



**Lincolnshire Campus, LLC &
Sedgebrook, Inc.
Monthly Reporting Package
June 2008**

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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 1380 independent living apartments, 96 assisted living apartment and 132 skilled nursing beds upon its expected completion in 2013.

Financing Overview

- In August 2007 Sedgebrook, Inc. closed \$136.9 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 \$16.6M in equity to date to cover sub-debt interest.
- Erickson has funded approximately \$15.8M in short term funding to cover project expenses in excess of entrance fees and the purchase deposit.

Executive Summary

Marketing Overview

Sedgebrook ended June with 10 initial deposits, 4 net reservations and 7 total settlements. Advertising and sales are working to increase the community's pipeline that currently consists of 64 reservations, 167 standbys and 104 futures.

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. A bond will be provided for this lien.

Active Phase Status

Phase/Item	Construction Began	Projected to Open
Residential Building 2.1	Sep-08	Sep-09
Extended Care 1.0	Nov-07	Jul-09

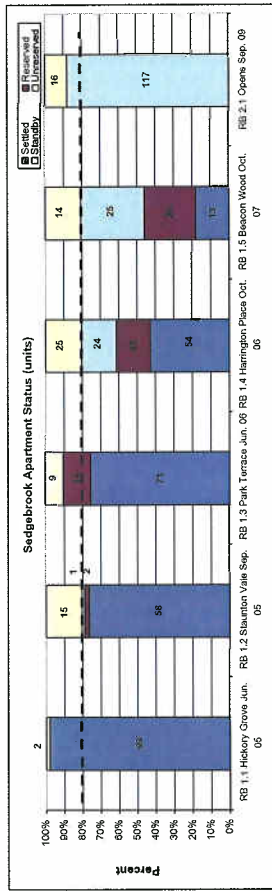
Proforma Update

**** in millions		
	Original Budget	CURRENT 6/30/2008 Budget
Entrance Deposits	500	553 (1)
Purchase Price	83	105 (2)
Working Capital Payments	0	0
Net Operating Lease	0	0
Total Funds	582	658
Project Costs	409	480 (3)
Financing Costs	46	106 (4)
Operations Start Up (Working Capital) Ex. Reserves	(7)	14 (5)
Development Fees	25	28 (6)
Total Costs	473	628
Enterprise Margin	109	30

(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



Total Units	101	76	94	126	72	133
Flex Pay	0	1	1	7	4	0
Flex Pay Ratio	0.0%	1.3%	1.1%	5.6%	5.6%	0.0%

Year End	2004		2005		2006		2007		2008	
	Year End	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	
Settled	2	15	25	71	117	14	0	0	0	
Standby	0	1	1	7	4	0	0	0	0	
Futures	0	0	0	0	0	0	0	0	0	
Total	2	16	26	78	121	14	0	0	0	

Building	Total Units	# of Units Required (50%)	# of Units Settled/Reserved	# of Units Needed	Test Satisfied
RB 1.1	101	51	59	0	Test Satisfied
RB 1.2	76	38	60	0	Test Satisfied
RB 1.3	94	47	85	0	Test Satisfied
RB 1.4	26	13	13	0	Test Satisfied
RB 1.5	72	36	30	0	Test Satisfied

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	101
Standby	76
Futures	94
Total	265

Bond Commitment	625	=	80%	Maximum Number of Units Completed & Under Construction Within Compliance:
Ratio	728			781.25

*Settlement vs. Covenant
 Original Covenant Requirement: N/A
 PTD Monthly Average as of 6/30/08: 8.0

