



**Lincolnshire Campus, LLC &  
Sedgebrook, Inc.  
Monthly Reporting Package  
September 2007**

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# 1 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**

- In August of 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 which closed in July, 2004.
- Erickson has funded approximately \$16.6M in equity to date to cover sub debt interest.

### **Executive Summary**

#### **Marketing Overview**

Sedgebrook is working hard to rebound after its difficult 2006 and has had much more success in 2007. In September, the community accrued 1 net reservation, 13 initial deposits, and 7 total settlements. Advertising and sales are working hard to increase the community's pipeline that currently consists of 71 reservations, 167 standbys and 86 futures.

## Lincolnshire Campus, LLC

### Critical Issues

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

### Proforma Update

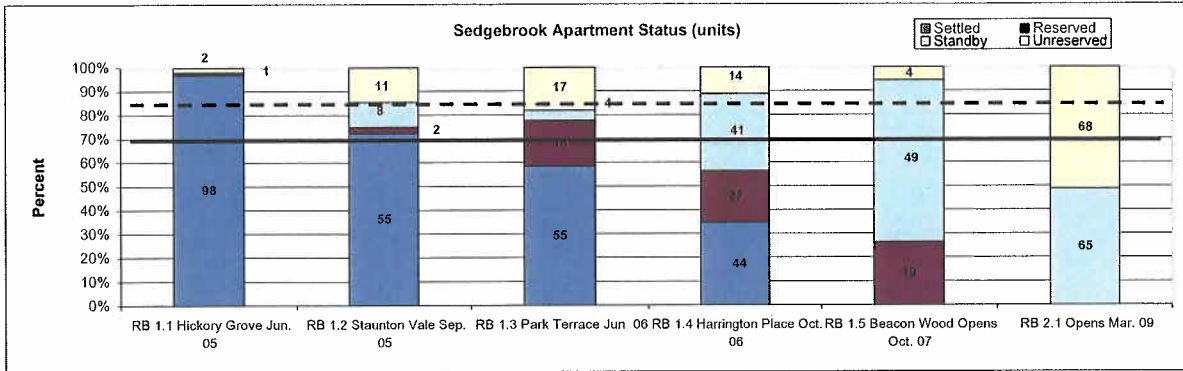
	Original Budget	CURRENT 9/30/2007 Budget	
Entrance Deposits	500	547	(1)
Purchase Price	83	98	(2)
Working Capital Payments	0	0	
Net Operating Lease	0	0	
Total Funds	582	645	
Project Costs	409	466	(3)
Financing Costs	46	63	(4)
Operations Start Up (Working Capital) Ex. Res	(7)	(3)	(5)
Development Fees	25	27	(6)
Total Costs	473	554	
<b>Enterprise Margin</b>	<b>109</b>	<b>91</b>	

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

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

# 2 Marketing Reports

Apartment Status by Building as of 09-27-07



Total Units

	2004 Year End	2005 Year End	2006 1st Qtr	2006 2nd Qtr	2006 3rd Qtr	2006 4th Qtr	2007 1st Qtr	2007 2nd Qtr	2007 3rd Qtr
Settled	0	105	130	141	174	201	211	232	252
Reservations	82	23	43	57	47	35	49	42	67
Standby	62	116	143	135	138	149	157	159	167
Futures	89	121	73	78	82	76	77	88	86
<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>	<b>572</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	57	Test Satisfied
RB 1.3	94	47	73	Test Satisfied
RB 1.4	125	63	71	Test Satisfied
RB 1.5	72	36	19	17

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 2.1	
Settled	252
Reservations	67
Standby	167
Futures	86
<b>Total</b>	<b>572</b>

Total Available Units	
RB 1.1	101
RB 1.2	76
RB 1.3	94
RB 1.4	126
RB 1.5	72
RB 2.1	133
<b>Total</b>	<b>602</b>

Bond Commitment	572	=	95%
Ratio	602		

Maximum Number of Units Completed & Under Construction Within Compliance:		=	715
	572		80%

\*Settlement vs. Covenant

Original Covenant Requirement  
N/A

PTD Monthly Average as of 9/30/07  
9.0

NOTES:

Bond Commitment Level for the construction of RB 2.1 is currently at 95%. We need 17 more Settlements/Reservations to break escrow in RB 1.5.

