



Tallgrass Creek

2010

Annual Report



June 16, 2011

Dear Tallgrass Creek Residents:

We are pleased to present this Annual Report to our residents. The Annual Report includes a review of our community's activities in 2010, our plans for 2011, updated information regarding your Board of Directors, and a financial summary report for 2010.

Thank you for continuing to share your gifts and make this a community a place where people truly live better lives. A special thank you 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 Tallgrass Creek.

Additionally, we want to recognize our employees who always remain committed to making a difference in people's lives and fulfilling our mission each and every day.

We hope you will attend our annual meeting on **June 21, 2011, at 1:00PM in the Blue Sky Dining Room** to meet and hear from some of the members of our Tallgrass Creek Board of Directors. Thank you for the trust you have placed in us by choosing Tallgrass Creek as your home.

A handwritten signature in black ink, appearing to read "Peter D. Crane".

Peter D. Crane
Executive Director

A handwritten signature in black ink, appearing to read "Rodney M. Goe".

Rodney M. Goe
Tallgrass Creek, Inc. Board Chair

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MISSION STATEMENT

**SHARING OUR GIFTS TO CREATE COMMUNITIES
THAT CELEBRATE LIFE**

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

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

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

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

Community Profile

In 2010, Tallgrass Creek continued to work toward becoming Overland Park's community of choice for active adults who wish to live life to the fullest in their retirement years. By the end of the year, Tallgrass Creek had 106 employees and 243 residents living in 168 apartments.

Individuals continued to move to our community during a year of nationwide economic concern and challenges in the real estate market. This is a wonderful testament to the quality of life at Tallgrass Creek and the recognized value that the community offers.

We are thankful for our exceptional staff of individuals who care deeply about our mission and thoroughly enjoy working together to provide you with the very best care and service. We are especially grateful to you, our residents, for choosing to make Tallgrass Creek your home.

Summary of 2010 Financial Results

In 2010 Tallgrass Creek had a net operating loss of \$1,821,331. This was better than our business plan by \$547,865. The net operating loss is driven by lower revenue, with the pace of new residents moving into the community mitigated by expense controls. Tallgrass Creek had a positive variance in wages, benefits, and other employee costs which offset the impact of the lower than anticipated revenues.

At the end of this report, you will find a Summary Financial Statement which includes the 2010 results. The complete 2010 Audited Financial Statements will be made available upon request.

Resident Satisfaction

Tallgrass Creek conducted its annual Resident Satisfaction Survey in December 2010. The survey asked questions about various aspects of life at Tallgrass Creek, services and resources available within the community, and about the quality and friendliness of our employees. The results were an improvement from 2009 with 90.5% of our residents indicating they would recommend Tallgrass Creek to a friend or relative, and 84.1% of our residents agreed they were satisfied overall with Tallgrass Creek.

| | 2010 Results | 2009 Results |
|--|-------------------------|-------------------------|
| Overall Satisfaction | 84.1% | 83.4% |
| Would you recommend Tallgrass Creek | 90.5% | 87.8% |

In addition to the survey, residents continued to share their suggestions and comments during our monthly town hall meetings, through our resident committees, by submitting comment cards, and providing letters and notes in our suggestion box at the front desk. Many of our residents' suggestions have been incorporated into positive changes and additions to our programs and services.

Community Highlights and Initiatives

During the year, we had a number of improvement initiatives, some of which were based on resident suggestions. A strong partnership between residents and staff facilitated the growth of programs and services resulting in an exceptional quality of life. Below are a few highlights.

Resident Accomplishments and Highlights

The community formed the initial Resident Advisory Council (RAC) of Tallgrass Creek, a vital committee of residents that serve to assist management and residents alike in maintaining a vibrant community. In April, the first RAC election was held and five members were elected by residents. In May, the newly elected RAC members attended orientation, after which they held officer elections to elect their first chair, vice-chair and secretary. Throughout the year the RAC met monthly with the Executive Director and management team members, held quarterly resident forums, and contributed ideas and suggestions to enhance the quality of life of Tallgrass Creek residents.