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

2008 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	3	6	5	1	4							23	3.83
* New	4	2	6	3	1	1							17	2.83
* Resale	0	1	0	2	0	3							6	1.00
2 Gross Reservations (MS)	7	9	13	14	10	15							68	11.33
3 No. of Total Settlements (MS)*	5	3	3	4	7	7							29	4.83
* New	4	2	3	3	7	6							25	4.17
* Resale	1	1	0	1	0	1							4	0.67
4 No. of Initial Deposits (MS)	21	8	17	13	12	10							81	13.50
5 Requests for Refunds (MS)	3	8	7	4	9	7							38	6.33
6 Total Kit Requests (OT)	492	496	585	370	391	357							2,691	448.50
* MJO (OT)	359	268	439	197	199	200							1,662	277.00
* Sales Office (OT)	124	222	140	163	186	147							982	163.67
* Walk-ins (OT)	9	6	6	10	6	10							47	7.83
HC Kit Requests	0	0	0	0	1	1							2	0.33
7 Total Apts (OT)**	58	31	58	57	67	64							335	55.83
* First Time Apts (OT)	34	17	25	32	42	34							184	30.67
* Non Depositor Repeat Apts (OT)	10	3	18	12	9	12							64	10.67
* Depositor Apts (OT)	14	11	15	13	0	18							71	11.83
8 Walk-in Apts (OT)	0	0	0	0	0	0							0	0
Pipeline														
9 Reserved but Unsettled (P)	69	69	72	73	67	64							64	69.00
* New	67	67	70	70	64	59							59	66.17
* Resale	2	2	2	3	3	5							5	2.83
10 Standby (P)	163	158	163	169	167	167							167	164.50
11 Futures (P)	103	105	104	102	104	104							104	103.67
12 Total Deposits w/o Settled Apts (C) [9+10+11]	335	332	339	344	338	335							335	337.17
13 Total Settled Apts (P)	264	265	268	272	279	285							285	272.17
Total New Settled Apts (BS)	274	276	279	282	289	295							295	282.50
14 No. of Unsettled Apts (PRU)	205	204	201	197	190	185							185	197.00
15 Apts released by keys not turned in	0	0	0	0	0	1							1	0.17
Ratio (Line 12/14) (C)	1.63	1.63	1.69	1.75	1.78	1.81	N/A	N/A	N/A	N/A	N/A	N/A	1.81	1.71

Notes

* Net Reservations = Gross Reservations - Reservations withdrawn

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



Marketing Summary

SED

Date Range [6/1/08 thru 6/30/08]

LOC: Independent

Settlements	Count	Cash Collected	Current P-Note Due	Total
New	6	\$1,175,064	\$837,436	\$2,012,500
Resale	1	\$484,000	\$0	\$484,000
Total	7	\$1,659,064	\$837,436	\$2,496,500

Reservations	Initial Deposits	Priority List	Left To Settled	Withdraw	Net	Deposits Reserved	Reservations Settled	Reservations Withdrawn	Net Reservations
New	3	8	6	10	-5	\$3,338,000	\$2,012,500	\$3,419,500	-\$2,094,000
Resale	1	3	1	1	2	\$1,272,000	\$484,000	\$314,000	\$474,000
Total	4	11	7	11	-3	\$4,610,000	\$2,496,500	\$3,733,500	-\$1,620,000

Waiting Lists	Initial Deposits	Priority List	Changed Status	Net Change
Futures	2	0	2	0
Standby	4	11	15	0
Total	6	11	17	0

Initial Deposits	Initial Deposits	Requests for Refund
Initial Deposits	10	
Requests for Refund		7

∞ Total Anticipated Budget

Erickson Retirement Communities
Lincolnshire Campus
Total Anticipated Budget
As of June 30, 2008