**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	29	15	1				88	9.78
* New	13	10	0	5	12	-3	29	15	1				82	9.11
* Resale	0	0	3	2	0	1	0	0	0				6	0
2 Gross Reservations (MS)	23	17	12	12	24	9	40	30	18				185	20.56
3 No. of Total Settlements (MS)*	3	0	7	7	8	9	5	8	7				54	6.00
* New	3	0	7	7	6	8	5	8	7				51	5.67
* Resale	0	0	0	0	2	1	0	0	0				3	0
4 No. of Initial Deposits (MS)	21	15	15	11	29	15	26	25	13				170	18.89
5 Requests for Refunds (MS)	6	5	6	4	10	10	4	1	9				55	6.11
6 Total Kit Requests (OT)	633	652	509	525	652	710	776	822	376				5,655	628.33
* MJO (OT)	376	275	294	292	281	444	548	304	217				3,031	336.78
* Sales Office (OT)	247	367	203	218	363	253	212	500	148				2,511	279.00
* Walk-ins (OT)	10	10	12	15	8	13	16	18	11				113	12.56
HC Kit Requests	1	0	1	1	1	0	0	1	0				5	0.56
7 Total Apts (OT)**	98	73	89	76	125	118	113	135	88				915	101.67
* First Time Apts (OT)	56	49	47	37	67	61	52	65	49				483	53.67
* Non Depositor Repeat Apts (OT)	11	9	9	12	17	19	20	23	14				134	14.89
* Depositor Apts (OT)	31	15	33	27	41	38	41	47	25				298	33.11
8 Walk-in Apts (OT)	0	0	0	0	0	0	0	0	0				0	0
<b>Pipeline</b>														
9 Reserved but Unsettled (P)	47	57	53	53	57	46	70	77	71				71	59.00
* New	46	56	49	47	53	42	66	73	67				67	55.44
* Resale	1	1	4	6	4	4	4	4	4				4	3.56
10 Standby (P)	153	154	157	157	158	159	156	162	167				167	158.11
11 Futures (P)	74	73	77	77	83	88	84	87	86				86	81.00
12 Total Deposits w/o Settled Apts (C) [9+10+11]	274	284	287	287	298	293	310	326	324				324	298.11
13 Total Settled Apts (P)	201	199	205	210	216	225	230	239	245				245	218.89
Total New Settled Apts (BS)	204	204	211	218	224	232	237	245	252				252	225.22
14 No. of Unsettled Apts (PRU)	196	198	192	187	181	172	239	231	224				224	202.22
15 Apts released by keys not turned in	0	0	0	0	0	0	0	1	0				0	0.11
Ratio (Line 12/14) (C)	1.40	1.43	1.49	1.53	1.65	1.70	1.30	1.41	1.45	N/A	N/A	N/A	1.45	1.47

**Notes**

\* Net Reservations = Gross Reservations - Reservations withdrawn

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





**Marketing Summary**

**SED**

Date Range [ >=9/1/2007 and

**LOC: Independent**

Settlements	Count	Cash Collected	Current P-Note Due	Total
New	7	\$698,413	\$1,376,087	\$2,074,500
Resale	0	\$0	\$0	\$0
<b>Total</b>	<b>7</b>	<b>\$698,413</b>	<b>\$1,376,087</b>	<b>\$2,074,500</b>

Reservations	Initial Deposits	Priority List	Left To Settled	Withdraw	Net	Deposits Reserved	Reservations Settled	Reservations Withdrawn	Net Reservations
New	9	8	7	16	-6	\$6,296,500	\$2,074,500	\$5,814,000	-\$1,592,000
Resale	0	1	0	1	0	\$419,000	\$0	\$419,000	\$0
<b>Total</b>	<b>9</b>	<b>9</b>	<b>7</b>	<b>17</b>	<b>-6</b>	<b>\$6,715,500</b>	<b>\$2,074,500</b>	<b>\$6,233,000</b>	<b>-\$1,592,000</b>