The Dining Services department implemented a program that reduced disposables and linen expenditures (resident participation utilizing green containers for carryout is at 98% on a daily basis). This was accomplished through consistent numbers in linen utilization and a stronger focus on quality preparation of food and the reduction of food waste. The community experienced over 60% reduction in linen expense and over 70% reduction in disposable expense as compared to 2009.

The General Services Safety team conducted monthly educational seminars for the residents as well as offering Safety Tips during Town Hall meetings.

The Green Council consisting of residents and staff met bi-monthly to discuss "Green initiatives" and benefits to Tallgrass Creek and the environment. Through education and increased recycling efforts the community has been able to reduce the number of trash pickups on a weekly basis.

The Tallgrass Creek Wellness Center continued to be an integral part of the community and extensively used by over 140 residents who were members in 2010. Seventeen weekly exercise classes based on resident input allow residents to stay fit and healthy. In September, the Wellness Committee hosted the Erickson Walking Challenge/Tallgrass Creek trek across America. Twenty three employees and over fifty two residents participated. Tallgrass Creek placed third across the Erickson enterprise and Tallgrass Creek residents placed fifth.

Tallgrass Creek began a partnership with the University of Kansas Medical Center, Alzheimer's and Memory Program, led by Dr. Jeffrey Burns. Residents had the opportunity to participate in one of two research studies evaluating the impact of exercise on memory. This will be an ongoing partnership in 2011.

Over 170 residents utilized the Tallgrass Creek Medical Center and see Dr. Austin Welsh as their primary care physician. The Medical Center continues to serve as positive support to Tallgrass Creek and excels in resident satisfaction.

Tallgrass Creek Resident volunteers flooded the community with their gifts and talents and contributed with the following:

- Over 35 residents combine their efforts (and cooking talents) to donate over 1,000 cookies to the homeless in Kansas City each month.
- Woodworkers crafted 20 cradles that were lined with blankets made by our quilters and knitters and donated to the Johnson County Christmas Bureau this past December.
- Dozens of residents served as the administrative “right arm” of the Down Syndrome Guild of Kansas City by stuffing thousands of envelopes and preparing several special mailings for this worthy non-profit organization.
- Quilters created quilts for an orphanage in Tajikistan, made quilts for every WWII veteran residing at Tallgrass Creek, sown neck pillows for patients in a local hospital, made and donated quilts to Lakemary Center and made dresses for AIDS orphans in Africa.
- 25 residents serve as “grandfriends” to students at Blue River elementary and meet with the students several times during the school year providing wisdom, support and hugs to 2nd and 3rd graders.
- Residents lead and coordinate over 50 clubs and committees on campus creating a community where you can learn, grow and have fun.
- 20 residents volunteer to work in the Audubon Market, making Tallgrass Creek the only resident run store within Erickson Living.
- 15 residents work in our campus library providing a valuable resource to all the residents on our campus.
- More than a dozen residents volunteer to operate the Treasure Chest store, providing a fun shopping experience on campus and creating funds for our Benevolent Care and Scholars Fund.
- The Woodworking Club created a magazine rack for the library, plate racks and shelving for our Treasure Chest and a portable storage unit for our Chorale along with donating their time and talents to do repairs and create items for many individual residents.
- Members of the Events committee, Lifelong Learning committee and Interfaith committees worked hundreds of hours making phone calls, harnessing resources and planning programs that entertain, teach and enlighten.

- Over 20 Tallgrass residents worked on the Hospitality Committee, greeting hundreds of residents as they move in and holding monthly birthday parties to celebrate those milestone birthdays.

Residents volunteered over 1,000 hours each month working on committees, coordinating clubs, sorting HUGS (Hats, Underwear, Gloves & Socks) donations, calling bingo, working in the TV station, planning trips, knitting and sewing for charities and coordinating speakers, entertainment and church services.

The Public Affairs committee contacted all local political offices and sponsored forums on a weekly basis from July until the election in November. We had five candidates speak, representing the following offices: County Commissioner, United States Representative and Secretary of State.

