

Ashby Ponds

2008

Annual Report

ASHBY PONDS

May 11, 2009

Dear Ashby Ponds Residents:

We are pleased to present this Annual Report to the residents of Ashby Ponds. In light of the times and our challenging goal of keeping prices affordable for as many people as we can, we have chosen not to produce a color, glossy annual report this year as other communities have in the past. Nonetheless, the Annual Report includes a review of our community's activities in 2008, goals for 2009, a financial summary report for 2008, and important information regarding your Board of Directors.

Thank you to the residents of Ashby Ponds for sharing your gifts and making this community a place where people truly live better. A special thanks to the many members of our community who volunteer their time and open their homes to welcome our future neighbors and visitors to Ashby Ponds. Additionally, we want to recognize the terrific staff members who are committed to making a difference in people's lives and fulfilling the Ashby Ponds mission every day.

We hope you will attend the annual meeting on May 14, 2009 to meet the Ashby Ponds Board of Directors and ask any questions you may have. Thank you for the trust you have given us by choosing Ashby Ponds as your home.

J. David Gallagher
Executive Director

Reverend L. Carroll Yingling
Ashby Ponds Board Chair

Table of Contents

Mission.....	5
2008: In Review.....	6
2009: Looking Forward.....	10
Your Executive Management Team.....	12
Organization and Governance.....	14
Your Board of Directors.....	19
2008 Financial Summary.....	23

MISSION STATEMENT

SHARING OUR GIFTS TO CREATE COMMUNITIES THAT CELEBRATE LIFE

The Board of Directors of National Senior Campuses, Inc. and its supported communities are committed to achieving the mission by:

- 1. Promoting an active quality of life for seniors**
 - Creating large scale retirement campuses to promote activity and healthy living
 - Providing a Resident centered service culture
 - Encouraging Resident run activities with professional support

- 2. Achieving excellence in services and programs**
 - Exercising its authority in services, programs, fees, facilities, and financing
 - Embracing compliance, ethics, and integrity
 - Overseeing services and programs personally and in meetings with Residents Advisory Council
 - Taking a long-term view of fiduciary responsibility

- 3. Insuring Affordability to middle income seniors**
 - Focusing on the long term viability of the community for current and future residents
 - Using financing strategies to lower the cost of capital
 - Qualifying for exemption from federal and state income tax
 - Obtaining property tax reductions from community governments
 - Accumulating net income to further the mission
 - Maintaining a policy for 100% refundable entrance deposit
 - Offering fee-for-service health care

- 4. Making a life care commitment**
 - To the extent feasible, ensuring that no resident should ever have to leave a community as a result of financial inability to pay for the cost of their care
 - Encouraging fundraising efforts in support of Benevolent Care

- 5. Fostering Growth**
 - Committing to making this lifestyle available to an increasing number of seniors
 - Increasing efforts to achieve affordability
 - Developing new communities in current markets
 - Developing communities in new markets

2008: In Review

Community Profile

Ashby Ponds welcomed its first residents in mid-September 2008 with the opening of Hummingbird Square and the Cardinal Clubhouse. By the end of the year 295 residents were living in the community and two additional residential buildings, Heron Place and Meadowlark Terrace, had opened. Ashby Ponds had 126 full and part time employees, of which 40 were student servers working in the restaurant and café.

In 2008, Ashby Ponds settled 216 new apartments. This was significantly higher than the 150 settlements originally planned for the first year. A highlight of the sales and marketing efforts in late 2008 and early 2009 was the initiation of the *Moving Home* program, where a Personal Moving Consultant was available to work directly with prospective residents in their homes to help them stage and sell. The *Moving Home* program has helped to reduce the average number of days on the market for residents selling a home and moving to Ashby Ponds.

Two additional residential buildings, Quail Run and Blue Bird Court, open in April and May 2009.

Summary of 2008 Financial Results

Ashby Ponds exceeded expectations in growth and financial performance in 2008. The community had a net operating loss of \$4,169,000 which was \$695,000 less than the planned 2008 start up loss of \$4,864,000. This financial success was achieved during a time of national economic concern by an experienced Erickson team that delivered a significantly greater number of settlements than planned and took a prudent approach to hiring and spending.

At the end of this report you will find a Summary Financial Statement which includes the 2008 results. The complete 2008 Audited Financial Statements will be made available to you later this year upon request from the Executive Director's office.

Resident Satisfaction

Ashby Ponds plans to conduct an annual resident satisfaction survey towards the end of this year. Residents will be asked questions about various aspects of life at Ashby Ponds, services and resources available in the community, and the quality and friendliness of the employees working here. There is also an opportunity for suggestions and comments. In the meantime, residents are encouraged to continue sharing feedback through resident committees, coffees and town hall meetings, one-on-one meetings with department directors and administration, letters and notes, and comment cards. There will also be a brief interim survey in May that residents are asked to participate in.

Many residents have already graciously expressed their approval of the quality of the staff and the programs and services available in the community. However, the employees at Ashby Ponds always want to know how they can make life in the community even richer and more enjoyable. Many good suggestions have been received and implemented and employees are especially grateful for all of the positive feedback and notes of appreciation recognizing their efforts. Thank you for letting us know that you believe Ashby Ponds is off to a wonderful start!

