



**Lincolnshire Campus, LLC &  
Sedgebrook, Inc.  
Monthly Reporting Package  
March 2009**

## *Table of Contents*

	<u><i>Section</i></u>
<i>Project Summary</i>	<i>1</i>
<i>Marketing Reports</i>	<i>2</i>
<i>Total Anticipated Budget/Analysis</i>	<i>3</i>
<i>Project Schedule</i>	<i>4</i>
<i>Monthly Landowner Financial Statements</i>	<i>5</i>
<i>Monthly Community Financial Statements</i>	<i>6</i>

# ↳ Project Summary

## **Lincolnshire Campus, LLC**

### **Project Overview**

#### **Project Description**

Lincolnshire Campus is a 92 acre project located in Lincolnshire, Illinois. The community is marketed under the name Sedgebrook and will consist of approximately 1380 independent living apartments, 96 assisted living apartments and 132 skilled nursing beds.

#### **Financing Overview**

- In August 2007 Sedgebrook, Inc. closed \$137.1 million in Variable Demand Bonds.
- The bond issuance provided Sedgebrook, Inc. with the funds to place a \$125M purchase deposit with Lincolnshire Campus, LLC. Lincolnshire Campus, in turn, paid off the \$60M construction revolver with Bank of America and the \$27M of sub debt financing with CNL.
- \$15 million Special Tax Service Bond District Financing was closed in July 2004.
- Erickson has funded approximately \$10.5M in equity to date.
- Erickson has funded approximately \$36.1M in short term funding to cover project expenses in excess of entrance fees and the purchase deposit.

### **Executive Summary**

#### **Marketing Overview**

The community received 11 deposits, 11 net reservations and settled 5 apartments. The pipeline is currently 160 standbys and 112 futures. They currently have 89 units reserved.

# Lincolnshire Campus, LLC

## Critical Issues

### Liens:

- On 1/30/08, Walsh Landscape Construction, Inc. filed a lien in the amount of \$43,293.68 on the Sitework Phase 1B project. Walsh Landscape is a subcontractor to Erickson Construction. The issue involves unresolved change orders, as well as final retainage release. Erickson Construction is working with Walsh to settle the issue.
- We are currently re-evaluating demand and inventory to determine the most prudent building schedule. The attached project schedule is reflective of our 2009 and 2010 plan; these changes have not been incorporated in the enterprise value. An updated enterprise value will be forthcoming.

## Active Phase Status

<i>Phase/Item</i>	<i>Construction Began</i>	<i>Projected to Open</i>
Extended Care 1.0	Nov-07	Jul-09

## Proforma Update

\*\*\*\* in millions

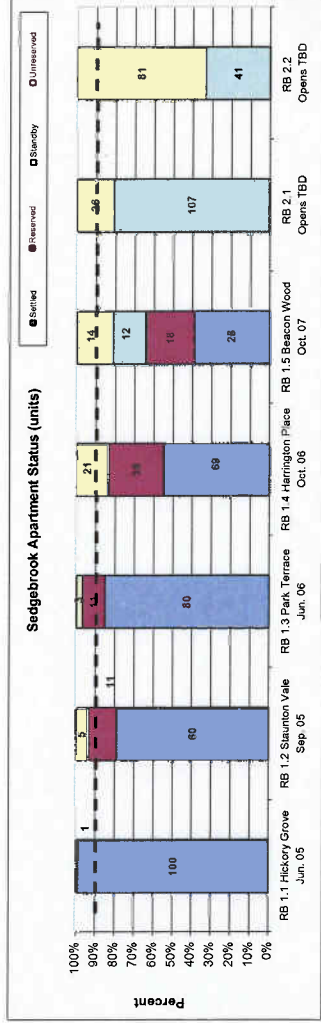
	Original Budget	CURRENT 3/31/2009 Budget	
Entrance Deposits	500	553	(1)
Purchase Price	83	105	(2)
Total Funds	582	658	
Project Costs	409	484	(3)
Financing Costs	46	106	(4)
Operations Start Up (Working Capital) Ex. Re	(7)	14	(5)
Development Fees	25	28	(6)
Total Costs	473	632	
<b>Enterprise Margin</b>	<b>109</b>	<b>26</b>	

(1) (2) (3) (4) (6) Variance is due primarily to revised slower absorption schedule and bond issuance.

(5) Variance is due primarily to 50/50 split on surplus recovery.

# 2 Marketing Reports

Apartment Status by Building as of 4-02-09



Total Units  
Flex Pay  
Flex Pay Ratio

Year/End	2004	2005	2006	2007	2007	2007	2007	2007	2007	2007	2007	2008	2008	2008	2008	2008	2008
Settled	82	233	461	464	521	572	519	618	625	648	688	625	648	688	688	688	688
Reservations	82	233	461	464	521	572	519	618	625	648	688	625	648	688	688	688	688
Standby	82	233	461	464	521	572	519	618	625	648	688	625	648	688	688	688	688
Futures	82	233	461	464	521	572	519	618	625	648	688	625	648	688	688	688	688
Total	233	385	461	464	521	572	519	618	625	648	688	625	648	688	688	688	688
Monthly Trends																	
Net Settlements/Reservations/Standbys	12.0	8.3	11.8	10.7	5.3	17.7	4.0	4.7	3.0	4.7	4.0	3.0	4.7	4.0	4.7	4.0	4.0
Settlements	0	8.8	8.0	3.3	7.0	6.7	6.0	3.0	5.3	4.3	6.7	4.3	6.7	3.0	6.7	3.0	3.0

Test to Break Escrow:

(Buildings with at least 50% Sold or bond posted for 50% of entrance fees)

Building	Total Units	# of Units Required (50%)	# of Units Settled/Reserved	# of Units Needed Test Satisfied
RB 1.1	101	51	101	0
RB 1.2	76	38	71	5
RB 1.3	94	47	91	3
RB 1.4	125	63	105	20
RB 1.5	72	36	46	0

Project Phasing Test:

Can't commence construction on a Residential Building until the Commitment Ratio is at least 80%. The Commitment Ratio is the sum of Settled Units, Reserved Units, Standbys and Futures divided by sum of all Completed Residential Units plus the Units of the Residential Building for which the ratio is being computed.

