

Facility Name Hawthorne Inn of Princeton

Report Period Beginning: 4/1/2009 Ending: 3/31/2010

III. STATISTICAL DATA

A. Certified units; enter number of units and unit days

Date of change in certified units / /

| | 1 | 2 | 3 | 4 | |
|---|-------------------------------------|-----------------------|-------------------------------|--------------------------------|---|
| | Units at Beginning of Report Period | Type of Apartment | Units at End of Report Period | Unit Days During Report Period | |
| 1 | 15 | Single Unit Apartment | 15 | 5,475 | 1 |
| 2 | 6 | Double Unit Apartment | 6 | 4,380 | 2 |
| 3 | | Other | | | 3 |
| 4 | 21 | TOTALS | 21 | 9,855 | 4 |

B. Census-For the entire report period.

| | 1 Type of Unit | 2 3 4 5 Resident Days by Unit and Primary Source of Payment | | | | |
|---|-------------------|--|-------------|-------|-------|---|
| | | Medicaid Recipient | Private Pay | Other | Total | |
| 5 | Single Unit | 1,152 | 4,215 | | 5,367 | 5 |
| 6 | Double Unit | 2,086 | 1,052 | | 3,138 | 6 |
| 7 | Other | | | | | 7 |
| 8 | TOTALS | 3,238 | 5,267 | | 8,505 | 8 |

C. Percent Occupancy. (Column 5, line 8 divided by total certified bed days on line 4, column 4.) 86.30%

D. Indicate the number of paid bed-hold days the SLF had during this year
None Also, indicate the number of unpaid bed-hold days the SLF had during this year. None **(Do not include bed-hold days in Section B.)**

E. Does page 3 include expenses for services or investments not directly related to SLF services?

YES NO

F. Does the BALANCE SHEET reflect any non-SLF assets?

YES NO

G. List all services provided by your facility for non-residents.

(E.g., day care, "meals on wheels", outpatient therapy)

None

H. ACCOUNTING BASIS

ACCRUAL MODIFIED CASH* CASH*

I. Is your fiscal year identical to your tax year? YES NO

Tax Year: 3/31/2010 Fiscal Year: 3/31/10

* All facilities other than governmental must report on the accrual basis.

J. Does the facility have any Illinois Housing Development Authority Loans outstanding? No If yes, did the facility make all of the required payments of interest and principle? _____

If no, explain. _____

K. Does the facility have any loans from the Federal Home Loan Bank outstanding? No If yes, did the facility make all of the required payments of interest and principle? _____

If no, explain. _____

L. Does the facility have any loans from the IL Dept of Commerce and Economic Opportunity outstanding? No If yes, did the facility make all of the required payments of interest and principle? _____

If no, explain. _____

Facility Name: Hawthorne Inn of Princeton

Report Period Beginning:

4/1/2009

Ending:

3/31/2010

IV. COST CENTER EXPENSES (please round to the nearest dollar)

| Operating Expenses | | Costs Per General Ledger | | | | Reclassifications and Adjustments 5 | Adjusted Total 6 | |
|------------------------------------|---|--------------------------|----------------|------------------|------------------|---|------------------------|-----------|
| | | Salary/Wage 1 | Supplies 2 | Other 3 | Total 4 | | | |
| A. General Services | | | | | | | | |
| 1 | Dietary and Food Purchase | 274,910 | 525,708 | 13,423 | 814,041 | (490,464) | 323,577 | 1 |
| 2 | Housekeeping, Laundry and Maintenance | 115,972 | 54,910 | 37,984 | 208,866 | (334,166) | (125,300) | 2 |
| 3 | Heat and Other Utilities | | | 137,875 | 137,875 | (114,781) | 23,094 | 3 |
| 4 | Other (specify): | | | | | | | 4 |
| 5 | TOTAL General Services | 390,882 | 580,618 | 189,282 | 1,160,782 | (939,411) | 221,371 | 5 |
| B. Health Care and Programs | | | | | | | | |
| 6 | Health Care/ Personal Care | 1,832,637 | 238,793 | 760,585 | 2,832,015 | (2,443,060) | 388,955 | 6 |
| 7 | Activities and Social Services | 102,939 | 2,846 | 288 | 106,073 | (105,697) | 376 | 7 |
| 8 | Other (specify): | | | | | | | 8 |
| 9 | TOTAL Health Care and Programs | 1,935,576 | 241,639 | 760,873 | 2,938,088 | (2,548,757) | 389,331 | 9 |
| C. General Administration | | | | | | | | |
| 10 | Administrative and Clerical | 116,706 | 29,063 | 372,335 | 518,104 | (453,190) | 64,914 | 10 |
| 11 | Marketing Materials, Promotions and Advertising | 38,013 | | 98,433 | 136,446 | (135,998) | 448 | 11 |
| 12 | Employee Benefits and Payroll Taxes | | | 474,055 | 474,055 | (383,407) | 90,648 | 12 |
| 13 | Insurance-Property, Liability and Malpractice | | | 66,802 | 66,802 | (56,954) | 9,848 | 13 |
| 14 | Other (specify): | | | 121,947 | 121,947 | (120,315) | 1,632 | 14 |
| 15 | TOTAL General Administration | 154,719 | 29,063 | 1,133,572 | 1,317,354 | (1,149,864) | 167,490 | 15 |
| 16 | TOTAL Operating Expense (Sum of lines 5, 9 and 15) | 2,481,177 | 851,320 | 2,083,727 | 5,416,224 | (4,638,032) | 778,192 | 16 |
| Capital Expenses | | | | | | | | |
| D. Ownership | | | | | | | | |
| 17 | Depreciation | | | 39,400 | 39,400 | (33,569) | 5,831 | 17 |
| 18 | Interest | | | | | 121 | 121 | 18 |
| 19 | Real Estate Taxes | | | 103,200 | 103,200 | (80,496) | 22,704 | 19 |
| 20 | Rent -- Facility and Grounds | | | 758,154 | 758,154 | (591,360) | 166,794 | 20 |
| 21 | Rent -- Equipment | | | 4,209 | 4,209 | (4,209) | | 21 |
| 22 | Other (specify): | | | | | | | 22 |
| 23 | TOTAL Ownership | | | 904,963 | 904,963 | (709,513) | 195,450 | 23 |
| 24 | GRAND TOTAL (Sum of lines 16 and 23) | 2,481,177 | 851,320 | 2,988,690 | 6,321,187 | (5,347,545) | 973,642 | 24 |