Community Initiatives

Philanthropy

Ashby Ponds residents have already begun to express interest in philanthropic efforts within the community and in the surrounding area. It appears that residents will be extremely generous with both their time and resources in 2009 and beyond.

Residents and staff will participate in many philanthropic and civic activities and raise money over the course of the year for a general philanthropic fund at Ashby Ponds. Money raised is directed primarily to two areas that support the community:

- **Benevolent Care**: This fund provides support for those residents who might deplete their assets due to extraordinary financial circumstances
- **Student Scholarships**: This fund plans to provide scholarships of up to \$1,000 per year for our Dining Services students who are pursuing post-secondary education. Students must meet certain criteria to qualify for a scholarship.

Ashby Ponds plans to hire staff in 2010 to work directly with residents interested in making a difference by volunteering their time or directing their resources to the worthwhile causes they have supported in the past or wish to support in the future. For now, interested residents can seek assistance from Resident Life and Administration in supporting Ashby Ponds' philanthropic efforts and in volunteering or making donations outside the community.

Although no actual fundraising took place during 2008, a few small contributions were made by business partners to the philanthropic funds. Contributions from residents, including proceeds from Treasure Chest sales, began in 2009 and will be reported in the future. Official kickoff campaigns for both funds are expected later this year. The following is a summary of activity in 2008 for these funds:

	Benevolent Care Fund	Scholars' Fund
2008 Beginning Balance	\$0	\$0
Funds Raised, 2008	\$643	\$0
Funds Expended, 2008	\$0	\$0
2008 Ending Balance	\$643	\$0
Resident Participation	N/A	N/A

In 2008, the National Senior Campus, Inc (“NSC”) Board formalized the creation of a separate Investment Committee to monitor closely the Restricted Funds (charitable funds) collected from each Community’s residents. The Investment Committee’s chosen objective is for these funds to provide current income and a relatively stable market value (a Fixed-Income portfolio approach). The Restricted Funds portfolio performed extremely well considering the volatile market fluctuations throughout the last three quarters of 2008. The returns earned on the portfolio amounted to **3.63%** (net of fees) for 2008. The portfolio mix at year-end was as follows, and it will continue to be monitored on a monthly, quarterly and annual basis:

Cash	60.70%
Fixed Income	39.30%
Corporate	28.20 %
US Government	11.08 %
Other	.02 %

Renaissance Gardens (RG)

Ashby Ponds will be adding skilled nursing and assisted living (“Renaissance Gardens”) to its program in the future. In the meantime, the Medical Center and Home Support Services will continue to provide considerable support to residents in need of assistance. In addition, our sister community Greenspring is available to our residents for short term rehabilitation or even long term care and we continue to develop relationships and work closely with other health care providers in the area.

Renaissance Gardens is planned to be built before completion of the second neighborhood. If Ashby Ponds continues to grow and develop at its current pace, it could be as soon as the end of 2011 or early 2012 when we begin licensing and opening of the building. However, these are uniquely challenging economic times and the ongoing financial health of this community requires that Ashby Ponds continue to monitor closely the pace of development and needs of the community through 2009 and beyond. We will continue to update you on the progress of the community’s development, as it is driven by demand, and we will provide more specifics on the exact timing of Renaissance Gardens through periodic and routine communication.

Diversity

During 2008, the National Senior Campuses, Inc. Board of Directors chartered a diversity and inclusion committee to work with Erickson Management focusing on a long term strategy promoting a culture of diversity and inclusion. Erickson Management empowered a Diversity and Inclusion Council to develop an enterprise strategy focused on defining an inclusive strategy that leveraged diversity, creating an environment where residents, staff, and management felt heard and supported. The strategy capitalizes on the value of a diverse management team, staff complement, and resident population. Our focus has

been on establishing diversity and inclusion as key values. While we will not achieve success overnight, we view this strategy as a business imperative given the changes in the American workforce. Success with this strategy will help position Erickson to compete for the best talent and thereby continue to provide top quality services to our residents.

“Green” Initiatives

From its inception, Ashby Ponds made the conscious decision to “go green.” We will be good stewards of the community’s natural resources through our business conduct in areas of energy management, community initiatives, design, development, and construction. Erickson in partnership with the Board of Directors and Ashby Ponds management is committed to becoming more aware of how it can “go greener” and we will take action where we can to initiate change within the enterprise to reduce our carbon footprint and minimize the effects of global warming. This process will evolve over time.

The purposes for “going green” are to support the reduction of our carbon footprint which equates into the reduction of our overall carbon emissions. This will minimize our community’s impact on global warming. We also want to be good stewards of resident resources by developing energy efficient communities that require less direct utility cost. This in turn supports our financial/business objectives to provide affordable retirement living and services to our residents.

