for residential units.
- The developer reports that Sedgebrook, Inc. closed on $137,145,000 in Variable Demand Bonds in August 2007. According to the developer, the variable demand bonds provided Sedgebrook, Inc. with the funds to exercise the option under the $125,000,000 Purchase Option Agreement with Lincolnshire Campus, LLC, which allowed Sedgebrook, Inc. to pay off the $60,000,000 construction loan and the $27,000,000 of sub debt financing with CNL.
- As of December 31, 2008, the developer reports that Erickson has funded approximately $10,500,000 in equity.
- As of December 31, 2008, the developer reports that Walsh Landscape Construction, Inc., a sub-contractor to Erickson Construction, filed a lien in the amount of $43,293.68 on the site work on Phase IB Project. The developer also reports that the lien involves unresolved change orders and final retainage release. According to the developer, Erickson Construction is working with Walsh Landscape Construction, Inc to resolve the matter.
- Special taxes in the amount of $1,080,000 for calendar year 2007 were levied for collection in 2008. According to the Lake County, all special taxes for calendar year 2007 have been collected and transferred to the trustee.
- Special taxes in the amount of $1,200,000 for calendar year 2008 were levied for collection in 2009. Special taxes are due in June and September 2009. As a result, there are no delinquent special taxes at this time.

II. INTRODUCTION

The Village of Lincolnshire, Illinois (the "Village") issued $15,000,000 Village of Lincolnshire, Illinois Special Service Area Number 1 Special Tax Bonds, Series 2004 (Sedgebrook Project) (the "Series 2004 Bonds"). The Series 2004 Bonds were issued by the village pursuant to (i) Section 6 of Article VII of the Illinois Constitution of 1970; (ii) the Local Government Debt Reform Act of the State of Illinois; (iii) the Special Service Area Tax Law of the State of Illinois (the "Special Service Area Act"); and (iv) Ordinance No. 04-1921-37, adopted on September 27, 2004, by the Mayor and Board of Trustees of the village (the "Bond Ordinance").

According to the Limited Offering Memorandum, the special service area consists of approximately 92.79 acres of land located at 901 Milwaukee Avenue in the southern portion of the village. The property is accessible by Riverside Road to the north. The village is located in the northern portion of the greater Chicago metropolitan area, about 35 miles northwest of downtown Chicago, in southern Lake County and just west of Interstate 94/Tri-State Tollway. The village is about 15 miles north of O'Hare Airport and about five miles to the west of Lake Michigan at Highland Park.

According to the Limited Offering Memorandum, Lincolnshire Campus, LLC (the "Development Owner"), which is wholly owned by the Erickson Retirement Communities, LLC (the "Developer"), is expected to lease the real property in the area (the "Land") from the initial land owner, CNL Retirement ER5, LP (the "Land Owner") pursuant to a Ground Lease, dated as of July 8, 2008, between the land owner, as lessor and the development owner, as lessee, as amended (the "Ground Lease"). According to the Limited Offering Memorandum, the development owner is contractually obligated to pay all taxes and assessments levied against the land and the improvements constructed thereon, including the special taxes.

According to the Limited Offering Memorandum, the developer is expected to construct on the land a continuing care retirement community to be known as Sedgebrook (the "Development" or "Sedgebrook") on behalf of the development owner pursuant to the provisions of a development agreement, dated May 12, 2004, between the developer and the development owner.

According to the Limited Offering Memorandum, Sedgebrook, Inc, (the "Non-Profit"), is expected to lease the development and the land from the development owner under a Master Lease and Use Agreement, dated as of May 12, 2004, as amended (the "Master Lease Agreement").

The information in this report regarding development activity was provided by the developer and is believed to be accurate; however, no effort has been made to independently verify the information. The information provided herein is not intended to supplement or otherwise relate to the information provided in the Limited Offering Memorandum and any such intent is expressly disavowed. Rather, this report responds to the specific requirements of the continuing disclosure agreement.

No representation is made as to the materiality or completeness of the information provided herein or as to whether other relevant information exists with respect to the period covered by this report. Other matters or events may have occurred or become known during or since that period that may be material. All information is provided as of December 31, 2008, unless otherwise stated, and no representation is made that the information contained in this report is indicative of information that may pertain since the end of the period covered by this report or in the future.

