



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

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 apartment and 132 skilled nursing beds upon its expected completion in 2017.

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 \$10.5M in equity to date.
- Erickson has funded approximately \$20.2M in short term funding to cover project expenses in excess of entrance fees and the purchase deposit.

Executive Summary

Marketing Overview

Sedgebrook ended September with 15 initial deposits and 3 total settlements. Advertising and sales are working hard to increase the community's pipeline that currently consists of 74 reservations, 174 standbys and 100 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. Erickson Construction is working with Walsh to settle the issue.

Active Phase Status

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

Proforma Update

**** in millions

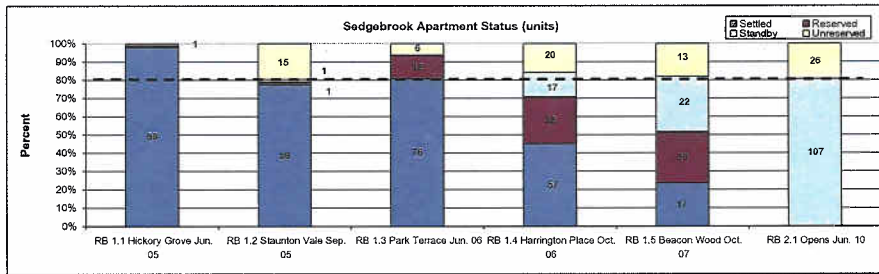
	Original Budget	CURRENT 9/30/2008 Budget	
Entrance Deposits	500	553	(1)
Purchase Price	83	105	(2)
Total Funds	582	658	
Project Costs	409	483	(3)
Financing Costs	46	106	(4)
Operations Start Up (Working Capital) Ex. Reserves	(7)	14	(5)
Development Fees	25	28	(6)
Total Costs	473	632	
Enterprise Margin	109	26	

(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 09-30-08



Total Units
Flex Pay
Flex Pay Ratio

	2004	2005	2006	2007	2007	2007	2007	2008	2008	2008
	Year End	Year End	Year End	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr	2nd Qtr	3rd Qtr
Settled	0	105	201	211	232	252	270	279	295	308
Reservations	82	23	35	48	42	67	67	70	59	66
Standby	62	115	149	157	159	167	161	163	167	174
Futures	89	121	76	77	88	86	91	104	184	100
Total	233	365	461	484	521	572	589	616	625	648
Monthly Trends										
Net Settlements/Reservations/Standbys	12.0	8.3	11.8	10.7	5.3	17.7	4.0	4.7	3.0	9.0
Settlements	0	8.8	6.0	3.3	7.0	6.7	6.0	3.0	5.3	4.3

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	100	Test Satisfied
RB 1.2	76	38	60	Test Satisfied
RB 1.3	94	47	88	Test Satisfied
RB 1.4	125	63	89	Test Satisfied
RB 1.5	72	36	37	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	295	RB 1.1	101
Reservations	59	RB 1.2	76
Standby	167	RB 1.3	94
Futures	104	RB 1.4	125
Total	625	RB 1.5	72
		RB 2.1	133
		RB 2.2	126
		Total	728

Bond Commitment	625	=	86%
Ratio	728		

Maximum Number of Units Completed & Under Construction Within Compliance:
625 = 86% of 728

*Settlement vs. Covenant

Original Covenant Requirement
PTD Monthly Average as of 9/30/08
N/A 7.7

NOTES:

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

2008 Monthly Marketing Trend Report

Campus: Sedgebrook

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Average
Monthly Activity														
1 Net Apt Reservations (MS)*	4	3	6	5	1	4	14	11	0				48	5.33
* New	4	2	6	3	1	1	13	8	-1				37	4.11
* Resale	0	1	0	2	0	3	1	3	1				11	1.22
2 Gross Reservations (MS)	7	9	13	14	10	15	20	20	13				121	13.44
3 No. of Total Settlements (MS)*	5	3	3	4	7	7	7	5	3				44	4.89
* New	4	2	3	3	7	6	6	4	3				38	4.22
* Resale	1	1	0	1	0	1	1	1	0				6	0.67
4 No. of Initial Deposits (MS)	21	8	17	13	12	10	19	12	15				127	14.11
5 Requests for Refunds (MS)	3	8	7	4	9	7	3	6	6				53	5.89
6 Total Kit Requests (OT)	492	496	585	370	391	357	318	579	322				3,910	434.44
* MJO (OT)	359	268	439	197	199	200	133	335	184				2,314	257.11
* Sales Office (OT)	124	222	140	163	186	147	158	221	132				1,493	165.89
* Walk-ins (OT)	9	6	6	10	6	10	27	23	6				103	11.44
HC Kit Requests	0	0	0	0	1	1	3	1	1				7	0.78
7 Total Appts (OT)**	58	31	58	57	67	64	83	103	74				595	66.11
* First Time Appts (OT)	34	17	25	32	42	34	51	56	37				328	36.44
* Non Depositor Repeat Appts (OT)	10	3	18	12	9	12	20	16	16				116	12.89
* Depositor Appts (OT)	14	11	15	13	0	18	12	31	21				135	15.00
8 Walk-in Appts (OT)	0	0	0	0	0	0	0	0	0				0	0
Pipeline														
9 Reserved but Unsettled (P)	69	69	72	73	67	64	71	77	74				74	70.67
* New	67	67	70	70	64	59	66	70	66				66	66.56
* Resale	2	2	2	3	3	5	5	7	8				8	4.11
FPP									5				5	5.00
10 Standby (P)	163	158	163	169	167	167	170	167	174				174	166.44
11 Futures (P)	103	105	104	102	104	104	101	99	100				100	102.44
12 Total Deposits w/o Settled Appts (C) [9+10+11]	335	332	339	344	338	335	342	343	348				348	339.56
13 Total Settled Appts (P)	264	265	268	272	279	285	290	295	296				296	279.33
Total New Settled Appts (BS)	274	276	279	282	289	295	301	305	308				308	289.89
14 No. of Unsettled Appts (PRU)	205	204	201	197	190	185	180	175	174				174	190.11
15 Appts released by keys not turned in	0	0	0	0	0	1	1	1	1				1	0.44
Ratio (Line 12/14) (C)	1.63	1.63	1.69	1.75	1.78	1.81	1.90	1.96	2.00	N/A	N/A	N/A	2.00	1.79

Notes

* Net Reservations = Gross Reservations - Reservations withdrawn

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



Marketing Summary

SED

Date Range [9/1/08 thru 9/30/08]

LOC: Independent

Settlements	Count	Cash Collected	Current P-Note Due	Total
New	4	\$884,000	\$250,000	\$1,134,000
Resale	0	\$0	\$0	\$0
Total	4	\$884,000	\$250,000	\$1,134,000

Reservations	Initial Deposits	Priority List	Left To Settled	Withdraw	Net	Deposits Reserved	Reservations Settled	Reservations Withdrawn	Net Reservations
New	8	4	4	13	-5	\$4,326,000	\$1,134,000	\$4,399,500	-\$1,207,500
Resale	1	0	0	0	1	\$247,000	\$0	\$0	\$247,000
Total	9	4	4	13	-4	\$4,573,000	\$1,134,000	\$4,399,500	-\$960,500

Waiting Lists	Initial Deposits	Priority List	Changed Status	Net Change
Futures	2	0	1	1
Standby	4	9	6	7
Total	6	9	7	8

Initial Deposits	Initial Deposits	Requests for Refund
Initial Deposits	15	
Requests for Refund	6	