Ashby Pond’s initial efforts include the following:

- Light/motion sensors in offices
- Regularly scheduled HVAC tune-ups
- Energy Star appliances in apartments
- Compact fluorescent light bulbs in common areas
- Load shedding/power management
- Environment-friendly disposable products in housekeeping
- Microfiber mops and dusters (rather than cotton)
- Comingled recycling from apartments
- Cardboard recycling
- Resident document shredding services to a recycling vendor quarterly
- Energy management computer systems (monitors)
- Tinted bridge windows in climate controlled walkways (helping to keep heat/cool air in)

Resident Accomplishments and Highlights

Only six months after the first residents moved into the community and Ashby Ponds is already a vibrant community of passionate and engaged friends and neighbors. Over 42 clubs and organizations have been started by residents of the community and wonderful programs like the Treasure Chest and Library are being developed and sustained by talented and caring members of the community.

Resident Committees have been formed to work with staff on suggestions and ideas for the future and to facilitate communication and understanding of existing practices and programs around the community. Once most residents have moved into Quail Run and Blue Bird Court, Ashby Ponds will make plans to hold elections for the Resident Advisory Council, likely to take place in early fall of 2009.

Staff Accomplishments and Highlights

Ashby Ponds and the other Erickson-managed communities all strive to set a standard in their marketplace as a great place to work. For the second straight year, Erickson Retirement Communities was cited as one of the FORTUNE 100 Best Companies to Work for 2009®. Ashby Ponds, although a new community, has benefited from the experience of Erickson in developing and managing other not-for-profit communities. The leadership of the community has significant experience with seven members of the executive leadership team having a combined 60+ years of employment with Erickson. The staff has been carefully selected both for competence in their areas of expertise as well as alignment with the values and mission of the company and this community. Residents repeatedly comment on the friendliness and caring of the people working here at Ashby Ponds.

2009: Looking Forward

Last year was a time for celebration as we opened Ashby Ponds and welcomed nearly three hundred residents into the community. However, the headlines continue to remind us that we are in the midst of challenging economic times. Some successful companies like Sunrise Senior Living, Inc. are now in difficult financial situations. Few if any companies are untouched, especially those tied to the housing markets which have slowed in many parts of the country. Erickson is not immune and has had to scale back on plans for growth in some new and existing markets. However, Ashby Ponds through careful planning, innovative sales and marketing plans, and a prudent approach to growth has been able to prosper. Settlements far exceeded budget projections in 2008 and efficient operations and lower costs resulted in significantly better financial performance than originally expected. This early success was one of the factors that allowed Ashby Ponds to keep monthly fees for 2009 at the 2008 rates for all existing residents. Going forward the community will continue to make decisions that enable us to deliver on the promises to residents.

Areas of Focus

- Maintain primary focus on successful start up and delivery of the Erickson branded programs and services through first full year of operations.
- Utilize various initiatives designed to incent and facilitate settlements for new residents to meet community goals in a challenged economy.

- Implement new pricing model to adjust entrance deposits up or down on individual apartments depending on location and other desirability factors so that prospective residents pay based on actual demand for particular units.
- As community continues to grow, keep expenses at current levels where possible without compromising on superior quality.
- Facilitate resident led groups and activities on campus and community outreach and volunteerism off campus to keep Ashby Ponds a vibrant and engaging community.

Financial Plans

As a developing campus in its first full year, the Ashby Ponds 2009 business plan calls for a net operating loss of \$2,913,000. The community's operations are consistent with or better than other Erickson managed communities at the same phase of development and this loss is less than originally planned.

Ashby Ponds had a very successful 2008 and is off to a positive start through the first quarter 2009. However, these challenging economic times require a sharp, continued focus on market conditions and our business plan so that timely adjustments can be made if budget assumptions change. As a result we will hold off on the hiring of additional staff in 2009 unless truly needed and continue to closely monitor all capital needs and operating expenses.

The Board of Directors annually approves the delivery of community services, programs and operations, and adopts a resident fee schedule, through approval of the community business plan ("Budget"). The Budget is formulated by Ashby Ponds Management during the fall of each year and is approved by the Board on or before December 1st for the ensuing calendar year. Management's proposed budget to the Board takes into consideration suggestions from the community and attempts to attain spending levels that meet the Board's standards for community quality of life while maintaining affordability to the residents. In approving each Budget the Board seeks to provide a financial plan that is premised upon sustaining long term financial stability.

The Board will meet with the community in the fall of each year to present the Budget and address questions concerning operations for the coming year.

Campus Development

Historically Erickson has developed campuses and constructed new buildings for its non-for-profit communities based on anticipated demand and historical trends, trying to keep just ahead of demand. Ashby Ponds opened its first clubhouse and three residential buildings in 2008 in response to strong initial interest and settled 216 apartments, far exceeding the original expectations for the first year of the community. Since the current state of the economy makes predicting future demand even more difficult than before, Ashby Ponds and Erickson will take a conservative approach to new development. We want to make sure prospective residents are reserving and moving into most of the existing apartments before

constructing new residential buildings and adding to open inventory. Two new residential buildings opened in the spring of 2009. Next, Ashby Ponds will complete construction of the first neighborhood by adding one final residential building and then look to the start of a second neighborhood. Demand will determine the exact timing of the construction starts and building openings.

