



**Lincolnshire Campus, LLC  
Monthly Reporting Package  
June 2007**

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# ↳ 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 1386 independent living apartments, 96 assisted living apartment and 132 skilled nursing beds upon its expected completion in 2011.

### Financing Overview

- \$60 million Revolving Credit Facility (construction loan) with Mercantile Bank which closed in July, 2004 and was amended in December of 2005.
- \$27 million of sub debt structured as a land sale/leaseback agreement with CNL (annual rent/interest of 15%) that was executed in July 2004.
- \$15 million Special Tax Service Bond District Financing which closed in July, 2004.
- Erickson has funded approximately \$12.1M in equity to date to cover sub debt interest.
- Erickson has funded approximately \$29.5M in short term funding to cover project expenses in excess of entrance fees and the construction loan.
- National Senior Campuses has decided to proceed with the bond financing of a purchase deposit for Sedgebrook even though the IRS has not ruled on the new purchase structure. We will proceed under the old purchase option structure and modify to match the new purchase structure if and when approved by the IRS. The Bond financing/purchase deposit transaction is expected to occur in August 2007.

## Executive Summary

### Marketing Overview

Sedgebrook is working hard to rebound after its difficult 2006 and slow start to 2007. In June, the community had -2 net reservations, 15 initial deposits and 9 settlements. Advertising and sales are working hard to increase the community's pipeline that currently consists of 46 reservations, 159 standbys and 88 futures.

## Lincolnshire Campus, LLC

### Critical Issues

#### Erickson Construction – Lien Status

All outstanding liens on the Lincolnshire project have been addressed by either a trust indemnity agreement with, or a bond (through Federal Insurance Company) posted by, Weis Builders.

#### 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

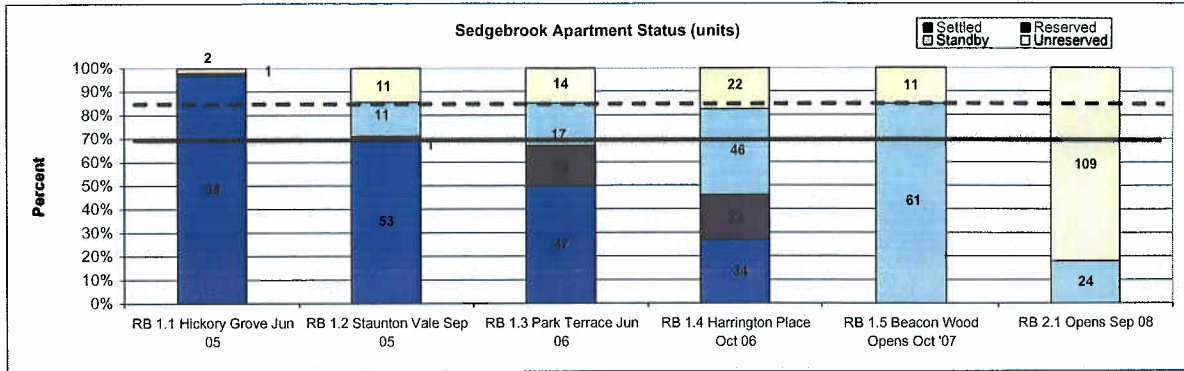
<i>Phase/Item</i>	<i>Construction Began</i>	<i>Projected to Open</i>
Sitework 1.0	May-04	N/A
Residential Building 1.5	Aug-06	Oct-07

### Proforma Update

	Original Budget	CURRENT 6/30/2007 Budget
Entrance Deposits	500	547
Purchase Price	83	98
Working Capital Payments	0	0
Net Operating Lease	0	0
Total Funds	582	645
Project Costs	409	466
Financing Costs	46	63
Operations Start Up (Working Capital) Ex. Res	(7)	(3)
Development Fees	25	27
Total Costs	473	554
<b>Enterprise Margin</b>	<b>109</b>	<b>91</b>

# 2 Marketing Reports

Apartment Status by Building as of 06-28-07



Total Units

101      76      94      126      72      133

	2004 Year End	2005 Year End	2006 1st Qtr	2006 2nd Qtr	2006 3rd Qtr	2006 4th Qtr	2007 1st Qtr	2007 2nd Qtr
Settled	0	105	130	141	174	201	211	232
Reservations	82	23	43	57	47	35	49	42
Standby	62	116	143	135	138	149	157	159
Futures	89	121	73	78	82	76	77	88
<b>Total</b>	<b>233</b>	<b>365</b>	<b>389</b>	<b>411</b>	<b>441</b>	<b>461</b>	<b>494</b>	<b>521</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 1.1	101	51	99	Test Satisfied
RB 1.2	76	38	54	Test Satisfied
RB 1.3	94	47	63	Test Satisfied
RB 1.4	125	63	58	5 Bond Posted
RB 1.5	72	36	0	36

