

Covenant Retirement Communities West, Inc.

Report on Audit of Liquid Reserves and
Additional Information as of and for the
Year Ended January 31, 2016, and
Independent Auditors' Report

COVENANT RETIREMENT COMMUNITIES WEST, INC.

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1-2
RESERVE REPORTS AS OF AND FOR THE YEAR ENDED JANUARY 31, 2016:	
PART 5 - LIQUID RESERVES REPORTS	3
Long-term Debt Incurred in a Prior Fiscal Year (Form 5-1)	4
Long-term Debt Incurred During Fiscal Year (Form 5-2)	5
Items from Combined Statements of Cash Flows to Forms 5-1 and 5-2	6-7
Calculation of Long-Term Debt Reserve Amount (Form 5-3)	8
Calculation of Net Operating Expenses - The Samarkand (Form 5-4)	9
Calculation of Net Operating Expenses - Covenant Village of Turlock (Form 5-4)	10
Calculation of Net Operating Expenses - Mount Miguel Covenant Village (Form 5-4)	11
Revenue Received During the Year for Services Rendered to Residents Who Did Not Have a Continuing Care Contract (Form 5-4 Support for Line 2e)	12
Items from Combined Statements of Cash Flows and Supplemental Information to Combined Statements of Cash Flows for Calculation of Cash Operating Expenses	13
Annual Reserve Certification and Attachment (Form 5-5)	14-15
Note to Liquid Reserves Report	16
ADDITIONAL INFORMATION AS OF AND FOR THE YEAR ENDED JANUARY 31, 2016:	
PART 1 - ANNUAL PROVIDER FEES	17
Resident Population - The Samarkand (Forms 1-1 and 1-2)	18
Resident Population - Covenant Village of Turlock (Forms 1-1 and 1-2)	19
Resident Population - Mount Miguel Covenant Village (Forms 1-1 and 1-2)	20

PART 2 - CERTIFICATION BY CHIEF EXECUTIVE OFFICER	21
Certification by Chief Executive Officer	22
PART 3 - EVIDENCE OF FIDELITY BOND	23
Certificate of Insurance	24
PART 4 - COVENANT RETIREMENT COMMUNITIES, INC. AUDITED FINANCIAL STATEMENTS (NOT INCLUDED IN THIS BOUND DOCUMENT)	25
PART 6 - CCRC DISCLOSURE STATEMENT	26
Continuing Care Retirement Community Disclosure Statement General Information - The Samarkand	27–31
Continuing Care Retirement Community Disclosure Statement General Information - Covenant Village of Turlock	32–36
Continuing Care Retirement Community Disclosure Statement General Information - Mount Miguel Covenant Village	37–41
PART 7 - ADJUSTMENTS IN MONTHLY CARE FEES	42
Adjustments in Monthly Care Fees - The Samarkand (Form 7-1)	43
Adjustments in Monthly Care Fees - Covenant Village of Turlock (Form 7-1)	44
Adjustments in Monthly Care Fees - Mount Miguel Covenant Village (Form 7-1)	45
Basis of Monthly Care Fee Adjustment	46
PART 9 - CALCULATION OF REFUND RESERVE AMOUNT	47
Calculation of Refund Reserve Amount	48

Independent Auditor's Report

To the Board of Directors
Covenant Retirement Communities West, Inc.
San Diego, California

We have audited the liquid reserves report of Covenant Retirement Communities West, Inc., which includes The Samarkand, Mount Miguel Covenant Village, and Covenant Village of Turlock (collectively, the "Organization") as of January 31, 2016 and for the year then ended, listed in Part 5 - Liquid Reserves in the table of contents (the "liquid reserves report").

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the liquid reserves report in accordance with complying with California Health and Safety Code Section 1792; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the liquid reserve report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the liquid reserves report based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the liquid reserves report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the liquid reserves report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the liquid reserves report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the liquid reserves report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the liquid reserves report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors
Covenant Retirement Communities West, Inc.
San Diego, California

Opinion

In our opinion, the liquid reserves report referred to above presents fairly, in all material respects, the liquid reserve requirements of Covenant Retirement Communities West, Inc. as of January 31, 2016 in conformity with the report preparation provision of California Health and Safety Code Section 1792.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the basic liquid reserves report taken as a whole. The additional information listed in Parts 1, 2, 3, 6, 7, and 9 in the table of contents is presented for the purpose of additional analysis. This additional information is the responsibility of management. Such information has not been subjected to the auditing procedures applied in our audit of the basic liquid reserves report and, accordingly, we express no opinion on it.

Restricted Use

This special purpose report is intended solely for the use of Covenant Retirement Communities West, Inc.'s management and board of directors and for filing with the California Department of Social Services and is not intended to be and should not be used or relied upon for any other purpose.