	Actual Costs <u>JTD</u>	% Complete <u>to Budget</u>	Estimate to <u>Complete</u>	Estimate at <u>Completion</u>	Original <u>Budget</u>	Favorable/ <u>(Unfavorable)</u>	Notes
Entrance Deposits	94,137,014	17%	458,965,631	553,102,645	499,523,396	53,579,249	
Operating Lease	787,725	-7%	(12,723,238)	(11,935,513)	(16,709,748)	4,774,235	
Operating Lease	787,725	7%	11,147,788	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	(19,165,830)	18%	(89,930,156)	(109,095,986)	-	(109,095,986)	
Total Deposits	75,758,909	17%	383,019,642	458,778,551	516,233,144	(57,454,593)	A
Hard Costs - Building	110,807,521	34%	214,440,369	325,247,891	281,106,571	(44,141,320)	
Hard Costs - Sitework	15,299,605	67%	7,505,027	22,804,632	22,235,218	(569,414)	
Architecture	8,723,034	66%	4,433,509	13,156,543	9,100,789	(4,055,754)	
Engineering	3,012,791	68%	1,397,737	4,410,528	3,801,000	(609,528)	
Builder's Risk	211,088	37%	357,837	568,925	455,013	(113,912)	
Fees, Permits & Bonds	4,743,159	39%	7,464,380	12,207,539	9,197,015	(3,010,524)	
Development Fee	4,706,851	17%	22,948,882	27,655,733	24,976,168	(2,679,565)	
Outside Legal	303,317	29%	732,412	1,035,729	945,040	(90,689)	
Construction MNGT Fee	703,791	66%	361,476	1,065,267	4,550,126	3,484,859	
Phase Costs Before Contingency	148,511,157	36%	259,641,629	408,152,786	356,366,940	(51,785,846)	
Contingency	0	0%	6,647,617	6,647,617	9,560,958	2,913,341	
Total Phase Costs	148,511,157	36%	266,289,247	414,800,404	365,927,898	(48,872,506)	B
Department Costs							
Administration Department	1,841,971	58%	1,349,156	3,191,127	2,062,926	(1,128,201)	
Acquisitions and Development	6,709,248	53%	6,020,585	12,729,833	10,889,375	(1,840,458)	
Construction Management Services	711,625	10%	6,402,571	7,114,196	0	(7,114,196)	
Finance	361,117	18%	1,679,558	2,040,675	1,058,468	(982,207)	
Marketing Department	17,044,848	41%	24,592,407	41,637,255	28,177,403	(13,459,852)	
Information Services	738,023	41%	1,063,719	1,801,742	1,128,804	(672,938)	
Legal Department	267,389	52%	246,597	513,986	433,866	(80,120)	
Total Departmental Costs	27,674,221	40%	41,354,593	69,028,814	43,750,842	(25,277,972)	C
Total Hard & Soft Costs	176,185,378	36%	307,643,840	483,829,218	409,678,740	(74,150,478)	
Other Development Costs							
Land	21,079,819	100%	(0)	21,079,819	20,885,000	(194,819)	
Interest Costs	31,183,581	86%	5,058,352	36,241,933	25,903,964	(10,337,969)	
Financing Costs - L.O.C	2,318,192	78%	667,698	2,985,890	1,670,000	(1,315,890)	
Property Taxes	916,957	83%	186,789	1,103,746	1,654,088	550,342	
Capital Expenditures/	743,910	59%	513,507	1,257,417	300,000	(957,417)	
Community Loan Interest	(3,526,893)	#DIV/0!	3,526,893	-	(12,946,394)	(12,946,394)	
Total Other Development Costs	52,715,566	84%	9,953,239	62,668,805	37,466,658	(25,202,147)	D
Total Costs	228,900,944	42%	317,597,079	546,498,023	447,145,398	(99,352,625)	
Profit Margin	(153,142,035)		65,422,563	(87,719,472)	69,087,746	(156,807,218)	
Profit Margin %				-19.12%	13.38%	-32.50%	
Purchase Price				104,900,000			
Adjustment to Funds Held/WC Loan Repayment Net of \$70M Bond Financing				39,199,682			
Start Up Loss Adjustment				(14,400,000)			
Operating Lease Adjustment				(11,935,513)			
Total Adjustments				117,764,169			
Enterprise Value				30,044,697			

Lincolnshire Campus, LLC

\$'s in Millions

Variances to Original Proforma by Reason

	<u>Category</u>	<u>\$ Detail</u>	<u>\$ Summary</u>
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)
10 Reclass of construction management services (2008) Phase Costs	B	7.2	
Departmental Costs	C	<u>(7.2)</u>	0.0
24 Other Other Development Costs	D	<u>(1.5)</u>	(1.5)
			<u>(156.8)</u>

Variance by line item (reference category code)

	<u>Total</u>
A Total Deposits (Deposits/ Working Capital/ Operating Lease)	(57.46)
B Phase Costs	(48.87)
C Departmental Costs	(25.31)
D Other Development Costs	(25.20)
Total Variance	<u>(156.8)</u>