III. DEVELOPMENT ACTIVITY

A. OVERVIEW

The development is located on approximately 92.79 acres of land in the Village of Lincolnshire, Lake County, Illinois and located at 901 Milwaukee Avenue, approximately 35 miles northwest of downtown Chicago. The development is expected to include (i) approximately 1,400 residential units, (ii) three major common area buildings, (iii) approximately 132 skilled nursing beds, and (iv) approximately 96 assisted living units. In addition, the development is planned to include five dining rooms, three convenience stores, two banks, three beauty salons, game rooms, an aquatic center, class rooms, a woodworking shop, an in-house cable television station, a non-denominational chapel, walking paths, a health club and a nature trail (collectively, the "Common Facilities"). The services provided within the common facilities are expected to include an on-site Medical Center and services for resident organizations.

According to the Limited Offering Memorandum, the development is expected to be undertaken in three phases. Phase I is expected to consist of five, five and six-story congregate residential retirement buildings containing approximately 468 units and one, two-story common area building. Phase II is expected to consist of four, five and six-story congregate retirement apartment buildings containing approximately 529 units, one two-story common area building and one two to four-story extended care health center building containing approximately 88 skilled nursing beds and approximately 44 assisted living units. Phase III is expected to consist of five, five to six-story congregate retirement buildings containing approximately 403 units, one two-story common area building, and one two to four-story extension to the Phase II extended care health center building.

The property in the special service area is being developed by Erickson Retirement Community, LLC on behalf of the development owner. The developer is the sole member of the development owner and Erickson Construction, LLC, the construction manager for the development. According to the Limited Offering Memorandum, construction of the development commenced in May, 2004 and the entire development was expected to be completed by October 2011. However, the developer has revised the completion schedule to 2013.

According to the Limited Offering Memorandum, the proceeds from the Series 2004 Bonds are expected to finance costs of public improvements consisting of certain roads, erosion control improvements, water retention ponds, fencing, water and sanitary utilities, lighting, walkways, recreational improvements, landscaping, irrigation and related earthwork and other eligible costs.

B. STATUS OF GOVERNMENT PERMITS

According to the Limited Offering Memorandum, the land within the area was zoned R4 Multiple Family Residential with a Special Use Zoning Overlay for a Continuing Care Retirement Campus. The existing zoning of the land is consistent with the proposed use of the development.

According to the Limited Offering Memorandum, the developer had received all approvals required for the development from the Illinois Historic Preservation Agency and the Illinois Department of Natural Resources at the time bonds were issued. Applications for pending items were submitted to the respective agencies. The following items were pending at the time bonds were issued:

- Approval from the Federal Emergency Management Agency with respect to the impact on a floodway caused by the location of the development;
- Water main, grading and building permits; and
- Permits from Illinois Department of Transportation (IDOT) related to construction in an IDOT right of way, temporary construction access and permanent roadways construction.

- Approval of the storm water drainage and erosion control plans for the development.

As of December 31, 2008, the developer reports that all government approvals have been secured from the appropriate agencies.

C. STATUS OF PUBLIC IMPROVEMENTS

According to the Limited Offering Memorandum, the proceeds from the Series 2004 Bonds are expected to finance costs of public improvements consisting of certain roads, erosion control improvements, water retention ponds, fencing, water and sanitary utilities, lighting, walkways, recreational improvements, landscaping, irrigation and related earthwork and other eligible costs.

As of December 31, 2008, the developer reports that all public improvements financed by the Series 2004 Bond proceeds are 100 percent complete.

The developer reports that $13,356,092 has been expended for construction of the public improvements, representing 100 percent of the total budget for public improvements from the bond proceeds. Table III-1 below provides a summary of the public improvements budget reported by the developer as of as of December 31, 2008.