Facility Name: Hawthorne Inn of Princeton

Report Period Beginning: 4/1/2009

Ending:

3/31/2010

V. STAFFING AND SALARY COSTS (Please report each line separately.)

| | Personnel | Number of FTE | Average Hourly Wage | |
|----|--------------------------------|---------------|---------------------|-----------|
| 1 | Registered Nurses | | \$ | 1 |
| 2 | Licensed Practical Nurses | | | 2 |
| 3 | Certified Nurse Assistants | 19 | 9.69 | 3 |
| 4 | Activity Director & Assistants | | | 4 |
| 5 | Social Service Workers | | | 5 |
| 6 | Head Cook | | | 6 |
| 7 | Cook Helpers/Assistants | 4 | 8.33 | 7 |
| 8 | Dishwashers | | | 8 |
| 9 | Maintenance Workers | 0 | 9.35 | 9 |
| 10 | Housekeepers | 1 | 8.76 | 10 |
| 11 | Laundry | 0 | 8.51 | 11 |
| 12 | Managers | 1 | 11.53 | 12 |
| 13 | Other Administrative | | | 13 |
| 14 | Clerical | 1 | 8.28 | 14 |
| 15 | Marketing | 0 | 14.90 | 15 |
| 16 | Other | | | 16 |
| 17 | Total (lines 1 thru 16) | 26 | \$ | 17 |

VI. (A) STATEMENT OF COMPENSATION AND OTHER PAYMENTS TO OWNERS, RELATIVES AND MEMBERS OF THE BOARD OF DIRECTORS.

| | NAME and FUNCTION | Ownership Interest | Average Hours Per Work Week Devoted to this Business | Amount of Compensation for this Reporting Period | |
|--------------|-----------------------------------|--------------------|--|--|----------|
| 1 | See Att Sch Va for Directors Fees | | | \$ 256 | 1 |
| 2 | | | | | 2 |
| 3 | | | | | 3 |
| 4 | | | | | 4 |
| 5 | | | | | 5 |
| Total | | | | \$ 256 | 6 |

VI. (B) Management fees paid to unrelated parties

| | Amount of Fee | |
|--------------|---------------|-------------|
| 1 | \$ | 1 |
| 2 | | 2 |
| Total | | \$ 3 |

VII. RELATED ORGANIZATIONS

A. Enter below the names of all related organizations. Attach an additional schedule if necessary.

RELATED SLF's & HEALTH CARE BUSINESSES

| Name | 1 | City | 2 |
|-------------------------|---|------|---|
| See Attached Schedule 1 | | | |
| | | | |
| | | | |
| | | | |

OTHER RELATED BUSINESS ENTITIES

| Name | 3 | City | 4 | Type of Business | 5 |
|-------------------------|---|------|---|------------------|---|
| See Attached Schedule 1 | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

B. Does your facility receive services from a parent organization or home office; the costs for which were not included on page 3? YES NO

Name of related entity: _____ If yes, what is the value of those services? \$ _____
(Please attach a separate schedule itemizing those services.)

C. Does page 3 include any costs derived from transactions (including rent) with related parties? YES NO

If so, please attach a separate schedule detailing the nature of those services, their costs as they appear on your books and the underlying cost to the related party (i.e., not including markup).

