

Table of Contents

Mission	2
2010: In Review	3
2011: Looking Forward	11
Your Executive Management Team	13
Your Resident Advisory Council	15
Organization and Governance	17
Your Board of Directors	23
Riderwood Organizational Chart	25
2010 Draft Audit Report	26

Mission Statement

“We share our gifts to create a community that celebrates 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**
 - a. Creating large scale retirement campuses to promote activity and healthy living
 - b. Providing a Resident centered service culture
 - c. Encouraging Resident run activities with professional support
- 2. Achieving excellence in services and programs**
 - a. Exercising its authority in services, programs, fees, facilities and financing
 - b. Embracing compliance, ethics, and integrity
 - c. Overseeing services and programs personally and in meetings with Residents Advisory Council
 - d. Taking a long-term view of fiduciary responsibility
- 3. Insuring affordability to middle income seniors**
 - a. Focusing on the long term viability of the community for current and future residents
 - b. Using financing strategies to lower the cost of capital
 - c. Qualifying for exemption from federal and state income tax
 - d. Obtaining property tax reductions from community governments
 - e. Accumulating net income to further the mission
 - f. Maintaining a policy for 100% refundable entrance deposit
 - g. Offering fee-for-service health care
- 4. Making a life care commitment**
 - a. 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
 - b. Encouraging fundraising efforts in support of Benevolent Care
- 5. Fostering growth**
 - a. Committing to making this lifestyle available to an increasing number of seniors
 - b. Increasing efforts to achieve affordability

2010: In Review

Community Profile

2010 was a challenging year for the continuing care retirement community (CCRC) industry as occupancy declined broadly across the country—averaging around 89% occupancy in Independent Living (IL). In addition, the Erickson Retirement Communities' Chapter 11 filing and subsequent sale of assets caused concern for existing and prospective residents. Despite these obstacles, Riderwood settled 137 units in Independent Living (IL) and maintained an occupancy level of 93.9%.

Summary of 2010 Financial Results

In 2010 Riderwood continued to demonstrate solid financial results despite challenging economic conditions. The community completed the year with net income of \$2.4 million. Strong operating results were achieved through responsible management of expenses in each department, along with growth in the Renaissance Gardens census.

2010 net income is \$650,000 lower than 2009 due to the change in value of the community's interest rate swap. Riderwood measures the swap at fair value on a recurring basis. The community in 2005 entered into an agreement to set a fixed interest rate on the bonds through 2015 to hedge against interest rates rising in future years. Quarterly, the future value of the hedge is calculated based on current market conditions. An unrealized (potential future value) is booked that can be a gain or loss. In 2008, challenges in the bond market resulted in a major loss. In 2009, the bond market improved resulting in an approximately \$1.5 million unrealized gain. In 2010, the bond market was fairly stable, but predicted interest rates would remain low for a couple of years, resulting in a \$643,000 unrealized loss.

At the end of this report, you will find a summary financial statement that includes the 2010 draft audit results. The community is currently in the process of renewing the Letter of Credit for our bonds. The Letter of Credit is expected to close in June 2011 at which time the auditors will sign the audited statements. We do not expect that the financial statement for 2010 will change from this draft. Following the auditors' sign-off, the complete 2010 audited financial statements will be available to you at your request from the Executive Director's office.

Resident Satisfaction

Riderwood conducted its annual resident satisfaction survey in late November and early December of 2010. The three surveys (Independent Living, Assisted Living, and Skilled Nursing) had good participation, with a response of over 70% for each survey. While there are a number of feedback mechanisms within the community, the annual survey is an important tool used to benchmark performance in a consistent way each year.

The 2010 results showed a slight decline from 2009 in two of the “big picture” factors that are tracked: “Overall Satisfaction” and “Would you recommend Riderwood to your family and friends?” However, these changes are within the survey’s margin of error. 2010 scores for each are:

Factor / Area	2010 Score	Change from 2009
Independent Living: Overall Satisfaction	87.7	-0.6
Independent Living: Would You Recommend	95.9%	-0.5%
Assisted Living: Overall Satisfaction	85.1	-0.1
Assisted Living: Would You Recommend	94.0%	-0.6%
Skilled Nursing: Overall Satisfaction	84.7	-3.1
Skilled Nursing: Would You Recommend	93.0%	-0.5%

In general, the survey communicates a positive message about the community that should be a source of pride, as residents and staff work together to make Riderwood a great place to live and work. At the same time, it identifies a number of areas where management can improve both services and communication. In Independent Living, these areas included coordination of health care services, resident confidence in governance and financial strength, and food temperatures. In Renaissance Gardens, areas of opportunity included perception of value for price paid, responsiveness of staff to daily personal needs, dining room efficiency, and menu variety.