Table III-1
Public Improvements Budget

Public Improvement	Original Budget	Budget Change	Revised Budget	Work Completed	Percent Completed
Acquisition of land and right of way:					
Flood control pond (22 acres)	$5,141,304	$0	$5,141,304	$5,141,304	100%
Right of way for berms at Milwaukee and Riverside (11.52 acres)	$2,692,174	$0	$2,692,174	$2,692,174	100%
Right of way for hike/bike trail along south property (0.85 acres)	$198,641	$0	$198,641	$198,641	100%
Right of way for Riverside Rd (1.36 acres)	$317,826	$0	$317,826	$317,826	100%
Right of way for Milwaukee Av (1.73 acres)	$404,293	$0	$404,293	$404,293	100%
Sub-total acquisition of land and right of way	**$8,754,238**	**$0**	**$8,754,238**	**$8,754,238**	**100%**
Site-work:					
Berms at Milwaukee and Riverside	$496,391	$0	$496,391	$496,391	100%
Erosion control and establishment of grade for berms and ponds	$258,347	$0	$258,347	$258,347	100%
Flood control pond	$597,731	$0	$597,731	$597,731	100%
Recreational trail	$82,500	$0	$82,500	$82,500	100%
Hike/bike trail	$175,000	$0	$175,000	$175,000	100%
Landscaping atop berms	$944,385	$0	$944,385	$944,385	100%
Surveying	$100,000	$0	$100,000	$100,000	100%
Site-work to prepare storm water management facility	$1,947,500	$0	$1,947,500	$1,947,500	100%
Sub-total site-work	**$4,601,854**	**$0**	**$4,601,854**	**$4,601,854**	**100%**
Total public improvements	**$13,356,092**	**$0**	**$13,356,092**	**$13,356,092**	**100%**

D. STATUS OF DEVELOPMENT

(i) Status of Vertical Development

According to the Limited Offering Memorandum, the development was expected to be undertaken in three phases. Phase I was expected to consist of five, five and six-story congregate residential retirement buildings containing approximately 468 units and one, two-story common area building. Phase II was expected to consist of four, five and six-story congregate retirement apartment buildings containing approximately 529 units, one two-story common area building and one two to four-story extended care health center building containing approximately 88 skilled nursing beds and approximately 44 assisted living units. Phase III was expected to consist of five, five to six-story congregate retirement buildings containing approximately 403 units, one two-story common area building, and one two to four-story extension to the Phase II extended care health center building. The development was expected to consist of approximately 1,400 residential units, three major common area buildings, approximately 132 skilled nursing beds and approximately 96 assisted living units at build out.

The developer reports that the development schedule has been revised and is expected to consist of approximately 1,380 independent living apartments, 96 assisted living apartments and 132 skilled nursing beds upon completion. According to the developer, the completion schedule has been revised to 2013. Table III-2 below shows a summary of expected vertical development.

Table III-2
Vertical Development Summary

Phase	Development Type	Building Type		Total Units
		Number of Buildings	Number of Stories	
I	Congregate residential retirement building	5	5-6	469
	Community building	1	2	N/A
II	Congregate residential retirement building	4	5-6	475
	Community building	1	2	N/A
	Extended care/Assisted living	1	2-4	132
III	Congregate residential retirement building	5	5-6	436
	Community building	1	2	N/A
	Extended care/Assisted living	1	2-4	96

Table III-3 in the following page provides the development schedule including the original scheduled completion date, current scheduled completion dates and variance in months as provided by the developer. According to the developer, they are currently re-evaluating the demand and inventory to determine the most prudent building schedule.

Table III-3
Project Schedule

Project	Number of Units Expected	Original Scheduled Completion Date	Current Scheduled Completion Date	Variance in Months
Community Building 1.0		June 2005	Completed - June 2005	0
Transitional Spaces		March 2009	October 2009	(7)
Residential Building 1.1	101	June 2005	Completed - June 2005	0
Residential Building 1.2	76	September 2005	Completed – September 2005	0
Residential Building 1.3	94	June 2006	Completed - June 2006	0
Residential Building 1.4	126	October 2006	Completed - October 2006	0
Residential Building 1.5	72	October 2007	Completed - October 2007	0
Community Building 2.0		March 2009	June 2010	(15)
Residential Building 2.1	133	July 2008	June 2010	(23)
Residential Building 2.2	126	March 2009	June 2010	(15)
Residential Building 2.3	124	October 2009	October 2010	(12)
Residential Building 2.4	92	June 2010	July 2011	(13)
Community Building 3.0		September 2011	October 2012	(13)
Residential Building 3.1	128	March 2011	March 2012	(12)
Residential Building 3.2	120	September 2011	October 2012	(13)
Residential Building 3.3	100	April 2011	August 2013	(28)
Residential Building 3.4	88	April 2012	September 2013	(17)
Bridge 10(CB1.0 to RB1.1)		September 2005	Completed - September 2005	0
Bridge 30(RB 1.3 to RG2.0)		April 2012	September 2013	(17)
Bridge 50		April 2011	September 2013	(29)
Bridge 60 (RB 3.3 to RB 3.4)		April 2012	August 2013	(16)
Chapel 1		March 2011	March 2012	(12)
Gate House 1		June 2005	Completed - June 2005	0
Maintenance Building 1		October 2009	October 2010	(12)
Marketing Center 1		November 2003	Completed - November 2003	0
Parking Deck 1		June 2005	Completed - June 2005	0
Parking Deck 2		June 2006	Completed -June 2006	0
Extended Care 1.0	132	June 2010	July 2009	11
Extended Care 2.0	96	April 2012	September 2013	(17)