Analysis of Deposits/Reservations/Standbys for Construction Starts

	Units	Test	Required Reserved/Standby	Settled	Reserved	Standby	Total	Needed	
<b>Current Buildings</b>									
RB 1.1	101	85%	85	98	1	0	99	(14)	Test Satisfied
RB 1.2	76	85%	65	53	1	11	65	(0)	Test Satisfied
RB 1.3	94	85%	80	47	16	17	80	(0)	Test Satisfied
RB 1.4	126	85%	107	34	24	46	104	3	Test Satisfied
RB 1.5	72	85%	61	0	0	61	61	0	Test Satisfied
<b>Construction Test for Funding of Next Building</b>									
Begins Construct Sep '07	RB 2.1	70%	93	0	0	24	24	69	

\*Settlement vs. Covenant

Original Covenant Requirement  
15

PTD Monthly Average as of 6/30/07  
9.5

NOTES:

SED has reached the 85% threshold for RB 1.5. We are 69 standbys short of meeting the 70% construction funding test for RB 2.1.

**2007 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)*	13	10	3	7	12	-2							43	7.17
* New	13	10	0	5	12	-3							37	6.17
* Resale	0	0	3	2	0	1							6	0
2 Gross Reservations (MS)	23	17	12	12	24	9							97	16.17
3 No. of Total Settlements (MS)*	3	0	7	7	8	9							34	5.67
* New	3	0	7	7	6	8							31	5.17
* Resale	0	0	0	0	2	1							3	0
4 No. of Initial Deposits (MS)	21	15	15	11	29	15							106	17.67
5 Requests for Refunds (MS)	6	5	6	4	10	10							41	6.83
6 Total Kit Requests (OT)	633	652	509	525	652	710							3,681	613.50
* MJO (OT)	376	275	294	292	281	444							1,962	327.00
* Sales Office (OT)	247	367	203	218	363	253							1,651	275.17
* Walk-ins (OT)	10	10	12	15	8	13							68	11.33
HC Kit Requests	1	0	1	1	1	0							4	0.67
7 Total Apts (OT)**	98	73	89	76	125	118							579	96.50
* First Time Apts (OT)	56	49	47	37	67	61							317	52.83
* Non Depositor Repeat Apts (OT)	11	9	9	12	17	19							77	12.83
* Depositor Apts (OT)	31	15	33	27	41	38							185	30.83
8 Walk-in Apts (OT)	0	0	0	0	0	0							0	0
<b>Pipeline</b>														
9 Reserved but Unsettled (P)	47	57	53	53	57	46							46	52.17
* New	46	56	49	47	53	42							42	48.83
* Resale	1	1	4	6	4	4							4	3.33
10 Standby (P)	153	154	157	157	158	159							159	156.33
11 Futures (P)	74	73	77	77	83	88							88	78.67
12 Total Deposits w/o Settled Apts (C) [9+10+11]	274	284	287	287	298	293							293	287.17
13 Total Settled Apts (P)	201	199	205	210	216	225							225	209.33
Total New Settled Apts (BS)	204	204	211	218	224	232							232	215.50
14 No. of Unsettled Apts (PRU)	196	198	192	187	181	172							172	187.67
15 Apts released by keys not turned in	0	0	0	0	0	0							0	0
Ratio (Line 12/14) (C)	1.40	1.43	1.49	1.53	1.65	1.70	N/A	N/A	N/A	N/A	N/A	N/A	1.70	1.53

**Notes**

\* Net Reservations = Gross Reservations - Reservations withdrawn

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





**Marketing Summary**

<b>Date Range</b> [>=6/1/2007 and	<b>SED</b>
<b>LOC: Independent</b>	

<b>Settlements</b>	<b>Count</b>	<b>Cash Collected</b>	<b>Current P-Note Due</b>	<b>Total</b>
<b>New</b>	8	\$1,210,950	\$1,745,050	\$2,956,000
<b>Resale</b>	1	\$175,000	\$175,000	\$175,000
<b>Total</b>	9	\$1,228,450	\$1,902,550	\$3,131,000

