



2010

Annual Report



June 15, 2011

Dear Eagle's Trace Residents:

We are pleased to present this Annual Report to the residents of Eagle's Trace. The Annual Report includes a review of our community's activities in 2010, updated information regarding your Board of Directors, and a 2010 financial summary. Additionally, we have included some information on events and plans for 2011 as well.

Thank you for continuing to share your gifts and make this community a place where people truly live better. A special thanks to the newest members of the community -- our community is stronger, more engaging and more complete because of your presence. You join all the residents who value the exceptional quality of life and programs and services at Eagle's Trace.

Additionally, we want to recognize the terrific staff members who always remain committed to making a difference in people's lives and fulfilling the Eagle's Trace mission every day.

We hope you will attend the annual meeting on **June 15, 2011 at 2:00PM in the Audubon Living Room** to meet members of the Eagle's Trace Board of Directors and ask any questions you may have. Thank you for the trust you have placed in us by choosing Eagle's Trace as your home.

A handwritten signature in blue ink, appearing to read "Kevin S. Knopf".

Kevin S. Knopf
Executive Director

A handwritten signature in blue ink, appearing to read "Rodney Coe".

Rodney Coe
Eagle's Trace Board Chair

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Mission:
***“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 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 benefit the community
 - 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

2010: In Review

In April 2010, the sale of assets of the prior manager, Erickson Retirement Communities, was approved by the bankruptcy court. Erickson Living Management was organized by the purchaser as a new company. As the community's independent, not-for-profit board, the Eagle's Trace Board entered into a management contract with the new Erickson Living organization and will continue its oversight role in this relationship.

On June 10th and 11th, we welcomed that new beginning by unveiling a new community logo. Erickson Living's mission remains unchanged as we continue to share our gifts to create a community that celebrates life.

In October 2010, Eagle's Trace celebrated its fifth anniversary and hosted a week of events including a barbecue luncheon, a birthday party with cake and punch, a memory photo slide show, and a special dinner in the Garden Room Restaurant and Eagle's Roost Café.

Community Profile

In 2010, Eagle's Trace welcomed 51 new residents to the community, settling 58 apartment homes, 31 of which were resale units.

Along with the residents, the community has 196 dedicated staff members, including part-time student servers working in Dining Services and certified nursing associates dedicated to providing home support services.

Summary of 2010 Financial Results

The community ended the year with a net operating loss of <\$3,424,056>. Revenue for 2010 totaled \$17,567,474 while expenses totaled \$20,991,530. Eagle's Trace recognized a gain on the forgiveness of its working capital loan and related accrued interest in the amount of \$37,103,165. This forgiveness of the working capital loan was a positive benefit to the community as a result of the acquisition of assets by Erickson Living.

At the end of this Annual Report is an excerpt from the 2010 Audited Financial Statements. The full 2010 Audited Financial Statement package is available in the Finance Office upon request.

Resident Satisfaction

Eagle's Trace conducted its annual Resident Satisfaction Survey in December 2010. The overall satisfaction score improved by 2.1% over 2009 results. The "mean of all items" declined for the second consecutive year by 0.4%, as the uncertainty surrounding the extended-care facility continues to be a concern. Action Plans have been developed and implemented.

	2010 Results	2009 Results	2008 Results
Overall Satisfaction	83.9%	81.8%	86.9%
Dining Satisfaction	76.6 %	84.2%	86.3%
Mean/Average of All Items	83.6%	84.0%	86.1%

Medical/Clinical Services survey results declined slightly over 2009 due to the departure of the Medical Director, Dr. Mark Holden. In 2010, Eagle’s Trace added a new dentistry provider, Dr. Ryan Loveless, and added an audiology provider, Dr. Sara Nagel, to the Medical Center. Residents noted their satisfaction with the on-site pharmacy and Home Support continues to be a consistent support service to assist residents in the absence of extended care.

Community Highlights and Initiatives

General Services

The General Services team worked diligently in 2010 to bring the “Comprehensive Plan” to completion. This work included a compilation of projects initiated in late 2009 to address drainage-related concerns across the community. As part of this project, every window at Eagle’s Trace was re-caulked to guard against unwanted water intrusion. Campus roofing was professionally inspected and repairs were made to guard against leaks. The storm water drainage system within the courtyard was completely re-engineered by enhancing the existing gravity drains and installing pumps. Each residential building entry door was individually evaluated and upgrades were completed to prevent water penetration during heavy rainfall.

In addition, as a direct result of our experiences during Hurricane Ike, the General Services team installed a new emergency power generator to ensure that our domestic water pumping capability remained intact during prolonged power outages. We also installed a state-of-the-art film on all of the windows within the Audubon Clubhouse. Installation of this film provides two distinct advantages: enhanced protection from shattered and/ or windborne broken window glass during hurricanes and other strong storms; and rejected heat gain through the benefits of the nano-ceramic technology embedded within the film. This addition improves our safety while contributing to a savings in energy.

Throughout 2010, the General Services team maintained focus upon improving resident satisfaction. Work-order scheduling and billing processes were streamlined. Many special trip offerings were re-evaluated and as a result, additional high-quality, affordable trips were added, appealing to a wider segment of our resident population. A number of General Services’ team members pursued professional certifications and educational opportunities. Overall, the residents provided General Services with very favorable feedback on the 2010 resident satisfaction survey.

Dining Services

Throughout 2010, the Dining Services team continued to provide our residents, guests and staff with nutritious, well-presented and varied menu selections. Holiday buffets, Sunday brunches and special themed events were well received and continue to be a popular attraction for residents and their family members. During the Eagle's Trace 5th Year Anniversary Celebration, the Dining Team provided for a number of themed food events, culminating with a specially prepared dinner.