Waiting Lists	Initial Deposits	Priority List	Changed Status	Net Change
Futures	1	0	2	-1
Standby	3	13	11	5
<b>Total</b>	<b>4</b>	<b>13</b>	<b>13</b>	<b>4</b>

Initial Deposits	Initial Deposits	Priority List	Requests for Refund
Initial Deposits	13		
Requests for Refund	9		

# ∞ Total Anticipated Budget

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

	<u>Actual Costs JTD</u>	<u>% Complete to Budget</u>	<u>Estimate to Complete</u>	<u>Estimate at Completion</u>	<u>Original Budget</u>	<u>Favorable/ (Unfavorable)</u>	<u>Notes</u>
Entrance Deposits	78,772,084	14%	468,290,963	547,063,047	499,523,396	47,539,651	
Operating Lease	528,563	2%	21,692,633	22,221,196	16,709,748	5,511,448	
Funds Held/WC Loan Repayment	(3,027,601)	20%	(12,104,220)	(15,131,821)		(15,131,821)	
<b>Total Deposits</b>	<b>76,273,047</b>	<b>14%</b>	<b>477,879,375</b>	<b>554,152,422</b>	<b>516,233,144</b>	<b>37,919,278</b>	<b>A</b>
Hard Costs - Building	101,971,446	32%	219,876,536	321,847,982	281,106,571	(40,741,411)	
Hard Costs - Sitework	13,897,654	61%	8,908,731	22,806,385	22,235,218	(571,167)	
Architecture	8,150,437	65%	4,453,802	12,604,239	9,100,789	(3,503,450)	
Engineering	2,838,662	66%	1,444,957	4,283,619	3,801,000	(482,619)	
Builder's Risk	188,005	35%	355,498	543,503	455,013	(88,490)	
Fees, Permits & Bonds	4,195,608	37%	7,138,096	11,333,704	9,197,015	(2,136,689)	
Development Fee	3,938,604	14%	23,414,550	27,353,154	24,976,168	(2,376,986)	
Outside Legal	294,912	32%	622,430	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>136,179,117</b>	<b>34%</b>	<b>266,576,078</b>	<b>402,755,195</b>	<b>356,366,940</b>	<b>(46,388,255)</b>	
Contingency	0	0%	5,855,248	5,855,248	9,560,958	3,705,710	
<b>Total Phase Costs</b>	<b>136,179,117</b>	<b>33%</b>	<b>272,431,326</b>	<b>408,610,443</b>	<b>365,927,898</b>	<b>(42,682,545)</b>	<b>B</b>
Department Costs							
Administration Department	1,425,677	57%	1,086,894	2,512,571	2,062,926	(449,645)	
Acquisitions and Development	6,073,958	45%	7,381,816	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	13,924,020	36%	24,414,515	38,338,535	28,177,403	(10,161,132)	
Information Services	583,458	138%	(159,777)	423,681	1,128,804	705,123	
Legal Department	232,161	47%	262,257	494,418	433,866	(60,552)	
<b>Total Departmental Costs</b>	<b>22,600,391</b>	<b>39%</b>	<b>34,754,377</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>158,779,509</b>	<b>34%</b>	<b>307,185,703</b>	<b>465,965,211</b>	<b>409,678,740</b>	<b>(56,286,471)</b>	
Other Development Costs							
Land	21,079,819	100%	(0)	21,079,819	20,885,000	(194,819)	
Interest Costs	29,866,338	44%	37,299,100	67,165,438	25,903,964	(41,261,474)	
Financing Costs - L.O.C	1,834,136	87%	280,208	2,114,344	1,670,000	(444,344)	
Property Taxes	1,827,286	158%	(671,762)	1,155,524	1,654,088	498,564	
Capital Expenditures/	531,748	47%	591,025	1,122,773	300,000	(822,773)	
Community Loan Interest	(2,625,650)	184%	1,198,381	(1,427,269)	(12,946,394)	(11,519,125)	
<b>Total Other Development Costs</b>	<b>52,513,679</b>	<b>58%</b>	<b>38,696,950</b>	<b>91,210,629</b>	<b>37,466,658</b>	<b>(53,743,971)</b>	<b>D</b>
<b>Total Costs</b>	<b>211,293,187</b>	<b>38%</b>	<b>345,882,653</b>	<b>557,175,840</b>	<b>447,145,398</b>	<b>(110,030,442)</b>	
<b>Profit Margin</b>	<b>(135,020,140)</b>		<b>131,996,722</b>	<b>(3,023,418)</b>	<b>69,087,746</b>	<b>(72,111,164)</b>	
<b>Profit Margin %</b>				<b>-0.55%</b>	<b>13.38%</b>	<b>-13.93%</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>90,887,207</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	(7.7)	
Other Development Costs	D	<u>(2.9)</u>	2.8
15			
Other			
Other Development Costs	D	<u>(2.9)</u>	(2.9)
			<u>(72.1)</u>