3 Total Anticipated Budget

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

	Actual Costs JTD	% Complete to Budget	Estimate to Complete	Estimate at Completion	Original Budget	Favorable/ (Unfavorable)	Notes
Entrance Deposits	99,673,500	18%	453,429,145	553,102,645	499,523,396	53,579,249	
Operating Lease	875,681	-7%	(12,811,194)	(11,935,513)	(16,709,748)	4,774,235	
Operating Lease	875,681	7%	11,059,832	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	(24,332,316)	22%	(84,763,670)	(109,095,986)	-	(109,095,986)	
Total Deposits	76,216,865	17%	382,561,686	458,778,551	516,233,144	(57,454,593)	A
Hard Costs - Building	118,843,892	36%	210,145,230	328,989,122	281,106,571	(47,882,551)	
Hard Costs - Sitework	15,816,287	69%	7,257,503	23,073,790	22,235,218	(838,572)	
Architecture	8,895,660	68%	4,223,970	13,119,630	9,100,789	(4,018,841)	
Engineering	3,073,075	69%	1,355,363	4,428,438	3,801,000	(627,438)	
Builder's Risk	213,301	37%	355,624	568,925	455,013	(113,912)	
Fees, Permits & Bonds	4,746,705	39%	7,460,834	12,207,539	9,197,015	(3,010,524)	
Development Fee	4,983,675	18%	22,672,058	27,655,733	24,976,168	(2,679,565)	
Outside Legal	304,381	29%	731,348	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	157,580,767	38%	254,563,406	412,144,173	356,366,940	(55,777,233)	
Contingency	0	0%	6,502,026	6,502,026	9,560,958	3,058,932	
Total Phase Costs	157,580,767	38%	261,065,433	418,646,199	365,927,898	(52,718,301)	B
Department Costs							
Administration Department	1,986,195	62%	1,204,932	3,191,127	2,062,926	(1,128,201)	
Acquisitions and Development	6,948,660	55%	5,781,173	12,729,833	10,889,375	(1,840,458)	
Construction Management Services	974,194	14%	6,140,002	7,114,196	0	(7,114,196)	
Finance	361,117	18%	1,679,558	2,040,675	1,058,468	(982,207)	
Marketing Department	18,158,120	44%	23,479,135	41,637,255	28,177,403	(13,459,852)	
Information Services	788,676	44%	1,013,066	1,801,742	1,128,804	(672,938)	
Legal Department	279,132	54%	234,854	513,986	433,866	(80,120)	
Total Departmental Costs	29,496,095	43%	39,532,719	69,028,814	43,750,842	(25,277,972)	C
Total Hard & Soft Costs	187,076,862	38%	300,598,152	487,675,013	409,678,740	(77,996,273)	
Other Development Costs							
Land	21,079,819	100%	(0)	21,079,819	20,885,000	(194,819)	
Interest Costs	31,411,831	87%	4,830,102	36,241,933	25,903,964	(10,337,969)	
Financing Costs - L.O.C	2,480,262	83%	505,628	2,985,890	1,670,000	(1,315,890)	
Property Taxes	1,056,328	96%	47,418	1,103,746	1,654,088	550,342	
Capital Expenditures/	787,637	63%	469,780	1,257,417	300,000	(957,417)	
Community Loan Interest	(3,739,451)	0%	3,739,451	-	(12,946,394)	(12,946,394)	
Total Other Development Costs	53,076,426	85%	9,592,379	62,668,805	37,466,658	(25,202,147)	D
Total Costs	240,153,287	44%	310,190,531	550,343,818	447,145,398	(103,198,420)	
Profit Margin	(163,936,423)		72,371,155	(91,565,267)	69,087,746	(160,653,013)	
Profit Margin %				-19.96%	13.38%	-33.34%	
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)			
Total Adjustments				117,818,050			
Enterprise Value				26,252,783			

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

Variances 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>(160.7)</u>

Variance by line item (reference category code)

	<u>Total</u>
A Total Deposits (Deposits/ Working Capital/ Operating Lease)	(57.5)
B Phase Costs	(52.7)
C Departmental Costs	(25.3)
D Other Development Costs	(25.2)
Total Variance	<u>(160.7)</u>