Plante & Morse, PLLC

May 13, 2016

Part 5

Liquid Reserves

**FORM 5-1
LONG-TERM DEBT INCURRED
IN A PRIOR FISCAL YEAR
(Including Balloon Debt)**

Long-Term Debt Obligation	(a) Date Incurred	(b) Principal Paid During Fiscal Year	(C) Interest Paid During Fiscal Year	(d) Credit Enhancement Premiums Paid in Fiscal Year	(e) Total Paid (columns (b)+(c)+(d))
COPs 92	7/15/1992	\$ -	\$ 2,370	\$ 27,763	\$ 30,133
COPs 95	7/15/1995	-	2,747	35,115	37,862
FL 98	1/1/1998	-	117,183	-	117,183
CO 05	8/15/2005	-	1,990,021	-	1,990,021
IL 11A	12/1/2011	-	294,895	-	294,895
IL 11B	12/1/2011	1,650,000	804,605	-	2,454,605
CO 12 A	9/7/2012	-	5,110,250	-	5,110,250
CO 12 B	9/7/2012	-	1,033,550	-	1,033,550
CO 12 C	9/7/2012	3,115,000	809,150	-	3,924,150
CO 13 A	7/31/2013	-	1,233,888	-	1,233,888
CO 13 B	7/31/2013	-	552,825	-	552,825
CA 13 C	7/31/2013	-	1,150,313	-	1,150,313
		\$ 4,765,000	\$ 13,101,797	\$ 62,878	\$ 17,929,675

NOTE: For column (b), do not include voluntary payments made to pay down principal.

Provider: Covenant Retirement Communities

**FORM 5-2
LONG-TERM DEBT INCURRED
DURING FISCAL YEAR
(Including Balloon Debt)**

Long-Term Debt Obligation	(a) Date Incurred	(b) Total Interest Paid During Fiscal Year	(C) Amount of most Recent Payment on the Debt	(d) Number of Payments over next 12 months	(e) Reserve Requirement (see instruction 5) (columns c * d)
CO 15 A	04/01/15	\$ 3,469,785	\$ 2,045,000	\$ 1	\$ 2,045,000
CA 15 B	04/01/15	217,797	1,825,000	1	1,825,000
		\$ 3,687,582	\$ 3,870,000	\$ 2	\$ 3,870,000

NOTE: For column (b), do not include voluntary payments made to pay down principal.

Provider: Covenant Retirement Communities

**Items from Combined Statements of Cash Flows to Forms 5-1 and 5-2
Long-Term Debt Incurred in Prior and Current Fiscal Years
For the Fiscal Year Ended January 31, 2016**

	<u>CRC Total</u>
Principal paid on long-term debt per Schedule 5-1 & 5-2	\$ 8,635,000
Early redemption of bonds	<u>145,690,000</u>
+ Total per Cash Flows - Payment of Debt	<u><u>\$ 154,325,000</u></u>
+ Combined Statements of Cash Flows	<u><u>\$ 154,325,000</u></u>

**Items from Combined Statements of Cash Flows to Forms 5-1 and 5-2
 Long-Term Debt Incurred in Prior and Current Fiscal Years
 For the Fiscal Year Ended January 31, 2016**

	<u>CRC Total</u>
Interest paid on long-term debt	\$ 16,789,000
Credit enhancement premiums paid	63,000
Interest received from trustee held funds	
Interest paid on other debt	<u>3,284,000</u>
+ Total per Cash Flows - Interest Paid	<u>\$ 20,136,000</u>
+ Combined Statements of Cash Flows	<u>\$ 20,136,000</u>

Provider: Covenant Retirement Communities, Inc.
California Reserve Report

Form 5-3

Long-Term Debt Incurred in Prior and Current Fiscal Years

Line		
1	Total from Form 5-1 bottom of Column (e)	<u>\$ 17,929,675</u>
2	Total from Form 5-2 bottom of Column (e)	<u>3,870,000</u>
3	Facility leasehold or rental payment paid by provider during fiscal year. (including related payments such as lease insurance)	<u>-</u>
4	TOTAL AMOUNT REQUIRED FOR LONG-TERM DEBT RESERVE:	<u><u>\$ 21,799,675</u></u>

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		<u>\$24,129,000</u>
2	Deductions:		
	a. Interest paid on long-term debt (see instructions)	<u>\$100,000</u>	
	b. Credit enhancement premiums paid for long-term debt (see instructions)	<u>\$20,000</u>	
	c. Depreciation	<u>\$3,549,000</u>	
	d. Amortization	<u>\$9,000</u>	
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	<u>\$5,799,000</u>	
	f. Extraordinary expenses approved by the Department	<u>\$0</u>	
3	Total Deductions		<u>\$9,477,000</u>
4	Net Operating Expenses		<u>\$14,652,000</u>
5	Divide Line 4 by 365 and enter the result.		<u>\$40,142</u>
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.		<u><u>\$3,010,650</u></u>