## Variance by line item (reference category code)

	Total
A Total Deposits (Deposits/ Working Capital/ Operating Lease)	38.0
B Phase Costs	(42.7)
C Departmental Costs	(13.6)
D Other Development Costs	(53.8)
Total Variance	<u>(72.1)</u>

# 4 Project Schedule

**Lincolnshire Campus  
Project Schedule  
October 19, 2007**

<b>Project</b>	<b>Original Scheduled Completion Date</b>	<b>Current Scheduled Completion Date</b>	<b>Variance (in Months)</b>
Community Building 1.0	Jun-05	Jun-05	0
Transitional Spaces	Mar-09	Aug-09	(5)
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	Oct-09	(7)
Residential Building 2.1	Jul-08	Mar-09	(8)
Residential Building 2.2	Mar-09	Oct-09	(7)
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
Parking Deck 3	Apr-11	Jul-10	9
Extended Care 1.0	Jun-10	Jul-09	11
Extended Care 2.0	Apr-12	Sep-13	(17)

**PNC Bank Covenant:**

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

# 19 Landowner Financial Statements

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

3:05 PM

	<u>Current Balance</u>	<u>Prior Year End Balance</u>	<u>Change from Prior Year</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	186,290	61,162	125,128
Assets Limited as to Use	3,614,701	3,392,000	222,701
Other Current Assets	1,206,697	1,302,131	(95,434)
<b>Total Current Assets</b>	<b>5,007,688</b>	<b>4,755,293</b>	<b>252,395</b>
<b>Fixed Assets</b>			
Land and Improvements	24,121,102	24,121,102	-
Buildings	123,313,180	111,858,670	11,454,510
Other Fixed Assets	2,054,011	2,032,105	21,906
<b>Total Fixed Assets</b>	<b>149,488,293</b>	<b>138,011,877</b>	<b>11,476,416</b>
Accumulated Depreciation	(6,160,974)	(3,501,963)	(2,659,011)
Total Fixed Assets net of Depreciation	143,327,319	134,509,914	8,817,405
Construction in Progress	27,367,974	20,347,382	7,020,591
<b>Total Fixed Assets, Net and CIP</b>	<b>170,695,292</b>	<b>154,857,296</b>	<b>15,837,996</b>
<b>Other Assets</b>			
Community Note Receivable	18,219,381	17,102,466	1,116,914
Deferred Financing Costs, net	452,699	812,376	(359,677)
<b>Total Other Assets</b>	<b>18,672,080</b>	<b>17,914,842</b>	<b>757,238</b>
<b>TOTAL ASSETS</b>	<b>194,375,060</b>	<b>177,527,431</b>	<b>16,847,628</b>
<b>LIABILITIES &amp; MEMBERS' CAPITAL</b>			
<b>Current Liabilities</b>			
Accounts Payable	69,095	224,172	(155,077)
Construction G.C. Payable	1,801,603	2,054,839	(253,235)
Retainage Payable	1,216,617	1,899,484	(682,867)
Other Current Liabilities	240,061	313,454	(73,392)
Short-Term Interest Payable	-	437,336	(437,336)
ERC Short-Term Funding	4,687,224	25,964,564	(21,277,340)
Development Fees Payable	151,380	2,940,740	(2,789,360)
Intercompany	140,876	238,114	(97,237)
<b>Total Current Liabilities</b>	<b>8,306,857</b>	<b>34,072,702</b>	<b>(25,765,845)</b>
<b>Long-Term Liabilities</b>			
Mortgage Payable	74,450,880	58,667,707	15,783,174
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	-
Purchase Option Deposit	125,000,000	-	125,000,000