Restructuring in the Dining Department resulted in Jim Rondinelli joining Eagle's Trace in the fall of 2010. Jim brought a wealth of culinary and management experience from Linden Ponds, a sister community in Massachusetts. Douglas McGee was promoted to Restaurant Manager. The entire menu structure was reformatted to include more variety and additional emphasis on local Texas cuisine.

The Dining Department also focused on Catering Services through presentation equipment upgrades, new menu and promotional offerings and a special individualized approach to design for catering events to compliment specific resident requests. The Dining Department also included residents in process improvement initiatives through various newly formed committees.

Strategic partnerships with area schools continue to flourish, providing the community with dedicated student wait staff. Fourteen students were awarded scholarships from our Scholars' Fund during 2010. This would not have been possible without the generosity of the residents at Eagle's Trace. In 2010, the Scholarship campaign raised approximately \$39,000 to fund current and future scholarship opportunities for qualified students.

Resident Life

Eagle's Trace remains an active community and provides many opportunities for residents to socialize and enjoy life. Highlights of these activities for 2010 included:

- The Community hosted the *Enduring Word Exhibit*, a traveling museum of Bible history and artifacts and extended invitations outside of our gates for guests to visit Eagle's Trace to tour the exhibit.
- "Celebration of Life" services were held to honor and remember residents who had passed throughout the year.
- Opportunities for spiritual enrichment at Eagle's Trace consisted of resident-led weekly services, including non-denominational Christian services and Shabbat Jewish services and a dedicated Meditation Suite for prayer and support groups.
- Various holiday celebrations were held on Memorial Day, Fourth of July and Thanksgiving.
- For the past five years, resident participation at Eagle's Trace in wellness activities far exceeds any other Erickson Living community. The Wellness Department offers 30 weekly opportunities to stay active, including Yoga, Pilates, water kickboxing, aquatic classes, personal training and three levels of Tai Chi.
- Eagle's Trace hosted the Aquatic Exercise Association's top presenter for aquatic instructor's training and instructors from as far away as Hawaii participated.

- The Resident Life team hosted the "Fit Tune-Up" which included a wide variety of outside vendors interacting with residents and staff.

Erickson Advantage

The Erickson Advantage health plan at Eagle’s Trace enrolled eight new members for 2010, resulting in total enrollment of 96 members as of December 31, 2010.

For the fourth consecutive year, Erickson Advantage has performed extremely well against national benchmarks. The plan scored more than 87.8% for member satisfaction, compared to a national benchmark of 73.9% for 2010. Over 92% of the respondents said that they would likely renew their Erickson Advantage coverage, 87% agree that the plan provides value compared to the nation benchmark of 75.1% and 88.9% said they would recommend Erickson Advantage to a friend. Members’ attitudes about the plan continue to be very positive, with all ratings being significantly higher than their respective national benchmarks.

Philanthropy

Thanks to the generosity of Erickson Living Chairman Mr. Jim Davis and his foundation, the Eagle’s Trace Benevolent Care fund received a donation of \$175,000 in 2010. Additionally, the Eagle’s Trace Annual Golf Tournament, hosted at Willow Fork Country Club in Katy, Texas in March 2010, netting \$6,817 to the Benevolent Care Fund.

	Benevolent Care Fund	Scholars’ Fund
2010 Beginning Balance	\$172,205	\$113,145
Funds Raised, 2010	\$221,433	\$ 39,301
Funds Expended, 2010	\$ 6,972	\$ 12,500
2010 Ending Balance	\$386,666	\$139,946

100% of the net funds raised at Eagle’s Trace are used to support the beneficiaries of the programs. A portion of the Benevolent Care Funds (\$289,730) and the Scholars Funds (\$75,178) have been invested in the Erickson PNC Bank Investment Pool account in order to maximize the earning potential of these funds. The remaining balances of the funds are held in a restricted funds account with BBVA Compass Bank.

The National Senior Campuses (NSC) Board, through a separate Investment Committee, closely monitors the Restricted Funds collected at each community. 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). For 2010, the Restricted Funds held in the PNC Bank Investment Pool account managed an average return of 1.94% (net of fees). The portfolio mix at year-end was as follows, and it will continue to be monitored on a monthly, quarterly and annual basis:

Cash	6%
Fixed Income	94%
Corporate	54%
US Government	22%
Other	18%

Community Outreach

Fifty residents now participate in the Community Emergency Response Term (CERT) and are well prepared to assist where needed in an emergency situation. These CERT volunteers have completed thirty hours of training conducted by the Harris County Fire School, sponsored by Harris County and the City of Houston. The community, led by residents, held quarterly blood drives in 2010 to support the *Gulf Coast Regional Blood Center*. The Eagle's Trace *Community of Hope* has 16 members that provide monthly group-support sessions and gave approximately 750 hours of individualized support care to other residents in 2010. Additionally, the Prayer Shawl Ministry of Eagle's Trace knits beautiful prayer shawls. Each shawl is blessed and includes a prayer card with a label that says that a prayer shawl is a blessing to both the knitter and the recipient.

Residents collected slightly used sweaters and jackets for the *Star of Hope* mission and other gently used clothing for the *West Houston Assistance Ministries*. Eighty service men and women received holiday notes personally written by Eagle's Trace residents. The Greeting Card project team delivered over 96 handmade cards to *Volunteer Houston* for delivery to shut-ins, nursing homes, and hospitals. The *Eagle's Trace Easing Hunger/Back to School* chapter raised \$200 for nearby food pantries and \$200 for school supplies.

Resident volunteerism continued to flourish within and outside the community. Approximately 212 residents donated over 26,000 hours of 2010 volunteer time within the Community and outside the gates.