Test for RB 2.2	Total Available Units
Settled	285
Reservations	69
Standby	107
Futures	106
<b>Total</b>	<b>625</b>

Bond Commitment Ratio =  $\frac{625}{728} = 86\%$

Maximum Number of Units Completed & Under Construction Within Compliance =  $\frac{781.25}{80\%} = 976.56$

\*Settlement vs. Covenant

Original Covenant Requirement  
N/A

PTD Monthly Average as of 3/31/09  
7.3

NOTES:

Sedgebrook has satisfied the bond commitment ratio requirement though RB 2.2.

**2009 Monthly Marketing Trend Report**

Campus Sedgebrook

Monthly Activity	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Average
1 Net Apt Reservations (MS)*	4	11	11										26	8.67
* New	3	9	9										21	7.00
* Resale	1	2	2										5	1.67
2 Gross Reservations (MS)	17	19	22										58	19.33
3 No. of Total Settlements (MS)*	3	2	5										10	3.33
* New	3	2	4										9	3.00
* Resale	0	0	1										1	0.33
4 No. of Initial Deposits (MS)	21	12	11										44	14.67
5 Requests for Refunds (MS)	4	10	7										21	7.00
6 Total Kit Requests (OT)	228	235	242										705	235.00
* MJO (OT)	108	116	96										320	106.67
* Sales Office (OT)	118	118	138										374	124.67
* Walk-ins (OT)	2	1	8										11	3.67
HC Kit Requests	2	2	26										30	10.00
7 Total Apts (OT)**	56	53	52										161	53.67
* First Time Apts (OT)	26	23	18										67	22.33
* Non Depositor Repeat Apts (OT)	12	6	10										28	9.33
* Depositor Apts (OT)	18	24	24										66	22.00
* Online Apts (OT)	0	0	0										0	0
8 Walk-in Apts (OT)	0	0	0										0	0
<b>Pipeline</b>														
9 Reserved but Unsettled (P)	74	83	89										89	82.00
* New	65	72	77										77	71.33
* Resale	9	11	12										12	10.67
FPP	9	10	10										10	9.67
10 Standby (P)	173	166	160										160	166.33
11 Futures (P)	113	112	112										112	112.33
12 Total Deposits w/o Settled Apts (C) [9+10+11]	360	361	361										361	360.67
13 Total Settled Apts (P)	315	317	322										322	318.00
Total New Settled Apts (BS)	331	333	337										337	333.67
14 No. of Unsettled Apts (PRU)	155	154	149										149	152.67
15 Apts released by keys not turned in	1	2	2										2	1.67
Ratio (Line 12/14) (C)	2.32	2.34	2.42	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2.42	2.36

Notes

\* Net Reservations = Gross Reservations - Reservations withdrawn





**Marketing Summary**

**Date Range [3/1/09 thru 3/31/09] SED**

**LOC: Independent**

Settlements	Count	Cash Collected	Current P-Note Due	Total
New	4	\$65,700	\$999,200	\$1,064,900
Resale	1	\$175,000	\$0	\$175,000
<b>Total</b>	<b>5</b>	<b>\$240,700</b>	<b>\$999,200</b>	<b>\$1,239,900</b>

Reservations	Initial Deposits	Priority List	Left To Settled	Withdraw	Net	Deposits Reserved	Reservations Settled	Reservations Withdrawn	Net Reservations
New	6	14	4	11	5	\$5,983,100	\$1,064,900	\$3,960,700	\$957,500
Resale	2	0	1	0	1	\$967,800	\$175,000	\$0	\$792,800
<b>Total</b>	<b>8</b>	<b>14</b>	<b>5</b>	<b>11</b>	<b>6</b>	<b>\$6,950,900</b>	<b>\$1,239,900</b>	<b>\$3,960,700</b>	<b>\$1,750,300</b>

Waiting Lists	Initial Deposits	Priority List	Changed Status	Net Change
Futures	3	3	6	0
Standby	0	7	13	-6
<b>Total</b>	<b>3</b>	<b>10</b>	<b>19</b>	<b>-6</b>

Initial Deposits	Initial Deposits	Requests for Refund
Initial Deposits	11	
Requests for Refund	7	