Summer and Fall Kansas University OSHER Classes were offered and entitled, “The Kansas Dustbowl Revisited” and “The First Ladies: More than the women behind the men.” Both classes were at capacity serving 80 residents per class.

The Treasure Chest continued to be operated by resident volunteers and is open one day each month. Proceeds benefit the Benevolent Care Fund.

During November, Quilts of Valor were presented to 39 World War II veterans at Tallgrass Creek. The mission of the Quilts of Valor Foundation is to cover *all* service members and veterans touched by war with Wartime Quilts.

Tallgrass Creek celebrated its third (3rd) anniversary the week of October 11-15. The celebration theme was “Fall Festival/Homecoming” and was filled with events including a resident fashion show, a fall gift boutique, a pep rally, tailgate party, an apple cooking contest and a resident led campfire sing along.

We are proud and excited about the resident-run groups that have formed, and expect the list to continue growing as more residents begin to share their passions and interests with others living here at Tallgrass Creek.

Staff Accomplishments and Highlights

Great pride is taken to create an environment where employees can learn, grow and enjoy their work, and that effort continues to pay off.

- Over 300 hours of training was provided to our employees during the year.
- The number of full-time equivalent employees was 56.5. The total number for all employees, including part-time positions and corporate employees, was 106.
- Monthly events were sponsored by employees within each department, on a rotation basis, to benefit the Benevolent Care Fund, including a cookie day (Administration), a bake sale (Medical Center).
- In December, a reception was held as non-exempt employees received their staff appreciation checks.

John Harned, who served as Executive Director since 2007, announced in October that he had accepted a position with a CCRC in Oklahoma and that he would be resigning from Erickson Living. The Board approved Peter Crane as Executive Director of TCK to replace Mr. Harned. Mr. Crane assumed the Executive Director role on December 6, 2010. Mr. Crane has been with Erickson since 2008 and most recently served as the Executive Director of Henry Ford Village in Michigan.

Philanthropy

Tallgrass Creek residents continued to be generous with both their time and resources during 2010. Residents and staff participate in many philanthropic and civic activities, but two in particular provide charitable funds that directly support our community:

- Benevolent Care Fund: provides support for those residents who have depleted their assets due to extraordinary financial circumstances.
- Scholars’ Fund: provides scholarship funds of up to \$2,000 per year for our Dining Services students who are pursuing post-secondary education. Students must meet certain criteria to qualify for this scholarship.

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

| | Benevolent Care Fund | Scholars’ Fund |
|------------------------|----------------------|-----------------|
| 2010 Beginning Balance | \$79,445 | \$1,240 |
| Funds Raised, 2010 | \$114,524 | \$14,322 |
| Funds Expended, 2010 | \$799 | \$2,000 |
| 2010 Ending Balance | \$193,170 | \$15,082 |

It is important to note that extremely generous financial gifts were received in 2010 from Board members and the Jim Davis Family Foundation.

A portion of the Benevolent Care Fund (\$162,729) is invested in a pooled investment account with other NSC-supported communities through PNC Bank in order to maximize their earning potential. The remaining balance of the fund (\$30,440), is being held in a restricted-funds account with Hillcrest Bank.

The National Senior Campuses (NSC) Investment Committee, which acts as an advisory committee to Tallgrass Creek, 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 by our Board of Directors on a monthly, quarterly and annual basis:

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

Community Outreach

At Tallgrass Creek, we believe it is our privilege and responsibility to be active members of our greater community, sharing our gifts, time and talents to enhance the lives of others. We are proud to be a dynamic presence in Overland Park, and we look forward to continuing our partnership with area schools, universities, charitable organizations and the local government.

In 2010, residents and staff at Tallgrass Creek donated over 1,000 volunteer hours performing such activities as stocking the shelves at the Blue Valley Multi-Service Center and helping with the Johnson County Christmas Bureau. We are also providing volunteer opportunities to students with special needs from Blue Valley and Olathe schools to work in Dining Services.

Diversity

During 2008, the National Senior Campuses, Inc. Board of Directors chartered a diversity and inclusion committee to work with Erickson Management focusing on a long term strategy promoting a culture of diversity and inclusion. Erickson Management empowered 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. We view this strategy as a business imperative given the changes in the American workforce. Success with this strategy will help position Tallgrass Creek to compete for the best talent and thereby continue to provide top quality services to our residents.