<b>Total Long-Term Liabilities</b>	<b>214,450,880</b>	<b>160,667,707</b>	<b>53,783,174</b>
<b>Total Liabilities</b>	<b>222,757,737</b>	<b>194,740,408</b>	<b>28,017,329</b>
<b>Members' Capital</b>			
Members' Capital	(1,700,000)	(1,700,000)	-
Members' Capital Sub-Debt Interest	12,150,000	9,450,000	2,700,000
Development Fee Distributions	(3,938,604)	(2,940,740)	(997,864)
Retained Earnings	(22,022,237)	(22,022,237)	-
Current Year's Income (Loss)	(12,871,836)	(22,022,237)	9,150,401
<b>Total Members' Capital</b>	<b>(28,382,678)</b>	<b>(39,235,214)</b>	<b>10,852,537</b>
<b>TOTAL LIABILITIES &amp; MEMBERS' CAPITAL</b>	<b>194,375,060</b>	<b>158,445,934</b>	<b>35,929,125</b>



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

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	<u>Period Activity</u>	<u>Period Budget</u>	<u>Period Variance</u>	<u>Year-to-Date Actual</u>	<u>Year-to-Date Budget</u>	<u>Year-to-Date Variance</u>
<b>Departmental Expenses</b>						
Development Administration	96,767	105,550	8,783	931,375	953,105	21,730
Administration	42,615	30,414	(12,201)	383,535	273,727	(109,808)
Finance	-	12,201	12,201	-	109,806	109,806
Marketing	220,156	208,326	(11,830)	2,164,843	1,878,069	(286,773)
Sales and Information	94,838	95,198	359	759,299	864,014	104,715
Information Services	17,753	17,752	(1)	159,777	159,771	(6)
Legal	3,914	3,914	0	35,226	35,229	3
Capitalized Costs	(255,887)	(263,025)	(7,138)	(2,269,212)	(2,377,615)	(108,403)
<b>Net Departmental Expense</b>	<b>220,156</b>	<b>210,330</b>	<b>(9,826)</b>	<b>2,164,843</b>	<b>1,896,106</b>	<b>(268,737)</b>
<b>Other Operating Expenses</b>						
Depreciation	302,723	313,589	10,866	2,659,011	2,660,844	1,833
Amortization	1,835	-	(1,835)	359,677	-	(359,677)
<b>Total Other Operating Expenses</b>	<b>304,558</b>	<b>313,589</b>	<b>9,031</b>	<b>3,018,688</b>	<b>2,660,844</b>	<b>(357,844)</b>
<b>Total Operating Expenses</b>	<b>524,713</b>	<b>523,919</b>	<b>(794)</b>	<b>5,183,531</b>	<b>4,556,950</b>	<b>(626,581)</b>
<b>Non-Operating Revenue</b>						
Note Rec/Other Interest	138,617	132,855	5,763	1,379,618	1,085,044	294,574
Community Lease Revenue	383,237	771,233	(387,996)	3,189,243	5,623,331	(2,434,088)
<b>Total Non-Operating Revenue</b>	<b>521,854</b>	<b>904,087</b>	<b>(382,233)</b>	<b>4,568,861</b>	<b>6,708,375</b>	<b>(2,139,514)</b>
<b>Non-Operating Expenses</b>						
Interest Expense LOC, net(Sub-debt)	-	154,125	154,125	1,549,418	381,149	(1,168,269)
CNL Interest Expense	-	337,500	337,500	6,547,500	3,037,500	(3,510,000)
Mortgage Interest Expense	313,326	708,964	395,638	2,566,280	5,062,908	2,496,628
Financing Costs	48,622	4,000	(44,622)	231,219	36,000	(195,219)
Real Estate & Other Taxes	-	-	-	1,362,750	-	(1,362,750)
<b>Total Non-Operating Expenses</b>	<b>361,948</b>	<b>1,204,589</b>	<b>842,641</b>	<b>12,257,166</b>	<b>8,517,557</b>	<b>(3,739,609)</b>
<b>NET INCOME (LOSS)</b>	<b>(364,807)</b>	<b>(824,420)</b>	<b>459,613</b>	<b>(12,871,836)</b>	<b>(6,366,132)</b>	<b>(6,505,704)</b>