PROVIDER: Covenant Retirement Communities

COMMUNITY: The Samarkand

**FORM 5-4
CALCULATION OF NET OPERATING EXPENSES**

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		<u>\$32,157,000</u>
2	Deductions:		
	a. Interest paid on long-term debt (see instructions)	<u>\$1,129,000</u>	
	b. Credit enhancement premiums paid for long-term debt (see instructions)	<u>\$12,000</u>	
	c. Depreciation	<u>\$2,412,000</u>	
	d. Amortization	<u>\$37,000</u>	
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	<u>\$15,729,000</u>	
	f. Extraordinary expenses approved by the Department	<u></u>	
3	Total Deductions		<u>\$19,319,000</u>
4	Net Operating Expenses		<u>\$12,838,000</u>
5	Divide Line 4 by 365 and enter the result.		<u>\$35,173</u>
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.		<u><u>\$2,637,975</u></u>

PROVIDER: Covenant Retirement Communities

COMMUNITY: Covenant Village of Turlock

FORM 5-4
CALCULATION OF NET OPERATING EXPENSES

Line		Amounts	TOTAL
1	Total operating expenses from financial statements		<u>\$20,069,000</u>
2	Deductions:		
	a. Interest paid on long-term debt (see instructions)	<u>\$1,154,000</u>	
	b. Credit enhancement premiums paid for long-term debt (see instructions)	<u>\$1,400</u>	
	c. Depreciation	<u>\$2,234,000</u>	
	d. Amortization	<u>\$25,000</u>	
	e. Revenues received during the fiscal year for services to persons who did not have a continuing care contract	<u>\$4,648,000</u>	
	f. Extraordinary expenses approved by the Department	<u></u>	
3	Total Deductions		<u>\$8,062,400</u>
4	Net Operating Expenses		<u>\$12,006,600</u>
5	Divide Line 4 by 365 and enter the result.		<u>\$32,895</u>
6	Multiply Line 5 by 75 and enter the result. This is the provider's operating expense reserve amount.		<u><u>\$2,467,125</u></u>

PROVIDER: Covenant Retirement Communities

COMMUNITY: Mount Miguel Covenant Village

Covenant Retirement Communities
 California Reserve Report

Form 5-4 Support for Line 2e

Revenue received during the year for services rendered
 to residents who did not have a continuing care contract

	<u>Samarkand</u>	<u>Covenant Village of Turlock</u>	<u>Mount Miguel Covenant Village</u>
Maintenance fees and Ancillary service fees received from non-contract residents	\$ 5,770,000	\$ 15,728,000	\$ 4,642,000
Other operating revenue from non-contract residents (e.g., telephone charges, cable TV, other)	29,000	1,000	6,000
Total per Form 5-4, Line 2(e)	<u>\$ 5,799,000</u>	<u>\$ 15,729,000</u>	<u>\$ 4,648,000</u>

**Items from Combined Statements of Cash Flows & Supplemental Information
to Combined Statements of Cash Flows for Calculation of Cash Operating Expenses
For the Fiscal Year Ended January 31, 2016**

	<u>CRC Total</u>	<u>Samarkand</u>	<u>Mt. Miguel</u>	<u>Turlock</u>	<u>All Others</u>
* Depreciation	<u>\$ 41,057,000</u>	<u>\$ 3,549,000</u>	<u>\$ 2,234,000</u>	<u>\$ 2,412,000</u>	<u>\$ 32,862,000</u>
* Amortization	<u>\$ 619,000</u>	<u>\$ 9,000</u>	<u>\$ 25,000</u>	<u>\$ 37,000</u>	<u>\$ 548,000</u>
Routine Resident Services and Other Items	\$ 225,971,000	\$ 16,145,000	\$ 13,826,000	\$ 11,801,000	\$ 184,199,000
Revenues received from non-contract residents	<u>26,176,000</u>	<u>5,799,000</u>	<u>4,648,000</u>	<u>15,729,000</u>	<u>0</u>
+ Total per Cash Flows - Cash from Residents	<u>\$ 252,147,000</u>	<u>\$ 21,944,000</u>	<u>\$ 18,474,000</u>	<u>\$ 27,530,000</u>	<u>\$ 184,199,000</u>
Interest paid	\$ 20,073,000	\$ 100,000	\$ 1,154,000	\$ 1,129,000	\$ 17,690,000
Credit enhancement premiums paid for long-term debt	<u>63,000</u>	<u>20,000</u>	<u>1,400</u>	<u>12,000</u>	<u>29,600</u>
+ Total per Cash Flows - Interest Paid	<u>\$ 20,136,000</u>	<u>\$ 120,000</u>	<u>\$ 1,155,400</u>	<u>\$ 1,141,000</u>	<u>\$ 17,719,600</u>

+ Combined Statements of Cash Flows

* Supplemental Information to Combined Statement of Cash Flows

**FORM 5-5
ANNUAL RESERVE CERTIFICATION**

Provider Name: Covenant Retirement Communities West, Inc.
 Quarter Ended: January 31, 2016

We have reviewed our debt service reserve and operating expense reserve requirements as of, and for the period ended January 31, 2016 and are in compliance with those requirements.