The Human Resources Department and Administration work closely with each department to ensure that we are actively seeking ways to establish and maintain our connection with diverse community organizations and populations. Ongoing employee classroom and one-on-one training assists managers to further develop the skills needed to effectively lead a diverse work force and utilize the various talents of their teams.

“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 will evolve over time. We also want to be good stewards of our resident resources by developing energy efficient communities that require less direct utility cost. This, in turn, supports our financial/business objectives to provide affordable retirement living and services to our residents.

Tallgrass Creek’s continued efforts include the following:

- Light/motion sensors in offices
- Regularly scheduled HVAC preventative maintenance
- Energy Star appliances
- Compact fluorescent light bulbs in common areas
- Environment-friendly disposable products in housekeeping
- Commingled recycling from apartments
- Cardboard recycling
- Cooking oil recycling
- Resident document shredding services provided twice yearly
- Energy management computer systems (monitors)
- Community building energy audits and lighting reviews are being conducted on a regular basis

Tallgrass Creek expects to continue these initiatives in 2011.

Erickson Advantage

Helping our residents improve and retain their health is of the utmost importance at Tallgrass Creek. We continued to offer our residents the opportunity to enroll in Erickson Advantage (EA), which brings additional health and wellness benefits at lower costs to residents who choose to participate.

Erickson Advantage continued to exceed expectations with over 100 members enrolled in the plan. This accounted for a participation rate of 43%.

In September, St. Luke’s South Hospital was added to the Erickson Advantage network. This is expected to increase membership and satisfaction with the Erickson Advantage Health Plan into 2011.

2011: Looking Forward

Areas of Focus

In 2010 Tallgrass Creek will be focused on sales acceleration, financial planning, campus development and health care. Below are descriptions of our planned efforts in these key areas.

Sales Acceleration

A key element to the future success and growth of Tallgrass Creek is increased occupancy. The economic times and challenges have had an impact to the fill-up of the community. Strategic initiatives to better understand the local market and motivations to moving in to Tallgrass Creek will be paramount in 2011 and beyond. Programs and strategies to accelerate the sales process with current priority list members as well as other prospects will be studied and implemented. Evaluation of past and current pricing, residency options, apartment styles and other programs will determine future changes that will help provide what the customer wants and achieve greater occupancy. Erickson Living corporate partners and the Tallgrass Creek management team will work in tandem to create and implement initiatives that will serve to sustain Tallgrass Creek and position it for future growth and development.

Financial Plans

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 or Budget. The Budget is formulated by management during the fall of each year and approved by the Board on or before December 1 for the ensuing calendar year. Management's proposed budget to the Board will take into consideration suggestions from the community Resident Advisory Council (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 to provide a viable annual financial plan that is premised upon sustaining long term financial stability.

Campus Development

The continued financial health of Tallgrass Creek requires Erickson and the Board of Directors to develop the community responsibly by closely monitoring market demand and the projected needs of residents.

Our capital strategy for 2011 focuses on the upkeep of the community and on energy-saving initiatives. Our lifecycle renovation program will include scheduled enhancements for our community and resident buildings.

Erickson Living and Tallgrass Creek are taking a prudent and measured approach to new campus development, evaluating demand to determine strength and feasibility before constructing new residential buildings.

Health Care

Tallgrass Creek is committed to adding the appropriate higher levels of care such as skilled nursing, assisted living and memory care programs in the future. 2011 will include the study of external and internal market demand for these services to assist with determining the need, scope and size of future programming. Tallgrass Creek continues to partner with a variety of local health care providers to serve the current resident need. The Medical Center continues to provide support to residents in need of assistance.

We will continue to update residents on the progress of the community's development and provide more specifics on the planning of additional on-site health care programs through periodic and routine communication as decisions are made and plans finalized.