<b>Reservations</b>	<b>Initial Deposits</b>	<b>Priority List</b>	<b>Left To Settled</b>	<b>Withdraw</b>	<b>Net</b>	<b>Deposits Reserved</b>	<b>Reservations Settled</b>	<b>Reservations Withdrawn</b>	<b>Net Reservations</b>
<b>New</b>	4	4	8	11	-11	\$2,296,000	\$2,956,000	\$3,353,500	-\$4,013,500
<b>Resale</b>	0	1	1	0	0	\$314,000	\$175,000	\$0	\$139,000
<b>Total</b>	4	5	9	11	-11	\$2,610,000	\$3,131,000	\$3,353,500	-\$3,874,500

<b>Waiting Lists</b>	<b>Initial Deposits</b>	<b>Priority List</b>	<b>Changed Status</b>	<b>Net Change</b>
<b>Futures</b>	5	0	0	5
<b>Standby</b>	6	4	9	1
<b>Total</b>	11	4	9	6

<b>Initial Deposits</b>	<b>Initial Deposits</b>	<b>Requests for Refund</b>
Initial Deposits	15	
Requests for Refund	10	

# ∞ Total Anticipated Budget

**Erickson Retirement Communities  
Lincolnshire Campus  
Total Anticipated Budget  
As of June 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	72,750,934	13%	474,312,113	547,063,047	499,523,396	47,539,651	
Operating Lease	445,312	2%	21,775,884	22,221,196	16,709,748	5,511,448	
Funds Held/WC Loan Repayment	0	0%	(15,131,821)	(15,131,821)	-	(15,131,821)	
<b>Total Deposits</b>	<b>73,196,246</b>	<b>13%</b>	<b>480,956,176</b>	<b>554,152,422</b>	<b>516,233,144</b>	<b>37,919,278</b>	<b>A</b>
Hard Costs - Building	97,141,792	30%	224,360,309	321,502,101	281,106,571	(40,395,530)	
Hard Costs - Sitework	13,875,924	61%	8,758,722	22,634,646	22,235,218	(399,428)	
Architecture	7,842,738	62%	4,761,501	12,604,239	9,100,789	(3,503,450)	
Engineering	2,784,326	65%	1,499,293	4,283,619	3,801,000	(482,619)	
Builder's Risk	175,361	32%	368,142	543,503	455,013	(88,490)	
Fees, Permits & Bonds	3,437,956	30%	7,895,748	11,333,704	9,197,015	(2,136,689)	
Development Fee	3,637,547	13%	23,715,607	27,353,154	24,976,168	(2,376,986)	
Outside Legal	293,977	32%	623,365	917,342	945,040	27,698	
Construction MNGT Fee	703,791	66%	361,476	1,065,267	4,550,126	3,484,859	
<b>Phase Costs Before Contingency</b>	<b>129,893,412</b>	<b>32%</b>	<b>272,344,163</b>	<b>402,237,575</b>	<b>356,366,940</b>	<b>(45,870,635)</b>	
Contingency	0	0%	5,855,248	5,855,248	9,560,958	3,705,710	
<b>Total Phase Costs</b>	<b>129,893,412</b>	<b>32%</b>	<b>278,199,411</b>	<b>408,092,824</b>	<b>365,927,898</b>	<b>(42,164,926)</b>	<b>B</b>
Department Costs							
Administration Department	1,297,832	52%	1,214,739	2,512,571	2,062,926	(449,645)	
Acquisitions and Development	5,780,533	43%	7,675,241	13,455,774	10,889,375	(2,566,399)	
Finance	361,117	17%	1,768,672	2,129,789	1,058,468	(1,071,321)	
Marketing Department	12,849,684	34%	25,488,851	38,338,535	28,177,403	(10,161,132)	
Information Services	530,199	125%	(106,518)	423,681	1,128,804	705,123	
Legal Department	220,419	45%	273,999	494,418	433,866	(60,552)	
<b>Total Departmental Costs</b>	<b>21,039,784</b>	<b>37%</b>	<b>36,314,984</b>	<b>57,354,768</b>	<b>43,750,842</b>	<b>(13,603,926)</b>	<b>C</b>
<b>Total Hard &amp; Soft Costs</b>	<b>150,933,197</b>	<b>32%</b>	<b>314,514,395</b>	<b>465,447,592</b>	<b>409,678,740</b>	<b>(55,768,852)</b>	
Other Development Costs							
Land	21,079,819	100%	(0)	21,079,819	20,885,000	(194,819)	
Interest Costs	24,683,630	37%	42,481,808	67,165,438	25,903,964	(41,261,474)	
Financing Costs - L.O.C	1,801,761	85%	312,583	2,114,344	1,670,000	(444,344)	
Property Taxes	1,146,062	99%	9,462	1,155,524	1,654,088	498,564	
Capital Expenditures/	524,997	47%	597,776	1,122,773	300,000	(822,773)	
Community Loan Interest	(2,195,851)	154%	768,582	(1,427,269)	(12,946,394)	(11,519,125)	
<b>Total Other Development Costs</b>	<b>47,040,419</b>	<b>52%</b>	<b>44,170,210</b>	<b>91,210,629</b>	<b>37,466,658</b>	<b>(53,743,971)</b>	<b>D</b>
<b>Total Costs</b>	<b>197,973,615</b>	<b>36%</b>	<b>358,684,605</b>	<b>556,658,221</b>	<b>447,145,398</b>	<b>(109,512,823)</b>	
<b>Profit Margin</b>	<b>(124,777,370)</b>		<b>122,271,571</b>	<b>(2,505,799)</b>	<b>69,087,746</b>	<b>(71,593,545)</b>	
<b>Profit Margin %</b>				<b>-0.45%</b>	<b>13.38%</b>	<b>-13.84%</b>	
Purchase Price				98,200,000			
Adjustment to Funds Held/WC Loan Repayment				15,131,821			
Start Up Loss Adjustment				2,800,000			
Operating Lease Adjustment				(22,221,196)			
<b>Total Adjustments</b>				<b>93,910,625</b>			
<b>Enterprise Value</b>				<b>91,404,827</b>			