## **Key Definitions for the Apartment Status Report**

### **Settled**

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

### **Reservations**

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

### **Standby**

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

### **Future**

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

### **Flex Pay**

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

# 3 Total Anticipated Budget

**Erickson Retirement Communities  
Lincolnshire Campus  
Total Anticipated Budget  
As of March 31, 2009**

	Actual Costs <u>JTD</u>	% Complete <u>to Budget</u>	Estimate to <u>Complete</u>	As of 03/31/09 Estimate at <u>Completion</u>	Original <u>Budget</u>	Favorable/ <u>(Unfavorable)</u>	Notes
Entrance Deposits	107,924,363	20%	445,178,282	553,102,645	499,523,396	53,579,249	
Operating Lease	1,051,592	-9%	(12,987,105)	(11,935,513)	(16,709,748)	4,774,235	
Operating Lease	1,051,592	9%	10,883,921	11,935,513	16,709,748	(4,774,235)	
Interest on Excess Funds	0	0%	2,836,379	2,836,379	-	2,836,379	
Funds Held/WC Loan Repayment	(32,517,447)	30%	(76,578,539)	(109,095,986)	-	(109,095,986)	
<b>Total Deposits</b>	<b>76,458,507</b>	<b>17%</b>	<b>382,320,044</b>	<b>458,778,551</b>	<b>516,233,144</b>	<b>(57,454,593)</b>	<b>A</b>
Hard Costs - Building	126,725,137	38%	202,718,522	329,443,659	281,106,571	(48,337,088)	
Hard Costs - Sitework	16,574,812	71%	6,616,966	23,191,778	22,235,218	(956,560)	
Architecture	9,042,825	69%	4,076,805	13,119,630	9,100,789	(4,018,841)	
Engineering	3,123,657	71%	1,304,781	4,428,438	3,801,000	(627,438)	
Builder's Risk	235,792	41%	333,133	568,925	455,013	(113,912)	
Fees, Permits & Bonds	4,913,683	40%	7,293,856	12,207,539	9,197,015	(3,010,524)	
Development Fee	5,396,218	20%	22,259,515	27,655,733	24,976,168	(2,679,565)	
Outside Legal	304,749	29%	730,980	1,035,729	945,040	(90,689)	
Construction MNGT Fee	703,791	66%	361,476	1,065,267	4,550,126	3,484,859	
<b>Phase Costs Before Contingency</b>	<b>167,020,663</b>	<b>40%</b>	<b>245,696,036</b>	<b>412,716,699</b>	<b>356,366,940</b>	<b>(56,349,759)</b>	
Contingency	0	0%	6,077,859	6,077,859	9,560,958	3,483,099	
<b>Total Phase Costs</b>	<b>167,020,663</b>	<b>40%</b>	<b>251,773,895</b>	<b>418,794,558</b>	<b>365,927,898</b>	<b>(52,866,660)</b>	<b>B</b>
Department Costs							
Administration Department	2,300,795	72%	890,332	3,191,127	2,062,926	(1,128,201)	
Acquisitions and Development	7,404,555	58%	5,325,278	12,729,833	10,889,375	(1,840,458)	
Construction Management Services	1,364,536	19%	5,749,660	7,114,196	0	(7,114,196)	
Finance	361,117	18%	1,679,558	2,040,675	1,058,468	(982,207)	
Marketing Department	21,598,509	52%	20,038,746	41,637,255	28,177,403	(13,459,852)	
Information Services	835,530	46%	966,212	1,801,742	1,128,804	(672,938)	
Legal Department	305,392	59%	208,594	513,986	433,866	(80,120)	
<b>Total Departmental Costs</b>	<b>34,170,434</b>	<b>50%</b>	<b>34,858,380</b>	<b>69,028,814</b>	<b>43,750,842</b>	<b>(25,277,972)</b>	<b>C</b>
<b>Total Hard &amp; Soft Costs</b>	<b>201,191,097</b>	<b>41%</b>	<b>286,632,275</b>	<b>487,823,372</b>	<b>409,678,740</b>	<b>(78,144,632)</b>	
Other Development Costs							
Land	21,079,819	100%	(0)	21,079,819	20,885,000	(194,819)	
Interest Costs	31,868,331	88%	4,373,602	36,241,933	25,903,964	(10,337,969)	
Financing Costs - L.O.C	2,594,083	87%	391,807	2,985,890	1,670,000	(1,315,890)	
Property Taxes	1,126,014	102%	(22,268)	1,103,746	1,654,088	550,342	
Capital Expenditures/	848,502	67%	408,915	1,257,417	300,000	(957,417)	
Community Loan Interest	(4,025,308)	0%	4,025,308	-	(12,946,394)	(12,946,394)	
<b>Total Other Development Costs</b>	<b>53,491,440</b>	<b>85%</b>	<b>9,177,365</b>	<b>62,668,805</b>	<b>37,466,658</b>	<b>(25,202,147)</b>	<b>D</b>
<b>Total Costs</b>	<b>254,682,537</b>	<b>46%</b>	<b>295,809,639</b>	<b>550,492,177</b>	<b>447,145,398</b>	<b>(103,346,779)</b>	
<b>Profit Margin</b>	<b>(178,224,030)</b>		<b>86,510,404</b>	<b>(91,713,626)</b>	<b>69,087,746</b>	<b>(160,801,372)</b>	
<b>Profit Margin %</b>				<b>-19.99%</b>	<b>13.38%</b>	<b>-33.37%</b>	
Purchase Price				104,939,750			
Adjustment to Funds Held/WC Loan Repayment Net of \$70M Bond Financing				39,199,682			
Start Up Loss Adjustment				(14,385,869)			
Operating Lease Adjustment				(11,935,513)			
<b>Total Adjustments</b>				<b>117,818,050</b>			
<b>Enterprise Value</b>				<b>26,104,424</b>			

# Lincolnshire Campus, LLC

\$'s in Millions

## Variances to Original Proforma by Reason

	Category	\$ Detail	\$ Summary
1 Revised Unit Mix and increased building square footages to address more demand for 2 bedrooms and updated 2005 pricing for all Residential Buildings (2004)			
Deposits	A	15.4	
Operating Lease	A	4.8	
Development Fees	B	(0.8)	
Phase Costs	B	<u>(15.1)</u>	4.3
2 RB1.3 through RB3.4 costs increased from \$95 to \$97 per sqft due to materials increases (2004)			
Phase Costs	B	<u>(2.2)</u>	(2.2)
3 Change in the calculation assumption for sanitation fees permits by Lake County (fees were only based on RB units, but were changed to include CB costs as well) & assumption change for VOL permitting fees to include parking decks, RGs and misc. structures, in addition to CB's and RB's (2004)			
Phase Costs	B	<u>(2.9)</u>	(2.9)
4 Lincolnshire Campus enters into ground lease agreement with CNL, which had not been anticipated in original budget (2004)			
Other Development Costs	D	<u>(20.3)</u>	(20.3)
5 Increase in projection of departmental costs as part of annual budget review (2004 & 2005)			
Other Development Costs	C	<u>(1.3)</u>	(1.3)
6 Lincolnshire Campus obtains additional financing from Legg Mason, which includes interest payments and closing costs that were not anticipated in original budget - (\$8.2M). The Legg Mason financing caused an offsetting decrease in construction loan interest - \$5.4M (2004)			
Other Development Costs	D	<u>(2.8)</u>	(2.8)
7 Erickson Construction assumes the General Contractor role for all phases after RB1.4, therefore decreasing construction mgmt fee budget (2004)			
Phase Costs	B	<u>3.5</u>	3.5
8 Revised Unit Mix to reflect new generation unit mix plans, offset against correction of overstated parking fees in budget (2005)			
Deposits	A	1.5	
Development Fees	B	<u>(0.1)</u>	1.4
9 Increase in construction loan rates from 8.25% to 8.5% (2005)			
Other Development Costs	D	<u>(3.8)</u>	(3.8)
10 Increase of NH1 active phase costs, and projected costs by \$9 per sqft costs, and project CB cost (from \$180 to \$205) due to materials cost escalation. Also, added cost for PKD2 due to increase in parking spaces from 589 to 634. (2005 & 2006)			
Phase Costs	B	(8.0)	
Other Development Costs	D	<u>(7.4)</u>	(15.4)
11 Delay of project schedule due to slower than anticipated absorption rate in Chicago market (2007)			
Deposits	A	16.5	
Development Fees	B	(0.8)	
Working Capital	A	(8.0)	
Phase Costs	B	(7.9)	
Departmental Costs	C	(15.9)	
Other Development Costs	D	<u>(4.8)</u>	(20.9)
12 Adjustment of operating lease due to change in rate and a decrease in the mortgage period, from 40 to 30 years (2007)			
Operating Lease	A	<u>0.7</u>	0.7
13 Adjustment of funds held related to converting to updating metrics w/ historical performance (2007)			
Working Capital	A	(7.0)	
Other Development Costs	D	<u>(9.0)</u>	(16.0)
14 RB1.5 through RB2.2 costs adjusted for cost increase of steel - from \$103 to \$115 per sqft. Also, construction plans for RB2.3 through RB3.4 were changed from steel to woodframe due to rising cost of steel - \$4.7, and included a change from parking decks to underground parking for RB2.3 through RB3.4 - (\$6.7) (2007) Costs were offset by an increase of 5% in pricing per unit from RB1.5 and thereafter as a result of the annual market analysis review (2007)			
Deposits	A	14.1	
Development Fees	B	(0.7)	
Phase Costs	B	(7.7)	
Other Development Costs	D	<u>(2.9)</u>	2.8