Child Protective Services of Houston was again the beneficiary of the generosity of the residents and staff at Eagle's Trace. The Community's annual Christmas Toy Drive was a success and wooden toys, hand crafted by the Eagle's Trace Woodworkers, were donated for distribution.

Diversity

During 2008, the National Senior Campuses, Inc. Board of Directors chartered a diversity and inclusion committee to work with Erickson Living focusing on a long term strategy promoting a culture of diversity and inclusion. Erickson Living empowered the 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.

Eagle's Trace is a community that promotes diversity and inclusion in several ways:

- The Community celebrates diverse religious holidays, such as Passover, Easter and Christmas. Residents visited a Muslim Mosque, a Hindu Temple, and a Greek Orthodox Church as part of courses on world religions.
- Eagle's Trace recruitment efforts have been effectively received by various ethnic communities.
- Pastoral Ministries and Human Resources recruit volunteers to teach English as a second language to staff members.
- The Community partners with Westside High School, along with *Nightingale*, an organization that supports special needs students, to identify potential candidates for employment as part of our Dining Services staff.

“Green” Initiatives

The residents, board and management together have been good stewards of the community's natural resources through our business conduct in areas of energy management, community initiatives, design, development and construction. As an enterprise, we are committed to becoming more aware of how we 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 continues to 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. The goal is to minimize our impact on global warming. Additionally, a focus on developing energy efficient communities that require less direct utility cost have direct impacts on financial stewardship. This in turn supports our fiscal business objectives to provide affordable retirement living and services to our residents.

Eagle's Trace has focused on the following in the past year:

- Recycling efforts that included nearly 64 tons of paper and cardboard products, which netted the Benevolent Care Fund approximately \$900.
- The Cork Project, sponsored by The Talon Bar, collected over 320,000 corks, which were donated to Spec's, our wine and spirits vendor, who in turn recycled the corks and donated 2 cents per cork to children's Cancer Research.
- Residents organized the Environmental Committee, with its primary purpose to educate and involve all residents in the environmental programs of Eagle's Trace.

Resident Accomplishments and Highlights

The Resident Advisory Council (RAC) plays an important role in keeping the focus on what is important to residents through their support, guidance and communication. Currently, members of the RAC are as follows:

Dan Wagner, President, Marketing & Medical Liaison
Elizabeth Holt, Vice President, Community Outreach Liaison

Joyce Gaddy, Secretary
John Bushkuhl, Liaison to Civility
Jim Cross, Liaison to General Services
Ann Foster, Liaison to Dining Services
Noel Thomas, Liaison to Resident Life

We are grateful for the tremendous contributions of our outgoing RAC members: Janice Linsenmayer, Donna Craig, Herman Kresse and Bud Oweiss.

- In January 2010, Mr. John Bowser was appointed as Eagle's Trace first Resident Director to serve on its Board of Directors.
- In March 2010, the RAC organized a special event, *Spring into Community Connections*. Throughout the Audubon Clubhouse, various clubs and organizations greeted residents and visitors to reflect on the good life at Eagle's Trace, learn what is available to residents on a regular basis and suggest participation opportunities for the future.
- Residents participated in the 2010 Senior Olympics. Two residents brought home gold medals in cycling and swimming and one resident brought home a silver medal in swimming.
- Eagle's Trace hosted a Houston city-wide Wii Bowling Tournament and thirty-two bowlers participated. An Eagle's Trace resident won first place.
- The Treasure Chest continues to thrive, with sales generating over \$32,000 in 2010. As a result, much of the proceeds benefited the Benevolent Care, Scholars and Staff Appreciation funds.
- Sponsored by the Treasure Chest volunteers, residents raised \$2,500 for the Benevolent Care Fund through the Kroger rebate program, a program that gives to charities for purchases made with the store's preferred customer cards.
- The residents of Eagle's Trace successfully defended their title by keeping the Erickson Walking Challenge Trophy for the second consecutive year. Additionally, a group of Eagle's Trace walkers were highlighted in the Arthritis Foundation national flyer.

Staff Accomplishments and Highlights

Eagle's Trace continues to be a great place to work, as shown by its being chosen one of the *Top 100 Workplaces in the City of Houston* by *The Houston Chronicle*.

Led by the Erickson Living Values Team, the focus for 2010 was "Eagle's Trace is a fun place to work." Employees gathered at luncheons honoring the monthly CREW winners. Events, which involved employees and their families, included a "Family Bowling Night," an outing to an Astros baseball game, and the Fall Picnic at Mary Jo Peckham Park in Katy, Texas. Additionally, a summer "Chill Out" was celebrated to help cope with Houston's hot weather by enjoying water games, snow cones, and watermelon. Several members of the Executive Team volunteered for the "dunking tank."

Employees supported the Thanksgiving food drive, benefiting the *Houston Food Bank*, and the annual toy drive, benefitting *Children Protective Services of Houston*. Additionally,

Eagle's Trace received its official "route" for the Katy Meals on Wheels Program. At least once a month, employee volunteers delivered meals to those in need along the route.

The Best of the Best award winner was Misael Vidal, technician in our Maintenance Department. Misael was honored for his continuous commitment to delivering exceptional customer service. The Leadership Award winner was Donald Kincaid, Home Support Manager. Donald was honored for his leadership with the Home Support department from its start-up position to a successful business line.

2011: Looking Forward

Areas of Focus

The 2011 focus will concentrate on three core strategic objectives: 1) create an exceptional resident experience; 2) drive financial strength and strategic growth; and 3) cultivate a high performance team.