# Lincolnshire Campus, LLC

\$'s in Millions

## Variations 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 per square foot increased from \$95 to \$97 per square foot 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	(12.4)	
Other Development Costs	D	<u>(4.8)</u>	(17.4)
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	(7.2)	
Other Development Costs	D	<u>(2.9)</u>	3.3
15 Other			
Other Development Costs	D	<u>(2.9)</u>	(2.9)
			<u>(71.6)</u>

## Variance by line item (reference category code)

	Total
A Total Deposits (Deposits/ Working Capital/ Operating Lease)	38.0
B Phase Costs	(42.2)
C Departmental Costs	(13.6)
D Other Development Costs	(53.8)
Total Variance	<u>(71.6)</u>

# 4 Project Schedule

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

<b>Project</b>	<b>Original Scheduled Completion Date</b>	<b>Substantially Completed</b>	<b>Variance (in Months)</b>
Community Building 1.0	Jun-05	Jun-05	-
Transitional Spaces	Mar-09	Aug-09	(5.0)
Residential Building 1.1	Jun-05	Jun-05	-
Residential Building 1.2	Sep-05	Sep-05	-
Residential Building 1.3	Jun-06	Jun-06	-
Residential Building 1.4	Oct-06	Oct-06	-
Residential Building 1.5	Oct-07	Oct-07	-
Community Building 2.0	Mar-09	Oct-09	(7.0)
Residential Building 2.1	Jul-08	Mar-09	(8.0)
Residential Building 2.2	Mar-09	Oct-09	(7.0)
Residential Building 2.3	Oct-09	Sep-10	(11.0)
Residential Building 2.4	Jun-10	Jul-11	(13.0)
Community Building 3.0	Sep-11	Oct-12	(13.0)
Residential Building 3.1	Mar-11	Mar-12	(12.0)
Residential Building 3.2	Sep-11	Oct-12	(13.0)
Residential Building 3.3	Apr-11	Aug-13	(28.0)
Residential Building 3.4	Apr-12	Sep-13	(17.0)
Bridge 10 (CB1.0 to RB1.1)	Sep-05	Sep-05	-
Bridge 30 (RB 1.3 to RG2.0)	Apr-12	Sep-13	(17.0)
Bridge 50	Apr-11	Sep-13	(29.0)
Bridge 60 (RB3.3 to RB3.4)	Apr-12	Aug-13	(16.0)
Chapel 1	Mar-11	Mar-12	(12.0)
Gate House 1	Jun-05	Jun-05	-
Maintenance Building 1	Oct-09	Sep-10	(11.0)
Marketing Center 1	Nov-03	Nov-03	-
Parking Deck 1	Jun-05	Jun-05	-
Parking Deck 2	Jun-06	Jun-06	-
Parking Deck 3	Apr-11	Jul-10	9.0
Extended Care 1.0	Jun-10	Jul-09	11.0
Extended Care 2.0	Apr-12	Sep-13	(17.0)