Programs and Initiatives to Maintain Service, Culture, Mission and Values

The start up and first year of operations is a critical time in the development of a community's culture. In addition to hiring employees we believe will share the mission and values of this community, Ashby Ponds provides ongoing training to its staff through All Staff and Leadership Team meeting, departmental in-services, mentoring, employee performance reviews, and mandatory classes for managers and many of our other employees. In 2009 we are piloting an Erickson Way Customer Service training series designed to teach and explore skills that will assist employees in exhibiting the global behaviors expected of all staff.

Your Executive Management Team

David Gallagher, Executive Director: Prior to Ashby Ponds, David served as the Executive Director of Linden Ponds in Hingham, MA for three years. He has also worked at Erickson's corporate offices as a Director of Health Services; at Riderwood in Silver Spring, MD as the Associate Executive Director; and at Eagle's Trace in Houston, TX on temporary assignment as the Senior Executive Director. Prior to joining Erickson, David worked for six years with Integrated Health Services in both their nursing home operations and as legal counsel. In addition, he has worked as a law clerk for a federal judge and as an associate at a Washington, D.C. law firm. He received both a J.D. and B.A. from the University of Virginia. David has been with Erickson since February 2002.

Steve Aigner, Director of Dining Services: Steve served as the Director of Dining Services at Sedgebrook in Lincolnshire, IL for three years before joining the Ashby Ponds team. He has also worked at Greenspring in Springfield, VA as an Assistant Director of Dining Services and Manager. Prior to joining Erickson, Steve was an Assistant General Manager and Restaurant Manager in the Washington, D.C. area. He received a B.A. from George Mason University and holds numerous restaurant industry certifications. Steve has been with Erickson since October 2000.

Tom Channon, Director of General Services: Prior to joining Ashby Ponds, Tom spent ten years at Greenspring in Springfield, VA as the Senior Facilities Manager. Prior to Erickson, Tom worked for seven years with Wachovia Bank as a District Project Manager, Regional Maintenance Manager, and Construction Project Manager. He received a B.S. from Virginia Tech and holds numerous industry licensures and certifications. Tom has been with Erickson since August 1998.

Diane Lasichak, Director of Resident Life: Diane served as the Director of Resident Life at Ann's Choice in Warminster, PA for six years prior to coming to Ashby Ponds. She has also worked at Greenspring in Springfield, VA as the Senior Resident Services Manager. Before joining Erickson, Diane worked for numerous organizations primarily in social work, therapy, and counseling roles. She has also been a teacher and worked overseas. Diane holds two bachelor and two masters degrees and is a Licensed Certified Social Worker and Registered Dance Therapist. Diane has been with Erickson since October 1999.

Lyn Lubic, Director of Sales and Marketing: Lyn served as the Director of Sales and Marketing at Greenspring in Springfield, VA for five years prior to coming to Ashby Ponds. Also at Greenspring, Lyn served as the Assistant Executive Director for three years. Prior to Erickson, Lyn was the General Manager of Mount Comfort Cemetery in Alexandria, VA. Lyn also worked for the Federal government for over 10 years as a Program Analyst for the Space and Naval Warfare Systems Command. Lyn has been with Erickson since March 1999.

Chris Villa, Director of Finance: For six years prior to joining Ashby Ponds, Chris served as Director of Finance at Greenspring in Springfield, VA. Before Erickson, he worked at Inline Corporation as Director of Operations and Finance and spent fifteen years with Marriott International, Inc. in numerous financial roles including Director of Finance, Controller, and Auditor for some of their subsidiary entities. Chris received his B.S. from Liberty University and is a Certified Public Accountant and Certified Internal Auditor. Chris has been with Erickson since January 2002.

Nicole Walker, Director of Human Resources: Nicole served as Director of Human Resources at Sedgebrook in Lincolnshire, IL for three years before joining the Ashby Ponds team. She has also worked at Greenspring in Springfield, VA as a Senior Human Resources Manager. Nicole received a B.S. from Florida State and M.B.A. from Marymount University. She is a certified Senior Professional of Human Resources. Nicole has been with Erickson since July 1998.

Dr. Shaveta Kotwal, Ashby Ponds Physician: Dr. Kotwal joined Ashby Ponds as its first physician in September 2008 after a fellowship in Geriatric Medicine at the University of Maryland. She completed her residency in Internal Medicine outside of Washington, D.C. at Prince George's Hospital and attended medical school at Jammu Medical College in India. Dr. Kotwal is certified by the American Board of Internal Medicine and the Educational Commission for Foreign Medical Graduates and she is a member of the American College of Physicians.

Organization and Governance

Organization

Ashby Ponds is organized as a not-for-profit corporation and is an affiliate of National Senior Campuses, Inc. (NSC). Ashby Ponds is governed by its Board of Directors, whose members are independent of Erickson Retirement Communities, LLC and its affiliated organizations. No Erickson employees may serve on the Boards of Directors.

The Ashby Ponds Board is responsible for oversight of the development, financing, and operations of the Community. The Board has retained Erickson to provide management services for the Community pursuant to a Management and Marketing Agreement. With no private shareholders to pay, the Community's net assets are retained for the long-term benefit of current and future residents and to further the Community's charitable mission.