For residents, the goal is to continue to deliver quality services that will increase the overall resident experience at Eagle's Trace, while seeking additional cost efficiencies to improve the financial strength of the Community. A key initiative is fulfilling the commitment to deliver short-term rehabilitation, long-term skilled nursing, assisted living and memory care at Eagle's Trace with the goal of honoring a fourth-quarter 2011 construction start date.

For employees, our focus is to grow employee engagement, promote diversity and inclusion and cultivate a culture of service excellence.

Financial Plans

The revised 2011 Eagle's Trace business plan projects an operating loss of <\$1,288,270> based on projected revenues of \$12,080,671 and projected expenses of \$13,368,941.

Extended Care

Erickson Living and the Board recognize the importance of the extended-care neighborhood at Eagle's Trace, both to fulfill the commitment to current residents and to attract future residents. However, the continued financial health of Eagle's Trace requires Erickson Living and the Board of Directors to develop the community responsibly by carefully projecting external market demand and the needs of current and future residents.

After a rigorous review of architectural candidates, REES Associates was selected to design the extended care neighborhood. This neighborhood will consist of a one-story building comprised of 96 units offering Assisted Living, Memory Care, Short-term Rehabilitation and Long-term Nursing Care.

REES Associates was established in 1975 and has a strong Texas base. REES has successfully completed over 7,400 projects worldwide and expanded their business with strong specializations in senior living and healthcare.

We will continue to update residents, through periodic and routine communication, on the progress of the extended-care neighborhood when key milestones are known.

In the meantime, the Medical Center and Home Support Services continue to provide support to residents in need of assistance. Eagle's Trace cultivates and maintains relationships and works closely with other health care providers in the area.

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

There are a number of goals related to resident satisfaction, employee satisfaction, and financial performance in 2011. While such goals may evolve during the year based on emerging priorities, those of relevance to residents at Eagle's Trace are as follows:

- Continue to deliver quality services in a controlled and measured cost structure.
- Implement a sales acceleration program to increase the occupancy at Eagle's Trace.
- Search for a Medical Director and offer additional services through the Medical Center.
- Re-launch the Eagle's Trace Outpatient Rehabilitation program.
- Reduce the real estate property tax obligation by successfully challenging the 2010 and 2011 assessed values.

Your Executive Management Team

Kevin S. Knopf, Executive Director (2007): Joining Eagle's Trace in June, 2007 with 18 years of prior experience in the senior living industry, Kevin's previous positions ranged from Senior Executive Director of communities with Sunrise Senior Living to the Director of Process Innovation and Policy at its international headquarters. His background also includes experience in the hospitality, sales and marketing, health care, and information technology sectors. Kevin earned his Masters of Business Administration from Drexel University in Philadelphia, Pennsylvania and Bachelor of Science in Hospitality Management from East Stroudsburg University in Pennsylvania. He has served as a college-level instructor for several courses on the continuum of senior housing and services and a term as Vice President of the board of the Pennsylvania Assisted Living Association. He also is licensed as Nursing Home Administrator.

Adam Weycker, Director General Services (2004): Adam joined the Eagle's Trace team as the Director of General Services in June of 2007. He began his career with Erickson Retirement Communities in 2004, serving as a Facilities Manager at Fox Run in Novi, MI. Adam transitioned to the corporate offices in Baltimore, MD in 2005 where he served as General Services Operations Manager. During his time with Erickson corporate, Adam was tasked with coordinating the security, communications and transportation efforts throughout all Erickson Communities. In addition to supporting existing operations, Adam was instrumental in providing operational support to the successful openings of 8 new communities as well as several major new construction phases on other campuses. Prior to his time with Erickson, Adam spent time in corporate security and facilities management in the sports and entertainment business, coordinating both national and international

operations. Adam has also previously worked in law enforcement as well as has served honorably in the United States Marine Corps.

James Rondinelli, Director Dining Services (2010): Jim joined Eagle's Trace as the Director of Dining Services in October 2010. Jim began his culinary career 25 years ago, after relocating to Boston from his native state of Ohio. He has apprenticed with chefs from France and Copenhagen. Six years ago, Jim joined the Erickson team as the Executive Chef at Linden Ponds located in Massachusetts. At Linden Ponds, Jim successfully opened dining facilities in two clubhouses and the Renaissance Gardens extended care facility. Jim was named Linden Ponds 2008 Manager of the Year and served as Interim Dining Director.

Shirley Glueck, Director Finance (2006): Shirley joined Eagle's Trace as the Finance Director in September 2006. Shirley's financial experience includes two years as the Finance Director for a nonprofit agency overseeing federal and state grant funds to medical agencies serving people infected/affected by HIV/AIDS and over 16 years as a Vice President for a savings bank located in Houston, Texas. Mrs. Glueck received a B.B.A. in Accounting from the University of Houston and is a certified public accountant by the State of Texas.

Pamela Burgeson, Director Sales & Marketing (2005): Joining Eagle's Trace in June 2005, Pamela brings 20 years experience in both operations and sales leadership to the Eagle's Trace Team. Her background includes lodging, investment, and senior services; 12 years specifically in the senior living industry. Pamela has provided regional sales development and supervision as well as successful community start up and sales training. She has been recognized with top sales awards by Merrill Lynch, Marriott Senior Living Services, Sunrise Senior Living, and in 2006 received the Sales Leadership award from Erickson Retirement Corporation. Pamela received her Bachelor of Arts from Baylor University of Texas.

Vickie Antoine, Director Human Resources (2007): Vickie joined Eagle's Trace in May 2007 after returning to her Texas roots after residing and working in Michigan for over 15 years. Human resources management has been Vickie's calling with over 20 years of related experience. Her passion within the field lies in the organizational and employee development areas. Vickie has served in several positions on various boards. Vickie's experience crosses various industries including health care, manufacturing, and post secondary education. Vickie is currently pursuing her master's degree in human resources management.