Programs and Initiatives to Maintain Mission, Margin and Values

We have a number of goals related to resident satisfaction, employee engagement, and financial performance in 2011. While our goals continue to evolve during the year based on emerging priorities, some of the goals that are relevant to our residents and employees at Tallgrass Creek are as follows:

- Improve resident confidence in serving long-term health care needs and support.
- Enhance and improve the dining services program for consistency, quality and greater satisfaction.
- Maintain focus on repairs, general upkeep of buildings, landscaping, and overall cleanliness.
- Provide opportunities of career growth for employees.

Open communication with residents that is relevant, transparent and honest will serve to engage, share and understand ideas and plans for the future. Monthly resident town hall meetings, quarterly Resident Advisory Council (RAC) forums, and other less formal meetings will serve to build a relationship of trust that will be important for future community development.

In addition to effective hiring practices and on-boarding of new staff members that share the mission and values of this community, Tallgrass Creek provides ongoing training to its staff through All Staff meetings, departmental in-services, mentoring, employee performance reviews, and mandatory classes for managers. In 2011, we continue these efforts and will begin to identify and further develop the talented individuals who will lead our community into the future.

Your Executive Management Team

Peter D. Crane, Executive Director: Peter is responsible for the overall operation of Tallgrass Creek. Peter joined Erickson in 2008 and has served as the Executive Director of Henry Ford Village in Dearborn Michigan and the Associate Executive Director of Fox Run in Novi Michigan. Prior to joining Erickson, Peter served as President and CEO of Evangelical Retirement Villages, Inc. and Friendship Village, a continuing care retirement community in Dayton, Ohio. His prior work experience also includes over eighteen years of senior management experience in airline operations and planning. Peter holds a Bachelor of Science degree in Organizational Management from Nyack College and is a licensed Nursing Home Administrator.

Lauren Cantu, Director of Operations: Lauren joined Tallgrass Creek in 2008 and is responsible for the areas of Dining Services, General Services, liaison to the Medical Center and manages contract relationships with outside vendors serving Tallgrass Creek. Prior to joining Erickson, Lauren worked for over 18 years in Long Term Care in Kansas and Nebraska. Lauren received a Bachelor of Arts degree in Sociology/Psychology from the University of Nebraska; an Associates Degree in Nursing Home Administration from Southeast Community College in Lincoln, Nebraska; as well as a Masters in Public Health Administration from the University of Minnesota in Minneapolis. Lauren is also credentialed in Advanced Studies in Health Services Administration through the Carlson School of Management, University of Minnesota. Lauren is a Licensed Nursing Home Administrator in Kansas, Missouri and Nebraska.

Jean Dennis, Director of Sales: Jean is responsible for the directing the day-to-day sales and marketing of Tallgrass Creek. Jean joined Tallgrass Creek in June, 2009, after a lengthy career in the financial services industry with Bank of America and College Loan Corporation. She is a graduate of Iowa State University and holds a Bachelor of Science Degree in Sociology. Additionally, she attended Waldorf College in Forest City, Iowa, and received an Associate of Arts Degree. Jean has over 20 years experience in sales and sales management.

Tina Ballard, Finance Director: Tina joined Tallgrass Creek in 2007 and is responsible for the development of the community operations budgets and for maintaining the community financial office to provide customer service for resident accounting needs. Prior to Erickson, Tina served as Chief Financial Officer for Texas Boll Weevil Eradication Foundation. Tina is a Certified Public Accountant.

Colleen (Kelly) Grisnik Human Resources Manager: Kelly Grisnik joined Tallgrass Creek as Human Resources Manger in October of 2010. Her experience includes over seven years in Human Resources. Kelly received a Bachelor of Science degree in Journalism from Kansas State University and a Master of Science in Management from Baker University.

Austin T. Welsh, M.D., Physician: Dr. Welsh received his bachelor's degree from Yale University in New Haven, Connecticut and his medical degree from Wright State University School of Medicine in Dayton, Ohio. He completed his

residency in Family Medicine at St. John’s Mercy Medical Center in St. Louis, Missouri. Dr. Welsh is Board Certified in Family Practice and Geriatric Medicine and has a fellowship in Geriatrics.