**Mercantile Bank Covenant:**

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

# 5 Landowner Financial Statements

**ERICKSON RETIREMENT COMMUNITIES**  
**Lincolnshire Campus**  
**Landowner Balance Sheet**  
**Jun, FY07**

' 03:03 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	29,562	61,162	(31,600)
Assets Limited as to Use	3,550,750	3,392,000	158,750
Other Current Assets	1,282,681	1,302,131	(19,450)
<b>Total Current Assets</b>	<b>4,862,993</b>	<b>4,755,293</b>	<b>107,700</b>
<b>Fixed Assets</b>			
Land and Improvements	24,121,102	24,121,102	-
Buildings	123,077,048	111,858,670	11,218,379
Other Fixed Assets	2,047,260	2,032,105	15,155
<b>Total Fixed Assets</b>	<b>149,245,410</b>	<b>138,011,877</b>	<b>11,233,534</b>
Accumulated Depreciation	(5,247,384)	(3,501,963)	(1,745,421)
Total Fixed Assets net of Depreciation	143,998,027	134,509,914	9,488,113
Construction in Progress	20,483,202	20,347,382	135,820
<b>Total Fixed Assets, Net and CIP</b>	<b>164,481,229</b>	<b>154,857,296</b>	<b>9,623,933</b>
<b>Other Assets</b>			
Community Note Receivable	20,041,683	17,102,466	2,939,216
Deferred Financing Costs, net	762,519	812,376	(49,857)
<b>Total Other Assets</b>	<b>20,804,201</b>	<b>17,914,842</b>	<b>2,889,359</b>
<b>TOTAL ASSETS</b>	<b>190,148,423</b>	<b>177,527,431</b>	<b>12,620,992</b>
<b>LIABILITIES &amp; MEMBERS' CAPITAL</b>			
<b>Current Liabilities</b>			
Accounts Payable	169,360	224,172	(54,812)
Construction G.C. Payable	2,049,728	2,054,839	(5,111)
Retainage Payable	909,778	1,899,484	(989,707)
Other Current Liabilities	220,573	313,454	(92,881)
Short-Term Interest Payable	423,894	437,336	(13,443)
ERC Short-Term Funding	29,543,943	25,964,564	3,579,379
Development Fees Payable	3,637,547	2,940,740	696,807
Intercompany	784,766	238,114	546,652
<b>Total Current Liabilities</b>	<b>37,739,587</b>	<b>34,072,702</b>	<b>3,666,886</b>
<b>Long-Term Liabilities</b>			
Mortgage Payable	72,356,589	58,667,707	13,688,882
Line of Credit Payable	60,000,000	60,000,000	-
Sale/Leaseback Payable	27,000,000	27,000,000	-
Bonds Payable	15,000,000	15,000,000	-
<b>Total Long-Term Liabilities</b>	<b>174,356,589</b>	<b>160,667,707</b>	<b>13,688,882</b>
<b>Total Liabilities</b>	<b>212,096,176</b>	<b>194,740,408</b>	<b>17,355,768</b>
<b>Members' Capital</b>			
Members' Capital	33,475,000	31,450,000	2,025,000
Members' Drawing	(27,337,547)	(26,640,740)	(696,807)
Retained Earnings	(22,022,237)	(22,022,237)	-
Current Year's Income (Loss)	(6,062,969)	-	(6,062,969)
<b>Total Members' Capital</b>	<b>(21,947,753)</b>	<b>(17,212,977)</b>	<b>(4,734,776)</b>
<b>TOTAL LIABILITIES &amp; MEMBERS' CAPITAL</b>	<b>190,148,423</b>	<b>177,527,431</b>	<b>12,620,992</b>