Our liquid reserve requirements, computed using the audited financial statements for the fiscal year January 31, 2016 are as follows:

	<u>Amount</u>
[1] Debt Service Reserve Amount	21,799,675
[2] Operating Expense Reserve Amount	8,115,750
[3] Total Liquid Reserve Amount	29,915,425

Qualifying assets sufficient to fulfill the above requirements are held as follows:

	<u>Amount</u> (market value at the end of quarter)	
	<u>Debt Service Reserve</u>	<u>Operating Reserve</u>
[4] Cash and Cash Equivalents		2,013,866
[5] Investment Securities		3,185,470
[6] Equity Securities		6,415,141
[7] Unused/Available Lines of Credit		
[8] Unused/Available Letters of Credit		
[9] Debt Service Reserve	29,412,761	(not applicable)
[10] Other: _____		
(describe qualify asset)		
Total Amount of Qualifying Assets		
Listed for Liquid Reserve:	[11] align="right">29,412,761	[12] align="right">11,614,477
Total Amount Required	[13] align="right">21,799,675	[14] align="right">8,115,750
Surplus/(Deficiency):	[15] align="right">7,613,086	[16] align="right">3,498,727

Signature: *Chalita B. Bankiva*
 Authorized Representative)
SNVP / CFO
 (Title)

Date: 4/25/16

FORM 5-5

Covenant Retirement Communities, West

Form 5-5 Attachment Re: Reserves

The reserves included on Form 5-5 are categorized as follows:

Benevolent Care Fund:	\$ 13,630,336
Property Replacement Fund:	6,709,068
Capital Reserve Fund:	23,458,542
Other Board Designated Funds	7,266,590
Good Neighbor Fund	<u>934,840</u>
Total Funds	\$ 51,999,376

Portion of Funds Consisting of Approved Securities 21.92%

Reserves (cash, investment securities and equities included on Form 5-5) \$ 11,399,856

Additional Cash Not in Reserves 214,621

Total Qualifying Assets per Form 5-5 \$ 11,614,477

Description of Reserves:

Benevolent Care Fund:

Principal accumulates as a board designated endowment fund. Earnings are utilized to offset benevolent care provided to residents.

Property Replacement Fund:

Reserves established to pay for non-routine capital. For example: roofs, HVAC systems, etc.

Capital Reserve Fund:

Reserve is to provide funds for optional early redemption of variable rate debt (in a rising interest rate environment). Reserves are also available to internally finance significant campus capital renovations and expansions.

Other Board Designated Funds:

These reserves include the funds held to pay refundable contract obligations as well as other miscellaneous Board designations.

Good Neighbor Fund:

This fund is held by the Samarkand only and is utilized to assist residents who are receiving an benevolent care discount for their monthly fee with other personal needs (e.g., new eye glasses).

COVENANT RETIREMENT COMMUNITIES WEST, INC.

**NOTE TO LIQUID RESERVES REPORT
AS OF AND FOR THE YEAR ENDED JANUARY 31, 2016**

1. BASIS OF ACCOUNTING

The accompanying liquid reserves report on pages 3 through 15 has been prepared in accordance with the provisions of the Health and Safety Code Section 1792 administered by the State of California Department of Social Services. The liquid reserves report includes the accounts of the following entities of Covenant Retirement Communities West, Inc.: The Samarkand, Mount Miguel Covenant Village, and Covenant Village of Turlock. Covenant Retirement Communities West, Inc. and the related entities are subsidiaries of Covenant Retirement Communities, Inc., an Illinois not-for-profit corporation responsible for operating retirement, assisted-living, and skilled-care facilities.

* * * * *

Part 1
Annual Provider Fees

FORM 1-1
RESIDENT POPULATION

<u>Line</u>	Continuing Care Residents	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	332
[2]	Number at end of fiscal year	342
[3]	Total Lines 1 and 2	674
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	337
All Residents		
[6]	Number at beginning of fiscal year	377
[7]	Number at end of fiscal year	388
[8]	Total Lines 6 and 7	765
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	382.5
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	0.88

FORM 1-2
ANNUAL PROVIDER FEE

<u>Line</u>		<u>TOTAL</u>
[1]	Total Operating Expenses (including depreciation and debt service - interest only)	\$24,129,000
	[a] Depreciation	\$3,549,000
	[b] Debt Service (Interest Only)	\$100,000
[2]	Subtotal (add Line 1a and 1b)	\$3,649,000
[3]	Subtract Line 2 from Line 1 and enter result.	\$20,480,000
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	88%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	\$18,022,400
		x .001
[6]	Total Amount Due (multiply Line 5 by .001)	\$18,022

PROVIDER: Covenant Retirement Communities
COMMUNITY: The Samarkand

FORM 1-1
RESIDENT POPULATION

<u>Line</u>	Continuing Care Residents	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	342
[2]	Number at end of fiscal year	346
[3]	Total Lines 1 and 2	688
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	344
All Residents		
[6]	Number at beginning of fiscal year	353
[7]	Number at end of fiscal year	512
[8]	Total Lines 6 and 7	865
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	432.5
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	0.80