Ashby Ponds is one of 21 communities supported by National Senior Campuses, Inc. (NSC). NSC acts as an umbrella organization by organizing separate not-for-profit corporations to operate retirement communities (such as Ashby Ponds) and providing ongoing strategic planning, governance and operational resources to the Community Boards. It also develops and monitors overall policies and guidelines for operations and standards of care in order to promote efficiency while preserving the high-quality standards of its supported organizations. NSC develops long-range strategic plans and formulates relationships that are beneficial to its supported organizations and promote cost savings within the system. NSC also facilitates growth of the system by sponsoring new communities in areas of the country where it is needed.

The Board of NSC currently consists of eleven independent directors, each of whom brings a particular expertise to the Board. To assure that NSC is responsive to its Supported Organizations that own and operate the communities; at least one of the directors of each Supported Organization is also a director of NSC. This allows each Supported Organization to have representation and influence over the policies and activities of NSC.

For more information about the organization and governance of Ashby Ponds and NSC please go to www.NationalSeniorCampuses.org.

Board of Directors

All corporate authority resides in the Ashby Ponds Board of Directors as fiduciaries of the Corporation, subject to the requirements and restrictions set forth in the Corporation's Charter, Bylaws and applicable law. As fiduciaries, the directors are the stewards of the corporation's assets and have the responsibility for seeing that the corporate mission is being fulfilled and that the assets of the corporation are being effectively used for that purpose.

Erickson Retirement Communities is responsible for the day-to-day management of Ashby Ponds pursuant to a Management and Marketing Agreement between Ashby Ponds and Erickson Retirement Communities. The Board of Directors regularly monitors the quality and effectiveness of management performance and decisions including the execution of its strategies in support of the mission

The Board of Directors is comprised of a maximum of 11 and a minimum of 6 people. At least one of the directors of Ashby Ponds must be a member of the Board of Directors of NSC and is appointed by NSC to a one-year term. In the future, one of the other members of the Board of Directors will be a resident of Ashby Ponds.

Ashby Ponds' Board of Directors is committed to maintaining strong corporate governance principles and practices. The Board periodically reviews evolving legal, regulatory and best practice developments to determine those that will best serve the interests of our stakeholders.

If you would like additional information about Ashby Ponds' corporate governance practices, you may view many of the documents listed below at www.National-Senior-Campuses.org or visit the Executive Director's office where you will be provided access to review the contents of the Community Reading File:

- Corporate Governance Guidelines
- Amended and Restated Articles of Incorporation
- Bylaws of Ashby Ponds
- Form 1023 – Application for Recognition of Exemption
- IRS 990, Return Of Organization Exempt From Income Tax (most recent year)
- IRS Certificate of Approval of 501(c)(3)
- Management and Marketing Agreement
- Official Statement of Bond Issue (as applicable)
- Audit Committee Charter
- Finance & Acquisitions Committee Charter
- Conflict of Interest Policy
- Community Board Resident Director Recruitment Policy and Procedure
- RAC Handbook
- Summary copy of current year budget and rolling three-year business plan
- Annual Report (most recent copy) which contains the Mission Statement, Management Report, Director Biographies, and Organization Chart
- Audited Financial Statement

Corporate Governance Guidelines and Committee Charters

The Corporate Governance Guidelines and the charters of the committees of the Board of Directors describe our corporate governance practices. The Corporate Governance Guidelines and charters are intended to ensure that the Board has the necessary authority and practices in place to review and evaluate our business

operations and to make decisions that are independent of the Management Company. The Corporate Governance Guidelines establish the practices the Board follows with respect to board composition and selection, board meetings, board committees and director compensation. Members of the Board of Directors are expected to participate in continuing education activities designed to maintain their knowledge of current industry developments and corporate governance practices. To achieve the Board education objective the Board maintains memberships in leading corporate governance trade associations such as the National Association of Corporate Directors and Board Source. The Board annually conducts a self-evaluation to assess compliance with the Corporate Governance Guidelines and identify opportunities to improve Board performance.

The Corporate Governance Guidelines and committee charters are reviewed periodically and updated as necessary to reflect changes in regulatory requirements and evolving oversight practices.

Committees of the Board of Directors

The Board of Directors has appointed various Committees to undertake certain aspects of the Board's duties. Each Committee is comprised of Board members and is governed by a Committee Charter that was approved by the Board of Directors.

Community Operations Committee

The Community Operations Committee ("COC") serves as the local governance connection that interfaces with the community residents and management staff. The COC may exercise most of the powers and authority of the Board of Directors in the management of the operations of Ashby Ponds. During 2008, the COC formally met on a quarterly basis with more frequent informal meetings. Among the actions taken by the COC during 2008 were:

- Approval of the Budget for 2009. (The 2008 Budget was approved in 2007.)
- Formal evaluation of the performance of Erickson Retirement Communities as a manager of Ashby Ponds
- Review of the annual goals proposed by Erickson Retirement Communities for the operations of Ashby Ponds
- Numerous meetings with the Executive Director and management staff to review operating, compliance and financial reports.