# Lincolnshire Campus, LLC

\$'s in Millions

## Variations to Original Proforma by Reason

	<u>Category</u>	<u>\$ Detail</u>	<u>\$ Summary</u>
15 Unit Mix Changes (2007) Phase Costs	B	<u>(3.3)</u>	(3.3)
16 Bond Issuance (2007) Funds held to cover operating deficits and debt service on bond	A	(87.3)	
Financing Costs (Pay off construction loan)	D	32.4	
Interest on Excess Funds	A	2.0	
Community Loan Interest	D	<u>(1.6)</u>	(54.5)
17 Purchase date assumed to take place in December 2015 (2007) Operating Lease	A	<u>(8.7)</u>	(8.7)
18 Update RG assumptions to 100% collection of deposits based on historical experience (2007) Deposits	A	5.9	
Development Fees	B	<u>(1.0)</u>	4.9
19 Cost per square foot increases due to steel cost escalation - RB2.1-RB2.2 (\$115 to \$128.05 per sqft); CB20-CB30 (\$205 to \$223.3), and bridges (2,898.38 to \$4,485) (2007) Phase Costs	B	<u>(10.1)</u>	(10.1)
20 RG10 Acceleration from 03/11 to 07/09 (2007) Deposits	A	(1.6)	
Phase Costs	B	<u>1.0</u>	(0.6)
21 Slow absorption schedule from 12.07 to 11.76 average settlements per month (2007) Funds Held/WC Loan	A	(5.7)	
Other Development Costs	D	<u>(0.6)</u>	(6.3)
22 Increase departmental costs due to proforma update with 2008 budget (2007) Departmental Costs	C	<u>(1.0)</u>	(1.0)
23 Interest on working capital loan is not part of enterprise value calculation (2007) Other Development Costs	D	<u>(3.0)</u>	(3.0)
24 Reclass of construction management services (2008) Phase Costs	B	7.2	
Departmental Costs	C	<u>(7.2)</u>	0.0
25 Increase EC10 hard costs to contract amount (2008) Phase Costs	B	<u>(3.6)</u>	(3.6)
26 Other Phase Costs	B	(0.3)	
Other Development Costs	D	<u>(1.5)</u>	(1.8)
			<u>(160.8)</u>

## Variance by line item (reference category code)

	<u>Total</u>
A Total Deposits (Deposits/ Working Capital/ Operating Lease)	(57.5)
B Phase Costs	(52.8)
C Departmental Costs	(25.3)
D Other Development Costs	(25.2)
Total Variance	<u>(160.8)</u>

# 4 Project Schedule

**Erickson Retirement Communities  
Project Schedule  
March 31, 2009**

	<u>Units</u>	<u>Forecasted Construction Start Date</u>	<u>Forecasted Substantially Complete</u>	
<b>Active Phases</b>				
<b>Ashby Ponds (Loudoun)</b>				
RB 1.4	78	5/1/2008	5/1/2009	
RB 1.5	79	5/1/2008	5/1/2009	
RB 1.6	80	6/1/2009	6/1/2010	**
CB 2.0	-	11/1/2009	11/1/2010	
RB 2.1	124	11/1/2009	11/1/2010	
SW 2.0	-	9/1/2009		
EC 1.0A/B	36	6/1/2010	9/1/2011	
<b>Hickory Chase (Hilliard)</b>				
CB 1.0	-	6/1/2008	6/1/2009	
RB 1.1	145	8/1/2008	6/1/2009	
RB 1.2	91	7/1/2009	5/1/2010	
RB 1.3	87	12/1/2009	10/1/2010	
EC 1.0A	36	4/1/2010	7/1/2011	
<b>Maris Grove (Concord)</b>				
RB 2.2	126	3/1/2008	5/1/2009	
RB 2.4	104	6/1/2008	6/1/2009	
RB 2.5	84	6/1/2009	4/1/2010	
CB 3.0	-	3/1/2010	3/1/2011	
RB 3.1	123	3/1/2010	3/1/2011	
RB 3.2	60	7/1/2010	7/1/2011	
RB 3.3	67	11/1/2010	11/1/2011	
EC 1.0	132	3/1/2008	7/1/2009	
<b>Wind Crest (Denver)</b>				
CB 2.0	-	8/1/2009	6/1/2010	**
RB 2.2	87	8/1/2009	6/1/2010	**
RB 2.1	123	10/1/2010	8/1/2011	
<b>Sedgebrook (Lincolnshire)</b>				
EC 1.0	132	11/1/2007	7/1/2009	***
SW 4.0	-	11/2/2007	8/1/2009	
<b>Linden Ponds (Hingham)</b>				
EC 1.0	132	8/1/2007	3/1/2009	
RB 2.5	120	5/1/2009	5/1/2010	
RB 3.1	106	5/1/2010	TBD	
<b>No Active Phases</b>				
<b>Eagle's Trace (Houston)</b> <b>Fox Run (Novi)</b> <b>Monarch Landing (Naperville)</b> <b>Tallgrass Creek (Kansas)</b> <b>Highland Springs (Dallas)</b>				
<b>Pending Financing</b>				
<b>Ann's Choice (Warminster)</b> <b>Seabrook (Tinton Falls)</b>				
<b>Not Started</b>				
<b>Grant's Farm (St. Louis)</b> <b>Tanglewood Creek (Westminster)</b> <b>Windsor Run (Matthews)</b>				