Community Highlights and Initiatives

General Services

The final planned phase of Skilled Nursing (SN) to Assisted Living (AL) conversion was completed in 2010, showcasing Erickson’s first Assisted Living apartments offering private patios. The seven newly redesigned one-bedroom and two-bedroom AL units were occupied within the first 30 days after their opening.

Tap boxes were installed on transformers in each community building, allowing for emergency generators to be plugged in to enhance the campus’ emergency preparedness.

The Special Projects team created 13 furnished and decorated model apartment homes designed to showcase available floor plans and custom upgrades. Additionally, strategically cosmetic enhancements were made to 15 available apartment homes to update lighting packages, paint, flooring, countertops, bathroom vanities, and window treatments to assist in the marketability of these units.

Renovation projects were completed in Montgomery Station and Lakeside Commons to address operational inefficiencies and create a resident library, rehabilitation gym, and a hot carry-out venue while enhancing the product offering and financial solvency of the Village Market.

Dining Services

The Executive Chef and five Chefs de Cuisine successfully completed the Frontline Kitchen Leadership Training through Anne Arundel Community College in 2010. These weekly classes were designed to provide instruction and facilitate discussion on kitchen leadership.

With the consolidation of stores in two neighborhoods, this line of business recognized profitable operations for the first time. We anticipate saving approximately \$25,000 annually as a result of this change.

The hot carry-out meal service in each club house has been a great success. The number of residents who use this added service grew to approximately 210 carryout meals per day by the end of the year. The final carry-out location in Town Center opened on schedule in March, 2011.

The Wye Oak Pub has made significant gains as a successful dining option for both residents and staff. In 2010, the operation became a zero-subsidy program, while offering an attractive alternative casual dining and social venue.

The Culinary Team participated in the 20th Annual Crab Soup Cook-Off at the Maryland Seafood Festival held at Sandy Point State Park in September, 2010. Riderwood was recognized with four prestigious awards, which included 1st Place People's Choice and 2nd place Judge's Choice in the Vegetable Crab Soup category. For the Cream of Crab Soup category, Riderwood had a strong showing by winning 2nd place People's Choice and 3rd place Judge's Choice.

Resident Life

A strategic staffing plan was developed and implemented to improve the integration and efficiency of Resident Life functions. As a result, the Wellness Programs and Community Resources lines of business were realigned to be managed by a single leader. The areas of Social Work and Pastoral Ministries were also restructured to consolidate leadership.

Riderwood Home Health was named by OCS HomeCare and DecisionHealth® as being one of the top 500 performing home health agencies in the United States. Winners are ranked by an analysis of measures in quality of care, quality improvement, and financial performance. Riderwood Home Health is dedicated in helping residents be active as possible in a safe and healthy manner.

In 2010, Home Support provided over 165,000 hours of service to Riderwood residents. This is an increase of more than 46,000 hours compared to 2009.

Wellness Programs provided support for more than 4,800 wellness visits each month. These included visits to the Fitness Center, the Aquatic Center, or participation in land and water classes. With the elimination of the resident fee for basic use of the Fitness Center, we expect utilization of this amenity to increase significantly.

The Falls Prevention Advisory Committee (FPAC) conducted monthly fall prevention clinics. FPAC clinics have been very well received by residents, as evidenced by more than 500 residents attending events in 2010.

Residents contributed more than 100,000 hours of volunteer service in 2010. While many of these hours were performed in service of Riderwood programs and services, residents also engaged in substantial volunteerism in the broader community, supporting organizations such as the Alzheimer's Association, Doctors without Borders, Lion's Club, Dress for Success, the Elizabeth House, Habitat for Humanity, Meals-on-Wheels, local food banks, Neighbors-in-Need (both Montgomery and Prince George's Counties), Toys for Tots, and many others.

The Riderwood Television studio filmed and edited over 500 television programs in 2010. Among the highlights is a new weekly TV news program featuring all Riderwood community news and campus events.

Philanthropy

Riderwood residents continued to demonstrate exceptional generosity in 2010. The Benevolent Care Fund had a great year thanks to a strong resident philanthropy committee and support from residents, resident groups, staff, and our community vendors. This fund provides support for those residents who have depleted their assets due to extraordinary financial circumstances. Throughout the year, a variety of events and activities were held as fundraisers for the Benevolent Care Fund. A total of \$466,669 was raised from generous donors.

In 2010, 43 Riderwood high school seniors received scholarship funds to further their education. The Scholars' Fund provides up to \$6,000 over four years for students who meet the application eligibility criteria and are pursuing post-secondary education. A total of \$214,872 was raised.