4 Project Schedule

**Lincolnshire Campus
Project Schedule
September 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	Jun-10	(15)
Residential Building 2.1	Jul-08	Jun-10	(23)
Residential Building 2.2	Mar-09	Jun-10	(15)
Residential Building 2.3	Oct-09	Oct-10	(12)
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	Oct-10	(12)
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
Sep, FY08

08 04:18 PM

	<u>Current Balance</u>	<u>Prior Year End Balance</u>	<u>Change from Prior Year</u>
ASSETS			
Current Assets			
Cash	181,785	149,736	32,049
Assets Limited as to Use	1,556,185	1,165,637	390,547
Other Current Assets	<u>555,065</u>	<u>255,782</u>	<u>299,283</u>
Total Current Assets	2,293,035	1,571,155	721,879
Fixed Assets			
Land and Improvements	24,390,675	24,390,675	-
Buildings	143,979,384	143,395,305	584,078
Other Fixed Assets	<u>2,469,260</u>	<u>2,326,109</u>	<u>143,151</u>
Total Fixed Assets	170,839,319	170,112,090	727,229
Accumulated Depreciation	<u>(10,353,968)</u>	<u>(7,198,985)</u>	<u>(3,154,984)</u>
Total Fixed Assets net of Depreciation	160,485,351	162,913,105	(2,427,754)
Construction in Progress	<u>31,881,277</u>	<u>12,157,640</u>	<u>19,723,637</u>
Total Fixed Assets, Net and CIP	192,366,628	175,070,745	17,295,883
Other Assets			
Community Note Receivable	13,127,094	15,048,558	(1,921,464)
Deferred Financing Costs, net	<u>430,683</u>	<u>447,195</u>	<u>(16,512)</u>
Total Other Assets	13,557,777	15,495,753	(1,937,976)
TOTAL ASSETS	208,217,440	192,137,654	16,079,786
LIABILITIES & MEMBERS' CAPITAL			
Current Liabilities			
Accounts Payable	61,597	105,334	(43,738)
Construction G.C. Payable	5,463,099	1,175,599	4,287,500
Retainage Payable	1,384,466	640,763	743,703
Other Current Liabilities	382,774	395,931	(13,157)
ERC Short-Term Funding	20,209,763	4,309,763	15,900,000
Development Fees Payable	136,748	119,645	17,103
Intercompany	<u>1,082,957</u>	<u>394,779</u>	<u>688,178</u>
Total Current Liabilities	28,721,403	7,141,814	21,579,589
Long-Term Liabilities			
Mortgage Payable	73,931,037	74,323,341	(392,304)
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	213,696,037	214,323,341	(627,304)
Total Liabilities	242,417,441	221,465,156	20,952,285
Members' Capital			
Members' Capital	(1,700,000)	(1,700,000)	-
Members' Capital Sub-Debt Interest	12,150,000	12,150,000	-
Development Fee Distributions	(4,983,675)	(4,277,988)	(705,688)
Retained Earnings	(35,499,515)	(35,499,515)	-
Current Year's Income (Loss)	<u>(4,166,812)</u>	<u>-</u>	<u>(4,166,812)</u>
Total Members' Capital	(34,200,001)	(29,327,502)	(4,872,499)
TOTAL LIABILITIES & MEMBERS' CAPITAL	208,217,440	192,137,654	16,079,786

ERICKSON RETIREMENT COMMUNITIES
Lincolnshire Campus
Landowner Income Statement
Sep, FY08