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

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	Period Activity	Year-to-Date
<b>Cash Flows from Operating Activities:</b>		
Net Income (Loss)	(364,807)	(12,871,836)
Adjustments to reconcile Net Income (Loss) to Net Cash (Used In) Provided by Operating Activities:		
Depreciation	302,723	2,659,011
Amortization	1,835	359,677
Changes in:		
Assets Limited as to Use	(2,523,357)	(222,701)
Other Current Assets	25,328	95,434
Current Liabilities	(127,911)	(228,469)
Interest Payable	-	(437,336)
ERC Short-Term Funding	4,687,224	(21,277,340)
Development Fees Payable	(3,635,844)	(2,789,360)
Intercompany	425,388	(97,237)
<b>Net Cash (Used In) Provided by Operating Activities</b>	<b>(1,209,422)</b>	<b>(34,810,157)</b>
<b>Cash Flows from Investing Activities:</b>		
CIP and Other Fixed Assets	(2,187,121)	(18,497,007)
<b>Net Cash (Used In) Provided by Investing Activities</b>	<b>(2,187,121)</b>	<b>(18,497,007)</b>
<b>Cash Flows from Financing Activities:</b>		
Deferred Financing Costs	-	-
Community Note Receivable	2,388,983	(1,116,914)
Retainage Withheld (Released)	59,024	(682,867)
Mortgage Proceeds	-	16,156,384
Principal Repayments - Mortgage	(42,161)	(373,210)
Change in General Contractor Payable	(248,081)	(253,235)
Proceeds (Repay) LOC Sub-Debt	-	(87,000,000)
Proceeds (Repay) of Purchase Deposit	-	125,000,000
Members' Capital	-	-
Members' Drawing	(151,380)	(997,864)
<b>Net Cash (Used In) Provided by Financing Activities</b>	<b>2,006,386</b>	<b>50,732,293</b>
Change in Cash	(1,390,157)	125,128
Beginning Cash Balance	1,576,448	61,162
Ending Cash Balance	186,290	186,290