2010 also saw significant success with Riderwood’s planned giving program, as donors provided or pledged gifts of charitable gift annuities, estate bequests, and beneficiary designations for entrance deposits. Residents pledged gifts of \$876,400 in 2010, nearly doubling the goal of \$450,000. These large pledged gifts are critical to the long-term sustainability of the community’s charitable funds.

The following is a summary of activity in 2010 for these funds:

	Benevolent Care Fund	Scholars’ Fund
2010 Beginning Balance	\$1,803,143	\$688,801
Funds Raised, 2010	\$466,669	\$214,872
Funds Expended, 2010	\$50,036	\$168,118
2010 Ending Balance	\$2,219,776	\$735,555
Resident Participation (households)	62%	72%

Fund Management

The National Senior Campuses Investment Committee assists the Riderwood Board in closely monitoring the restricted funds (charitable funds) collected from residents. The committee’s 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 according to benchmark considering the volatile market fluctuations throughout 2010. The returns earned on the portfolio amounted to 1.94% (net of fees) for 2010.

At year end, the portfolio mix, which will continue to be monitored on a monthly, quarterly and annual basis, was as follows:

Cash	6%
Fixed Income	94%
Corporate	54%
US Treasury	22%
Agency	18%

Renaissance Gardens

Riderwood ranks among the top 10 nursing homes in the state of Maryland out of 231 facilities, according to findings from U.S. News and World Report. The ranking data is provided by the Centers for Medicare and Medicaid Services and includes measures based on health inspection results, nurse staffing ratios, and quality of care outcomes. Riderwood received a total of 14 out of a possible 15 stars in these three categories. Renaissance Gardens maintained an overall 5 Star Rating for the fourth consecutive year. In its annual state nursing home survey, conducted in November, 2010, Riderwood was not cited for any clinical deficiencies.

Assisted Living remains deficiency free by regulatory inspectors for two consecutive years.

The final planned phase of converting some Skilled Nursing units to Assisted Living was completed, showcasing Erickson's first Assisted Living apartments offering private patios. The newly redesigned seven one-bedroom and two-bedroom Assisted Living units were billed within the first 30 days of opening.

The occupancy percentage and financial performance of Renaissance Gardens exceeded expectations in 2010. The occupancy percentage in Skilled Nursing averaged 93.6% occupancy, while Assisted Living averaged 99.5% occupancy.

Medical Center

Approximately 85% of Riderwood residents utilize the onsite medical care provided in the Village Square Medical Center. In addition, onsite specialists provide audiology, cardiology, dentistry, dermatology, neurology, ophthalmology, oncology, and podiatry, mental health gastroenterology and bone densitometry.

The Medical Center continues to offer unparalleled physician access to Riderwood residents, accommodating 3,513 same day appointments in 2010. Additionally, physicians returned 98.4% of after-hour phone calls within 10 minutes and 89% within 5 minutes.

Diversity

The National Senior Campuses, Inc. Board of Directors chartered a Diversity and Inclusion Committee to work with Erickson management to develop a long-term strategy to promote a culture of diversity and inclusion. Erickson management empowered a Diversity and Inclusion Council to develop a strategy that leverages diversity to create an environment where residents, staff, and management feel 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. 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, thereby continuing to provide top-quality services to our residents.

Riderwood has embraced activities to enhance community diversity and inclusion efforts, including the following:

- Held the first annual Diversity Fair highlighting residents and staff
- Erickson Way Lunch and Learn topics to include "Cultivating a Caring and Passionate Team" which has great emphasis on working in community and focused on "we're in this together"

- New Employee Orientation—diversity course reviewed for all new employees
- Diversity luncheon—event including all departments and featuring dishes from around the world
- Training offerings that include themes on diversity and layered in building a sense of community:
 1. Civil Treatment
 2. Everyone Wins! Principle of Negotiations
 3. Building Trust
 4. Creating a Positive Workplace
 5. Building Peer Relations
 6. Managing Emotions at Work
 7. Solving Workplace Problems and Differences

Energy and Environmental Conservation

At Riderwood, staff and residents are focused on ways to conserve energy and other resources and on using more eco-friendly material. Several energy savings initiatives have been undertaken, including load shedding, motion sensing devices, night setbacks, CFL bulb installation and hot water and common area space temperature modifications.

In 2010, Riderwood continued to educate and encourage residents and staff on the breadth of materials that are recyclable—leading to Riderwood being noted as one of the most responsible recyclers in Montgomery and Prince George’s County. The Dining Services and General Services teams also began a program to compost 10-12 tons of waste material each month.

Erickson Advantage

Erickson Advantage continued to provide excellent service to our resident participants. Erickson Advantage demonstrated that participants could save money and enjoy additional benefits compared to standard Medicare offerings. As of December 31, 2010, the Erickson Advantage health plan at Riderwood had 224 members.