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

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



# 5 Landowner Financial Statements

**ERICKSON RETIREMENT COMMUNITIES**  
**Lincolnshire Campus**  
**Landowner Balance Sheet**  
**Mar, FY09**

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	<u>Current Balance</u>	<u>Prior Year End Balance</u>	<u>Change from Prior Year</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	273,352	4,956	268,396
Assets Limited as to Use	1,238,987	1,175,967	63,020
Other Current Assets	<u>386,201</u>	<u>305,935</u>	<u>80,265</u>
<b>Total Current Assets</b>	<b>1,898,539</b>	<b>1,486,858</b>	<b>411,681</b>
<b>Fixed Assets</b>			
Land and Improvements	24,390,675	24,390,675	-
Buildings	143,996,762	143,996,762	-
Other Fixed Assets	<u>2,530,125</u>	<u>2,494,093</u>	<u>36,032</u>
<b>Total Fixed Assets</b>	<u>170,917,562</u>	<u>170,881,530</u>	<u>36,032</u>
Accumulated Depreciation	<u>(12,464,392)</u>	<u>(11,409,595)</u>	<u>(1,054,796)</u>
Total Fixed Assets net of Depreciation	158,453,171	159,471,935	(1,018,765)
Construction in Progress	<u>43,265,439</u>	<u>38,567,014</u>	<u>4,698,425</u>
<b>Total Fixed Assets, Net and CIP</b>	<b>201,718,610</b>	<b>198,038,949</b>	<b>3,679,661</b>
<b>Other Assets</b>			
Community Note Receivable	11,163,647	11,966,693	(803,047)
Deferred Financing Costs, net	<u>419,674</u>	<u>425,178</u>	<u>(5,504)</u>
<b>Total Other Assets</b>	<u>11,583,321</u>	<u>12,391,872</u>	<u>(808,551)</u>
<b>TOTAL ASSETS</b>	<b><u>215,200,470</u></b>	<b><u>211,917,679</u></b>	<b><u>3,282,791</u></b>
<b>LIABILITIES &amp; MEMBERS' CAPITAL</b>			
<b>Current Liabilities</b>			
Accounts Payable	101,973	70,212	31,761
Construction G.C. Payable	1,081,939	1,337,761	(255,823)
Retainage Payable	1,319,484	1,662,470	(342,985)
Other Current Liabilities	413,212	521,628	(108,416)
Short-Term Interest Payable	228,250	-	228,250
ERC Short-Term Funding	36,100,174	29,859,763	6,240,411
Development Fees Payable	48,002	-	48,002
Intercompany	<u>1,392,613</u>	<u>1,763,100</u>	<u>(370,487)</u>
<b>Total Current Liabilities</b>	<b>40,685,647</b>	<b>35,214,934</b>	<b>5,470,713</b>
<b>Long-Term Liabilities</b>			
Mortgage Payable	73,687,126	73,796,973	(109,847)
Bonds Payable	14,765,000	14,765,000	-
Purchase Option Deposit	<u>125,000,000</u>	<u>125,000,000</u>	<u>-</u>
<b>Total Long-Term Liabilities</b>	<b>213,452,126</b>	<b>213,561,973</b>	<b>(109,847)</b>
<b>Total Liabilities</b>	<b><u>254,137,773</u></b>	<b><u>248,776,907</u></b>	<b><u>5,360,866</u></b>
<b>Members' Capital</b>			
Members' Capital	(1,700,000)	(1,700,000)	-
Members' Capital Sub-Debt Interest	12,150,000	12,150,000	-
Development Fee Distributions	(5,396,218)	(5,180,881)	(215,337)
Retained Earnings	(42,128,347)	(42,128,347)	-
Current Year's Income (Loss)	<u>(1,862,737)</u>	<u>-</u>	<u>(1,862,737)</u>
<b>Total Members' Capital</b>	<b><u>(38,937,302)</u></b>	<b><u>(36,859,228)</u></b>	<b><u>(2,078,074)</u></b>
<b>TOTAL LIABILITIES &amp; MEMBERS' CAPITAL</b>	<b><u>215,200,470</u></b>	<b><u>211,917,679</u></b>	<b><u>3,282,791</u></b>

**ERICKSON RETIREMENT COMMUNITIES**  
**Lincolnshire Campus**  
**Landowner Income Statement**  
**Mar, FY09**

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	Period Activity	Period Budget	Period Variance	Year-to-Date Actual	Year-to-Date Budget	Year-to-Date Variance
<b>Departmental Expenses</b>						
Development Administration	79,246	72,049	(7,197)	246,002	214,158	(31,845)
Construction Management Services	54,266	5,224	(49,042)	192,193	15,671	(176,521)
Administration	56,792	56,792	-	170,375	170,375	-
Marketing	327,154	332,447	5,293	996,845	997,341	496
Sales and Information	79,687	87,661	7,974	285,304	253,592	(31,712)
Information Services	16,550	16,550	-	49,650	49,650	-
Legal	4,839	4,839	-	14,518	14,518	0
Capitalized Costs	(291,380)	-	291,380	(958,042)	-	958,042
<b>Net Departmental Expense</b>	<b>327,154</b>	<b>575,562</b>	<b>248,407</b>	<b>996,845</b>	<b>1,715,304</b>	<b>718,459</b>
<b>Other Operating Expenses</b>						
Bank Charges/Other Fees	333	-	(333)	676	-	(676)
Depreciation	351,650	-	(351,650)	1,054,796	-	(1,054,796)
Amortization	1,835	-	(1,835)	5,504	-	(5,504)
<b>Total Other Operating Expenses</b>	<b>353,817</b>	<b>-</b>	<b>(353,817)</b>	<b>1,060,977</b>	<b>-</b>	<b>(1,060,977)</b>
<b>Total Operating Expenses</b>	<b>699,589</b>	<b>575,562</b>	<b>(124,027)</b>	<b>2,076,440</b>	<b>1,715,304</b>	<b>(361,135)</b>
<b>Non-Operating Revenue</b>						
Note Rec/Other Interest	40,497	-	40,497	120,436	-	120,436
Community Lease Revenue	387,398	-	387,398	1,144,882	-	1,144,882
Earned Inc-Nonrefund Dep	(25,900)	-	(25,900)	(25,900)	-	(25,900)
Other	(8,172)	-	(8,172)	(8,172)	-	(8,172)
<b>Total Non-Operating Revenue</b>	<b>393,822</b>	<b>-</b>	<b>393,822</b>	<b>1,231,245</b>	<b>-</b>	<b>1,231,245</b>
<b>Non-Operating Expenses</b>						
Mortgage Interest Expense	312,642	-	(312,642)	921,179	-	(921,179)
Financing Costs	9,959	-	(9,959)	26,679	-	(26,679)
Real Estate & Other Taxes	23,228	-	(23,228)	69,685	-	(69,685)
<b>Total Non-Operating Expenses</b>	<b>345,829</b>	<b>-</b>	<b>(345,829)</b>	<b>1,017,543</b>	<b>-</b>	<b>(1,017,543)</b>
<b>NET INCOME (LOSS)</b>	<b>(651,597)</b>	<b>(575,562)</b>	<b>(76,035)</b>	<b>(1,862,737)</b>	<b>(1,715,304)</b>	<b>(147,433)</b>