# 9 Community Financial Statements

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

	YTD Sep FY07	YTD Aug FY07	Change	YTD Dec FY06	Change
<b>Assets</b>					
<i>Current Assets</i>					
Cash	502	419	83	677	(175)
Designated Cash	79	86	(8)	98	(20)
Accounts Receivable	112	116	(4)	86	26
Inventory	53	48	5	40	13
Prepays	468	487	(18)	95	373
Short Term Notes Receivable	2,358	2,700	(342)	2,508	(149)
<i>Total Current Assets</i>	<u>3,572</u>	<u>3,856</u>	<u>(284)</u>	<u>3,505</u>	<u>67</u>
<i>Limited Use Cash and Investments</i>					
Escrow Deposits	2,436	3,053	(617)	5,955	(3,519)
Restricted Fund Accounts	12,561	12,496	65	3,030	9,531
<i>Total Limited Use Cash &amp; Investments</i>	<u>14,996</u>	<u>15,548</u>	<u>(552)</u>	<u>8,985</u>	<u>6,011</u>
<i>Non-Current Assets</i>					
Fixed Assets- Net	2,182	2,243	(62)	2,451	(269)
Capitalized Bond Interest	186	75	111	-	186
Deferred Assets	928	1,067	(139)	-	928
LT Mortgage & Note Receivables	202,294	199,809	2,485	58,210	144,084
<i>Total Non-Current Assets</i>	<u>205,590</u>	<u>203,194</u>	<u>2,396</u>	<u>60,661</u>	<u>144,929</u>
<b>Total Assets</b>	<b><u>224,158</u></b>	<b><u>222,598</u></b>	<b><u>1,560</u></b>	<b><u>73,150</u></b>	<b><u>151,008</u></b>
<b>Liabilities</b>					
<i>Current Liabilities</i>					
Accounts Payable and Accrued Liabilities	1,057	1,196	(138)	1,219	(161)
Resident Refunds	-	7	(7)	510	(510)
Short Term Obligations Debt	111	75	36	1,966	(1,855)
<i>Total Current Liabilities</i>	<u>1,168</u>	<u>1,278</u>	<u>(109)</u>	<u>3,695</u>	<u>(2,526)</u>
<i>Non-Current Liabilities</i>					
Advance Deposits	1,372	1,378	(6)	795	577
Parking Deposits	1,248	1,236	12	1,224	24
Capital	79,912	77,837	2,074	64,078	15,834
Amort of Capital	(2,802)	(2,636)	(166)	(1,467)	(1,335)
Long Term Liabilities	157,451	157,309	142	17,108	140,343
<i>Total Non-Current Liabilities</i>	<u>237,180</u>	<u>235,124</u>	<u>2,056</u>	<u>81,737</u>	<u>155,443</u>
<b>Total Liabilities</b>	<b><u>238,349</u></b>	<b><u>236,401</u></b>	<b><u>1,947</u></b>	<b><u>85,432</u></b>	<b><u>152,916</u></b>
<b>Net Assets</b>					
Unrestricted Net Assets	(12,347)	(12,347)	-	(5,237)	(7,111)
Temporarily Restricted	150	116	34	66	84
Current Year Increase (Decrease) In Net Assets	(1,992)	(1,571)	(421)	(7,111)	5,118
<b>Total Net Assets</b>	<b><u>(14,190)</u></b>	<b><u>(13,803)</u></b>	<b><u>(387)</u></b>	<b><u>(12,282)</u></b>	<b><u>(1,908)</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>224,158</u></b>	<b><u>222,598</u></b>	<b><u>1,560</u></b>	<b><u>73,150</u></b>	<b><u>151,008</u></b>

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

	Sep		YTD(Sep)		YTDDec	
	Actual	BudVar	Actual	BudVar	Forecast	FcstVar
<b>Operating Revenue</b>						
Resident Monthly Fees	532	(180)	4,425	(908)	6,111	(1,596)
Departmental Revenues	85	(54)	990	(113)	1,376	(175)
<b>Total Operating Revenue</b>	<b>617</b>	<b>(234)</b>	<b>5,416</b>	<b>(1,022)</b>	<b>7,487</b>	<b>(1,771)</b>
<b>Operating Expense</b>						
Wages	323	39	2,737	396	3,799	436
Employee Benefits	63	19	616	87	850	101
Other Employee Expense	33	(17)	220	(80)	238	(52)
Contract Labor Expense	84	7	785	36	1,027	52
Supplies Expense	80	6	667	(2)	912	44
Repairs and Maintenance Expense	12	2	124	(12)	138	20
Professional Fee Expense	6	2	68	(2)	93	(5)
Purchased Services Expense	147	0	1,326	0	1,768	0
Other Expense	185	142	1,803	1,137	2,547	1,432
Operating Reserve Expense	0	0	1	(1)	1	(1)
<b>Total Operating Expense</b>	<b>932</b>	<b>199</b>	<b>8,346</b>	<b>1,560</b>	<b>11,372</b>	<b>2,027</b>
<b>Operating Income</b>	<b>(315)</b>	<b>(35)</b>	<b>(2,930)</b>	<b>538</b>	<b>(3,885)</b>	<b>256</b>
Net Rent	70	(8)	623	(63)	775	3
Interest Expense	139	(6)	1,198	(113)	1,624	(122)
Investment Income	21	21	2,040	2,040	2,136	2,136
47770-Amortization Income	166	(21)	1,335	(55)	1,957	(55)
59910-Amortization Expense	6	(6)	11	(11)	11	(11)
59950-FF&E Depreciation Expense	71	9	587	53	834	53
68300-Letter of Credit Fees	8	(8)	16	(16)	16	(16)
68900-Building Depreciation Expense	-	1	-	4	2	4
<b>Total Non-Operating Income</b>	<b>(106)</b>	<b>(16)</b>	<b>938</b>	<b>1,838</b>	<b>831</b>	<b>1,991</b>
<b>Increase (Decrease) in Net Assets</b>	<b>(421)</b>	<b>(52)</b>	<b>(1,992)</b>	<b>2,376</b>	<b>(3,055)</b>	<b>2,247</b>