Resident Accomplishments and Highlights

Incredible residents make Riderwood a very special place to live and work. Without question, the residents continue to embrace the mission to share their gifts to create a community that celebrates life—2010 was a year in which residents shared those gifts at record levels!

Representing an all time high, 685 residents registered in Prince George’s Community College’s largest SAGE (Senior Adults Growing Educationally) program. This means 1 out of 4 residents are benefitting from the mental, physical and social growth opportunities offered through the program. A total of 16 new courses were offered in the fall term, amounting to 65 sections of classes offered throughout campus.

In 2010, Riderwood residents were involved in over 245 resident groups with a wide variety of interests including art, cards, computers & technology, dance, faith-based and interfaith matters, film, fitness and sports, games, gardening, investments, lifelong learning, music, literature, philanthropy, political awareness, theater, woodworking, and writing.

The Resident Advisory Council (RAC) held its annual election for members and officers in 2011. Ed Hanrahan was elected as Chair. Mr. Hanrahan, Helen Helm, Adele Messinger, and Gordon Ward remained for a second year as members of the Council. Newly elected members were Jack Wachtman, Pat Davis, David Pasternak, David Rogers, and Doris Teti.

In an effort to provide an alternative feedback mechanism, the RAC established the monthly “RAC Listening Posts” with RAC members available in dining lobbies to hear resident comments, concerns and suggestions.

RAC also started a new monthly TV program called “A Visit with the RAC.” The program covers RAC activities and timely updates on community happenings. In addition, information covering RAC activities was added to the riderwoodlife.org web site, including the minutes of the RAC meetings.

Staff Accomplishments and Highlights

Riderwood continued to make progress in building our reputation as a premier employer in Prince George’s and Montgomery Counties. Although Riderwood did not conduct a formal Employee Satisfaction Survey in 2010, a high level of satisfaction was reflected by an excellent employee retention level. The 2010 retention rate was 81%, a Riderwood maintained strong employee satisfaction across all areas and had an overall satisfaction score of 82.2%. This level of satisfaction was reflected in a retention rate of 81%, a huge jump from 2009 which was 76.58%.

Riderwood invested 13,626 hours of training for employees in 2010. Additionally, 41 employees took advantage of tuition assistance to further their academic pursuits. Riderwood celebrated 19 employees for dedicating 10 years of continuous service.

2011 Looking Forward

Areas of Focus

Riderwood has had good success in navigating a challenging economy; however, success will not lead to complacency on the campus. Management will continue to focus on new ways to be good stewards as we work to stay affordable to middle class seniors. Objectives for 2011 include to:

- Meet or exceed occupancy goals in Independent Living, Assisted Living, and Skilled Nursing. Continue various initiatives designed to encourage and facilitate settlements for new residents.
- Meet or exceed all financial and operational targets in Independent Living, Assisted Living, Skilled Nursing, and Ancillary Health lines of business.
- Maintain or exceed 2010 resident satisfaction levels in all areas of the community.
- Ensure superior resident care by exceeding established benchmarks for all clinical indicators in Renaissance Gardens and quality indicators in the Certified Home Health line of business.
- Support diversity and inclusion as a foundation of our culture. Build more programming and recognition throughout the year to engage residents and employees.
- Ensure that each employee has the opportunity to reach his or her potential through training and development opportunities.

Financial Plans

Riderwood's 2011 business plan calls for operating income of approximately \$7.2 million and an overall net loss of \$632,000. The community's operational performance is consistent with board expectations and that of other communities at the same phase of development.

The dynamic economic environment has required diligent and focused attention to changing market conditions. Riderwood is strategically focused on embracing the challenges that lie ahead in 2011. The Riderwood management team will continue to seek ways to increase efficiency and productivity in community operations. Management has thoughtfully and deliberately considered these opportunities in developing the 2011 plan, while retaining focus on delivery of a high level of service and programming.

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 and budget. The budget is formulated by management during the fall of each year and 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 RAC 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 annual budget, the Board seeks a viable financial plan that sustains long-term financial stability.