According to the Limited Offering Memorandum, the developer maintains three lists of prospective residents for the independent living units in the residential buildings that include a list of prospective residents that have reserved an independent living unit, a standby list and a futures list. The standby list is for prospective residents who have indicated that they are ready to move into a specific type of independent living unit when it becomes available. The futures list is for prospective residents who want a priority position when they are ready to move to the standby list. According to the Limited Offering Memorandum, there were 41 prospective residents on the standby list and 45 prospective residents on the future list at the time bonds were issued.

According to the developer, the commitment ratio must be at least 80 percent in order for construction to commence on a residential building. The commitment ratio is the sum of settled units, reserved units, standby units, and futures divided by sum of all completed residential units plus the units of the residential building for which the ratio is being computed. According to the developer, the development has satisfied commitment ratio requirement through residential building 2.2.

As of December 31, 2008, the developer reports that 328 apartments have been settled and 73 apartments have been reserved. Table III-3 below provides a summary of prospective residents through December 31, 2008.

Table III-3
Residential Development- Prospective Residents

Prospective Residents	2004	2005	2006	2007	2008
Settled*	0	105	201	270	328
Reservation	82	23	35	67	73
Standby	62	116	149	161	173
Futures	89	121	76	91	101
Total	**233**	**365**	**461**	**589**	**675**

* Units settled represent cumulative numbers

E. STATUS OF FINANCING

According to Limited Offering Memorandum, in addition to the Series 2004 Bond proceeds, the development was expected to be financed primarily from the following sources:

- The Community Loan – Pursuant to the Community Loan Agreement dated May 12, 2004 (the "Community Loan Agreement"), between the development owner and the non-profit, the non-profit is obligated to lend to the development owner all the initial entrance fees that the non-profit collects from residents of the development (the "Community Loan"). The development owner uses a portion of the proceeds of the community loan to pay the costs of the construction of the development. The community loan is secured by the Mortgage and Security Agreement dated May 12, 2004 from the development owner in favor of the non-profit (the "Community Loan Mortgage"), which creates a mortgage lien on the land and the development for the benefit of the non-profit.

- The Construction Loan – The development owner has obtained a construction revolving loan from the construction lender, PNC (formerly Mercantile Safe-Deposit and Trust Company), in the principal amount not to exceed $60,000,000 (the "Construction Loan"), the proceeds of which are used by the development owner to pay a portion of the costs of the construction of the development. The construction loan was evidenced by a revolving loan note payable by the development owner to the construction lender and is secured by a Construction Mortgage and Security Agreement, which creates a mortgage lien on the land and the development for the benefit of the construction lender that is senior to the Community Loan Mortgage and Ground Lease.

- The Ground Lease – The development owner received $27,000,000 in consideration for the conveyance of the land to the land owner, the proceeds of which have or are expected to be used by the development owner to pay a portion of the costs of the construction of the development. Under the ground lease, the development owner leases the land from the land owner on a "triple-net" basis and pays monthly ground rent to the land owner.

According to the Limited Offering Memorandum, the developer estimated that the cost of acquisition, development and construction of the development was approximately $413,000,000. The development owner expected to pay the initial costs of acquisition, development and construction of the development from the $60,000,000 construction loan, the $27,000,000 CNL Sale/Leaseback and, with the respect to the special services, the net proceeds from the Series 2004 Bonds. The development owner expected to pay the remaining costs of the acquisition, development and construction of the development from the proceeds of the community loan, which would be funded from initial entrance fees received by the non-profit in the total amount of approximately $500,000,000.

The developer reports that Lincolnshire Campus, LLC ("Campus"), Erickson Retirement Communities, LLC ("Erickson") and Sedgebrook, Inc ("Corporation") entered into a Purchase Option Agreement, dated as of August 1, 2007. According to this agreement, Campus granted to the Corporation an option to acquire the facility site in return for a refundable deposit of $125,000,000.