Facility Name: Hawthorne Inn of Princeton

Report Period Beginning:

4/1/2009

Ending:

3/31/2010

VIII. OWNERSHIP COSTS

A. Purchase price of land _____ Year land was acquired _____

B. Building Depreciation -- Including Fixed Equipment. Round all numbers to the nearest dollar.

*Total units on this schedule must agree with page 2.

| | 1 Units* | FOR BHF USE ONLY | 2 Year Acquired | 3 Year Constructed | 4 Cost | 5 Current Book Depreciation | 6 Life in Years | 7 Straight Line Depreciation | 8 Adjustments | 9 Accumulated Depreciation | |
|-------------------------|--------------------------------|------------------|-----------------------|--------------------------|-----------|-----------------------------------|-----------------------|------------------------------------|------------------|----------------------------------|----|
| 1 | | | | | \$ | \$ | | \$ | \$ | \$ | 1 |
| 2 | | | | | | | | | | | 2 |
| 3 | | | | | | | | | | | 3 |
| 4 | | | | | | | | | | | 4 |
| 5 | | | | | | | | | | | 5 |
| Improvement Type | | | | | | | | | | | |
| 6 | | | | | | | | | | | 6 |
| 7 | | | | | | | | | | | 7 |
| 8 | | | | | | | | | | | 8 |
| 9 | | | | | | | | | | | 9 |
| 10 | | | | | | | | | | | 10 |
| 11 | | | | | | | | | | | 11 |
| 12 | | | | | | | | | | | 12 |
| 13 | | | | | | | | | | | 13 |
| 14 | | | | | | | | | | | 14 |
| 15 | | | | | | | | | | | 15 |
| 16 | | | | | | | | | | | 16 |
| 17 | TOTAL (lines 1 thru 16) | | | | \$ | \$ | | \$ | \$ | \$ | 17 |

C. Equipment Depreciation -- Including Transportation.

| | Type | 1 Cost | 2 Current Book Depreciation | 3 Straight Line Depreciation | 4 Adjustments | 5 Life in Years | 6 Accumulated Depreciation | |
|----|--------------------------------|-----------|-----------------------------------|------------------------------------|------------------|-----------------------|----------------------------------|----|
| 18 | Movable Equipment | \$ | \$ | \$ | \$ | | \$ | 18 |
| 19 | Vehicles | 56,625 | 5,831 | 5,831 | | 4 | 54,600 | 19 |
| 20 | TOTAL (lines 18 and 19) | \$ 56,625 | \$ 5,831 | \$ 5,831 | \$ | | \$ 54,600 | 20 |

D. Depreciable Non-Care Assets Included in General Ledger.

| | 1 Description and Year Acquired | 2 Cost | 3 Current Book Depreciation | 4 Accumulated Depreciation | |
|----|-------------------------------------|------------|-----------------------------------|----------------------------------|----|
| 21 | SNF Equipment-Various | \$ 159,972 | \$ 17,532 | \$ 90,647 | 21 |
| 22 | SNF Leasehold Impr- Various | 163,413 | 16,037 | 32,648 | 22 |
| 23 | SNF Ford E350 Van -2005 | 46,919 | - | 46,919 | 23 |
| 24 | TOTALS (lines 21, 22 and 23) | \$ 370,304 | \$ 33,569 | \$ 170,214 | 24 |

Facility Name: Hawthorne Inn of Princeton

Report Period Beginning: 4/1/2009

Ending: 3/31/2010

IX. RENTAL COSTS

A. Building and Fixed Equipment

1. Name of Party Holding Lease: Hawthorne Inn of Princeton, LLC

2. Does the facility also pay real estate taxes in addition to rental amount shown below on line 7, column 4? YES NO

| | | 1 | 2 | 3 | 4 | 5 | 6 | |
|---|-------------------|------------------|-----------------|---------------|---------------|---------------------|-----------------------------|---|
| | | Year Constructed | Number of Units | Date of Lease | Rental Amount | Total Yrs. of Lease | Total Years Renewal Option* | |
| 3 | Original Building | 2004 | 21 | 01/01/05 | \$ 758,154 | 10 | 5 | 3 |
| 4 | Additions | | | / / | | | | 4 |
| 5 | See Att Sch II | | | / / | | | | 5 |
| 6 | | | | / / | | | | 6 |
| 7 | TOTAL | | 21 | | \$ 758,154 | | | 7 |

8. Is movable equipment rental included in building rental? YES NO

9. Rental amount for movable equipment \$ Not Determined

10. If the facility rents any vehicles which are used for care-related purposes, please attach a schedule detailing the model year and make, the rental expense for this period and the use of the vehicle.