4 Project Schedule

**Lincolnshire Campus
Project Schedule
June 30, 2008**

Project	Original Scheduled Completion Date	Current Scheduled Completion Date	Variance (in Months)
Community Building 1.0	Jun-05	Jun-05	0
Transitional Spaces	Mar-09	Oct-09	(7)
Residential Building 1.1	Jun-05	Jun-05	0
Residential Building 1.2	Sep-05	Sep-05	0
Residential Building 1.3	Jun-06	Jun-06	0
Residential Building 1.4	Oct-06	Oct-06	0
Residential Building 1.5	Oct-07	Oct-07	0
Community Building 2.0	Mar-09	Mar-10	(12)
Residential Building 2.1	Jul-08	Sep-09	(14)
Residential Building 2.2	Mar-09	Mar-10	(12)
Residential Building 2.3	Oct-09	Sep-10	(11)
Residential Building 2.4	Jun-10	Jul-11	(13)
Community Building 3.0	Sep-11	Oct-12	(13)
Residential Building 3.1	Mar-11	Mar-12	(12)
Residential Building 3.2	Sep-11	Oct-12	(13)
Residential Building 3.3	Apr-11	Aug-13	(28)
Residential Building 3.4	Apr-12	Sep-13	(17)
Bridge 10 (CB1.0 to RB1.1)	Sep-05	Sep-05	0
Bridge 30 (RB 1.3 to RG2.0)	Apr-12	Sep-13	(17)
Bridge 50	Apr-11	Sep-13	(29)
Bridge 60 (RB3.3 to RB3.4)	Apr-12	Aug-13	(16)
Chapel 1	Mar-11	Mar-12	(12)
Gate House 1	Jun-05	Jun-05	0
Maintenance Building 1	Oct-09	Sep-10	(11)
Marketing Center 1	Nov-03	Nov-03	0
Parking Deck 1	Jun-05	Jun-05	0
Parking Deck 2	Jun-06	Jun-06	0
Extended Care 1.0	Jun-10	Jul-09	11
Extended Care 2.0	Apr-12	Sep-13	(17)

19 Landowner Financial Statements

ERICKSON RETIREMENT COMMUNITIES
Lincolnshire Campus
Landowner Balance Sheet
Jun, FY08

08 02:58 PM

	<u>Current Balance</u>	<u>Prior Year End Balance</u>	<u>Change from Prior Year</u>
ASSETS			
Current Assets			
Cash	204,061	149,736	54,326
Assets Limited as to Use	1,845,528	1,165,637	679,890
Other Current Assets	<u>222,695</u>	<u>255,782</u>	<u>(33,087)</u>
Total Current Assets	2,272,284	1,571,155	701,129
Fixed Assets			
Land and Improvements	24,390,675	24,390,675	-
Buildings	143,949,829	143,395,305	554,523
Other Fixed Assets	<u>2,425,533</u>	<u>2,326,109</u>	<u>99,424</u>
Total Fixed Assets	<u>170,766,037</u>	<u>170,112,090</u>	<u>653,947</u>
Accumulated Depreciation	<u>(9,298,920)</u>	<u>(7,198,985)</u>	<u>(2,099,936)</u>
Total Fixed Assets net of Depreciation	161,467,117	162,913,105	(1,445,988)
Construction in Progress	<u>21,768,926</u>	<u>12,157,640</u>	<u>9,611,286</u>
Total Fixed Assets, Net and CIP	183,236,043	175,070,745	8,165,298
Other Assets			
Community Note Receivable	14,749,705	15,048,558	(298,853)
Deferred Financing Costs, net	<u>436,187</u>	<u>447,195</u>	<u>(11,008)</u>
Total Other Assets	15,185,892	15,495,753	(309,861)
TOTAL ASSETS	200,694,219	192,137,654	8,556,565
LIABILITIES & MEMBERS' CAPITAL			
Current Liabilities			
Accounts Payable	70,542	105,334	(34,793)
Construction G.C. Payable	1,858,602	1,175,599	683,003
Retainage Payable	639,764	640,763	(998)
Other Current Liabilities	289,613	395,931	(106,318)
ERC Short-Term Funding	15,759,763	4,309,763	11,450,000
Development Fees Payable	107,933	119,645	(11,712)
Intercompany	<u>587,215</u>	<u>394,779</u>	<u>192,436</u>
Total Current Liabilities	19,313,432	7,141,814	12,171,617
Long-Term Liabilities			
Mortgage Payable	74,063,440	74,323,341	(259,901)
Bonds Payable	14,765,000	15,000,000	(235,000)
Purchase Option Deposit	<u>125,000,000</u>	<u>125,000,000</u>	<u>-</u>
Total Long-Term Liabilities	213,828,440	214,323,341	(494,901)
Total Liabilities	233,141,872	221,465,156	11,676,716
Members' Capital			
Members' Capital	(1,700,000)	(1,700,000)	-
Members' Capital Sub-Debt Interest	12,150,000	12,150,000	-
Development Fee Distributions	(4,706,851)	(4,277,988)	(428,863)
Retained Earnings	(35,499,515)	(35,499,515)	-
Current Year's Income (Loss)	<u>(2,691,288)</u>	<u>-</u>	<u>(2,691,288)</u>
Total Members' Capital	(32,447,653)	(29,327,502)	(3,120,151)
TOTAL LIABILITIES & MEMBERS' CAPITAL	200,694,219	192,137,654	8,556,565