Raina Patel, MD, Staff Physician (2005): Dr. Patel joined Eagle's Trace in 2005. She has a passion for geriatric medicine with a special interest in breast cancer. Dr. Patel participates annually in a Breast Cancer Awareness educational seminar for residents. Dr. Patel values preventative care and encourages a partnership approach in management of patient medical care needs. Dr. Patel received her bachelor's degree in biology and chemistry at Houston Baptist University and received her medical education at the University of Texas Health Science Center in San Antonio, Texas. Previous to joining Eagle's Trace, Dr. Patel had a private practice in internal medicine in Houston, Texas.

Your Resident Advisory Council (RAC)

Dan Wagner: Dan and his wife, Sandra, have been residents of Eagle's Trace since 2006 and live in Redbud Crossing 408. Dan's professional career included 32 years of experience in pharmaceutical marketing and management services and corporate management. Dan also served in the United States Air Force. Dan has graciously volunteered his time and talents at organizations such as Philadelphia Children's Hospital, the Harris County jail through the prison ministry, and Child Protective Services as a court appointed child advocate. Dan and Sandra have three children. Dan has served on the Eagle's Trace RAC since 2008 and serves as President and liaison to Marketing and the Medical Center.

Elizabeth Holt: Elizabeth has been a resident of Eagle's Trace since 2005 and lives in Pecan Grove 310. Elizabeth's professional career included various administrative positions with notable companies such as the University of Texas Medical Branch, AT&T Information Systems and Southwestern Bell. At Eagle's Trace, Elizabeth has been very active in community activities. She organized and has chaired the Eagle Nester's Book Club since its inception in 2005; she served as chair of the Welcome Committee for two years; served on the Dining Services Committee for two years and was chair of the committee for one year; and served on the Resident Life Committee for two years and was chair of this committee in 2009. In February 2010, Elizabeth was elected to the Eagle's Trace Resident Advisory Council and serves as Vice President and liaison to Community Outreach. Elizabeth enjoys traveling and spending time with her two daughters and other family members.

Jim Cross: Jim and his wife, Donna, have been residents of Eagle's Trace since 2005 and live in Piney Woods 330. Before retirement, Jim spent most of his professional career in the oil industry with an emphasis on purchasing and materials management. Jim also served as a 1st Lieutenant in the U.S. Army Corp of Engineers. Jim has graciously volunteered his time and talents to Frontiers, a large international Christian relief and development agency and served in various capacities at church organizations. Jim and Donna have four children and six grandchildren. Jim was elected to the Eagle's Trace RAC in 2009 and serves as the liaison to General Services.

Joyce Gaddy: Joyce and her husband, Donald, have been residents of Eagle's Trace since 2006 and live in Piney Woods 418. Joyce retired from Mobil Oil Corporation in 1996 where she served in various administrative positions throughout her 25 year tenure. Prior to Mobil Oil, Joyce served as Administrative Assistant in the Oregon State Insurance Commission Office. One of the most satisfying adventures Joyce and Donald have experienced since retiring was volunteering to build small churches throughout the United States. Other joys of retirement have been spending time with children, grandchildren, and great grandchildren. While at Eagle's Trace, Joyce has been active in aquatic classes, often substituting as class instructor when needed. Joyce served on the Resident Life Committee for two years with one year in the position of the Committee's Chairman. In 2010, Joyce was appointed to the RAC to fill an unexpected vacancy, and she currently serves as the RAC's secretary.

Ann Foster: Ann has been a resident of Eagle's Trace since 2005 and lives in Redbud Crossing 216. In college, Ann began a lifetime of volunteering. Ann has volunteered at various church organizations, school committees, and Herman Hospital. Ann has been very active in golf and golf associations. Ann became involved with the Texas Senior Women's Golf Association, the USGA Rules School and has officiated at many State Women golf tournaments. At Eagle's Trace, Ann has been active in the Drama Club since its beginning and currently serves as its manager. Ann has also served on the community's Civility Committee. Ann enjoys weekly poker games, Rummikub tournaments, and Wii bowling. Ann is blessed with three daughters, six grandchildren, and five great grandchildren. Ann was elected to the RAC in 2011 and currently serves as the liaison to Dining Services.

Noel Thomas: Noel has been a resident of Eagle's Trace since 2008 and his wife, Emily, joined the community in 2009. The Thomas' live in Plum Tree Terrace 423. Noel is a retired Lieutenant Colonel with the United States Army. During his military career, Noel specialized in military intelligence, counterintelligence, and special operations and is fluent in the Thai language. Noel subsequently worked for the U.S. Defense Department for 22 years as a Senior Operations Officer with duties involving counter terrorism, energy security, and operational training. Noel was elected to the RAC in 2011 and currently serves as the liaison to Resident Life.

John Bushkuhl: John and his wife, Chris, have been residents of Eagle's Trace since 2008 and live in Piney Woods 105. John is a retired chemical engineer with over 30 years experience in the chemical and oil industries. Much of his professional career was spent in oil and natural gas plants in South America and the Middle East. After retiring from the oil industry, John spent five years teaching Chemical Engineering at the University of Arkansas. While teaching, John became involved with landscaping and developing his property in Arkansas. John and Chris have been married for over 50 years and have five children and seven grandchildren. At Eagle's Trace, John is an active CERT member and John and Chris are volunteers for the Treasure Chest by picking up furniture and large donations from the residents. John was elected to the RAC in 2011 and currently serves as the Civility liaison.