**ERICKSON RETIREMENT COMMUNITIES**  
**Lincolnshire Campus**  
**Landowner Cash Flow Statement**  
**Mar, FY09**

04/22/09 9:04 AM

	<u>Period Activity</u>	<u>Year-to-Date</u>
<b>Cash Flows from Operating Activities:</b>		
Net Income (Loss)	(651,597)	(1,862,737)
Adjustments to reconcile Net Income (Loss) to Net Cash (Used In) Provided by Operating Activities:		
Depreciation	351,650	1,054,796
Amortization	1,835	5,504
Changes in:		
Assets Limited as to Use	22,080	(63,020)
Other Current Assets	6,960	(80,265)
Current Liabilities	206,876	(76,655)
Interest Payable	76,083	228,250
ERC Short-Term Funding	2,110,411	6,240,411
Development Fees Payable	(1,229)	48,002
Intercompany	(449,519)	(370,487)
<b>Net Cash (Used In) Provided by Operating Activities</b>	<b>1,673,551</b>	<b>5,123,799</b>
<b>Cash Flows from Investing Activities:</b>		
CIP and Other Fixed Assets	(1,180,387)	(4,734,457)
<b>Net Cash (Used In) Provided by Investing Activities</b>	<b>(1,180,387)</b>	<b>(4,734,457)</b>
<b>Cash Flows from Financing Activities:</b>		
Deferred Financing Costs	-	-
Community Note Receivable	20,235	803,047
Retainage Withheld (Released)	(314,149)	(342,985)
Mortgage Proceeds	25,900	25,900
Principal Repayments - Mortgage	(45,437)	(135,747)
Change in General Contractor Payable	(22,932)	(255,823)
Proceeds (Repay) of Purchase Deposit	-	-
Members' Capital	-	-
Members' Drawing	(48,002)	(215,337)
<b>Net Cash (Used In) Provided by Financing Activities</b>	<b>(384,385)</b>	<b>(120,946)</b>
<b>Change in Cash</b>	<b>108,779</b>	<b>268,396</b>
Beginning Cash Balance	164,572	4,956
<b>Ending Cash Balance</b>	<b>273,352</b>	<b>273,352</b>

# 9 Community Financial Statements

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

	YTDMar FY09	YTDFeb FY09	Change	YTDDec FY08	Change
<b>Assets</b>					
<i>Current Assets</i>					
Cash	(547)	111	(658)	36	(583)
Designated Cash	379	514	(135)	513	(133)
Accounts Receivable	357	274	83	254	103
Inventory	42	43	(1)	48	(6)
Prepays	120	172	(52)	72	48
14100-Promissory Notes	1,470	1,099	371	2,071	(601)
14500-Mortgages Receivable	553	553	-	553	-
<b>Total Current Assets</b>	<b>2,375</b>	<b>2,768</b>	<b>(393)</b>	<b>3,548</b>	<b>(1,173)</b>
<i>Limited Use Cash and Investments</i>					
Escrow Deposits	2,340	2,443	(103)	3,285	(945)
Restricted Fund Accounts	16,195	15,264	931	14,002	2,193
<b>Total Limited Use Cash &amp; Investments</b>	<b>18,535</b>	<b>17,706</b>	<b>828</b>	<b>17,287</b>	<b>1,248</b>
<i>Non-Current Assets</i>					
Work-In-Process	54,787	54,787	-	54,787	-
Fixed Assets- Net	20,319	20,374	(55)	20,538	(219)
Capitalized Bond Interest	3,037	2,898	139	2,589	448
Deferred Assets	2,640	2,646	(6)	2,657	(17)
LT Mortgage & Note Receivables	198,134	198,153	(20)	198,244	(110)
<b>Total Non-Current Assets</b>	<b>278,917</b>	<b>278,857</b>	<b>59</b>	<b>278,814</b>	<b>102</b>
<b>Total Assets</b>	<b>299,826</b>	<b>299,331</b>	<b>495</b>	<b>299,648</b>	<b>178</b>
<b>Liabilities</b>					
<i>Current Liabilities</i>					
Accounts Payable and Accrued Liabilities	2,123	1,985	137	2,007	116
Resident Refunds Payable	0	6	(7)	-	0
Short Term Obligations Debt	3,653	3,171	481	2,225	1,427
<b>Total Current Liabilities</b>	<b>5,775</b>	<b>5,163</b>	<b>612</b>	<b>4,232</b>	<b>1,543</b>
<i>Non-Current Liabilities</i>					
Advance Deposits	1,897	1,678	219	1,332	565
Parking Deposits	1,188	1,200	(12)	1,212	(24)
Capital	107,508	106,902	607	105,750	1,758
Amort of Capital	(6,354)	(6,131)	(223)	(5,689)	(666)
Long Term Liabilities	219,730	219,749	(19)	220,533	(803)
<b>Total Non-Current Liabilities</b>	<b>323,968</b>	<b>323,397</b>	<b>571</b>	<b>323,138</b>	<b>830</b>
<b>Total Liabilities</b>	<b>329,743</b>	<b>328,560</b>	<b>1,183</b>	<b>327,370</b>	<b>2,373</b>
<b>Net Assets</b>					
Unrestricted Net Assets	(28,004)	(28,004)	-	(18,545)	(9,460)
Temporarily Restricted	229	225	4	282	(53)
Current Year Increase (Decrease) In Net Assets	(2,142)	(1,450)	(692)	(9,460)	7,318
<b>Total Net Assets</b>	<b>(29,917)</b>	<b>(29,229)</b>	<b>(688)</b>	<b>(27,722)</b>	<b>(2,195)</b>
<b>Total Liabilities and Net Assets</b>	<b>299,826</b>	<b>299,331</b>	<b>495</b>	<b>299,648</b>	<b>178</b>