ERICKSON RETIREMENT COMMUNITIES
Lincolnshire Campus
Landowner Income Statement
Jun, FY08

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	Period Activity	Period Budget	Period Variance	Year-to-Date Actual	Year-to-Date Budget	Year-to-Date Variance
Departmental Expenses						
Development Administration	80,911	92,331	11,420	540,386	554,744	14,359
Construction Manganment Services	76,046	3,647	(72,399)	479,612	21,880	(457,731)
Administration	48,075	46,386	(1,689)	288,449	278,318	(10,132)
Marketing	297,219	197,004	(100,215)	1,378,411	1,182,758	(195,653)
Sales and Information	107,382	119,250	11,868	593,065	717,964	124,899
Information Services	16,884	16,884	-	101,306	101,306	0
Legal	3,914	3,914	-	23,486	23,486	-
Capitalized Costs	(333,212)	(282,413)	50,800	(2,026,304)	(1,697,698)	328,605
Net Departmental Expense	297,219	197,004	(100,215)	1,378,411	1,182,758	(195,653)
Other Operating Expenses						
Bank Charges/Other Fees	-	-	-	21	-	(21)
Depreciation	351,548	350,215	(1,333)	2,099,936	2,028,212	(71,724)
Amortization	1,835	-	(1,835)	11,008	-	(11,008)
Total Other Operating Expenses	353,382	350,215	(3,167)	2,110,964	2,028,212	(82,752)
Total Operating Expenses	650,641	547,219	(103,422)	3,489,414	3,210,970	(278,444)
Non-Operating Revenue						
Note Rec/Other Interest	74,929	-	74,929	562,394	-	562,394
Community Lease Revenue	381,627	327,765	53,862	2,301,304	1,919,912	381,392
Total Non-Operating Revenue	456,557	327,765	128,792	2,863,698	1,919,912	943,786
Non-Operating Expenses						
Interest Expense LOC, net(Sub-debt)	-	76,083	76,083	(979)	612,583	613,563
Mortgage Interest Expense	308,540	305,524	(3,016)	1,865,492	1,742,298	(123,194)
Financing Costs	13,901	4,000	(9,901)	61,388	24,000	(37,388)
Real Estate & Other Taxes	0	-	0	139,671	-	(139,671)
Total Non-Operating Expenses	322,441	385,607	63,166	2,065,572	2,378,881	313,310
NET INCOME (LOSS)	(516,525)	(605,062)	88,536	(2,691,288)	(3,669,939)	978,651

ERICKSON RETIREMENT COMMUNITIES
Lincolnshire Campus
Landowner Cash Flow Statement
Jun, FY08

07/17/08 2:58 PM

	<u>Period Activity</u>	<u>Year-to-Date</u>
Cash Flows from Operating Activities:		
Net Income (Loss)	(516,525)	(2,691,288)
Adjustments to reconcile Net Income (Loss) to Net Cash (Used In) Provided by Operating Activities:		
Depreciation	351,548	2,099,936
Amortization	1,835	11,008
Changes in:		
Assets Limited as to Use	(661,696)	(679,890)
Other Current Assets	68,295	33,087
Current Liabilities	63,046	(141,111)
ERC Short-Term Funding	2,600,000	11,450,000
Development Fees Payable	40,396	(11,712)
Intercompany	(965,522)	192,436
Net Cash (Used In) Provided by Operating Activities	981,376	10,262,466
Cash Flows from Investing Activities:		
CIP and Other Fixed Assets	(2,406,070)	(10,265,233)
Net Cash (Used In) Provided by Investing Activities	(2,406,070)	(10,265,233)
Cash Flows from Financing Activities:		
Deferred Financing Costs	-	-
Community Note Receivable	677,525	298,853
Retainage Withheld (Released)	155,481	(998)
Mortgage Proceeds	-	-
Principal Repayments - Mortgage	(43,768)	(259,901)
Change in General Contractor Payable	699,004	683,003
Proceeds (Repay) of Puchase Deposit	-	-
Members' Capital	-	-
Members' Drawing	(107,933)	(428,863)
Net Cash (Used In) Provided by Financing Activities	1,380,309	292,093
Change in Cash	(44,385)	54,326
Beginning Cash Balance	248,446	149,736
Ending Cash Balance	204,061	204,061