Organization and Governance

Organization

Eagle's Trace is organized as a not-for-profit corporation and is an affiliate of National Senior Campuses, Inc. (NSC). Eagle's Trace is governed by its Board of Directors, whose members are independent of Erickson Living Management, LLC (Erickson Living) and its affiliated organizations. No Erickson Living employees may serve on the Board of Directors.

The Eagle's Trace Board is responsible for oversight of the development, financing and operations of the Community. The Board has retained Erickson Living to provide management services to 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.

Eagle's Trace is one of 15 communities supported by National Senior Campuses, Inc. (NSC). NSC acts as an umbrella organization by organizing separate not-for-profit corporations that operate retirement communities (such as Eagle's Trace) 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.

The Board of NSC currently consists of nine (9) 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 Erickson 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 direct involvement in the formulation of the policies and activities of NSC that affect the community.

For more information about the organization and governance of Eagle's Trace and NSC please visit our web site www.NationalSeniorCampuses.org.

Board of Directors

All corporate authority resides in the Eagle's Trace 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 Living is responsible for the day-to-day management of Eagle's Trace pursuant to a Management and Marketing Agreement between Eagle's Trace and Erickson Living. 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 comprises a maximum of 12 and a minimum of 6 people. At least one of the directors of Eagle's Trace must be a member of the Board of Directors of NSC and is appointed by NSC to a one-year term. One of the members of the Board of Directors must be a resident of Eagle's Trace.

Eagle's Trace's 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 our 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
- Form 1023 – Application for Recognition of Exemption
- IRS 990, Return Of Organization Exempt From Income Tax (most recent year)
- IRS determination letter recognizing exempt status under 501(c)(3)
- Management and Marketing Agreement
- Official Statement of Bond Issue (as applicable)
- Audit 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 Statements

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.

Board Activities 2010-2011

In April 2010, the sale of assets of the prior manager, Erickson Retirement Communities, was approved by the bankruptcy court. Erickson Living Management was organized by the purchaser as a new company. As the community's independent, not-for-profit board, the Eagle's Trace Board entered into a management contract with the new Erickson Living organization and will continue its oversight role in this relationship.

As the sale of the Erickson Retirement Communities assets was being undertaken, the Board carried on its work at the community and regional level and the “Residence and Care Agreement” currently in effect continued to be honored. The Board will continue its dedicated service to residents working together with the local management team and with the support of Erickson Living.

During 2010, the Board held its formal quarterly meetings and additional meetings, as necessary. Among the actions taken by the Board during 2010-2011 were:

- Approval of the Budget for 2011.
- Meetings with the Residents Advisory Council to receive their input on the effectiveness of community operations and priorities.
- Review of the results of the annual Residents’ Satisfaction Survey including the Action Plans proposed by Erickson Retirement Communities to address matters needing corrective action as reported in the survey.
- Meeting with the residents at the Annual Town Meeting to review the operations of Eagle’s Trace.
- Special meetings and all board meetings to discuss Erickson issues and Eagle’s Trace issues.
- Special RAC meetings, town meetings, and letters regarding governance, Erickson and Eagle’s Trace issues with residents.
- Meeting with residents to discuss the 2011 budget and fees.
- Numerous meetings with the Executive Director and management staff to review operating, compliance and financial reports.
- Eagle’s Trace Board and NSC Board member support of the Benevolent Care Fund and gala.

Eagle’s Trace requires Erickson Living to adhere to a Code of Business Conduct, a Compliance Plan and a Whistleblower Policy. The Board regularly receives reports from Erickson Living on the continued adherence to these policies.

During 2010, the Board recruited additional regional directors to expand the skill sets of the Board and to help build Eagle’s Trace’s relationships with and connections to the community in which it is located. A full listing of the Board of Directors appears at the end of this section of the report.

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 governed by a Committee Charter that was approved by the Board of Directors. The Committee members are shown with the organization chart at the end of the Governance section.

Executive Committee

The Executive Committee comprises the Chairperson of the Board, President, Treasurer and Secretary; and has the authority to act for the Board of Directors between meetings in accordance with powers granted by State law and bylaws provisions.

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 2010, the Audit Committee met with PriceWaterhouseCoopers to review the audited financial statements and the auditor's report, to review the auditor's report on internal controls as well as the management company's response and planned corrective actions, and to review other matters that the auditors are required to discuss with the Audit Committee. Upon completion of its work with respect to the 2010 audit, the Audit Committee will deliver its report to the residents at a Town Meeting.

Investment Committee

The purpose of the Investment Committee is to assist Board of Directors to fulfill its 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 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, which is no longer a functioning 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 2010, Eagle's Trace paid a total of fifty thousand dollars (\$50,000), in compensation to the members of the Board of Directors.

Directors' compensation for Eagle's Trace was recommended by NSC and was approved by the Eagle's Trace Board of Directors based upon the recommendations of an independent compensation consultant retained to review the reasonableness of directors' compensation.

In determining the amounts of compensation, the Board and the consultant considered the time and expertise requirements of directors and fees paid to directors of comparable companies, both for-profit and not-for-profit.

Form 990

A copy of the most recent Form 990, Return of Organization Exempt from Income Tax, can be reviewed in the Executive Director's Office or online at www.NationalSeniorCampuses.org.

Your 2011 Board of Directors

Rod Coe, Chair

Dr. Coe serves as Professor Emeritus at the Department of Community and Family Medicine of the Saint Louis University School of Medicine. He also held faculty appointments in the Division of Geriatric Medicine and the School of Public Health. Formerly, he was Director of Medical Care Research Center in St. Louis. He is the author of numerous books and articles in professional journals.