**ERICKSON RETIREMENT COMMUNITIES**  
**Lincolnshire Campus**  
**Landowner Income Statement**  
**Jun, FY07**

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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	124,538	105,550	(18,988)	637,949	634,352	(3,598)
Administration	42,615	30,414	(12,201)	255,690	182,484	(73,206)
Finance	-	12,201	12,201	-	73,204	73,204
Marketing	263,933	208,326	(55,607)	1,406,065	1,251,001	(155,064)
Sales and Information	104,796	95,198	(9,598)	434,682	573,597	138,915
Information Services	17,753	17,752	(1)	106,518	106,514	(4)
Legal	3,914	3,914	0	23,484	23,486	2
Capitalized Costs	(293,616)	(263,025)	30,591	(1,458,324)	(1,581,613)	(123,289)
<b>Net Departmental Expense</b>	<b>263,933</b>	<b>210,330</b>	<b>(53,603)</b>	<b>1,406,065</b>	<b>1,263,025</b>	<b>(143,040)</b>
<b>Other Operating Expenses</b>						
Depreciation	301,750	299,223	(2,527)	1,745,421	1,735,186	(10,235)
Amortization	8,310	-	(8,310)	49,857	-	(49,857)
<b>Total Other Operating Expenses</b>	<b>310,060</b>	<b>299,223</b>	<b>(10,837)</b>	<b>1,795,278</b>	<b>1,735,186</b>	<b>(60,092)</b>
<b>Total Operating Expenses</b>	<b>573,993</b>	<b>509,553</b>	<b>(64,439)</b>	<b>3,201,342</b>	<b>2,998,211</b>	<b>(203,132)</b>
<b>Non-Operating Revenue</b>						
Note Rec/Other Interest	135,238	123,854	11,384	768,581	695,323	73,258
Community Lease Revenue	365,493	648,271	(282,778)	2,035,349	3,472,040	(1,436,691)
<b>Total Non-Operating Revenue</b>	<b>500,730</b>	<b>772,125</b>	<b>(271,394)</b>	<b>2,803,930</b>	<b>4,167,363</b>	<b>(1,363,433)</b>
<b>Non-Operating Expenses</b>						
Interest Expense LOC, net(Sub-debt)	-	-	-	1,214,577	227,024	(987,553)
CNL Interest Expense	337,500	337,500	-	2,025,000	2,025,000	-
Mortgage Interest Expense	296,104	586,001	289,897	1,621,595	3,098,425	1,476,830
Financing Costs	25,428	4,000	(21,428)	122,860	24,000	(98,860)
Real Estate & Other Taxes	681,225	-	(681,225)	681,525	-	(681,525)
<b>Total Non-Operating Expenses</b>	<b>1,340,257</b>	<b>927,501</b>	<b>(412,755)</b>	<b>5,665,557</b>	<b>5,374,449</b>	<b>(291,108)</b>
<b>NET INCOME (LOSS)</b>	<b>(1,413,519)</b>	<b>(664,930)</b>	<b>(748,589)</b>	<b>(6,062,969)</b>	<b>(4,205,296)</b>	<b>(1,857,673)</b>

**ERICKSON RETIREMENT COMMUNITIES**  
**Lincolnshire Campus**  
**Landowner Cash Flow Statement**  
**Jun, FY07**

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	<u>Period Activity</u>	<u>Year-to-Date</u>
<b>Cash Flows from Operating Activities:</b>		
Net Income (Loss)	(1,413,519)	(6,062,969)
Adjustments to reconcile Net Income (Loss) to Net Cash (Used In) Provided by Operating Activities:		
Depreciation	301,750	1,745,421
Amortization	8,310	49,857
Changes in:		
Assets Limited as to Use	(862,469)	(158,750)
Other Current Assets	25,328	19,450
Current Liabilities	(9,776)	(147,693)
Interest Payable	(9,184)	(13,443)
ERC Short-Term Funding	2,135,599	3,579,379
Development Fees Payable	116,382	696,807
Intercompany	(83,732)	546,652
<b>Net Cash (Used In) Provided by Operating Activities</b>	<b>208,688</b>	<b>254,711</b>
<b>Cash Flows from Investing Activities:</b>		
CIP and Other Fixed Assets	(3,037,753)	(11,369,353)
<b>Net Cash (Used In) Provided by Investing Activities</b>	<b>(3,037,753)</b>	<b>(11,369,353)</b>
<b>Cash Flows from Financing Activities:</b>		
Deferred Financing Costs	-	-
Community Note Receivable	(811,238)	(2,939,216)
Retainage Withheld (Released)	104,739	(989,707)
Mortgage Proceeds	2,327,634	13,936,134
Principal Repayments - Mortgage	(41,638)	(247,251)
Change in General Contractor Payable	975,660	(5,111)
Proceeds (Repay) LOC Sub-Debt	-	-
Members' Capital	337,500	2,025,000
Members' Drawing	(116,382)	(696,807)
<b>Net Cash (Used In) Provided by Financing Activities</b>	<b>2,776,275</b>	<b>11,083,042</b>
<b>Change in Cash</b>	<b>(52,790)</b>	<b>(31,600)</b>
Beginning Cash Balance	82,353	61,162
<b>Ending Cash Balance</b>	<b>29,562</b>	<b>29,562</b>