	Independent	Assisted Living	Skilled Nursing
Billed Units	239	#MISSING	#MISSING
Available Units	397	#MISSING	#MISSING
Occupancy %	60.3%	#MISSING	#MISSING

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

	Current	YTD
<b>Cash Flows from Operating Activities</b>		
Net Income	(421)	(1,992)
<b>Adjustments to Reconcile Income</b>		
Depreciation and Amortization Expense	77	598
Amortization Income	(166)	(1,335)
Unrealized (Gain) Loss on Investments	0	0
Realized (Gain) Loss on Investments	0	(1,764)
(Increase)/Decrease in Accounts Receivable	4	(26)
(Increase)/Decrease in Inventory	(5)	(13)
(Increase)/Decrease in Prepaid Expenses	18	(373)
Increase/(Decrease) in Accounts Payable and Accrued Liabilities	(138)	(161)
<b>Net Cash Provided by Operating Activities</b>	<u>(631)</u>	<u>(5,066)</u>
<b>Cash Flows from Investing Activities</b>		
(Increase)/Decrease in Short Term Notes	342	149
(Increase)/Decrease in Limited Use Cash and Investments	586	(5,927)
(Increase)/Decrease in Designated Cash	8	20
(Increase)/Decrease in Designated Securities	0	1,764
(Increase)/Decrease in Fixed Assets	(9)	(318)
(Increase)/Decrease in Capitalized Bond Interest	(111)	(186)
(Increase)/Decrease in Deferred Assets	136	(933)
(Increase)/Decrease in LT Mortgage & Note Receivables	(2,485)	(144,084)
<b>Net Cash Used in Investing Activities</b>	<u>(1,534)</u>	<u>(149,515)</u>
<b>Cash Flows from Financing Activities</b>		
Increase/(Decrease) in Resident Refunds	(7)	(510)
Increase/(Decrease) in Advance Deposits	(6)	577
Increase/(Decrease) in Parking Deposits	12	24
Increase/(Decrease) in Resident Deposits	2,074	15,834
Increase/(Decrease) in Short Term Obligations	36	111
Increase/(Decrease) in Long Term Liabilities	139	141,749
<b>Net Cash Provided by Financing Activities</b>	<u>2,248</u>	<u>157,785</u>
<b>Increase (Decrease) in Cash</b>	83	3,204
Aggregate Other Items to Reconcile Cash	0	(3,379)
<b>Cash Beginning of Period</b>	419	677
<b>Cash End of Period</b>	<u>502</u>	<u>502</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 September 30, 2007, Sedgebrook was in compliance with the covenants set forth in the Loan Agreement.

IN WITNESS WHEREOF, we have executed this Certificate as of October 17, 2007.

SEDGEBROOK, INC.

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

  
Jeffrey A. Jacobson  
Asst. Treasurer