E. Michelle Evans Bohreer

Ms. Bohreer practices law with the firm of Bohreer & Zucker LLP. For the past 20 years, she has represented clients in regard to commercial litigation and employment defense needs. Ms. Bohreer serves as Chair of the Leadership Council for the Gulf Coast Region of the American Cancer Society. She was the first woman chair of the Rotary Lombardi Award, an annual event honoring the NCAA college linemen of the year, with all proceeds going to benefit the American Cancer Society. A graduate of the University of Houston, she has contributed to numerous publications including The Houston Business Journal, The New York Times, and Texas Lawyer.

John D. Bowser

Mr. Bowser is a Resident Director from Eagle's Trace in Houston, Texas. He served as an U.S. Air Force navigator, instructor, and air training officer and eventually rose to the rank of captain before earning his Ph.D. in Educational Administration from the University of Chicago. During his career in education, he was consultant and instructor for Regional IV Education Center in Houston and a faculty member at Sam Houston State University, University of Texas at Tyler, and St. Thomas University. He also served as Superintendent of schools in Evansville, Wisconsin; West Bend, Wisconsin; Alief, Texas; and Stafford, Texas.

Dave Burk

Mr. Burk is a highly accomplished senior insurance executive with broad-based specialty expertise in healthcare and professional liability. During his nearly 40 years of professional experience, Mr. Burk has served in numerous leadership positions, including Vice President of VHA Inc., a national healthcare cooperative with 2200 organization members, and President and CEO at Holy Cross Resources, Inc., the insurance, risk management, and benefit services subsidiary of Trinity Health. Currently, Mr. Burk is a principal at DLB

Consulting Inc., in Fort Collins, Colorado. Mr. Burk received his B.A. from Cardinal Glennon College and his M.A. from St. Louis University.

Jim Hayes

A registered CPA, Mr. Hayes most recently was employed as Senior Associate Director of Admissions and Financial Aid at the Stephen M. Ross School of Business at the University of Michigan where he was involved in all aspects of recruiting, admissions, and enrollment. He is a retired partner of PriceWaterhouseCoopers where he served as Partner in Charge of Minority Recruiting and Retention, and Partner in Charge of Workforce Diversity at Coopers & Lybrand prior to the merger of the two firms. In both positions, Mr. Hayes succeeded in developing and implementing strategies to enhance workforce diversity. Mr. Hayes holds a Bachelor's Degree in Accounting from St. Joseph's University in Pennsylvania.

Scott A. Hollingsworth

Mr. Hollingsworth is president of S.L.I. Group, an integrated design-build firm focusing on private sector commercial architecture and construction. Previously, he worked as a manager with Turner Construction Company. Mr. Hollingsworth has contributed to notable projects including One OK Plaza in Tulsa, OK; the renovation of the historic Emily Morgan Hotel across from the Alamo in San Antonio, TX, and the \$1.7 million Grace School K-8 classroom renovation project in Houston. He is an active member of Grace Presbyterian Church in Houston and serves on the board of Gina's Light Foundation.

Steve Hunsicker

Currently a principal of SPACE Architects in St. Louis, Missouri, Mr. Hunsicker has been creating innovative architectural solutions for health care, corporate, and educational clients for more than two decades. His collaborative, multidisciplinary design philosophy seeks the optimum balance between organizational, cultural, and environmental considerations. He also served as a trustee for Westminster Christian Academy. Former board assignments and activities include the City of Kirkwood Parks Department, the Solar Foundation, and as a facilitator at the Missouri Governor's Student Leadership Forum on Faith and Values.

Zina Jacque

Zina Jacque is the senior pastor at the Community Church of Barrington Illinois. Previously she has served on the staffs of multicultural, urban, and suburban churches and has done extensive work in the areas of education, counseling, and support programs. Dr. Jacque most recently served as the Executive Director and Founder of the Pastoral Counseling Center of Trinity Church in Boston. In this role she implemented training on mental health issues for local pastors and led the Center in the delivery of 2,400+ annual direct service hours. Previously Jacque was the Interim Director of Christian Education at the Melrose Church in Massachusetts. There she implemented a separate and unique Children's Church and youth group. She has also acted as Protestant Chaplain at Bentley College and as the Executive Director of the Boston Ten Point Coalition where she served as a key member of the Boston program of violence reduction: Operation Ceasefire. Dr. Jacque holds a Doctorate of Theology and a Masters of Divinity degree from Boston University (Summa Cum Laude), an M.A. from Columbia University, and a B.A. from Northwestern University.

Boone Powell

Mr. Powell served as president and chief executive officer of Baylor Health Care System for 20 years managing a major regional network of acute care facilities, community hospitals, family health centers, senior health centers, and contract affiliations. Recognized by Business Week magazine in 1990 as one of “Five Best Health Care Executives” in the country he also worked as President and CEO of Hendrick Medical Center and served as Chairman for the Health Industry Council in Dallas. He has served on boards for the National Young Life organization, the Greater Dallas Chamber, Dallas Citizens Council, U.S. Oncology, Abbott Laboratories and others. Mr. Powell is also a fellow of the American College of Health Care Executives. Mr. Powell’s education includes a Bachelor of Business Administration from Baylor University, and a Masters in Public Health from the University of California.

Rosetta B. Robins, Ph.D., J.D.

Dr. Robins is an experienced professional with over 25 years of executive administrative and legal experience. Currently, she is a principal in Strategic Management Solutions LLC, a management and human resources consulting firm specializing in employment law and business management practices. During her legal career, she practiced corporate law in both law firm and corporate settings. Before entering the legal profession, she held positions at the University of Kansas Medical Center in administration and teaching—associate dean/assistant professor, School of Allied Health and director and associate director center of excellence and research assistant professor, School of Medicine. Active in community and civic organizations she has served on the boards of numerous organizations including the Mid-Continent Girl Scouts, Greater Kansas City Women’s Foundation and Jackson County Board of Services for the Developmentally Disabled. She earned advanced degrees—JD, PhD, and MPA—at the University of Missouri at Kansas City.