9 Community Financial Statements

SED
Comparative Balance Sheet
(in thousands)

	YTDJun FY08	YTDMay FY08	Change	YTDDec FY07	Change
Assets					
<i>Current Assets</i>					
Cash	568	941	(373)	488	81
Designated Cash	479	126	353	99	380
Accounts Receivable	128	180	(51)	157	(29)
Inventory	48	49	(2)	58	(11)
Prepays	491	536	(45)	535	(44)
Short Term Notes Receivable	2,095	3,068	(973)	2,216	(121)
<i>Total Current Assets</i>	<u>3,809</u>	<u>4,900</u>	<u>(1,090)</u>	<u>3,554</u>	<u>256</u>
<i>Limited Use Cash and Investments</i>					
Escrow Deposits	2,782	1,936	846	2,283	499
Restricted Fund Accounts	14,129	13,432	698	13,040	1,089
<i>Total Limited Use Cash & Investments</i>	<u>16,912</u>	<u>15,368</u>	<u>1,543</u>	<u>15,324</u>	<u>1,588</u>
<i>Non-Current Assets</i>					
Fixed Assets- Net	2,259	2,301	(42)	2,493	(234)
Capitalized Bond Interest	5,909	5,398	512	2,783	3,126
Deferred Assets	2,311	2,317	(6)	2,318	(7)
LT Mortgage & Note Receivables	198,537	198,581	(44)	198,797	(260)
<i>Total Non-Current Assets</i>	<u>209,016</u>	<u>208,596</u>	<u>420</u>	<u>206,391</u>	<u>2,625</u>
Total Assets	<u>229,737</u>	<u>228,864</u>	<u>873</u>	<u>225,268</u>	<u>4,468</u>
Liabilities					
<i>Current Liabilities</i>					
Accounts Payable and Accrued Liabilities	1,954	2,129	(176)	2,531	(578)
Resident Refunds	483	175	308	476	7
Short Term Obligations Debt	2,123	1,659	463	2,180	(57)
<i>Total Current Liabilities</i>	<u>4,559</u>	<u>3,964</u>	<u>595</u>	<u>5,187</u>	<u>(628)</u>
<i>Non-Current Liabilities</i>					
Advance Deposits	1,799	1,850	(51)	1,550	249
Parking Deposits	1,224	1,236	(12)	1,236	(12)
Capital	93,918	92,316	1,602	85,493	8,425
Amort of Capital	(4,429)	(4,235)	(194)	(3,321)	(1,108)
Long Term Liabilities	150,976	151,654	(679)	151,282	(306)
<i>Total Non-Current Liabilities</i>	<u>243,487</u>	<u>242,822</u>	<u>666</u>	<u>236,239</u>	<u>7,248</u>
Total Liabilities	<u>248,046</u>	<u>246,785</u>	<u>1,261</u>	<u>241,426</u>	<u>6,620</u>
Net Assets					
Unrestricted Net Assets	(16,291)	(16,291)	-	(12,347)	(3,943)
Temporarily Restricted	193	178	15	133	61
Current Year Increase (Decrease) In Net Assets	(2,212)	(1,809)	(403)	(3,943)	1,731
Total Net Assets	<u>(18,310)</u>	<u>(17,921)</u>	<u>(388)</u>	<u>(16,158)</u>	<u>(2,152)</u>
Total Liabilities and Net Assets	<u>229,737</u>	<u>228,864</u>	<u>873</u>	<u>225,268</u>	<u>4,468</u>

SED
Statement of Operations by Natural Expense
All LOB, All Entities
Jun, FY08
(in thousands)