10/29/08 04:18 PM

	Period Activity	Period Budget	Period Variance	Year-to-Date Actual	Year-to-Date Budget	Year-to-Date Variance
Departmental Expenses						
Development Administration	68,321	92,331	24,010	779,797	833,617	53,820
Construction Manganment Services	84,278	3,647	(80,631)	742,181	32,821	(709,360)
Administration	48,075	46,386	(1,689)	432,674	417,476	(15,197)
Marketing	324,152	197,004	(127,148)	2,096,735	1,775,583	(321,152)
Sales and Information	148,103	119,250	(28,853)	988,014	1,080,441	92,428
Information Services	16,884	16,884	-	151,959	151,959	0
Legal	3,914	3,914	-	35,229	35,229	-
Capitalized Costs	(369,575)	(282,413)	87,162	(3,129,853)	(2,551,543)	578,310
Net Departmental Expense	324,152	197,004	(127,148)	2,096,735	1,775,583	(321,152)
Other Operating Expenses						
Bank Charges/Other Fees	194	-	(194)	215	-	(215)
Depreciation	352,601	373,371	20,771	3,154,984	3,121,801	(33,183)
Amortization	1,835	-	(1,835)	16,512	-	(16,512)
Total Other Operating Expenses	354,630	373,371	18,742	3,171,711	3,121,801	(49,910)
Total Operating Expenses	678,781	570,376	(108,406)	5,268,485	4,897,384	(371,101)
Non-Operating Revenue						
Note Rec/Other Interest	67,137	-	67,137	842,904	-	842,904
Community Lease Revenue	381,627	360,118	21,509	3,457,726	2,970,546	487,180
Total Non-Operating Revenue	448,764	360,118	88,646	4,300,630	2,970,546	1,330,084
Non-Operating Expenses						
Interest Expense LOC, net(Sub-debt)	(304,333)	76,083	380,417	(979)	840,833	841,813
Mortgage Interest Expense	307,991	342,814	34,823	2,801,556	2,736,173	(65,383)
Financing Costs	9,760	4,000	(5,760)	119,338	36,000	(83,338)
Real Estate & Other Taxes	-	-	-	279,042	-	(279,042)
Total Non-Operating Expenses	13,417	422,897	409,480	3,198,957	3,613,006	414,050
NET INCOME (LOSS)	(243,435)	(633,155)	389,720	(4,166,812)	(5,539,845)	1,373,033

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

10/29/08 4:19 PM

	<u>Period Activity</u>	<u>Year-to-Date</u>
Cash Flows from Operating Activities:		
Net Income (Loss)	(243,435)	(4,166,812)
Adjustments to reconcile Net Income (Loss) to Net Cash (Used In) Provided by Operating Activities:		
Depreciation	352,600	3,154,984
Amortization	1,835	16,512
Changes in:		
Assets Limited as to Use	(381,384)	(390,547)
Other Current Assets	(221,290)	(299,283)
Current Liabilities	86,946	(56,895)
ERC Short-Term Funding	3,000,000	15,900,000
Development Fees Payable	108,380	17,103
Intercompany	224,685	688,178
Net Cash (Used In) Provided by Operating Activities	2,928,338	14,863,240
Cash Flows from Investing Activities:		
CIP and Other Fixed Assets	(3,227,421)	(20,450,867)
Net Cash (Used In) Provided by Investing Activities	(3,227,421)	(20,450,867)
Cash Flows from Financing Activities:		
Deferred Financing Costs	-	-
Community Note Receivable	392,083	1,921,464
Retainage Withheld (Released)	241,437	743,703
Mortgage Proceeds	-	-
Principal Repayments - Mortgage	(44,318)	(392,304)
Change in General Contractor Payable	(53,648)	4,287,500
Proceeds (Repay) of Puchase Deposit	-	-
Members' Capital	-	-
Members' Drawing	(108,380)	(705,688)
Net Cash (Used In) Provided by Financing Activities	427,174	5,854,676
Change in Cash	128,090	32,049
Beginning Cash Balance	53,694	149,736
Ending Cash Balance	181,785	181,785

9 Community Financial Statements

SED
Comparative Balance Sheet
(in thousands)