Mike Roskiewicz

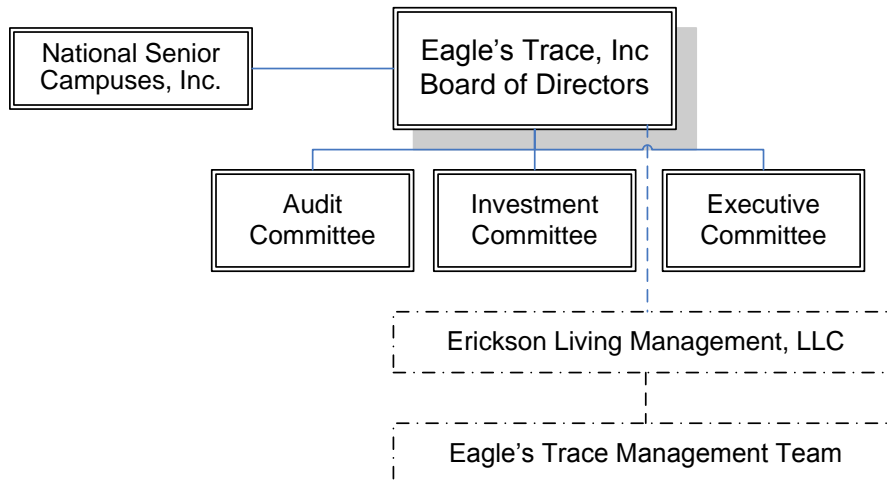
Mr. Roskiewicz is Senior Vice President and General Counsel of First Mercury Financial Corporation (NYSE: FMR), a publicly-traded insurance and insurance services company that markets and underwrites specialty commercial insurance products. In this capacity, Mr. Roskiewicz has responsibility for corporate governance, mergers and acquisitions, regulatory compliance under the federal securities laws and the state insurance codes, litigation management and general employment and contract matters. Prior to joining First Mercury, Mr. Roskiewicz was a partner in the Michigan law firm of Dickinson Wright, PLLC where he represented clients in sophisticated business transactions, including mergers and debt restructurings, private equity investments, and sale/leaseback transactions. Mr. Roskiewicz received his B.A. in psychology from the University of Michigan in 1990 and his J.D. from Washington University School of Law in St. Louis in 1993. He lives in Birmingham, Michigan with his wife and four young sons.

Grover C. Wrenn

Mr. Wrenn is a retired entrepreneur and senior executive with 40 years of experience in health care services, environmental science, regulatory policy and occupational health and safety. He has served as President and COO of Safety-Kleen Corp., Chairman and CEO of Accent Health Corp and CEO of EnSys Environmental Products, Inc., Chairman of Strategic Diagnostics, Inc., (NASDAQ: SDIX), CEO of Applied Bioscience International, and Founder and CEO of Environ International. He also served as Chairman of Axolotl, Inc., a health information technology company which was recently sold to the United Health

Group. Presently, Mr. Wrenn is a Director and Vice Chair at Albion Holdings, Inc., and a trustee of Eckerd College. He holds a Master of Science in Public Health (Environmental Sciences and Engineering) from the University of North Carolina.

Eagle's Trace Organizational Chart



LEGEND:

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

Eagle's Trace Committees

Executive Committee:

- Rod Coe, President
- Jim Hayes, President
- John Bowser, Secretary
- Boone Powell, Treasurer

Audit Committee:

- Dave Burk, Chair
- John Bowser
- Steve Hunsicker
- Mike Roskiewicz

Investment Committee:

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

Eagle's Trace, Inc. and Subsidiaries

Consolidated Statements of Operations

for the years ended December 31, 2010 and 2009

	2010	2009
Unrestricted revenues, gains and other support		
Resident occupancy revenue	\$ 9,032,393	\$ 8,349,065
Ancillary fees	2,209,900	2,001,014
Amortization of resident deposits, net of marketing expenses	1,237,267	1,288,562
Interest and dividend income	4,756,840	4,763,173
Processing fees	8,700	15,000
Other revenue	302,903	223,551
Net assets released from restriction used for operations	19,471	20,198
Total unrestricted revenues, gains and other support	<u>17,567,474</u>	<u>16,660,563</u>
Expenses		
Salaries, wages and benefits	5,561,132	5,245,225
Rent	1,892,444	5,125,653
Professional and contracted services	2,431,363	3,615,764
Supplies	365,757	367,839
Dietary and other supplies	953,923	862,231
Building grounds and maintenance	258,707	214,796
Utilities	867,028	893,946
Administrative and other	347,002	309,947
Management fees	451,777	415,999
Resident relations	141,316	106,733
Insurance	162,754	214,081
Interest	4,635,483	1,532,774
Real estate taxes	1,198,833	1,349,274
Depreciation	1,704,540	774,321
Expenses incurred related to temporarily restricted net assets	19,471	20,198
Total expenses	<u>20,991,530</u>	<u>21,048,781</u>
Excess of expenses over unrestricted revenues, gains and other support	(3,424,056)	(4,388,218)
Extraordinary gain on extinguishment of debt	<u>37,103,165</u>	<u>-</u>
Increase / (decrease) in unrestricted net assets	<u>\$ 33,679,109</u>	<u>\$ (4,388,218)</u>

This Consolidate State of Operations is an excerpt from the audited financial statements of the community. The audited financial statements and notes, which are an integral part of the financial statements, are available in the Finance Office upon request.