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

Over the last 10 years, Riderwood has built a strong culture around the principles of the Erickson Living Values. Management strongly believes that this culture must be nurtured or it will diminish. A great deal of resources are spent to ensure that staff understand and are living out the mission to share our gifts to create a community that celebrates life. While our focus may evolve during the year based on emerging priorities, some of the initiatives that are relevant to residents at Riderwood are as follows:

- Life-cycle renovations and enhancements will be implemented in various areas of the community as fiscally appropriate.
- The Human Resources Department will be facilitating a diversity and inclusion class for all employees. This workshop will enhance the staff's awareness and appreciation for diversity and allow us to better serve the changing demographic of our customer base.
- Every member of the staff will be recognized as part of the Sales and Marketing Team. We are all committed to initiatives that will maintain and improve census, including enhancement of outside-the-gates awareness of Riderwood. Staff will partner with interested residents to share the benefits of living in this community with prospective residents.
- Administration will re-institute regular presentations of the "life care" program at Riderwood, explaining how entrance deposit spend-down, Medicaid, and the Benevolent Care Fund support residents who exhaust their assets due to extraordinary and unplanned circumstances.
- Philanthropy will focus on planned giving opportunities as a way to shore up the long-term sustainability of our charitable funds.
- Dining Services will focus on menu variety and efficiency of service, particularly within the Renaissance Gardens neighborhood.
- General Services will position Riderwood to reduce energy costs. We will evaluate products, services, and solutions that increase energy efficiency, reduce environmental impact, and lower operating costs.
- Continue to enhance initiatives to convey timely and appropriate information to residents, as well as solicit feedback to continuously improve the resident and employee experience at Riderwood.

Your Executive Management Team

Chip Warner, Executive Director: Chip previously served as the Vice President of Operations at Erickson Living's Corporate Headquarters, providing executive support for community-based General Services, Dining Services, Resident Life, and Philanthropy teams across the company. Chip, who joined Erickson in 2004, served first as the Associate Executive Director and then the Executive Director at Cedar Crest, an Erickson managed community in Pompton Plains, NJ. Warner holds a BS from the United States Naval Academy, an MA from the University of Maryland and an MBA from Harvard University.

Ben Cornthwaite, Associate Executive Director: Ben served previously for more than six years as Senior Administrator for Renaissance Gardens at Greenspring in Springfield, Virginia. His leadership resulted in a deficiency-free state survey for 2010 and a 5-star CMS rating. His background also includes two years as the Administrator there where he had similar success: a 2007 deficiency free survey, achieving CARF /CCAC accreditation and development of a licensed Hospice program. Prior to joining to Erickson Living, Ben was an Administrator for Medical Facilities of America. He holds a MA degree in Management of Aging Services from UMBC and a BS degree in Health Services Administration from James Madison University.

Bo Lundh, Director of Operations: Bo joined Erickson Retirement Communities in 1995 as the Senior Accountant for Oak Crest. The same year he was promoted to Controller. In 2000, he became the Director of Finance for Riderwood. Prior to working for Erickson, Bo worked as Finance Director for the Swedish government in the areas of Elder Care, Social Care and Children Care. He has his B.S. in Finance, from the University of Lund in Sweden. Bo is a member of Leadership Montgomery, an organization of local business leaders.

Florence Edwards, Director of Finance: Florence joined Erickson in 1998 as a Financial Planning Analyst. In 2005, she was promoted to Director of Finance at Riderwood. Prior to joining Erickson she worked in the Treasury Department for Integrated Health Services. She holds a B.A. in Economics from UMBC and an A.A. in accounting from Catonsville Community College. She is also a Certified Public Accountant.

Shelli Giardino, Director of Human Resources: Shelli has been with Erickson Living since September 2003 starting at Charlestown as a Sr. Human Resources Manager. After four successful years at Charlestown supporting Health Services, Shelli moved to open Tall Grass Creek, and worked on the Executive Team at the new and upcoming community supporting Human Resources, but many other departments as well. In October 2009 Shelli transferred to Riderwood as a Sr. HR Manager to support RG, Rehab, and the Medical Center and was promoted to HR Director in October of 2010. Prior to Erickson Shelli worked in two Baltimore area hospitals in Human Resources for seven years.

Jason Longwell, Director of Sales: Jason joined Erickson Living in 2007 and has served as Associate Sales Director at the Wind Crest retirement community in Colorado. Jason has been instrumental in a variety of sales projects and programs at the Erickson corporate office in

Catonsville, MD. He has worked with the Erickson Living Central Services team to improve sales processes and reporting requirements. Jason's past experience also includes work at Presidio Corporation where he served as an Account Director. In addition, he has served four years at Northrop Grumman as a Senior Inside Sales Representative and as an Account Manager. Jason holds a BA from the University of Delaware.

Eugenio Machado, MD: Dr. Machado has served as Riderwood's Medical Director since March 2003. Dr. Machado graduated from University of Maryland College Park with a degree in Chemical Engineering. He then attended University of Maryland Medical School where he completed his Doctorate of Medicine degree in 1979. He completed his Residency in Internal Medicine at Maryland General Hospital in Baltimore. For 23 years he practiced Internal Medicine in Laurel, Maryland.