Ashby Ponds requires Erickson Retirement Communities to adhere to a Code of Business Conduct, a Compliance Plan and a Whistleblower Policy. The Community Operations Committee regularly receives reports from Erickson Retirement Communities on the continued adherence to these policies

Finance & Acquisitions Committee

The Charter of the Finance & Acquisitions (F&A) Committee authorizes the Committee to develop financing strategies for the Community during the development stages and conduct due diligence on proposed financing transactions.

During the period of development and construction at Ashby Ponds, the F&A Committee has monitored the progress of the development in comparison to the original development projections.

Audit Committee

The purpose of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control over financial reporting and the qualifications and performance of the independent public accounting firm engaged as the Community's independent auditor.

The Committee relies on the expertise and knowledge of the Management Company and the independent auditor in carrying out its oversight responsibilities. The Management Company is responsible for the preparation, presentation, and integrity of our financial statements, accounting and financial reporting principles, internal control over financial reporting, and disclosure controls and procedures designed to ensure compliance with accounting standards, applicable laws, and regulations. The Management Company is responsible for objectively reviewing and evaluating the adequacy, effectiveness, and quality of our system of internal control. The Community's independent auditor, PricewaterhouseCoopers LLC, is responsible for performing an independent audit of the financial statements and expressing an opinion on the conformity of those financial statements with accounting principles generally accepted in the United States.

With respect to the year 2008, the Audit Committee fulfills its duties and responsibilities generally as outlined in the charter as follows:

- Meets with the independent auditors and representatives of the Management Company and
 - Reviews the audited financial statements and the auditor's report.
 - Reviews the auditor's report on internal controls as well as the Management Company's response and planned corrective actions
 - Reviews the auditor's report on matters relating to their audit that are required to be discussed with the Audit Committee by Statement on Auditing Standards No. 61, as amended, "Communication with Audit Committees." This review includes a discussion with the Management Company and the independent auditor of the quality (not merely the acceptability) of our accounting principles, the reasonableness of significant estimates

and judgments, and the disclosures in our financial statements, including the disclosures relating to critical accounting policies.

- Meets in Executive Session with representatives of the independent audit firm
- Reviews and approves the audit firms Letter of Arrangement for the audit engagement
- Confirms the independence of the audit firm in compliance with American Institute of Certified Public Accountants independence standards.
- Confirms with the Management Company and the independent audit firm that the independent audit firm provides no services for the Management Company.

Based on the reviews and discussions described above, the Audit Committee will recommend to the Board of Directors that the audited financial statements be accepted for distribution to residents, creditors and others as appropriate.

Investment Committee

The purpose of the Investment Committee is to assist the Ashby Ponds Board of Directors to fulfill their oversight responsibilities with respect to the investment, monitoring, accountability and control of Benevolent Care Funds, Excess Cash and other community funds as may be appropriate. The Committee is an Advisory Committee to the Ashby Ponds Board with director representatives drawn from the Boards of Directors of NSC and the Communities. The Investment Committee was formally established as a separate Committee in January 2009. Previously the monitoring of investment activities was provided through an Investment Subcommittee of the Finance & Acquisitions Committee. The Boards of Directors of NSC and its Supported Communities decided to create a separate Investment Committee in recognition of the growing levels of investment dollars across the communities and the need to provide a singularly focused committee to oversee these funds.

Director Compensation

In 2008, Ashby Ponds paid a total of \$57,582 in compensation to the members of the Boards of Directors of Ashby Ponds and National Senior Campuses, Inc.

Directors' Compensation for both Ashby Ponds and NSC was determined by the Boards of Directors of Ashby Ponds and NSC. In determining the amounts of compensation, the Boards considered the time and expertise requirements of directors; fees paid to directors of comparable companies, both for-profit and not-for-profit and the findings of an independent compensation consultant retained to review the reasonableness of directors' compensation.

Form 990

A copy of the most recent Form 990, Return Of Organization Exempt From Income Tax, will be available for review later this year in the Executive Director's Office or online at www.NationalSeniorCampuses.org.

Your Board of Directors

L. Carroll Yingling - Chair

Rev. Yingling is a retired Methodist clergy, having served forty years as Pastor and District Superintendent in the Baltimore and Washington, DC areas. He has served as a director of the United Methodist Foundation, and worked with congregations as a conflict resolution consultant. Currently, he teaches with the Community Colleges of Baltimore County as Adjunct Faculty and is an instructor in Elderhostel's Lifelong Learning Institute at Charlestown. He is a resident of the Charlestown Retirement Community, where he is a Director of the Benevolent Care Foundation. He holds degrees from Johns Hopkins and Duke Universities, and Wesley Theological Seminary.

Jim Anders

Mr. Anders is the Administrator and Chief Operating Officer for the Kennedy Krieger Institute, Inc. and all subsidiary corporations. Kennedy Krieger Institute is an internationally recognized academic, research, healthcare and educational facility dedicated to serving children and young adults with developmental disabilities and spinal cord injuries. He is responsible for the overall strategic, operational, and financial management of Kennedy Krieger. In addition, he is Chairman of Chesapeake Rehab Equipment, Inc., a Mid-Atlantic rehab company. He has an MBA from the University of Baltimore and is a Certified Public Accountant. Mr. Anders also serves on the board of directors of National Senior Campuses, Inc., and other organizations supported by National Senior Campuses, Inc.