Resident Advisory Council Members

Merrill Stiles – Chair: Dr. Stiles practiced medicine as a Certified Internist and Gerontologist for over 25 years, giving him a unique understanding and appreciation of the challenges faced by seniors. He is also a Certified Spiritual Director and ordained Elder in the Presbyterian Church. Dr. Stiles has served on various committees and community boards bringing a spirit of teamwork and satisfaction as common goals were discussed and achieved.

Nancy Yates – Vice-Chair: A native of Kansas City and long-time Overland Park resident, Nancy holds a Bachelor of General Studies from the University of Kansas specializing in public personnel administration. She completed a 21-year career with the Shawnee Mission School District, serving as Administrative Assistant to the Superintendent and as Clerk of the Board. Nancy served on the Board of Directors for the Arts & Recreation Foundation of Overland Park.

Joan Smith – Secretary: Joan was born and raised in Chicago. She received a paralegal certificate from Rockhurst College in Kansas City and worked over 25 years as a legal secretary/ paralegal for general practice attorneys. She served on the Riverside, Missouri Planning Commission and was President of the first Home Owners Association in a neighborhood in Sun City West, Arizona. Joan believes great leadership starts with a willing heart, a positive attitude and a desire to make a difference.

Jim Graham: Jim is a graduate of the University of Notre Dame and served in the United States Air Force. He was a Special Agent for the Federal Bureau of Investigation and is a trained negotiator. He has served on five not-for-profit and one for-profit board. Jim was a volunteer on the Prairie Village, Kansas Police Board. He understands how a board can work with management and residents to resolve differences. Jim was also a Communion Minister for Cure of Ars Catholic Church and taught 7th and 8th grade religion there.

Paula Dunmire: Paula was born in Texas and moved to the Kansas City area in 1957. She has worked as a Registered Nurse in high schools and hospitals and became the Director of Nursing in a nursing home. Paula has served as chair person of a small group at the Church of the Resurrection, and has served on a variety of other church groups, including the Hospitality Committee, Women’s Circle, and Primetime Council.

Resident Committee Members

Dining Services

Julia Oleson
Lamoine Jones
Liz Norton
Marlene Graham
Joan Smith
Nadyne Nesbitt

General Services

Mary Erickson
Paula Dunmire
Richard Yates
Sherm Jones
Hugh McCreery
Barb Wolf

Resident Life

Dave Norton
Nancy Yates
Susie Steinwart
Virginia Oberheide
Ginny Caldwell
JR Majors

Organization and Governance

Organization

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

Tallgrass Creek's 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.

Tallgrass Creek 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 Tallgrass Creek 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 Tallgrass Creek and NSC please visit our web site www.NationalSeniorCampuses.org.

Board of Directors

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

Tallgrass Creek'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 Tallgrass Creek 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 Tallgrass Creek
- Special meetings and all board meetings to discuss Erickson issues and Tallgrass Creek issues
- Special RAC meetings, town meetings, and letters regarding governance, Erickson and Tallgrass Creek 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
- Tallgrass Creek Board and NSC Board member support of the Benevolent Care Fund and gala

Tallgrass Creek 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 Tallgrass Creek'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, Tallgrass Creek paid a total of Fifty Thousand Dollars (\$50,000), in compensation to the members of the Board of Directors.

Directors' compensation for Tallgrass Creek was recommended by NSC and was approved by the Tallgrass Creek 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.

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.