John Mann, Administrator of Renaissance Gardens: John joined Riderwood in November 2006. He has been serving seniors in the long-term care industry for 16 years. John is a licensed Nursing Home Administrator, having led skilled nursing facilities in Prince George's County, Montgomery County, Frederick County, and Baltimore County. John brings a passion for valuing the residents we serve, taking care of staff as they care for others, and continuously improving quality.

Magdy Mishraky, Director of Dining Services: Magdy has been the Director of Dining at Riderwood since May 2004. He began with Erickson Communities in 2000 as a Dining Service Manager at Charlestown. Magdy shares 15 years experience in Food Service Management. His experience within food services has covered a diverse spectrum to include: Banquet and Restaurant Management, Catering Sales and Guest Services. He has obtained a Bachelors degree in Mechanical Production Engineering. Magdy is a member of Leadership Prince George's, an organization of local business leaders.

Bob Riley, Director of General Services: Bob has worked at Riderwood since 2000. Prior to coming to this community Bob worked as the General Services Director at Oak Crest in Parkville, Maryland. Bob has a B.S. in Business and Accounting from the University of Maryland, and is a CPA. His career has included employment with Deloitte Haskins and Sells, Certified Public Accountants, and Ryland Homes and Mortgage Company. Bob is a member of Leadership Prince George's, an organization of local business leaders.

Your Resident Advisory Council (RAC)

(Elected March 4, 2011)

Ed Hanrahan – Chair and Philanthropy and Volunteerism Liaison: Member of RAC since July 2009 as liaison to “volunteering” and part of the working group to promote interaction between Renaissance Gardens and independent living. I have degrees in engineering, served in the Navy, and worked in the private sector and government. In 1982, I received the Presidential Meritorious Executive award. I directed controversial programs facing divergent public and political views in non-proliferation, energy and nuclear regulation, and energy policy. I managed large and small groups in both government and the private sector, a skill useful in the RAC mission of liaison between residents and management.

Helen Helm – Renaissance Gardens Liaison: I come from New York City and graduated from St. John’s University in 1957. I was a programmer, systems analyst and project supervisor for Home Insurance Co. and subsequently, at IBM, an account manager and data processing department manager. At Control Data I was customer services manager and executive consultant helping employees and customers adapt to changes in ownership, policies, procedures and practices. At Riderwood, I have been a driving force in bringing WIFI to the clubhouses, monthly special classes for computer users, and the Riderwoodlife.org website. I serve as Lector and Eucharistic Minister for the Catholic Community.

Jack Wachtman – Secretary: I am a Ph. D. physicist who worked in research, teaching, writing, and editing 48 years. Management responsibilities included obtaining funding; hiring, supervising, and evaluating people; planning and managing programs; public speaking, and consulting with private firms and government agencies. An eight-year Riderwood resident, I started the Issues Discussion Group, I am a member of the *Riderwood Reporter* Editorial Board, and volunteer at Renaissance Gardens, among other activities. As a RAC member I strive to maintain and improve our Riderwood lifestyle by working productively with residents and management. I believe in calmness, analysis, responsibility, and fairness seasoned with humor.

Pat Davis – Information Officer and Communications Liaison : Since 2006 Riderwood has been home. I’ve taken PGCC classes, assisted with the Staff Appreciation Fund, and am active in the Falls Prevention Advisory Council, the Celebration Ringers and the Catholic Community. I volunteer at Riderwood TV and chair the TV Programming Committee. Professionally, I was an RN and pastoral lay minister. I’ve worked as a writer/editor, adult educator, and on national boards. Currently I serve on Montgomery County’s Vital Living Committee and its Housing and Zoning Subcommittee. I’m eager to use this experience to serve my neighbors by enhancing resident-staff communication and collaboration.

Adele Messinger – Dining Services Liaison: I have degrees in business economics and accounting, education, and guidance and counseling through the doctoral level. I have been a public accountant and educator for 35 years. I volunteered in building a cooperative nursery

school and community center. I was a condominium president, director of a community council, homeowners association and country club board of governors. I served on public advisory committees: water utilities, status of women, fire rescue, and land use; also served on the grievance committee of the Florida Bar Association. RAC Member 2006-2008: dining services committee, liaison to general services and Renaissance Gardens. I initiated resident participation in the Senior Connection.

David Pasternak – Health Services and Marketing Liaison: Cathy and I moved to Riderwood 18 months ago. Since then I've been a member of the 2010 RAC election and Staff Appreciation Fund committees, and Riderwood's 2010 softball team. Currently serve as a resident ambassador for the Marketing Department, volunteer for Habitat for Humanity cabinet and house building, and participate in several other activities. I believe my 38 years of personnel/human resources (HR) experience, including consulting and leading the HR department as VP in three companies coupled with psychology and MBA degrees, problem solving abilities, and sense of humor allow me to effectively contribute to the Riderwood community.