**SED**  
**Statement of Operations by Account**  
All LOB, All Entities  
Mar, FY09  
(in thousands)

	Mar		YTD(Mar)		YTDDec	
	Actual	BudVar	Actual	BudVar	JanForecas	JanFcstVar
<b>Operating Revenue</b>						
Resident Monthly Fees	637	(2)	1,891	4	9,071	(7,179)
Departmental Revenues	207	15	529	(18)	2,456	(1,999)
<b>Total Operating Revenue</b>	<b>844</b>	<b>13</b>	<b>2,420</b>	<b>(14)</b>	<b>11,527</b>	<b>(9,178)</b>
<b>Operating Expense</b>						
Wages	409	34	1,205	50	5,552	4,324
Employee Benefits	82	20	246	43	1,188	951
Other Employee Expense	24	19	88	37	467	373
Contract Labor Expense	57	61	182	150	1,526	1,311
Supplies Expense	90	22	275	48	1,589	1,276
Repairs and Maintenance Expense	25	(9)	76	(29)	236	144
Professional Fee Expense	13	(3)	19	13	218	186
Purchased Services Expense	193	3	579	9	2,336	1,757
Resident Related_	2	(2)	6	(6)	-	(8)
Administrative Related Expense	9	(5)	33	(20)	41	(2)
Insurance_	19	(3)	51	(1)	198	147
Utilities_	94	0	293	39	1,298	1,072
Rent and Lease Expense	0	0	1	(1)	-	(1)
684-Taxes	78	-	233	-	930	698
59200-Management Fees	32	0	95	0	450	323
Marketing Cost	-	-	0	0	-	0
Operating Reserve Expense	(1)	1	0	0	(61)	(61)
Other Expenses	-	43	-	115	463	463
<b>Total Operating Expense</b>	<b>1,127</b>	<b>180</b>	<b>3,382</b>	<b>446</b>	<b>16,430</b>	<b>12,952</b>
<b>Operating Income</b>	<b>(283)</b>	<b>193</b>	<b>(962)</b>	<b>433</b>	<b>(4,902)</b>	<b>3,773</b>
<b>Non-Operating Income</b>						
Investment Income	6	0	15	(1)	66	(51)
47770-Amortization Income	223	(1)	666	3	2,852	(2,186)
<b>Total Non-Operating Income</b>	<b>229</b>	<b>(1)</b>	<b>681</b>	<b>1</b>	<b>2,918</b>	<b>(2,237)</b>
<b>Non-Operating Expense</b>						
Net Rent	75	0	224	1	900	676
Interest Expense	392	(334)	1,135	(956)	4,429	3,293
59910-Amortization Expense	6	0	17	1	72	55
59950-FF&E Depreciation Expense	113	(9)	333	(28)	1,871	1,538
68300-Letter of Credit Fees	53	12	152	43	780	628
<b>Total Non-Operating Expense</b>	<b>638</b>	<b>(331)</b>	<b>1,861</b>	<b>(938)</b>	<b>8,051</b>	<b>6,191</b>
<b>Increase (Decrease) in Net Assets</b>	<b>(692)</b>	<b>(139)</b>	<b>(2,142)</b>	<b>(504)</b>	<b>(10,036)</b>	<b>7,727</b>

**SED**  
**Statement of Operations by Account**  
All LOB, All Entities  
Mar, FY09  
(in thousands)

**Current Month Occupancy**

	<u>Independent</u>	<u>Assisted Living</u>	<u>Skilled Nursing</u>
Billed Units	324	#MISSING	#MISSING
Available Units	469	#MISSING	#MISSING
Occupancy %	69.1%	#MISSING	#MISSING

**YTD Payor Mix**

	<u>SNF Totals</u>		<u>SNF %'s</u>	
	<u>Operating Revenue</u>	<u>Resident Days</u>	<u>Opt Rev %'s</u>	<u>Resident Days%'s</u>
Private	-	-	-	-
Medicare A	-	-	-	-
Medicaid	-	-	-	-
Other Insurance	(20)	-	100.00	-
<b>Total</b>	<b>(20)</b>	<b>-</b>	<b>100.00%</b>	<b>-</b>



**SED**  
**Statement of Cash Flows**  
Mar , FY09  
(in thousands)

	Current	YTD
<b>Cash Flows from Operating Activities</b>		
Net Income	(692)	(2,142)
<b>Adjustments to Reconcile Income</b>		
Depreciation and Amortization Expense	119	350
Amortization Income	(223)	(666)
Unrealized (Gain) Loss on Investments	-	-
(Increase)/Decrease in Accounts Receivable	(83)	(103)
(Increase)/Decrease in Inventory	1	6
(Increase)/Decrease in Prepaid Expenses	52	(48)
Increase/(Decrease) in Accounts Payable and Accrued Liabilities	137	116
<b>Net Cash Provided by Operating Activities</b>	<b>(688)</b>	<b>(2,487)</b>
<b>Cash Flows from Investing Activities</b>		
(Increase)/Decrease in Promissory Notes Receivable	(371)	601
(Increase)/Decrease in Other Short-Term Notes Receivable	-	-
(Increase)/Decrease in Limited Use Cash and Investments	(824)	(1,301)
(Increase)/Decrease in Designated Cash	135	133
(Increase)/Decrease in Designated Securities	-	-
(Increase)/Decrease in Work-In-Process	-	-
(Increase)/Decrease in Fixed Assets	(58)	(114)
(Increase)/Decrease in Capitalized Bond Interest	(139)	(448)
(Increase)/Decrease in Deferred Assets	-	-
(Increase)/Decrease in LT Mortgage & Note Receivables	20	110
<b>Net Cash Used in Investing Activities</b>	<b>(1,238)</b>	<b>(1,018)</b>
<b>Cash Flows from Financing Activities</b>		
Increase/(Decrease) in Resident Refunds Payable	(7)	0
Increase/(Decrease) in Advance Deposits Payable	219	565
Increase/(Decrease) in Parking Deposits Payable	(12)	(24)
Increase/(Decrease) in Resident Deposits	607	1,758
Increase/(Decrease) in Short Term Debt Payable	481	1,427
Increase/(Decrease) in Long Term Liabilities	(19)	(803)
<b>Net Cash Provided by Financing Activities</b>	<b>1,269</b>	<b>2,923</b>
<b>Increase (Decrease) in Cash</b>	<b>(658)</b>	<b>(583)</b>
Aggregate Other Items to Reconcile Cash	-	-
<b>Cash Beginning of Period</b>	<b>111</b>	<b>36</b>
<b>Cash End of Period</b>	<b>(547)</b>	<b>(547)</b>