FORM 1-2
ANNUAL PROVIDER FEE

<u>Line</u>		<u>TOTAL</u>
[1]	Total Operating Expenses (including depreciation and debt service - interest only)	\$32,157,000
[a]	Depreciation	\$2,412,000
[b]	Debt Service (Interest Only)	\$1,129,000
[2]	Subtotal (add Line 1a and 1b)	\$3,541,000
[3]	Subtract Line 2 from Line 1 and enter result.	\$28,616,000
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	80%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	\$22,892,800
[6]	Total Amount Due (multiply Line 5 by .001)	\$22,893

PROVIDER: Covenant Retirement Communities
COMMUNITY: Covenant Village of Turlock

FORM 1-1
RESIDENT POPULATION

<u>Line</u>	Continuing Care Residents	<u>TOTAL</u>
[1]	Number at beginning of fiscal year	393
[2]	Number at end of fiscal year	390
[3]	Total Lines 1 and 2	783
[4]	Multiply Line 3 by ".50" and enter result on Line 5.	x .50
[5]	Mean number of continuing care residents	391.5
All Residents		
[6]	Number at beginning of fiscal year	442
[7]	Number at end of fiscal year	435
[8]	Total Lines 6 and 7	877
[9]	Multiply Line 8 by ".50" and enter result on Line 10.	x .50
[10]	Mean number of <i>all</i> residents	438.5
[11]	Divide the mean number of continuing care residents (Line 5) by the mean number of <i>all</i> residents (Line 10) and enter the result (round to two decimal places).	0.89

FORM 1-2
ANNUAL PROVIDER FEE

<u>Line</u>		<u>TOTAL</u>
[1]	Total Operating Expenses (including depreciation and debt service - interest only)	\$20,069,000
	[a] Depreciation	\$2,234,000
	[b] Debt Service (Interest Only)	\$1,154,000
[2]	Subtotal (add Line 1a and 1b)	\$3,388,000
[3]	Subtract Line 2 from Line 1 and enter result.	\$16,681,000
[4]	Percentage allocated to continuing care residents (Form 1-1, Line 11)	89%
[5]	Total Operating Expense for Continuing Care Residents (multiply Line 3 by Line 4)	\$14,846,090
		x .001
[6]	Total Amount Due (multiply Line 5 by .001)	\$14,846

PROVIDER: Covenant Retirement Communities
COMMUNITY: Mount Miguel Covenant Village

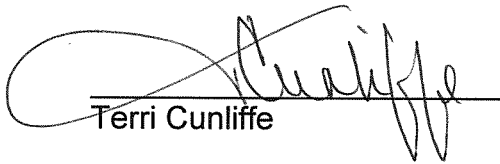
Part 2
Certification by Chief
Executive Officer

Part 2

Certification by Chief Executive Officer

The Annual Report is to the best of my knowledge correct and in compliance with the State of California Department of Social Services requirements. The continuing care contracts used for new residents have been approved by the Department of Social Services.

As of the date of this certification, Covenant Retirement Communities, Inc. and Covenant Retirement Communities West are maintaining the required liquid reserves.



Terri Cunliffe

5.4.2016
Date

Part 3

Evidence of Fidelity Bond



CERTIFICATE OF LIABILITY INSURANCE

6/1/2017

DATE (MM/DD/YYYY)

5/25/2016

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER Lockton Insurance Brokers, LLC CA License #OF15767 Two Embarcadero Center, Suite 1700 San Francisco CA 94111 (415) 568-4000	CONTACT NAME: PHONE (A/C, No. Ext): E-MAIL ADDRESS:	FAX (A/C, No):	
	INSURER(S) AFFORDING COVERAGE		
INSURED 1329220 Covenant Ministries of Benevolence 5145 N. California Avenue Chicago IL 60625	INSURER A: Federal Insurance Company		NAIC # 20281
	INSURER B:		
	INSURER C:		
	INSURER D:		
	INSURER E:		
	INSURER F:		

COVERAGES COVRE01 **CERTIFICATE NUMBER:** 10903356 **REVISION NUMBER:** XXXXXXXX

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
	COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC OTHER:			NOT APPLICABLE			EACH OCCURRENCE \$ XXXXXXXX DAMAGE TO RENTED PREMISES (Ea occurrence) \$ XXXXXXXX MED EXP (Any one person) \$ XXXXXXXX PERSONAL & ADV INJURY \$ XXXXXXXX GENERAL AGGREGATE \$ XXXXXXXX PRODUCTS - COMP/OP AGG \$ XXXXXXXX \$
	AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS <input type="checkbox"/> NON-OWNED AUTOS			NOT APPLICABLE			COMBINED SINGLE LIMIT (Ea accident) \$ XXXXXXXX BODILY INJURY (Per person) \$ XXXXXXXX BODILY INJURY (Per accident) \$ XXXXXXXX PROPERTY DAMAGE (Per accident) \$ XXXXXXXX \$ XXXXXXXX
	UMBRELLA LIAB <input type="checkbox"/> OCCUR EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE DED RETENTION \$			NOT APPLICABLE			EACH OCCURRENCE \$ XXXXXXXX AGGREGATE \$ XXXXXXXX \$ XXXXXXXX
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	Y/N	N/A	NOT APPLICABLE			<input type="checkbox"/> PER STATUTE <input type="checkbox"/> OTH-ER E.L. EACH ACCIDENT \$ XXXXXXXX E.L. DISEASE - EA EMPLOYEE \$ XXXXXXXX E.L. DISEASE - POLICY LIMIT \$ XXXXXXXX
A	Crime	N	N	8222-1686 (Crime)	6/1/2016	6/1/2017	\$5,000,000 \$75,000 Retention