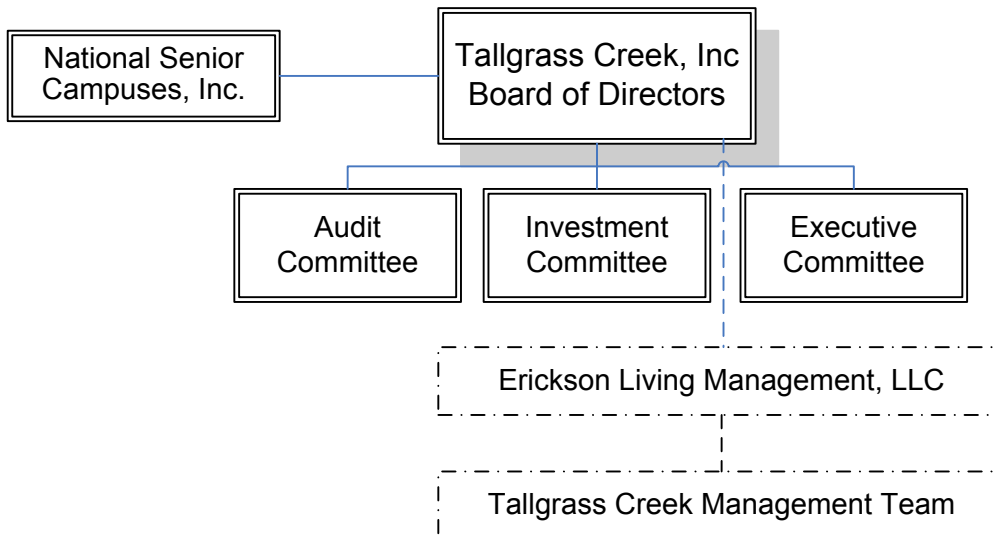
C. Merrill Stiles

Dr. Stiles is the Resident Director for Tallgrass Creek in Overland Park, Kansas. After serving in the Air Force at Scott Field as Chief of Cardiology he practiced in Galveston and Houston, Texas, where he became president of a multispecialty group and taught at the University of Texas Medical Branch. Dr. Stiles served as medical consultant for a Houston law Firm and continues as a consultant for a Texas malpractice insurance company. Dr. Stiles is a graduate of the University of Kansas School of Medicine and has received numerous professional honors. Prior to becoming the Resident Director at Tallgrass Creek Dr. Stiles served as Chair of its first Resident Advisory Council.

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.

Tallgrass Creek Organizational Chart



LEGEND:

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

Tallgrass Creek Committees

Executive Committee:

Rod Coe, Chair
 Jim Hayes, President
 Merrill Stiles, Secretary
 Boone Powell, Treasurer

Audit Committee:

Dave Burk, Chair
 Steve Hunsicker
 Mike Roskiewicz
 Merrill Stiles

Investment Committee:

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

Tallgrass Creek, 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 | \$ 3,902,205 | \$ 3,198,579 |
| Ancillary fees | 658,931 | 631,258 |
| Amortization of resident deposits, net of marketing expenses | 699,211 | 724,674 |
| Interest income | 1,805,387 | 1,448,867 |
| Processing fees | 7,200 | 9,600 |
| Other revenue | 197,380 | 187,969 |
| Net assets released from restriction used for operations | 1,716 | 1,267 |
| Total revenues, gains and other support | <u>7,272,030</u> | <u>6,202,214</u> |
| Expenses: | | |
| Salaries, wages and benefits | 2,673,382 | 2,906,150 |
| Rent | 596,019 | 1,616,595 |
| Professional and contracted services | 1,731,775 | 2,598,253 |
| Supplies | 141,576 | 132,349 |
| Dietary and other supplies | 434,217 | 381,381 |
| Building grounds and maintenance | 185,644 | 146,861 |
| Utilities | 478,003 | 407,007 |
| Administrative and other | 175,993 | 173,792 |
| Management fees | 193,965 | 158,883 |
| Resident relations | 7,467 | 7,956 |
| Insurance | 76,600 | 78,671 |
| Interest | 1,905,513 | 605,012 |
| Real estate taxes | 318,300 | 400,000 |
| Depreciation | 1,033,788 | 681,042 |
| Expenses incurred related to temporarily restricted net assets | 1,716 | 1,267 |
| Total expenses | <u>9,953,958</u> | <u>10,295,219</u> |
| Operating loss | (2,681,928) | (4,093,005) |
| Other income: | | |
| Gain on forgiveness of working capital loan and related accrued interest | 18,336,229 | - |
| Excess of revenues over expenses / (excess of expenses over revenues) | <u>\$ 15,654,301</u> | <u>\$ (4,093,005)</u> |

These statements are excerpted from the audited financial statements of the community. The audited financial statements and notes, which are an integral part of the statements, are available in the Administration office.