<b>Cash From Resident Deposits</b>		
Increase/(Decrease) in Resident Deposits	607	1,758
Increase/(Decrease) in Resident Refunds Payable	(7)	0
(Increase)/Decrease in Promissory Notes Receivable	(371)	601
<b>Net Cash From Resident Deposits*</b>	<b>229</b>	<b>2,359</b>

\* Includes Initial Entrance Deposits

**ERICKSON RETIREMENT COMMUNITES**  
**DEBT SERVICE COVERAGE SUMMARY**

**I. Debt Service Revenue:**

- A. Net Income (Loss) per Statement of Operations
- B. Add: Interest Expense per Statement of Operations
- C. Add: Letter of Credit Fees per Statement of Operations
- D. Add: Building & FF&E Depreciation Expense per Statement of Operations
- E. Add: Amortization Expense per Statement of Operations
- F. Subtract: Amortization on Resident Deposits (Deferred Revenue) per Statement of Operations
- G. If applicable, Add: Unrealized Losses or Subtract: Unrealized Gains

**II. Net Entrance Fees: (please see V. below):**

- A. Change in Deposits – Residents’ Capital per Statement of Cash Flows (Balance Sheet)
- B. Change in Resident Refunds Payable per Statement of Cash Flows (Balance Sheet)
- C. Change in Promissory Notes Receivable per Statement of Cash Flows (Balance Sheet)
- D. Change in Initial Entrance Deposits per Statement of Cash Flow Resident Deposit Summary

**III. Debt Service Numerator = Debt Service Revenue + Net Entrance Fees**

**IV. Debt Service = Denominator**

- A. Add: Interest Expense per Statement of Operations
- B. Add: Letter of Credit Fees per Statement of Operations
- C. Add: Principal Repayment on Bond

**V. Net Entrance Fee Terms:**

**A. Deposits – Residents’ Capital**

1. Initial Entrance Deposits (**EXCLUDE** from Net Entrance Fee Calculation) (please see D. below)
  - a. Pay the deposit in full when moving into the apartment. Cash and Resident Capital are recorded at this time.
  - b. “Flex Pay” to defer full payment - someone wants to move in but has not sold their home or is unsure how they want to pay the deposit. “Flex Pay” is **NOT** recorded as an entrance deposit until the full deposit is paid.
  - c. Promissory Note Receivable covers all or part of the entrance deposit. This is for someone who has sold their home but hasn’t closed and wants interim funding. Cash and/or Promissory Note Receivable and Resident Capital are recorded at this time.
2. Resale Entrance Deposits (**INCLUDE** in Net Entrance Fee Calculation)

- a. Pay the deposit in full when moving into the apartment. Cash and Resident Capital are recorded at this time.
- b. "Flex Pay" to defer full payment - someone wants to move in but has not sold their home or is unsure how they want to pay the deposit. "Flex Pay" is **NOT** recorded as an entrance deposit until the full deposit is paid.
- c. Promissory Note Receivable covers all or part of the entrance deposit. This is for someone who has sold their home but hasn't closed and wants interim funding. Cash and/or Promissory Note Receivable and Resident Capital are recorded at this time.

#### **B. Resident Refunds Payable**

1. Resident A's entrance deposit from Independent Living Unit (ILU) or Assisted Living Unit (ALF) is reclassified to from Residents' Capital to Residents' Refunds Payable after Resident B's entrance deposit is paid in full. Resident B's re-occupancy of the unit is documented by:
  - a. Cash received (date of final deposit)
  - b. Promissory Note Receivable (date the P-Note is signed by the community and Resident B)
  - c. Flex Pay addendum (date addendum is signed by both parties)
  - d. Unit release-transfer addendum (date of move in to unit)
2. Skilled Nursing Facility (SNF) – If resident is a permanent SNF resident, their deposit is associated with a SNF unit.
  - a. The resident refund is recorded as a payable on the date the SNF room is vacated.
  - b. Resident deposit is "moved" to a SNF unit from an ILU for accounting purposes when the ILU is reoccupied.

#### **C. Resident Refunds**

1. ILU or ALF refunds are typically paid to residents or their estates within one week of the receipts of the new entrance deposit for the apartment.
2. SNF refunds are typically paid to residents or their estates within 30 days of their death or departure regardless of the status of the receipt of the new entrance deposit for a resident's previous ILU or SNF unit.

#### **D. Initial Entrance Deposits**

1. Erickson campuses are developed over a long time period.
2. Some campuses do not have material unit resales, while some are not complete but have a material number of unit resales.
3. Revisions are underway to report initial entrance deposit receipts differentiated from unit resale entrance deposit receipts.
4. This information should be helpful to bondholders at Ann's Choice and Cedar Crest Village and lenders at Fox Run Village.
5. Bondholders at Linden Ponds, Sedgebrook, and Monarch Landing should assume that substantially all the entrance deposits received are initial entrance deposits and should be excluded from the debt service coverage calculation.

# SEDGEBROOK

## SEDGEBROOK COMPLIANCE CERTIFICATE

Sedgebrook, Inc. ("Sedgebrook") HEREBY CERTIFIES that:

1. This Certificate is furnished pursuant to Section 8.08 (c) of the Loan Agreement dated as of August 1, 2007 (the "Agreement") among Sedgebrook, Inc. and the Illinois Finance Authority.
2. The financial statements attached hereto have been prepared in accordance with generally accepted accounting principles and, to the best of my knowledge, reflect accurately and completely the financial condition and results of operation of the Borrower as of and for the period ended on the date of such statements.
3. As of March 31, 2009, Sedgebrook was in compliance with the covenants set forth in the Loan Agreement.

IN WITNESS WHEREOF, we have executed this Certificate as of April 30, 2009.

SEDGEBROOK, INC.

By: \_\_\_\_\_

  
Jeffrey A. Jacobson  
Asst. Treasurer