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

CERTIFICATE HOLDER 10903356 State of California California Reserve Report	CANCELLATION SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS. AUTHORIZED REPR:
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Part 4
Covenant Retirement
Communities, Inc
Audited Financial Statements
(not included in this bound document)

Part 6
CCRC Disclosure Statement

**Continuing Care Retirement Community
Disclosure Statement
General Information**

FACILITY NAME: The Samarkand

ADDRESS: 2550 Treasure Drive, Santa Barbara, CA ZIP CODE: 93105-4148 PHONE: 805-687-0701

PROVIDER NAME: Covenant Retirement Communities FACILITY OPERATOR: Covenant Retirement Communities

RELATED FACILITIES: See Page 2 RELIGIOUS AFFILIATION: Evangelical Covenant Church

YEAR OPENED: 1966 NO. OF ACRES: 17 MULTI-STORY: SINGLE STORY: BOTH: Y

MILES TO SHOPPING CENTER: 1 mile MILES TO HOSPITAL: 1 mile

NUMBER OF UNITS:

INDEPENDENT LIVING	HEALTH CARE
APARTMENTS - STUDIO <u>16</u>	ASSISTED LIVING <u>38</u>
APARTMENTS - 1 BDRM <u>65</u>	SKILLED NURSING <u>43</u>
APARTMENTS - 2 BDRM <u>122</u>	SPECIAL CARE <u>36</u>
COTTAGES/HOUSES <u>9</u>	DESCRIBE SPECIAL CARE <u>Memory Care (AL = 16, SN = 20)</u>
% OCCUPANCY AT YEAR END <u>93%</u>	

TYPE OF OWNERSHIP: NOT FOR PROFIT FOR PROFIT ACCREDITED: Y N BY: _____

FORM OF CONTRACT: LIFE CARE CONTINUING CARE FEE FOR SERVICE
 ASSIGN ASSETS EQUITY ENTRY FEE RENTAL

REFUND PROVISIONS (Check all that apply): 90% 75% 50% PRORATED TO 0% OTHER: _____

RANGE OF ENTRANCE FEES: \$ 112,500 TO \$ 658,500 LONG-TERM CARE INSURANCE REQUIRED? Y N

HEALTH CARE BENEFITS INCLUDED IN CONTRACT: 60 Health Care Days; 10% Discount or 30 Health Care Days

ENTRY REQUIREMENTS: MIN. AGE: 62 PRIOR PROFESSION: N/A OTHER: _____

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	HOUSEKEEPING TIMES/MONTH	<u>4</u>	
BILLIARD ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NUMBER OF MEALS/DAY	<u>1</u>	<u>2</u>
BOWLING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	Yes	
CARD ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
CHAPEL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	24-HOUR EMERGENCY RESPONSE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
COFFEE SHOP	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	ACTIVITIES PROGRAM	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
CRAFT ROOMS	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	ALL UTILITIES EXCEPT PHONE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
EXERCISE ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	APARTMENT MAINTENANCE	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
GOLF COURSE ACCESS	<input type="checkbox"/>	<input type="checkbox"/>	CABLE TV	<input type="checkbox"/>	<input checked="" type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
PUTTING GREEN	<input type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
SHUFFLEBOARD	<input type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SPA	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NURSING/WELLNESS CLINIC	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
SWIMMING POOL-INDOOR	<input type="checkbox"/>	<input type="checkbox"/>	PERSONAL NURSING/HOME CARE	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input checked="" type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PERSONAL	<input type="checkbox"/>	<input checked="" type="checkbox"/>
TENNIS COURT	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
WORKSHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	OTHER <u>Wireless Internet Access</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
OTHER -	<input type="checkbox"/>	<input checked="" type="checkbox"/>			

All providers are required by Health and Safety Code section 1789.1 to provide this report to prospective residents before executing a deposit agreement or continuing care contract, or receiving any payment. Many communities are part of multi-facility operations which may influence financial reporting. Consumers are encouraged to ask questions of the continuing care retirement community that they are considering and to seek advice from professional advisors.

PROVIDER NAME:

Covenant Retirement Communities, Inc.