	YTDSep FY08	YTDAug FY08	Change	YTDDec FY07	Change
Assets					
<i>Current Assets</i>					
Cash	548	26	522	488	61
Designated Cash	504	492	12	99	404
Accounts Receivable	250	153	97	157	93
Inventory	44	50	(6)	58	(14)
Prepays	440	497	(57)	535	(94)
Short Term Notes Receivable	1,656	2,611	(955)	2,216	(560)
<i>Total Current Assets</i>	<u>3,442</u>	<u>3,830</u>	<u>(387)</u>	<u>3,554</u>	<u>(112)</u>
<i>Limited Use Cash and Investments</i>					
Escrow Deposits	1,786	2,130	(344)	2,283	(497)
Restricted Fund Accounts	16,336	15,598	738	13,040	3,295
<i>Total Limited Use Cash & Investments</i>	<u>18,122</u>	<u>17,728</u>	<u>394</u>	<u>15,324</u>	<u>2,798</u>
<i>Non-Current Assets</i>					
Fixed Assets- Net	2,155	2,195	(39)	2,493	(337)
Capitalized Bond Interest	7,538	6,952	587	2,783	4,755
Deferred Assets	2,294	2,300	(6)	2,318	(24)
LT Mortgage & Note Receivables	198,405	198,449	(44)	198,797	(392)
<i>Total Non-Current Assets</i>	<u>210,392</u>	<u>209,895</u>	<u>497</u>	<u>206,391</u>	<u>4,001</u>
Total Assets	<u>231,956</u>	<u>231,453</u>	<u>504</u>	<u>225,268</u>	<u>6,688</u>
Liabilities					
<i>Current Liabilities</i>					
Accounts Payable and Accrued Liabilities	1,769	1,665	104	2,531	(762)
Resident Refunds	-	-	-	476	(476)
Short Term Obligations Debt	3,650	3,158	492	2,180	1,470
<i>Total Current Liabilities</i>	<u>5,419</u>	<u>4,823</u>	<u>596</u>	<u>5,187</u>	<u>232</u>
<i>Non-Current Liabilities</i>					
Advance Deposits	1,584	1,638	(54)	1,550	34
Parking Deposits	1,212	1,212	-	1,236	(24)
Capital	98,630	97,745	885	85,493	13,137
Amort of Capital	(5,050)	(4,830)	(219)	(3,321)	(1,729)
Long Term Liabilities	149,350	149,743	(393)	151,282	(1,931)
<i>Total Non-Current Liabilities</i>	<u>245,726</u>	<u>245,508</u>	<u>218</u>	<u>236,239</u>	<u>9,487</u>
Total Liabilities	<u>251,145</u>	<u>250,331</u>	<u>814</u>	<u>241,426</u>	<u>9,719</u>
Net Assets					
Unrestricted Net Assets	(16,291)	(16,291)	-	(12,347)	(3,943)
Temporarily Restricted	271	247	24	133	138
Current Year Increase (Decrease) In Net Assets	<u>(3,168)</u>	<u>(2,835)</u>	<u>(333)</u>	<u>(3,943)</u>	<u>775</u>
Total Net Assets	<u>(19,188)</u>	<u>(18,879)</u>	<u>(310)</u>	<u>(16,158)</u>	<u>(3,030)</u>
Total Liabilities and Net Assets	<u>231,956</u>	<u>231,453</u>	<u>504</u>	<u>225,268</u>	<u>6,688</u>