	Jun		YTD(Jun)		YTDDec	
	Actual	BudVar	Actual	BudVar	Forecast	FcstVar
Operating Revenue						
Resident Monthly Fees	611	(65)	3,524	(245)	7,154	(1,140)
Departmental Revenues	137	(10)	966	122	1,751	(46)
Total Operating Revenue	748	(74)	4,491	(123)	8,905	(1,185)
Operating Expense						
Wages	324	40	1,980	237	4,115	452
Employee Benefits	72	13	467	50	969	96
Other Employee Expense	15	15	105	57	228	97
Contract Labor Expense	110	(8)	548	80	1,101	233
Supplies Expense	86	12	507	52	1,092	134
Repairs and Maintenance Expense	28	(16)	123	(51)	162	(11)
Professional Fee Expense	21	(12)	45	7	105	0
Purchased Services Expense	151	0	905	0	1,810	0
Other Expense	245	5	1,410	188	3,098	189
Marketing Cost	0	0	0	0	1	(1)
Operating Reserve Expense	2	(2)	13	(13)	13	(13)
Total Operating Expense	1,054	48	6,103	606	12,694	1,175
Operating Income	(305)	(26)	(1,612)	484	(3,789)	(10)
Net Rent	73	(51)	436	(258)	871	(596)
Interest Expense	75	(75)	495	(275)	505	(285)
Investment Income	5	(8)	86	11	161	11
47770-Amortization Income	194	(23)	1,108	(98)	2,311	(341)
59910-Amortization Expense	6	0	34	0	67	0
59950-FF&E Depreciation Expense	86	2	482	13	998	59
68300-Letter of Credit Fees	56	(48)	347	(298)	695	(596)
68900-Building Depreciation Expense	-	0	-	0	-	3
Total Non-Operating Income	(98)	(202)	(600)	(905)	(664)	(1,746)
Increase (Decrease) in Net Assets	(403)	(228)	(2,212)	(422)	(4,453)	(1,756)

	Independent	Assisted Living	Skilled Nursing
Billed Units	276	#MISSING	#MISSING
Available Units	469	#MISSING	#MISSING
Occupancy %	58.9%	#MISSING	#MISSING

SED
Statement of Cash Flows
 Jun , FY08
 (in thousands)

	Current	YTD
Cash Flows from Operating Activities		
Net Income	(403)	(2,212)
Adjustments to Reconcile Income		
Depreciation and Amortization Expense	92	516
Amortization Income	(194)	(1,108)
Unrealized (Gain) Loss on Investments	0	(2)
Realized (Gain) Loss on Investments	-	-
(Increase)/Decrease in Accounts Receivable	51	29
(Increase)/Decrease in Inventory	2	11
(Increase)/Decrease in Prepaid Expenses	45	44
Increase/(Decrease) in Accounts Payable and Accrued Liabilities	(176)	(578)
Net Cash Provided by Operating Activities	<u>(583)</u>	<u>(3,300)</u>
Cash Flows from Investing Activities		
(Increase)/Decrease in Short Term Notes	973	121
(Increase)/Decrease in Limited Use Cash and Investments	(1,529)	(1,527)
(Increase)/Decrease in Designated Cash	(353)	(380)
(Increase)/Decrease in Designated Securities	0	2
(Increase)/Decrease in Fixed Assets	(44)	(248)
(Increase)/Decrease in Capitalized Bond Interest	(512)	(3,126)
(Increase)/Decrease in Deferred Assets	-	(27)
(Increase)/Decrease in LT Mortgage & Note Receivables	44	260
Net Cash Used in Investing Activities	<u>(1,420)</u>	<u>(4,925)</u>
Cash Flows from Financing Activities		
Increase/(Decrease) in Resident Refunds	308	7
Increase/(Decrease) in Advance Deposits	(51)	249
Increase/(Decrease) in Parking Deposits	(12)	(12)
Increase/(Decrease) in Resident Deposits	1,602	8,425
Increase/(Decrease) in Short Term Obligations	463	(57)
Increase/(Decrease) in Long Term Liabilities	(679)	(306)
Net Cash Provided by Financing Activities	<u>1,631</u>	<u>8,306</u>
Increase (Decrease) in Cash	(373)	81
Aggregate Other Items to Reconcile Cash	-	-
Cash Beginning of Period	941	488
Cash End of Period	<u>568</u>	<u>568</u>

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 June 30, 2008, Sedgebrook was in compliance with the covenants set forth in the Loan Agreement.

IN WITNESS WHEREOF, we have executed this Certificate as of July 31, 2008.

SEDGEBROOK, INC.

By: _____


Jeffrey A. Jacobson
Asst. Treasurer