David Rogers – Resident Life Liaison: My 31 years in business management is one of two fundamental elements in the success of the Performing Arts Council during the six years I have served as its Chair. The second, and the more significant, is the satisfaction I derive from contributing to residents' enjoyment of the Riderwood lifestyle. In that same spirit I seek election to the Resident Advisory Council. My sole motivation is to broaden my personal service to our community with the objective of making it a better place to live for all.

Doris Teti– Finance and Human Resources Liaison: I have enjoyed the lifestyle at Riderwood for five years. I want to be involved in the process. Before moving here I spent about ten years working in various capacities in community affairs. Among other responsibilities I served on the board of directors in a community of about 2500 residents. My early adulthood was spent rearing my four children. When the time seemed right, I returned to teaching math. This I did at Widener University. The credentials for this assignment were fulfilled with a BA from GWU and a MA from University of Delaware.

Gordon Ward – General Services and Resident Concerns Liaison: I love life at Riderwood and want to do as much as I can to keep it as special as it is. I'm a registered professional civil engineer. Before retirement I owned and ran my own engineering company. I supervised employees from survey crews and clerical staff to other certified professionals, and dealt with clients, their staffs, state and county agencies and governments. I believe my experience in anticipating and solving problems as well as dealing fairly and compassionately with people have prepared me well to serve the Riderwood community.

Organization and Governance

Organization

Riderwood Village, Inc. (Riderwood) is organized as a not-for-profit corporation and is an affiliate of National Senior Campuses, Inc. (NSC). Riderwood 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 Riderwood 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.

Riderwood 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 Riderwood) 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 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 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 Riderwood and NSC please visit our web site: www.NationalSeniorCampuses.org.

Board of Directors

All corporate authority resides in the Riderwood 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 Riderwood pursuant to a Management and Marketing Agreement between Riderwood 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 Riderwood 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 Riderwood.

The Riderwood 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 management company emerged from Chapter 11 and the sale of assets of Erickson Retirement Communities, the former management company of Riderwood was completed. As the community's independent, not-for-profit board, the Riderwood 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 Riderwood.
- Special meetings and all board meetings to discuss Erickson issues and Riderwood issues.

- Special RAC meetings, town meetings, and letters regarding governance, Erickson and Riderwood 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.
- The Riderwood Board and NSC Board member support of the Benevolent Care Fund and gala.
- Recorded 100% Director participation in Riderwood Philanthropic initiatives.
- Quarterly review of reserves and investments.
- Expressed appreciation of the leadership of Donna Mason.
- Approved the appointment of Chip Warner as Executive Director.
- Approved the appointment of new officers for 2011, including a new Chair.
- Carroll Yingling was recognized for his service, efforts, vision and many contributions as Chair.

Riderwood 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 continued its search for additional regional directors to expand the skill sets of the Board and to help build Riderwood 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, Riderwood paid a total of Sixty-Five Thousand Dollars (\$65,000), in compensation to the members of the Board of Directors of Riderwood.

Directors' compensation for Riderwood was recommended by NSC and was approved by the 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

Jim Anders, Chair

Mr. Anders is the Administrator and Chief Operating Officer for 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 rehabilitation company. He has an MBA from the University of Baltimore and is a CPA.

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

Maurice A. Bellan

Mr. Bellan is a partner at McGuire Woods, LLP in Washington, D.C. His practice involves a broad range of complex commercial litigation with great depth in the area of internal and government investigations, whistleblower actions, consumer product class actions, trade secrets, and trademark infringement. Prior to joining McGuire Woods, Mr. Bellan was partner in the litigation department of a major Philadelphia law firm and a former trial attorney for the U. S. Department of Justice, Civil Rights Division. He is active in the organization A Better Chance, Inc., which identifies and develops leaders among young people of color.

Eileen Erstad, Treasurer

Ms. Erstad is currently the COO 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 also 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.

Joanne Malloy Rorapaugh

Ms. Rorapaugh served as Vice President of Operations for Madison Management Corporation (MMC). MMC owned, leased and managed commercial properties in Washington, D.C., including The Madison Hotel. Her responsibilities included the leasing and managing of MMC's office and apartment buildings, as well as overseeing the office and staff. She also served as

Administrator of the Marshall B. Coyne Foundation; overseeing disbursements to various charities. Now retired, Ms. Rorapugh lives in the Foggy Bottom area of Washington, D.C.

Jerry Seals, President and Vice Chair

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 staff of Howard County General Hospital (HCGH) and as President of the HCGH Medical Staff and the Advisory Committee 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 at each the 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.