# 9 Community Financial Statements

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

	YTDJun FY07	YTDMay FY07	Change	YTDDec FY06	Change
<b>Assets</b>					
<i>Current Assets</i>					
Cash	311	111	199	677	(366)
Designated Cash	76	79	(3)	98	(22)
Accounts Receivable	116	143	(27)	86	30
Inventory	52	53	(1)	40	12
Prepays	41	53	(11)	95	(54)
Short Term Notes Receivable	3,421	2,634	788	2,508	914
<i>Total Current Assets</i>	<u>4,018</u>	<u>3,073</u>	<u>944</u>	<u>3,505</u>	<u>513</u>
<i>Limited Use Cash and Investments</i>					
Escrow Deposits	1,757	1,780	(23)	5,955	(4,198)
Restricted Fund Accounts	3,128	3,110	17	3,030	97
<i>Total Limited Use Cash &amp; Investments</i>	<u>4,884</u>	<u>4,890</u>	<u>(6)</u>	<u>8,985</u>	<u>(4,101)</u>
<i>Non-Current Assets</i>					
Fixed Assets- Net	2,281	2,334	(53)	2,451	(170)
LT Mortgage & Note Receivables	71,899	69,613	2,286	58,210	13,689
<i>Total Non-Current Assets</i>	<u>74,179</u>	<u>71,947</u>	<u>2,233</u>	<u>60,661</u>	<u>13,519</u>
<b>Total Assets</b>	<b><u>83,081</u></b>	<b><u>79,910</u></b>	<b><u>3,171</u></b>	<b><u>73,150</u></b>	<b><u>9,931</u></b>
<b>Liabilities</b>					
<i>Current Liabilities</i>					
Accounts Payable and Accrued Liabilities	1,205	1,136	70	1,219	(14)
Resident Refunds	558	534	25	510	49
Short Term Obligations Debt	17	2,135	(2,118)	1,966	(1,950)
<i>Total Current Liabilities</i>	<u>1,780</u>	<u>3,804</u>	<u>(2,023)</u>	<u>3,695</u>	<u>(1,914)</u>
<i>Non-Current Liabilities</i>					
Advance Deposits	1,138	1,189	(51)	795	343
Parking Deposits	1,212	1,188	24	1,224	(12)
Capital	74,003	71,111	2,892	64,078	9,925
Amort of Capital	(2,317)	(2,161)	(156)	(1,467)	(849)
Long Term Liabilities	20,047	19,236	811	17,108	2,940
<i>Total Non-Current Liabilities</i>	<u>94,084</u>	<u>90,563</u>	<u>3,521</u>	<u>81,737</u>	<u>12,346</u>
<b>Total Liabilities</b>	<b><u>95,864</u></b>	<b><u>94,367</u></b>	<b><u>1,498</u></b>	<b><u>85,432</u></b>	<b><u>10,432</u></b>
<b>Net Assets</b>					
Unrestricted Net Assets	(12,347)	(12,347)	-	(5,237)	(7,111)
Temporarily Restricted	83	77	5	66	17
Current Year Increase (Decrease) In Net Assets	(518)	(2,186)	1,668	(7,111)	6,593
<b>Total Net Assets</b>	<b><u>(12,783)</u></b>	<b><u>(14,456)</u></b>	<b><u>1,673</u></b>	<b><u>(12,282)</u></b>	<b><u>(501)</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>83,081</u></b>	<b><u>79,910</u></b>	<b><u>3,171</u></b>	<b><u>73,150</u></b>	<b><u>9,931</u></b>