The developer reports that Sedgebrook, Inc. closed on $137,145,000 in Variable Demand Bonds in August 2007. According to the developer, the variable demand bonds provided Sedgebrook, Inc. with the funds to exercise the option under the $125,000,000 Purchase Option Agreement with Lincolnshire Campus, LLC, which allowed Sedgebrook, Inc. to pay off the $60,000,000 construction loan and the $27,000,000 of sub debt financing with CNL. As of December 31, 2008, the developer reports that Erickson has funded approximately $10,500,000 in equity.

The developer reports that Walsh Landscape Construction, Inc., a sub-contractor to Erickson Construction, filed a lien in the amount of $43,293.68 on the site work on Phase IB Project. The developer also reports that the lien involves unresolved change orders and final retainage release. According to the developer, Erickson Construction is working with Walsh Landscape Construction, Inc to resolve the matter.

IV. TRUSTEE ACCOUNTS

The trustee for the Series 2004 Bonds is US Bank National Association (formerly LaSalle Bank National Association). The account balances as of December 31, 2007, interest paid, disbursements, additional proceeds, and account balances for each fund as of December 31, 2008 are shown by the following table:

Table IV-1
Summary of Transactions

	Balance 12/31/07	Interest Paid	Additional Proceeds	Disbursements	Balance 12/31/08
Bond Fund	$0	$0	$1,153,875	$1,153,875	$0
Reserve Fund	$1,164,062	$33,522	$0	$33,522	$1,164,062
Cost of Issuance	$1,970	$0	$10,000	$9,273	$2,698
Debt Service Fund	$785,508	$10,058	$1,114,804	$1,163,875	$746,495
Total	**$1,951,541**	**$43,581**	**$2,278,679**	**$2,360,545**	**$1,913,256**

- Additional proceeds to the Debt Service Fund represent receipts of special tax revenues collected by the county and transferred to the village.
- Additional proceeds to the Bond Fund represent transfers of special tax revenues from the Debt Service Fund for the payment of debt service.
- Disbursements from the Reserve Fund are transfers of interest income to the Debt Service Fund.
- Additional proceeds to the Cost of Issuance Fund represent transfers of interest income from the Debt Service Fund.
- Disbursements from the Cost of Issuance Fund are payments for district administrative expenses.

Bonds proceeds in the Reserve Fund and special tax revenues in the Debt Service Fund and the Reserve Fund are invested in Janus Institutional Government Money Market earning approximately 0.49 percent per annum as of December 31, 2008.

According to the Limited Offering Memorandum, Investment income realized or loss resulting from the Bond Fund shall be retained in the Bond Fund. Interest earned from the Reserve Fund in excess of the Reserve Requirement may be used by the village to pay the fees and expenses of the registrar and paying agent.

Table IV-2

Account	Rate of Return
Reserve Fund	0.49%
Debt Service Fund	0.49%

V. AUTHORITY OPERATIONS

A. LEVY OF SPECIAL TAXES

The Village of Lincolnshire, Special Service Area Number 1 (the "Area"), was created pursuant to Ordinance No. 04-1920-36, adopted by the Mayor and Board of Trustees of the Village on September 27, 2004, ("the Establishing Ordinance" and together with the Bond Ordinance, the "Ordinances").

To finance the cost of the project, the Establishing Ordinance called for the issuance of bonds in an amount not to exceed $15,000,000.00. These bonds are to be repaid by collection of special taxes sufficient to pay interest as it falls due and to discharge the principal thereof at maturity. Special taxes in the amount of $1,625,000.00 have been levied each year for the years 2004 – 2032.

The special tax roll is to be amended each year to reflect: (i) the Maximum SSA Special Tax and the Maximum Parcel Special Taxes for the current Calendar Year, (ii) the Special Taxes as abated for the Calendar Year, and (iii) any subdivisions of Parcels in the SSA that result in any reallocation of the special taxes.

(i.) Abatement of Special Taxes

Special taxes have been levied at the maximum special tax rate for each year. The Series 2004 Bond Ordinance (Ordinance No. 04-1921-37) authorizing the issuance of the Series 2004 Bonds provided for the village to abate the special tax for collection by the County Clerk of Lake County to an amount required to pay debt service and administrative expenses. Debt service and administrative expenses are to be paid with the special tax to be collected in 2009 in the amount of $1,200,000.00 as shown by Table V-1. Accordingly, the special tax is to be abated from the maximum SSA special tax of $1,625,000.00 such that the amount to be collected in 2009 is equal to $1,200,000.00. This section of the report explains the amount required to pay debt service and administrative expenses for special taxes levied in 2008 for collection in 2009.