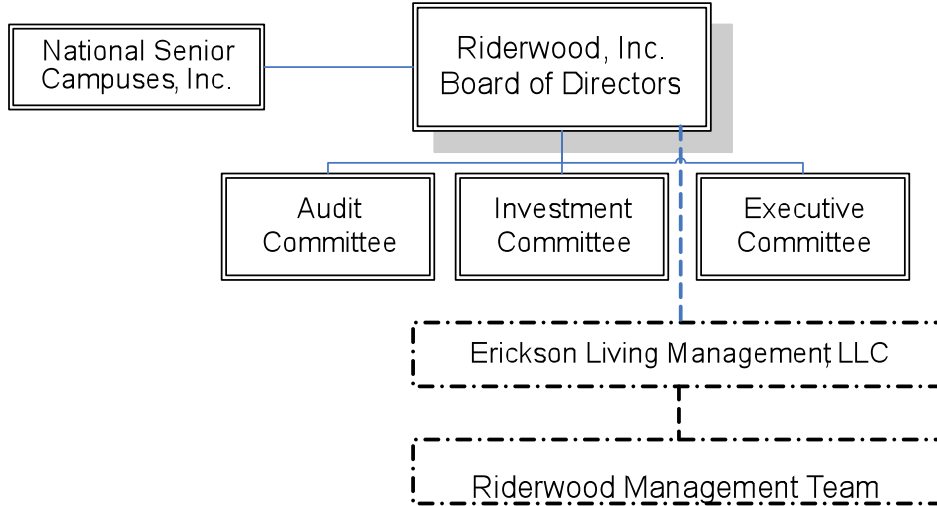
Jim Starnes, Secretary

Mr. Starnes has had a long and distinguished career in the computer and technology field, including positions with IBM, RCA, Xerox, and three companies he founded and served as CEO. In 1996 he retired as Vice President of a subsidiary of Equifax, Inc., a \$1.8 billion provider of online business and personal information services. Thereafter he served on the Board of Directors of InforMedix, Inc., an entrepreneurial venture in medication management technology. Mr. Starnes lives at Riderwood and is very active in the community.

Carroll Yingling

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. He holds degrees from the Johns Hopkins and Duke Universities, and Wesley Theological Seminary. A resident of Charlestown Retirement Community, he is a teacher of courses for Elderhostel's Lifetime Learning Program.

Riderwood Organizational Chart



LEGEND:

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

Riderwood Committees

Executive Committee:

Jim Anders, Chair
 Jerry Seals, President and Vice Chair
 Eileen Erstad, Treasurer
 Jim Starnes, Secretary

Audit Committee:

Eileen Erstad, Chair
 Larry Shubnell
 Ki Kent

Nominating Committee

Jim Starnes
 Joanne Rorapaugh
 Carroll Yingling

Investment Committee:

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

DRAFT AUDIT REPORT

Riderwood Village, Inc. and Subsidiary Consolidated Statements of Operations for the years ended December 31, 2010 and 2009

	2010	2009
Unrestricted revenues, gains and other support:		
Resident occupancy revenue	\$ 73,191,703	\$ 70,118,427
Ancillary fees	12,816,846	11,803,955
Amortization of resident deposits, net of marketing expenses	9,554,154	9,864,285
Interest income	480,563	97,527
Processing fees	21,300	38,250
Net realized gain on investments	14,073	-
Other revenue	1,075,893	1,176,631
Net assets released from restriction used for operations	218,154	159,363
Total revenues, gains and other support	<u>97,372,686</u>	<u>93,258,438</u>
Expenses:		
Salaries, wages and benefits	42,556,477	41,299,941
Professional and contracted services	7,502,420	6,983,549
Supplies	3,661,426	3,744,473
Dietary and other supplies	5,532,970	5,394,788
Building grounds and maintenance	1,199,197	1,123,133
Utilities	4,688,493	4,456,881
Administrative and other	1,299,893	1,031,990
Management fees	3,081,251	3,481,237
Resident relations	395,672	398,525
Insurance	852,436	631,542
Interest / letter of credit fees	1,417,724	1,485,473
Real estate taxes	3,783,163	3,580,723
Depreciation and amortization	16,884,633	16,655,176
Realized and unrealized loss / (gain) on swap agreement	1,876,709	(240,595)
Expenses incurred related to temporarily restricted net assets	218,154	159,363
Total expenses	<u>94,950,618</u>	<u>90,186,199</u>
Excess of revenues over expenses	2,422,068	3,072,239
Change in unrealized loss on investments	<u>(378,256)</u>	<u>-</u>
Increase in unrestricted net assets	<u>\$ 2,043,812</u>	<u>\$ 3,072,239</u>