X. INTEREST EXPENSE

| | 1 | Name of Lender | 2 | | 3 | 4 | 6 | | 7 | 8 | 9 | Reporting Period Int. Expense | | | | |
|----|---|-------------------------------------|-----------|----|---|-----|-----------------|--------------|-----|---|----|-------------------------------|----------------|---------|---------------|--------------------------|
| | | | Related** | | | | Purpose of Loan | Date of Note | | | | | Amount of Note | | Maturity Date | Interest Rate (4 Digits) |
| | | | YES | NO | | | | | | | | | Original | Balance | | |
| | | A. Directly Facility Related | | | | | | | | | | | | | | |
| | | Long-Term | | | | | | | | | | | | | | |
| 1 | | | | | | / / | \$ | \$ | / / | | \$ | 1 | | | | |
| 2 | | | | | | / / | | | / / | | | 2 | | | | |
| 3 | | | | | | / / | | | / / | | | 3 | | | | |
| | | Working Capital | | | | | | | | | | | | | | |
| 4 | | | | | | / / | | | / / | | | 4 | | | | |
| 5 | | Home Office Allocation | X | | | / / | | | / / | | | 121 | | | | |
| 6 | | Less: Interest Income | | X | | / / | | | / / | | | 6 | | | | |
| 7 | | TOTAL Facility Related | | | | | \$ | \$ | | | \$ | 121 | | | | |
| | | B. Non-Facility Related | | | | | | | | | | | | | | |
| 8 | | | | | | / / | | | / / | | | 8 | | | | |
| 9 | | | | | | / / | | | / / | | | 9 | | | | |
| 10 | | TOTALS (lines 7, 8 and 9) | | | | | \$ | \$ | | | \$ | 121 | | | | |

* If there is an option to buy the building, please provide complete details on an attached schedule.
 ** If there is any overlap in ownership between the facility and the lender, this must be indicated in column 2.

Facility Name: Hawthorne Inn of Princeton

Report Period Beginning: 4/1/2009

Ending:

3/31/2010

XI. BALANCE SHEET - Unrestricted Operating Fund.

As of 3/31/2010

(last day of reporting year)

| | | 1 | 2 | |
|----|--|--------------|----------------------|----|
| | | Operating | After Consolidation* | |
| | A. Current Assets | | | |
| 1 | Cash on Hand and in Banks | \$ 59,889 | \$ | 1 |
| 2 | Cash-Patient Deposits | 12,138 | | 2 |
| 3 | Accounts & Short-Term Notes Receivable-Patients (less allowance 18,481) | 1,029,513 | | 3 |
| 4 | Supply Inventory (priced at) | | | 4 |
| 5 | Short-Term Investments | | | 5 |
| 6 | Prepaid Insurance | 36,108 | | 6 |
| 7 | Other Prepaid Expenses | | | 7 |
| 8 | Accounts Receivable (owners or related parties) | | | 8 |
| 9 | Other(specify): | | | 9 |
| 10 | TOTAL Current Assets (sum of lines 1 thru 9) | \$ 1,137,648 | \$ | 10 |
| | B. Long-Term Assets | | | |
| 11 | Long-Term Notes Receivable | | | 11 |
| 12 | Long-Term Investments | | | 12 |
| 13 | Land | | | 13 |
| 14 | Buildings, at Historical Cost | | | 14 |
| 15 | Leasehold Improvements, at Historical Cost | 163,413 | | 15 |
| 16 | Equipment, at Historical Cost | 263,516 | | 16 |
| 17 | Accumulated Depreciation (book methods) | (224,814) | | 17 |
| 18 | Deferred Charges | | | 18 |
| 19 | Organization & Pre-Operating Costs | | | 19 |
| 20 | Accumulated Amortization - Organization & Pre-Operating Costs | | | 20 |
| 21 | Restricted Funds | | | 21 |
| 22 | Other Long-Term Assets (specify): | | | 22 |
| 23 | Other(specify): | | | 23 |
| 24 | TOTAL Long-Term Assets (sum of lines 11 thru 23) | \$ 202,115 | \$ | 24 |
| 25 | TOTAL ASSETS (sum of lines 10 and 24) | \$ 1,339,763 | \$ | 25 |

*(See instructions.)

| | | 1 | 2 | |
|----|--|--------------|----------------------|----|
| | | Operating | After Consolidation* | |
| | C. Current Liabilities | | | |
| 26 | Accounts Payable | \$ 23,982 | \$ | 26 |
| 27 | Officer's Accounts Payable | | | 27 |
| 28 | Accounts Payable-Patient Deposits | 12,138 | | 28 |
| 29 | Short-Term Notes Payable | | | 29 |
| 30 | Accrued Salaries Payable | | | 30 |
| 31 | Accrued Taxes Payable | 226,803 | | 31 |
| 32 | Accrued Interest Payable | | | 32 |
| 33 | Deferred Compensation | | | 33 |
| 34 | Federal and State Income Taxes | | | 34 |
| | Other Current Liabilities(specify): | | | |
| 35 | Interdivision Payable | 1,123,495 | | 35 |
| 36 | | | | 36 |
| 37 | TOTAL Current Liabilities (sum of lines 26 thru 36) | \$ 1,386,418 | \$ | 37 |
| | D. Long-Term Liabilities | | | |
| 38 | Long-Term Notes Payable | | | 38 |
| 39 | Mortgage Payable | | | 39 |
| 40 | Bonds Payable | | | 40 |
| 41 | Deferred Compensation | | | 41 |
| | Other Long-Term Liabilities(specify): | | | |
| 42 | Security Deposits | 101,924 | | 42 |
| 43 | | | | 43 |
| 44 | TOTAL Long-Term Liabilities (sum of lines 38 thru 43) | \$ 101,924 | \$ | 44 |
| 45 | TOTAL LIABILITIES (sum of lines 37 and 44) | \$ 1,488,342 | \$ | 45 |
| 46 | TOTAL EQUITY | \$ (148,579) | \$ | 46 |
| 47 | TOTAL LIABILITIES AND EQUITY (sum of lines 45 and 46) | \$ 1,339,763 | \$ | 47 |