CCRC's	LOCATION (City, State)	Phone (with area code)
<u>Covenant Village of Golden Valley</u>	<u>Minneapolis, Minnesota</u>	<u>763-546-6125</u>
<u>Covenant Shores</u>	<u>Mercer Island, Washington</u>	<u>206-268-3000</u>
<u>Covenant Village of Colorado</u>	<u>Westminster, Colorado</u>	<u>303-424-4828</u>
<u>Covenant Village of Cromwell</u>	<u>Cromwell, Connecticut</u>	<u>860-635-5511</u>
<u>Covenant Village of Florida*</u>	<u>Plantation, Florida</u>	<u>954-472-2860</u>
<u>Covenant Village of the Great Lakes</u>	<u>Grand Rapids, Michigan</u>	<u>616-735-4541</u>
<u>Covenant Village of Northbrook</u>	<u>Northbrook, Illinois</u>	<u>847-480-6380</u>
<u>Covenant Village of Turlock</u>	<u>Turlock, California</u>	<u>209-632-9976</u>
<u>The Holmstad</u>	<u>Batavia, Illinois</u>	<u>630-879-4000</u>
<u>Mount Miguel Covenant Village</u>	<u>Spring Valley, California</u>	<u>619-479-4790</u>
<u>The Samarkand</u>	<u>Santa Barbara, California</u>	<u>805-687-0701</u>
<u>Windsor Park*</u>	<u>Carol Stream, Illinois</u>	<u>630-682-4377</u>

MULTI-LEVEL RETIREMENT COMMUNITIES

<u>Covenant Home of Chicago</u>	<u>Chicago, Illinois</u>	<u>773-506-6900</u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>

FREE-STANDING SKILLED NURSING

SUBSIDIZED SENIOR HOUSING

*** PLEASE INDICATE IF THE FACILITY IS LIFE CARE**

PROVIDER NAME: Covenant Retirement Communities, Inc. (The Samarkand)
In Thousands

	2013	2014	2015	2016
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME				
(excluding amortization of entrance fee income)	\$ 205,391	\$ 225,848	\$ 246,510	\$ 267,812
LESS OPERATING EXPENSES				
(excluding depreciation, amortization, & interest)	\$ 191,096	\$ 200,292	\$ 218,904	\$ 237,801
NET INCOME FROM OPERATIONS	\$ 14,295	\$ 25,556	\$ 27,606	\$ 30,011
LESS INTEREST EXPENSE				
	\$ 17,449	\$ 15,807	\$ 16,614	\$ 15,743
PLUS CONTRIBUTIONS				
	\$ 24	\$ 1,039	\$ 632	\$ 1,059
PLUS NON-OPERATING INCOME (EXPENSES)				
(excluding extraordinary items)	\$ -	\$ -	\$ -	\$ -
NET INCOME (LOSS) BEFORE ENTRANCE FEES,				
DEPRECIATION AND AMORTIZATION	\$ (3,130)	\$ 10,788	\$ 11,624	\$ 15,327
NET CASH FLOW FROM ENTRANCE FEES				
(Total Deposits Less Refunds)	\$ 33,920	\$ 50,199	\$ 62,614	\$ 66,311

DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
		* See Attached Sheet *			

FINANCIAL RATIOS (see next page for ratio formulas)

	2013	2014	2015	2016
DEBT TO ASSET RATIO	45.91	46.01	43.64	41.91
OPERATING RATIO	101.50	95.68	95.54	94.67
DEBT SERVICE COVERAGE RATIO	1.64	2.62	3.22	3.40
DAYS CASH-ON-HAND RATIO	304.16	327.67	310.99	302.89

**HISTORICAL MONTHLY SERVICE FEES
AVERAGE FEE AND PERCENT CHANGE**

	2013	%	2014	%	2015	%	2016	%
STUDIO	\$ 1,885 - 2,635	3.0	\$ 1,940 - 2,715	3.0	\$ 1,985 - 2,775	3.0	\$ 2,065 - 2,885	4.0
ONE BEDROOM	\$ 2,980.00	2.9	\$ 3,070.00	3.0	\$ 3,135.00	3.0	\$ 3,260.00	4.0
TWO BEDROOM	\$ 3,320.00	2.9	\$ 3,420.00	3.0	\$ 3,500.00	3.0	\$ 3,640.00	4.0
COTTAGE/HOUSE	\$ 5,185.00	3.0	\$ 5,340.00	3.0	\$ 5,445.00	3.0	\$ 5,660.00	3.9
ASSISTED LIVING	\$ 4,350 - 5,820	4.9	\$ 4,480 - 5,995	4.7	\$ 4,685 - 6,265	4.7	\$ 4,940 - 6,575	5.0
ASSISTED LIVING SPECIAL CARE	\$ 6,475.00	4.9	\$ 6,770.00	4.6	\$ 6,775 - 7,075	4.5	\$ 7,090 - 7,425	4.9
SKILLED NURSING	\$331.00/day	5.7	\$346.00/day	4.5	\$360.00/day	4.5	\$374.00/day	3.9