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

	Sep		YTD(Sep)		YTDDec	
	Actual	BudVar	Actual	BudVar	Forecast	FcstVar
Operating Revenue						
Resident Monthly Fees	597	(150)	5,335	(604)	7,111	(1,183)
Departmental Revenues	453	292	1,692	377	2,102	305
Total Operating Revenue	1,050	141	7,027	(227)	9,212	(878)
Operating Expense						
Wages	629	(245)	3,301	85	4,423	143
Employee Benefits	86	4	688	101	949	116
Other Employee Expense	14	17	164	79	224	101
Contract Labor Expense	79	56	789	181	1,086	248
Supplies Expense	120	(12)	795	85	1,085	141
Repairs and Maintenance Expense	36	(23)	200	(89)	193	(42)
Professional Fee Expense	9	(1)	66	13	96	9
Purchased Services Expense	151	0	1,358	0	2,153	(343)
Other Expense	212	56	2,007	420	2,847	441
Marketing Cost	0	0	0	0	0	0
Operating Reserve Expense	0	0	1	(1)	1	(1)
Total Operating Expense	1,336	(147)	9,370	873	13,056	814
Operating Income	(287)	(6)	(2,343)	646	(3,844)	(65)
Net Rent	74	(56)	656	(422)	881	(606)
Interest Expense	67	(67)	707	(487)	917	(697)
Investment Income	5	(8)	101	(12)	114	(36)
47770-Amortization Income	219	(20)	1,729	(173)	2,341	(311)
59910-Amortization Expense	6	0	51	0	67	0
59950-FF&E Depreciation Expense	73	20	726	45	1,014	44
68300-Letter of Credit Fees	51	(43)	516	(442)	690	(591)
68900-Building Depreciation Expense	-	0	-	2	-	3
Total Non-Operating Income	(47)	(174)	(826)	(1,490)	(1,114)	(2,196)
Increase (Decrease) in Net Assets	(333)	(180)	(3,168)	(844)	(4,958)	(2,261)

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

Current Month Occupancy

	Independent	Assisted Living	Skilled Nursing
Billed Units	297	#MISSING	#MISSING
Available Units	469	#MISSING	#MISSING
Occupancy %	63.2%	#MISSING	#MISSING

YTD Payor Mix

	SNF Totals		SNF %'s	
	Operating Revenue	Resident Days	Opt Rev %'s	Resident Days%'s
Private	-	-	-	-
Medicare A	-	-	-	-
Medicaid	-	-	-	-
Other Insurance	-	-	-	-
Total	-	-	-	-

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

	Current	YTD
Cash Flows from Operating Activities		
Net Income	(333)	(3,168)
Adjustments to Reconcile Income		
Depreciation and Amortization Expense	79	776
Amortization Income	(219)	(1,729)
Unrealized (Gain) Loss on Investments	0	(2)
Realized (Gain) Loss on Investments	-	-
(Increase)/Decrease in Accounts Receivable	(97)	(93)
(Increase)/Decrease in Inventory	6	14
(Increase)/Decrease in Prepaid Expenses	57	94
Increase/(Decrease) in Accounts Payable and Accrued Liabilities	104	(762)
Net Cash Provided by Operating Activities	<u>(404)</u>	<u>(4,868)</u>
Cash Flows from Investing Activities		
(Increase)/Decrease in Short Term Notes	955	560
(Increase)/Decrease in Limited Use Cash and Investments	(370)	(2,660)
(Increase)/Decrease in Designated Cash	(12)	(404)
(Increase)/Decrease in Designated Securities	0	2
(Increase)/Decrease in Fixed Assets	(34)	(388)
(Increase)/Decrease in Capitalized Bond Interest	(587)	(4,755)
(Increase)/Decrease in Deferred Assets	-	(27)
(Increase)/Decrease in LT Mortgage & Note Receivables	44	392
Net Cash Used in Investing Activities	<u>(4)</u>	<u>(7,281)</u>
Cash Flows from Financing Activities		
Increase/(Decrease) in Resident Refunds	-	(476)
Increase/(Decrease) in Advance Deposits	(54)	34
Increase/(Decrease) in Parking Deposits	-	(24)
Increase/(Decrease) in Resident Deposits	885	13,137
Increase/(Decrease) in Short Term Obligations	492	1,470
Increase/(Decrease) in Long Term Liabilities	(393)	(1,931)
Net Cash Provided by Financing Activities	<u>929</u>	<u>12,210</u>
Increase (Decrease) in Cash	522	61
Aggregate Other Items to Reconcile Cash	-	-
Cash Beginning of Period	26	488
Cash End of Period	<u>548</u>	<u>548</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, 2008, Sedgebrook was in compliance with the covenants set forth in the Loan Agreement.

IN WITNESS WHEREOF, we have executed this Certificate as of October 30, 2008.

SEDGEBROOK, INC.

By: _____

Jeffrey A. Jacobson
Asst. Treasurer