Harold Ashby

Mr. Ashby retired in 2001 from PricewaterhouseCoopers, where he served as Managing Partner of the firm's Baltimore Office. He was also, at various times, Partner in Charge of regional or national industry programs for financial services, middle market companies, and state and local government. Mr. Ashby's volunteer activities include Chairman of the Central Maryland YMCA, Board of Directors of the Maryland Association of CPAs, Board of Advisors of the Loyola College Executive MBA Program, and Greater Baltimore Committee Task Forces on Crime and Regionalization. Mr. Ashby also serves on the board of directors of National Senior Campuses, Inc., and other organizations supported by National Senior Campuses, Inc.

C. Jackson Bain

Mr. Bain is currently Senior Vice President of Public Affairs at the National Association of Children's Hospitals. A communication expert with 30 years of experience, Mr. Bain joined NBC News in the 1970's where he covered the White House under four administrations, the State Department, Congress, and various

oversea assignments. Mr. Bain created and executed major communications programs for many international companies, three foreign government economic development agencies, and numerous trade and professional organizations.

Eileen Erstad

Ms. Erstad is currently the CFO for ResortQuest. Prior to this she was the Chief Financial Officer and Senior Vice President of Symphony Health Services, LLC. In that capacity, she was responsible for all aspects of the company's financial functions. Ms. Erstad also developed and implemented the company's growth strategies and participated in new product development. Prior to Symphony Health Services, Ms. Erstad was the Director of Financial Planning and Analysis at PHH Corporation. Ms. Erstad graduated Magna Cum Laude from Loyola College in Maryland and is a licensed Certified Public Accountant.

Willow Pasley

Ms. Pasley is a finance and management professional with 20 years of experience in the banking industry. During her tenure with Citizens Bank and BayBank, she specialized in lending to healthcare and not-for-profit organizations, including continuing care retirement communities. She earned a BA from Hartwick College and an MBA from Simmons College. Ms. Pasley also serves on the board of directors of National Senior Campuses, Inc., and other organizations supported by National Senior Campuses, Inc.

Joanne Malloy Rorapaugh

Ms. Rorapaugh is currently the Vice President of Operations for Madison Management Corporation (MMC). Starting in 1977 as an Administrative Assistant, Ms. Rorapaugh ascended quickly through the company ranks and was ultimately promoted to General Manager, managing all MMC properties. Ms. Rorapaugh also serves as the Administrator of the Marshall B. Coyne Foundation, overseeing disbursements of approximately one million dollars annually to various charities. Ms. Rorapaugh has an Associates of Arts Degree from Immaculata College and is a member of the Foggy Bottom/West End Homeowners Association and St. Stephen's Catholic Church.

Jerry Seals, MD

A graduate of the State University of New York at Buffalo and the Columbia University College of Physicians and Surgeons, Dr. Seals is Board Certified in Internal Medicine and Infectious Diseases. In addition to his 27 years of medical practice in Howard County, Maryland, Dr. Seals has served on the Howard County General Hospital (HCGH) Board of Trustees and as President of the HCGH Medical Staff and the Board of Trustees of The Horizon Foundation of Howard County. As a volunteer, he has treated uninsured and underinsured Howard County residents.

Larry Shubnell

Mr. Shubnell retired from Legg Mason, a Baltimore based financial services firm, at the end of 2001 having served as senior managing director for public finance investment banking. Prior to joining Legg Mason he was a public finance officer in local, state, and federal levels of government. He also served as an

independent financial advisor to companies and public authorities in matters of debt management. He graduated from the University of Notre Dame and George Washington University and holds an MBA degree and a CPA certificate. He has served on the boards of several for-profit and not-for-profit organizations including the United Way and the Historic Annapolis Foundation. Mr. Shubnell also serves on the board of directors of National Senior Campuses, Inc., and other organizations supported by National Senior Campuses, Inc.