Facility Name: Hawthorne Inn of Princeton

Report Period Beginning: 4/1/2009

Ending:

3/31/2010

XII. INCOME STATEMENT (attach any explanatory footnotes necessary to reconcile this Schedule to Schedule IV.)

| | | 1 | |
|---|--------------------------------------|--------------|----|
| Revenue | | Amount | |
| A. SLF Resident Care | | | |
| 1 | Gross SLF Resident Revenue | \$ 878,438 | 1 |
| 2 | Discounts and Allowances | | 2 |
| SUBTOTAL Resident Care | | | |
| 3 | (line 1 minus line 2) | \$ 878,438 | 3 |
| B. Other Operating Revenue | | | |
| 4 | Special Services | | 4 |
| 5 | Other Health Care Services | | 5 |
| 6 | Special Grants | | 6 |
| 7 | Gift and Coffee Shop | | 7 |
| 8 | Barber and Beauty Care | | 8 |
| 9 | Non-Resident Meals | | 9 |
| 10 | Laundry | | 10 |
| SUBTOTAL OTHER OPERATING REVENUE | | | |
| 11 | (sum of lines 4 thru 10) | \$ | 11 |
| C. Non-Operating Revenue | | | |
| 12 | Contributions | | 12 |
| 13 | Interest and Other Investment Income | | 13 |
| SUBTOTAL Non-Operating Revenue | | | |
| 14 | (sum of lines 12 and 13) | \$ | 14 |
| D. Other Revenue (specify): | | | |
| 15 | SNF Related Revenue | 5,761,184 | 15 |
| 16 | | | 16 |
| SUBTOTAL Other Revenue | | | |
| 17 | (sum of lines 15 and 16) | \$ 5,761,184 | 17 |
| TOTAL REVENUE | | | |
| 18 | (sum of lines 3, 11, 14 and 17) | \$ 6,639,622 | 18 |

| | | 2 | |
|--|----------------------------|--------------|----|
| Expenses | | Amount | |
| A. Operating Expenses | | | |
| 19 | General Services | 1,160,782 | 19 |
| 20 | Health Care/ Personal Care | 2,938,088 | 20 |
| 21 | General Administration | 1,317,354 | 21 |
| B. Capital Expense | | | |
| 22 | Ownership | 904,963 | 22 |
| C. Other Expenses | | | |
| 23 | Special Cost Centers | | 23 |
| 24 | Non-Operating Expenses | | 24 |
| 25 | Other (specify): | | 25 |
| 26 | | | 26 |
| 27 | | | 27 |
| TOTAL EXPENSES | | | |
| 28 | (sum of lines 19 thru 27) | \$ 6,321,187 | 28 |
| Income Before Income Taxes | | | |
| 29 | (line 18 minus line 28) | \$ 318,435 | 29 |
| Income Taxes | | | |
| 30 | | \$ | 30 |
| NET INCOME OR LOSS FOR THE YEAR | | | |
| 31 | (line 29 minus line 30) | \$ 318,435 | 31 |