Special Tax Requirement

The special tax is to be abated each year so that the amount collected is equal to the special tax requirement. The special tax requirement is, generally, equal to (A) the sum of the following: (i) regularly scheduled debt service on the bonds and other periodic costs associated with such bonds, including but not limited to, rebate payments and credit enhancement fees, if any, on the bonds; (ii) administrative expenses for the current year or unpaid from a previous year; (iii) any amounts required to establish or replenish any reserve funds associated with the bonds; and (iv) anticipated delinquencies in the special tax not taken into consideration in the replenishment of the reserve fund, less (B) any credits available pursuant to the Establishing Ordinance, such as capitalized interest and investment earnings on account balances.

Table V-1 provides a summary of the special tax requirement for 2008 for the Series 2004 Bonds. Special taxes in the amount of $1,200,000.00 must be collected in 2009. Special taxes are to be abated such that the amount to be collected in 2009 is equal to $1,200,000.00. The special tax requirement for the Series 2004 Bonds is explained in the following sections.

<u>Table V-1</u>
Special Tax Requirement for 2008
Series 2004 Bonds

Debt service:	
Interest payment September 1, 2009	$450,250
Interest payment March 1, 2010	$450,250
Principal payment March 1, 2010	$260,000
Total debt service	$1,160,500
Special service area operations	$20,000
Contingency	$35,830
Sub-total expenses	$1,216,330
Reserve fund investment income	($11,641)
Surplus from prior year	($4,690)
Special tax requirement for calendar year 2008	$1,200,000

Debt Service

The special taxes collected in 2009 will be used to make the payments on the Series 2004 Bonds due on September 1, 2009 and March 1, 2010. The outstanding bonds include $785,000.00 in Term 2011 Bonds that have an interest rate of 5.00 percent and $13,980,000.00 in Term 2034 Bonds that have an interest rate of 6.25 percent. Debt service is calculated based on the bonds outstanding as of March 1, 2009, which will include Term 2011 Bonds and Term 2034 Bonds of $535,000.00 and $13,980,000.00, respectively. Accordingly, the interest on the outstanding bonds for each six months is equal to $450,250.00 as shown below.

Term 2011 Bonds of $785,000 at 5.00%	$13,375
Term 2034 Bonds of 13,980,000 at 6.25%	$436,875
Total:	$450,250

There is a principal payment of $260,000.00 due on March 1, 2010. As a result, total annual debt service is equal to $1,160,500.00.

Contingency

A contingency equal to approximately three percent of annual expenses has been added in the event there are unanticipated expenses, special tax delinquencies, or the interest income earned is less than estimated.

Special Service Area Operations

Special service area operations generally include the charges of the trustee, administrator and miscellaneous expenses of the Village. The annual charge of the trustee is estimated to be $1,500.00. The annual charge of the administrator is estimated to be $12,000.00, plus $500.00 for expenses. Miscellaneous expenses of the Village are estimated to be $6,000.00. Accordingly, total administrative expenses for 2009 are estimated at $20,000.00.

Reserve Fund Investment Income

Bond proceeds in the reserve fund are invested in Janus Institutional Governmental Money Market Fund, which is currently earning 2.0 percent. Interest rates on money market funds have been declining. To be conservative, annual investment income on the reserve fund will be estimated using an interest rate of 1.0 percent. At the current interest rate of 1.0 percent the reserve fund requirement of $1,164,063.00 is expected to earn an additional $11,640.63 during 2009 that will be made available to pay aggregate debt service and administrative service expenses.

Surplus from Prior Year

The reserve fund requirement for Series 2004 Bonds is $1,164,063.00. Bonds proceeds in the reserve fund and special tax revenues in the debt service fund are invested in Janus Institutional Governmental Money Market Fund, which is currently earning 2.00%. As of October 31, 2008, the balance of this Village held funds amounted to $1,875,872.66, which includes the reserve requirement of $1,164,063.00 and special tax revenues and accumulated interest in the amount of $711,810.16. At the current interest rate of 2.0 percent, the reserve requirement and these balances are expected to earn an additional $9,379.36 through the next debt service payment due on March 1, 2009. A portion of these funds and the aggregate interest income earned through March 1, 2009 will be transferred to the bond fund to pay debt service, which includes interest payment of $456,500.00 and a principal payment of $250,000.00 that are due on March 1, 2009.