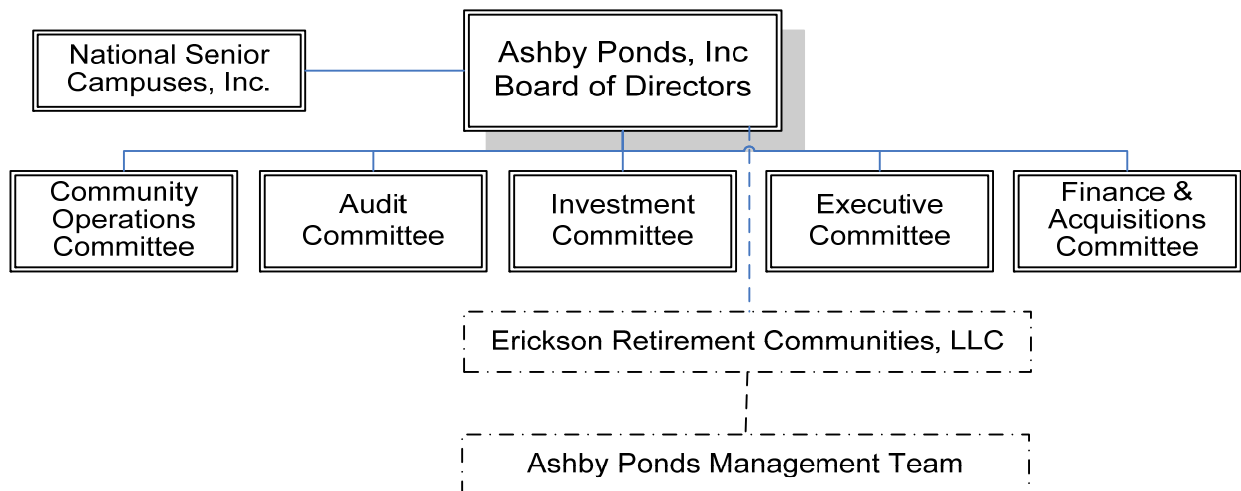
Meryle Twersky

Ms. Twersky is a business executive/attorney with more than twenty years of extensive healthcare industry experience. She served as Vice President of Episcopal Hospital, a major teaching hospital in Philadelphia, PA; as a VP/Counsel for a Philadelphia-based Pharmaceutical Company and as a Senior Consultant to diverse non-profit organizations. Ms. Twersky received her law degree, MBA & bachelor’s degrees from Temple University. She is a member of the New Jersey Bar and Pennsylvania Bar. Her community volunteer activities include membership on her local township Zoning Board and as a board member of Settlement Music School, Jenkintown, PA. Ms. Twersky also serves on the board of directors of National Senior Campuses, Inc., and other organizations supported by National Senior Campuses, Inc.

Ron Walker

Mr. Walker served as President of Lyon, Conklin & Company in Baltimore until his retirement in 1993. Prior to that position, he was Treasurer and Controller of C.C. Dickson Company in Charlotte, North Carolina. Both companies were involved in HVAC equipment distribution. Mr. Walker started his professional career as a CPA with the accounting firm of Coopers & Lybrand in Charlotte after graduating from the University of North Carolina at Chapel Hill. Mr. Walker is chairman of the board of directors of National Senior Campuses, Inc. and also serves on the boards of other organizations supported by National Senior Campuses, Inc.

Ashby Ponds, Inc. Organizational Chart



LEGEND:

- _____ = governance relationship (by charter or bylaws)
- - - - - = contractual relationship

Community Operations Committee:

- Carroll Yingling
- Jim Anders
- Larry Shubnell
- Jackson Bain
- Eileen Erstad
- Joanne Rorapaugh
- Jerry Seals

Executive Committee

- Carroll Yingling
- Ron Walker
- Meryle Twersky
- Harold Ashby
- Jim Anders

Finance and Acquisitions Committee

- Jim Anders
- Harold Ashby
- Willow Pasley
- Larry Shubnell
- Meryle Twersky

Audit Committee

- Eileen Erstad
- Larry Shubnell

Investment Committee

- Jim Anders
- Willow Pasley
- Larry Shubnell
- Fred Haas
- Jim Hayes

Ashby Ponds
Statement of Operations by Natural Expense
For the Year 2007 & 2008

	2007 Year Total <u>Actual</u>	2008 Year Total <u>Actual</u>	Change 2008 <u>vs 2007</u>
Operating Revenue			
Resident Monthly Fees	\$ -	\$ 737,823	\$ 737,823
Departmental Revenues	136,950	1,328,522	1,191,572
Total Operating Revenue	<u>136,950</u>	<u>2,066,345</u>	<u>1,929,395</u>
Operating Expense			
Employee Related:			
Wages	17,785	1,809,616	(1,791,831)
Employee Benefits/Other EE	37,749	572,541	(534,792)
Contract Labor/Purchased Services	-	2,424,048	(2,424,048)
Total Employee Related	<u>55,534</u>	<u>4,806,205</u>	<u>(4,750,671)</u>
Community Related:			
Supplies Expense	-	294,334	(294,334)
Repairs and Maintenance Expense	-	44,674	(44,674)
Professional Fee Expense	81,620	129,359	(47,739)
Insurance	911	4,337	(3,426)
Utilities	-	184,587	(184,587)
Real Estate Taxes	-	57,535	(57,535)
Management Fees	-	36,891	(36,891)
Other Expense	3,241	663,880	(660,639)
Total Community Related	<u>85,772</u>	<u>1,415,597</u>	<u>(1,329,825)</u>
Total Operating Expense	<u>\$ 141,306</u>	<u>\$ 6,221,802</u>	<u>\$ (6,080,496)</u>
Operating Income	<u>(4,356)</u>	<u>(4,155,457)</u>	<u>4,151,101</u>
Non-Operating Income	4,534	(13,077)	17,611
Net Income	<u>\$ 178</u>	<u>\$ (4,168,534)</u>	<u>\$ 4,168,712</u>

*Audited Statements will be available later this year in the Executive Director's Office upon request.