ATTACHED SCHEDULE 1

VII. Related Organizations

A.Related SLF's and Health Care Businesses and Other Related Business Entities

| Name | City and State | Type of Business |
|--|------------------------|---|
| 1 SLF's and Health Care divisions of Residential Alternatives of Illinois, Inc.: | | |
| Hawthorne Inn of Danville | Danville, IL | Skilled nursing facility |
| Manor Court of Clinton | Clinton, IL | Skilled nursing and supportive living facility |
| Manor Court of Freeport | Freeport, IL | Skilled nursing and assisted living facility |
| Manor Court of Peoria | Peoria, IL | Skilled nursing facility |
| Manor Court of Peru | Peru, IL | Skilled nursing facility |
| Manor Court of Princeton | Princeton, IL | Skilled nursing and supportive living facility |
| Hawthorne Inn of Freeport | Freeport, IL | Assisted and supportive living facility |
| Hawthorne Inn of Peoria | Peoria, IL | Assisted living facility |
| Hawthorne Inn of Peru | Peru, IL | Assisted living facility |
| Liberty Estates of Geneseo | Geneseo, IL | Assisted living and independent living facility |
| Liberty Estates of Streator | Streator, IL | Assisted living and independent living facility |
| Freeport Rehab & Healthcare | Freeport, IL | Skilled nursing facility |
| Other facilities operated by Residential Alternatives of Illinois, Inc. | | |
| Liberty Estates of Danville | Danville, IL | Independent living facility |
| Liberty Estates of Freeport | Freeport, IL | Independent living facility |
| Liberty Estates of Peoria | Peoria, IL | Independent living facility |
| Liberty Estates of Peru | Peru, IL | Independent living facility |
| 2 Residential Alternatives of Iowa (common Board of Directors) | | |
| Coralville, IA | | Long-term care facilities |
| 3 Frances House, Inc.(sole corporate member of Residential Alternatives of Illinois, Inc.) operates the following DD facilities | | |
| Casa Willis | Sterling, IL | |
| Freeport Terrace | Freeport, IL | |
| Gordon Jones Terrace | Lanark, IL | |
| Hallam Terrace | Rockford, IL | |
| Hammett House | Sterling, IL | |
| Kanthak House | Ottawa, IL | |
| Olson Terrace | Rockford, IL | |
| Ridge Terrace | Freeport, IL | |
| Rockford Group Homes: | | |
| Canterbury Place | Rockford, IL | |
| Glenwood Villa | Rockford, IL | |
| Rockton Court | Rockford, IL | |
| Rose House | Moline, IL | |
| Seborg Terrace | Rockford, IL | |
| Smith Square | Moline, IL | |
| Stern Square | Sterling, IL | |
| Stouffer Terrace | Oregon, IL | |
| Frances House, Inc. is also the sole corporate member of the following not-for-profit lessors of Residential Alternatives of Illinois, Inc. | | |
| Peoria Manor Court, Ltd., NFP | Galesburg, IL | |
| Peru Becker, Ltd., NFP | Galesburg, IL | |
| Danville Independence, LLC | Galesburg, IL | |
| 4 Pioneer Concepts, Inc (Frances House, Inc is the sole corporate member) operates the following DD facilities | | |
| Broadway Terrace | Chicago Heights, IL | |
| Carole Lane Terrace | Sauk Village, IL | |
| Cook County I Group Homes: | | |
| Flossmoor Terrace | Flossmoor, IL | |
| Raviskoe Terrace | Country Club Hills, IL | |
| Spaulding Terrace | Markham, IL | |
| Cook County II Group Homes: | | |
| Calumet City Terrace | Calumet City, IL | |
| Dolton Terrace | Dolton, IL | |
| Lynwood Terrace | Lynwood, IL | |
| Holland Terrace | South Holland, IL | |
| Matteson Court | Matteson, IL | |
| Prairie House | Sauk Village, IL | |
| Torrence Place | Sauk Village, IL | |
| 5 Pinnacle Opportunities, Inc (Frances House, Inc is the sole corporate member) operated the following DD facilities | | |
| Chamness Square | Bourbannis, IL | |
| Collins Square | Bradley, IL | |
| Gravlin Square | Bradley, IL | |
| Hunt Terrace | Kankakee, IL | |
| Kankakee I Group Homes: | | |
| Dearborn Court | Kankakee, IL | |
| River Court | Kankakee, IL | |
| Station Court | Kankakee, IL | |
| Kankakee II Group Homes: | | |
| Eagle Court | Kankakee, IL | |
| Kankakee Court | Kankakee, IL | |
| Roy Court | Bourbannis, IL | |
| 6 Concepts Plus, Inc. (Frances House, Inc is the sole corporate member) operated the following DD facilities | | |
| Lake County Group Homes: | | |
| Lewis Terrace | North Chicago, IL | |
| Seymour Terrace | North Chicago, IL | |
| Waukegan Terrace | Waukegan, IL | |
| Pine Terrace | Waukegan, IL | |
| 7 LTC Support Services, LLC (RAI is one of eight corporate members) LTC provides consulting services that include, but are not limited to: training, regulatory compliance, quality assurance programs, human resource support, marketing and maintenance. | | |
| Total fees expensed during the current year for SLF portion: | \$ | 12,514 |

FACILITY NAME: Hawthorne Inn of Princeton
ID#: 37-1223846

BEGINNING: 4/1/2009
ENDING: 3/31/2010

Manor Court of Princeton (skilled nursing) and Hawthorne Inn of Princeton (supportive living) are both housed in the same bldg and reported as a single division of Residential Alternatives of Illinois, Inc. Therefore, the divisional income statement and balance sheet report both operations. The SNF related costs have been adjusted out of this cost report.