The administrative expenses budget for 2008 was estimated to be $20,000.00. On July 24, 2008, special taxes revenues in the amount of $10,000.00 was transferred from the debt service fund to the cost of issuance fund to pay administrative expenses during 2008. As a result, an additional $10,000.00 will need to be transferred to the cost of issuance fund to fund the balance of 2008 administrative expenses. As shown by Table V-2, the available funds exceed the remaining expenses for the year, resulting in an aggregate surplus of $4,689.52 that will be made available to pay debt service and administrative expenses for calendar year 2008.

Table V-2
Available Debt Service Funds
Calendar Year 2008

Available debt service fund as of October 31, 2008	$711,810.16
Estimated interest income through March 1, 2009	$9,379.36
Total funds available	$721,189.52
Debt service payment due March 1, 2009	
Interest payment	($456,500.00)
Principal payment	($250,000.00)
Administrative expenses budget	($10,000.00)
Total expenses	($716,500.00)
Surplus from prior year	($4,689.52)

(iii.) Summary

The estimated expenses for calendar year 2008 are $1,216,330. The estimated funds available to pay these expenses are $16,331, resulting in an annual revenue requirement of $1,200,000. Accordingly, special taxes in the amount of $1,200,000 were levied to be collected in 2009.

B. DELINQUENT SPECIAL TAXES

Special taxes in the amount of $1,080,000 for calendar year 2007 were levied for collection in 2008. According to the Lake County, all special taxes for calendar year 2007 have been collected and transferred to the trustee.

Special taxes in the amount of $1,200,000 for calendar year 2008 were levied for collection in 2009. Special taxes are due in June and September 2009. As a result, there are no delinquent special taxes at this time.

C. COLLECTION EFFORTS

There are no collection efforts underway at this time.

VI. AUTHORITY FINANCIAL INFORMATION

The information provided in this section is provided to meet the requirements on the annual report as provided for in Section 2(a) of the Continuing Disclosure Agreement. The items listed below are in the same format and order as the items required for the annual report as listed in the Continuing Disclosure Agreement.

A. CHANGES TO THE RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES

There have been no changes to the Rate and Method of Apportionment of Special Taxes.

B. ASSESSED VALUE AND SPECIAL TAX LEVIED

Table VI-1 below provides the special tax levy and the property assessed values for calendar year 2008 as provided by the Lake County, Illinois web site.

Table VI-1
Assessed Value and Special Tax Levied

Parcel Identification Number	2008 Assessed Value	2008 Special Tax Levy	Percent
15-22-406-001	$1,417,273	$216,432	18%
15-23-302-001	$16,254,044	$983,568	82%
Total	$17,671,317	$1,200,000	100%

C. AMENDMENTS TO LAND USE ENTITLEMENTS

There have been no significant amendments to land use entitlements or legal challenges to the construction of the project or the development of which the administrator has actual knowledge.

D. STATUS OF COMPLETION OF FACILITIES

The status of completion of public facilities is more fully outlined in Section III, "Status of Development," of this report.

E. MATERIAL CHANGES IN THE TYPES OF PUBLIC FACILITIES

The have been no material changes in the types of public facilities constructed from those stated in the Limited Offering Memorandum of which the administrator has actual knowledge.

VII. SIGNIFICANT EVENTS

Developer's significant events include the following:

(i) failure to pay real property taxes (including the special taxes) levied within the development on a parcel owned by the development owner, the developer, the land owner or any affiliate thereof;

(ii) material damage to or destruction of any development or improvements within the development;

(iii) material default by the development owner, the developer or any affiliate thereof on any loan with respect to the construction or permanent financing of the development;

(iv) material default by the development owner, the developer, or any affiliate thereof on any loan secured by property within the development owned or leased by the development owner and developer or any affiliate thereof;

(v) the filing in bankruptcy by the development owner, the developer or any affiliate thereof, or by any owner of more than 25 percent in interest in the development owner or the developer, or any determination that the development owner, the developer or any affiliate thereof, or an owner of more that 25 percent in interest in the development owner or the developer is unable to pay its debt as they become due; and

(vi) the filing of any lawsuit with the claim for damages in excess of $1,000,000 against the development owner, the developer or the land owner which may adversely affect the completion of the development or litigation in excess of $1,000,000 which would materially adversely affect the financial condition of the development owner, the developer and the land owner.

According to the developer, no significant events have occurred as of December 31, 2008.