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

	Jun		YTD(Jun)		YTDDec	
	Actual	BudVar	Actual	BudVar	Forecast	FcstVar
<b>Operating Revenue</b>						
Resident Monthly Fees	489	(125)	2,886	(414)	6,068	(1,640)
Departmental Revenues	125	(2)	688	(14)	1,428	(123)
<b>Total Operating Revenue</b>	<b>615</b>	<b>(127)</b>	<b>3,573</b>	<b>(427)</b>	<b>7,496</b>	<b>(1,762)</b>
<b>Operating Expense</b>						
Wages	318	27	1,840	202	3,902	333
Employee Benefits	63	14	434	23	892	59
Other Employee Expense	23	(7)	129	(36)	204	(19)
Contract Labor Expense	90	0	520	33	1,036	42
Supplies Expense	85	(10)	421	(9)	914	42
Repairs and Maintenance Expense	9	4	75	(3)	131	27
Professional Fee Expense	6	1	54	(10)	104	(16)
Purchased Services Expense	147	0	884	0	1,768	0
Other Expense	226	85	1,197	730	2,562	1,418
Operating Reserve Expense	0	0	0	0	0	0
<b>Total Operating Expense</b>	<b>967</b>	<b>115</b>	<b>5,555</b>	<b>930</b>	<b>11,514</b>	<b>1,885</b>
<b>Operating Income</b>	<b>(352)</b>	<b>(12)</b>	<b>(1,982)</b>	<b>503</b>	<b>(4,018)</b>	<b>123</b>
Net Rent	69	(7)	414	(40)	718	60
Interest Expense	135	(11)	769	(73)	1,616	(115)
Investment Income	2,132	2,132	2,160	2,160	2,352	2,352
47770-Amortization Income	156	(4)	849	(8)	2,004	(8)
59950-FF&E Depreciation Expense	63	9	364	48	838	48
68900-Building Depreciation Expense	-	1	-	2	4	2
<b>Total Non-Operating Income</b>	<b>2,020</b>	<b>2,119</b>	<b>1,463</b>	<b>2,089</b>	<b>1,180</b>	<b>2,341</b>
<b>Increase (Decrease) in Net Assets</b>	<b>1,668</b>	<b>2,107</b>	<b>(518)</b>	<b>2,593</b>	<b>(2,838)</b>	<b>2,464</b>

**Current Month Occupancy**

	Independent	Assisted Living	Skilled Nursing
Billed Units	221	#MISSING	#MISSING
Available Units	396	#MISSING	#MISSING
Occupancy %	55.8%	#MISSING	#MISSING

**SED**  
**Statement of Cash Flows**  
 Jun , FY07  
 (in thousands)

	Current	YTD
<b>Cash Flows from Operating Activities</b>		
Net Income	1,668	(518)
<b>Adjustments to Reconcile Income</b>		
Depreciation and Amortization Expense	63	364
Amortization Income	(156)	(849)
Unrealized (Gain) Loss on Investments	(2,118)	(1,949)
Realized (Gain) Loss on Investments	-	0
(Increase)/Decrease in Accounts Receivable	27	(30)
(Increase)/Decrease in Inventory	1	(12)
(Increase)/Decrease in Prepaid Expenses	11	54
Increase/(Decrease) in Accounts Payable and Accrued Liabilities	70	(14)
<b>Net Cash Provided by Operating Activities</b>	<u>(433)</u>	<u>(2,954)</u>
<b>Cash Flows from Investing Activities</b>		
(Increase)/Decrease in Short Term Notes	(788)	(914)
(Increase)/Decrease in Limited Use Cash and Investments	11	4,117
(Increase)/Decrease in Designated Cash	3	22
(Increase)/Decrease in Designated Securities	-	0
(Increase)/Decrease in Fixed Assets	(10)	(193)
(Increase)/Decrease in LT Mortgage & Note Receivables	(2,286)	(13,689)
<b>Net Cash Used in Investing Activities</b>	<u>(3,069)</u>	<u>(10,657)</u>
<b>Cash Flows from Financing Activities</b>		
Increase/(Decrease) in Resident Refunds	25	49
Increase/(Decrease) in Advance Deposits	(51)	343
Increase/(Decrease) in Parking Deposits	24	(12)
Increase/(Decrease) in Resident Deposits	2,892	9,925
Increase/(Decrease) in Long Term Liabilities	811	2,940
<b>Net Cash Provided by Financing Activities</b>	<u>3,701</u>	<u>13,244</u>
<b>Increase (Decrease) in Cash</b>	199	(366)
Aggregate Other Items to Reconcile Cash	0	0
<b>Cash Beginning of Period</b>	111	677
<b>Cash End of Period</b>	<u>311</u>	<u>311</u>

# 7 Supplemental Information

# Lincolnshire Campus, LLC

## Loan Covenant Compliance Summary

As of June 30, 2007

Satisfied
Pending
Not Met

### Reporting Covenants

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

### Financial/Other Covenants

Description	Covenant		Actual	Status
ERC Liquidity (in millions)	Minimum	\$ 69.0	\$ 93.0	
Letter of Credit Sub-Limit (in millions)	Maximum	\$ 2.0	-	
Working Capital Loan Sub-Limit (in millions)	Maximum	\$ 20.4	\$ 17.8	
PTD Absorbtion/Month	Minimum	9.0	9.5	

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