Attached Schedule II

SUMMARY SCHEDULE

Sch. IV of Allocation of Skilled Nursing Facility Costs

| Line # | | Salaries | Supplies | Other | Total |
|---------------|------------------------|------------------|-----------------|------------------|------------------|
| 1 | Dietary and Food | 212,845 | 270,937 | 6,682 | 490,464 |
| 2 | Hskp, Laundry, Main | 211,906 | 89,278 | 32,982 | 334,166 |
| 3 | Heat & Other Utilities | | | 114,781 | 114,781 |
| 4 | Other | | | | - |
| 6 | Health Care/personal | 1,443,682 | 238,793 | 760,585 | 2,443,060 |
| 7 | Activities & Soc Serv | 102,939 | 2,470 | 288 | 105,697 |
| 8 | Other | | | | - |
| 10 | Admin/Clerical | 157,665 | 39,858 | 256,171 | 453,694 |
| 11 | Mkt, Promo, Adv | 32,984 | | 97,985 | 130,969 |
| 12 | Emp Ben & PR taxes | | | 383,407 | 383,407 |
| 13 | Insurance | | | 57,170 | 57,170 |
| 14 | Other | | | 120,315 | 120,315 |
| 17 | Depreciation | | | 33,569 | 33,569 |
| 18 | Interest | | | | - |
| 19 | Real Estate Taxes | | | 80,496 | 80,496 |
| 20 | Rent | | | 591,360 | 591,360 |
| 21 | Rent Equip | | | 4,209 | 4,209 |
| TOTALS | | 2,162,021 | 641,336 | 2,540,000 | 5,343,357 |

Net adjustment required

5,343,357

ATTACHED SCHEDULE III

IV. Cost Center Expenses

Reclassifications and Adjustments

Reported on Schedule IV on Line

| | Description | Adjustments Col 5 |
|---|----------------------------------|----------------------|
| See Att Sch II | Allocation to SNF cost report | (5,343,357) |
| See Att Sch V | Home office allocation | 841 |
| Line 11 | allocated Marketing wages to SLF | (5,029) |
| <i>Total Adjustments on Schedule IV</i> | | (5,347,545) |

ATTACHED SCHEDULE IV

Bed Listing & Home Office Allocation

| Facility | Weighted beds @ 03/31/10 | | | | | Estate Units 10% | Weighted Average Total | All Homes Percentage of Total | SLF Percentage of Total |
|-----------------------------|-----------------------------|-------------------------------|--------------------|--------------------|---|------------------------|------------------------------|-------------------------------------|-------------------------------|
| | Nursing Hom Beds 100% | Sheltered Care Beds 50% | SLF Beds 50% | ALC Beds 50% | | | | | |
| Liberty Estates of Danville | 0 | 0 | 0 | 0 | 8 | 8 | 0.94% | 0.00% | |
| Liberty Estates of Freeport | 0 | 0 | 0 | 0 | 7 | 7 | 0.82% | 0.00% | |
| Liberty Estates of Peoria | 0 | 0 | 0 | 0 | 8 | 8 | 0.94% | 0.00% | |
| Liberty Estates of Geneseo | 0 | 0 | 0 | 7 | 3 | 10 | 1.17% | 0.00% | |
| Liberty Estates of Peru | 0 | 0 | 0 | 0 | 7 | 7 | 0.82% | 0.00% | |
| Liberty Estates of Streator | 0 | 0 | 0 | 8 | 3 | 11 | 1.29% | 0.00% | |
| Hawthorne Inn of Danville | 70 | 34 | 0 | 0 | 0 | 104 | 12.18% | 0.00% | |
| Manor Court of Princeton | 76 | 11 | 10 | 0 | 0 | 97 | 11.36% | 1.17% | |
| Manor Court of Clinton | 134 | 0 | 11 | 0 | 0 | 145 | 16.98% | 1.29% | |
| Manor Court of Peoria | 50 | 0 | 0 | 0 | 0 | 50 | 5.85% | 0.00% | |
| Manor Court of Peru | 85 | 22 | 0 | 0 | 0 | 107 | 12.53% | 0.00% | |
| Manor Court of Freeport | 45 | 17 | 0 | 12 | 0 | 74 | 8.67% | 0.00% | |
| Hawthorne Inn of Peoria | 0 | 0 | 0 | 34 | 0 | 34 | 3.98% | 0.00% | |
| Hawthorne Inn of Peru | 0 | 0 | 0 | 34 | 0 | 34 | 3.98% | 0.00% | |
| Hawthorne Inn of Freeport | 0 | 0 | 15 | 0 | 0 | 15 | 1.76% | 1.76% | |
| Freeport Rehab & Healthcare | 143 | 0 | 0 | 0 | 0 | 143 | 16.74% | 0.00% | |
| | | | | | | 854 | 100% | 4.22% | |

FACILITY NAME: Hawthorne Inn of Princeton
ID#: 37-1223846

BEGINNING: 4/1/2009
ENDING: 3/31/2010

ATTACHED SCHEDULE V **ALLOCATION OF HOME OFFICE INDIRECT COSTS**
SUMMARY SCHEDULE

Sch. V (See attached detail schedule)

| Line # | | Salaries | Other | Total |
|---------------|------------------------|-----------------|--------------|--------------|
| 1 | Dietary and Food | 0 | 0 | - |
| 2 | Hskp, Laundry, Main | 0 | 0 | - |
| 3 | Heat & Other Utilities | 0 | 0 | - |
| 4 | Other | 0 | 0 | - |
| 6 | Health Care/personal | 0 | 0 | - |
| 7 | Activities & Soc Serv | 0 | 0 | - |
| 8 | Other | 0 | 0 | - |
| 10 | Admin/Clerical | 0 | 504 | 504 |
| 11 | Mkt, Promo, Adv | 0 | 0 | - |
| 12 | Emp Ben & PR taxes | 0 | 0 | - |
| 13 | Insurance | 0 | 216 | 216 |
| 14 | Other | 0 | 0 | - |
| 17 | Depreciation | 0 | 0 | - |
| 18 | Interest | 0 | 121 | 121 |
| 19 | Real Estate Taxes | 0 | 0 | - |
| | | 0 | 0 | - |
| | | 0 | 0 | - |

TOTALS **0** **841** **841**

Net adjustment required **841**

FACILITY NAME: Hawthorne Inn of Princeton
 ID#: 37-1223846

BEGINNING: 4/1/2009
 ENDING: 3/31/2010

**ATTACHED SCHEDULE Va ALLOCATION OF INDIRECT COSTS
 (Detail Schedule)**

Allocation Factors:

SLF Home Office Factor **0.0117**

| Schedule | Description | Total Expenses Incurred | Non-Allowable Costs | Costs To Be Allocated | Allocated Total | Adjustment Grouping |
|----------|----------------------------|-------------------------|---------------------|-----------------------|-----------------|---------------------|
| V-1-1 | Labor-Dietary | 0 | | 0 | 0 | 0 |
| V-1-2 | Supplies-Dietary | 0 | | 0 | 0 | 0 |
| V-2-1 | Labor-Purchasing | 0 | | 0 | 0 | 0 |
| V-3-3 | Utilities | | | 0 | 0 | 0 |
| V-10-1 | Labor - Administrative | | | 0 | 0 | |
| V-10-1 | Labor-Clerical | | | 0 | 0 | 0 |
| V-10-2 | Supplies | | | 0 | 0 | 0 |
| V-10-3 | Miscellaneous | | | 0 | 0 | |
| V-10-3 | Postage & Shipping | | | 0 | 0 | |
| V-10-3 | Equipment | | | 0 | 0 | |
| V-10-3 | Equipment Contracts | | | 0 | 0 | |
| V-10-3 | Equip Maintenance & Repair | | | 0 | 0 | |
| V-10-3 | Telephone | | | 0 | 0 | |
| V-10-3 | Board of Directors | 21,821 | 0 | 21,821 | 256 | |
| V-10-3 | Legal Fees | 24,422 | 24,422 | 0 | 0 | |
| V-10-3 | Professional Services | 20,820 | 0 | 20,820 | 244 | |
| V-10-3 | Licenses/Fees/Misc | 325 | | 325 | 4 | |
| V-10-3 | Inservice Training | 0 | | 0 | 0 | |
| V-10-3 | Travel | 0 | | 0 | 0 | |
| V-10-3 | Vehicle Expense | 0 | | 0 | 0 | 504 |
| V-11-3 | Advertising - Employment | | | 0 | 0 | |
| V-11-3 | Subscriptions & Fees | | | 0 | 0 | 0 |
| V-12-3 | Worker's Compensation | 0 | | 0 | 0 | |
| V-12-3 | Other Employee Expense | 0 | | 0 | 0 | |
| V-12-3 | FICA | 0 | | 0 | 0 | |
| V-12-3 | State Unemployment Tax | | | 0 | 0 | |
| V-12-3 | Health Insurance | 0 | | 0 | 0 | 0 |
| V-13-3 | Vehicle Insurance | 0 | | 0 | 0 | |
| V-13-3 | Property Insurance | 0 | | 0 | 0 | 0 |
| V-17-3 | Depreciation Expense | | | 0 | 0 | 0 |
| V-18-3 | Interest Expense | 25,605 | 0 | 25,605 | 300 | |
| V-18-3 | Investment Income | -15,250 | | -15,250 | -179 | 121 |
| V-26-3 | Liability Ins | 18,431 | | 18,431 | 216 | 216 |
| | TOTALS | 96,174 | 24,422 | 71,752 | 841 | 841 |

BOARD OF DIRECTORS:

| | |
|-------------------|------------------|
| Irwin Jann | 3,500.00 |
| Jack Biddison | 4,500.00 |
| Jeff Shaw | 4,500.00 |
| Doug Biederstedt | 4,500.00 |
| William Kempiners | 4,500.00 |
| Meeting expenses | 321.00 |
| Travel costs | - |
| Total | 21,821.00 |

FACILITY NAME: Hawthorne Inn of Princeton
ID#: 37-1223846

BEGINNING: 4/1/2009
ENDING: 3/31/2010

ATTACHED SCHEDULE VI

Depreciation Reconciliation

| Schedule | Line | Description | Amount |
|---------------------|------|---|-----------------|
| VIII | 17-7 | Total buildings and improvements | - |
| VIII | 20-3 | Total equipment and transportation | 5,831 |
| Attached schedule V | | Home office allocation adj depreciation | - |
| | | <i>Subtotal</i> | <u>5,831</u> |
| IV | 17-6 | Total cost center depreciation | <u>5,831</u> |
| | | <i>Difference</i> | <u><u>-</u></u> |