COMMENTS FROM PROVIDER: Second Person Care Fees in Residential: 2013 = \$775.00; 2014 = \$805.00; 2015 = \$825.00; 2016 = \$860.00
Second Person Fees in Assisted Living: 2013 = \$2,420.00; 2014 = \$2,495.00; 2015 = \$2,610.00; 2016 = \$2,715.00

PROVIDER NAME: Covenant Retirement Communities, Inc.
DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END
As of January 31, 2016
In Thousands

LENDER	1/31/16 OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
California Statewide Communities Development Authority Variable Rate Certificates of Participation Series 2013C	20,450	5.625	7/31/2013	12/1/2036	23 years
Illinois Finance Authority Revenue Refunding Direct Placement Bonds Series 2011A	15,830	variable	12/14/2011	12/1/2029	18 years
Series 2011B	37,965	variable	12/14/2011	12/1/2029	18 years
Colorado Health Facilities Authority Revenue Bonds Series 2012A	104,205	4.50-5.00	9/7/2012	12/1/2033	21 years
Series 2012B	22,905	4.00-5.00	9/7/2012	12/1/2026	14 years
Series 2012C	14,250	2.00-5.00	9/7/2012	12/1/2022	10 years
Series 2013A	21,995	4.250-5.750	7/31/2013	12/1/2036	23 years
Series 2013B	17,550	3.150	7/31/2013	12/1/2018	5 years
Series 2015A	110,760	1.00-5.00	4/1/2015	12/1/2035	21 years
Series 2015B	20,515	variable	4/1/2015	12/1/2024	10 years
Total long-term debt	<u>386,425</u>				

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

$$\frac{\text{Long-Term Debt, less Current Portion}}{\text{Total Assets}}$$

OPERATING RATIO

$$\frac{\begin{array}{l} \text{Total Operating Expenses} \\ \text{-- Depreciation Expense} \\ \text{-- Amortization Expense} \end{array}}{\begin{array}{l} \text{Total Operating Revenues} \\ \text{--Amortization of Deferred Revenues} \end{array}}$$

DEBT SERVICE COVERAGE RATIO

$$\frac{\begin{array}{l} \text{Total Excess of Revenues over Expenses} \\ \text{+ Interest, Depreciation,} \\ \text{and Amortization Expenses} \\ \text{-- Amortization of Deferred Revenue} \\ \text{+ Net Proceeds from Entrance Fees} \end{array}}{\text{Annual Debt Service}}$$

DAYS CASH ON HAND RATIO

$$\frac{\begin{array}{l} \text{Unrestricted Current Cash} \\ \text{And Investments} \\ \text{+ Unrestricted Non-Current Cash} \\ \text{and Investments} \end{array}}{\begin{array}{l} \text{(Operating Expenses - Depreciation} \\ \text{- Amortization)/365} \end{array}}$$

Note: These formulas are also used by the Continuing Care Accreditation Commission. For each formula, that organization also publishes annual median figures for certain continuing care retirement communities.

Continuing Care Retirement Community Disclosure Statement General Information

FACILITY NAME: Covenant Village of Turlock
 ADDRESS: 2125 North Olive Avenue, Turlock, CA ZIP CODE: 95382 PHONE: 209-632-9976
 PROVIDER NAME: Covenant Retirement Communities FACILITY OPERATOR: Covenant Retirement Communities
 RELATED FACILITIES: See Page 2 RELIGIOUS AFFILIATION: Evangelical Covenant Church
 YEAR OPENED: 1977 NO. OF ACRES: 26 MULTI-STORY: SINGLE STORY: BOTH: Y
 MILES TO SHOPPING CENTER: 1 mile MILES TO HOSPITAL: less than 1/4 mile

NUMBER OF UNITS: INDEPENDENT LIVING HEALTH CARE
 APARTMENTS - STUDIO 37 ASSISTED LIVING 82
 APARTMENTS - 1 BDRM 87 SKILLED NURSING 196
 APARTMENTS - 2 BDRM 57 SPECIAL CARE 0
 COTTAGES/HOUSES 35 DESCRIBE SPECIAL CARE _____
 % OCCUPANCY AT YEAR END 91%

TYPE OF OWNERSHIP: NOT FOR PROFIT FOR PROFIT ACCREDITED: Y N BY: _____
 FORM OF CONTRACT: LIFE CARE CONTINUING CARE FEE FOR SERVICE
 ASSIGN ASSETS EQUITY ENTRY FEE RENTAL
 REFUND PROVISIONS (Check all that apply): 90% 75% 50% PRORATED TO 0% OTHER: _____

RANGE OF ENTRANCE FEES: \$ 73,000 TO \$ 360,000 LONG-TERM CARE INSURANCE REQUIRED? Y N
 HEALTH CARE BENEFITS INCLUDED IN CONTRACT: 60 Health Care Days; 10% Discount or 30 Health Care Days
 ENTRY REQUIREMENTS: MIN. AGE: 62 PRIOR PROFESSION: N/A OTHER: _____

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES	AVAILABLE	FEE FOR SERVICE	SERVICES AVAILABLE	INCLUDED IN FEE	FOR EXTRA CHARGE
BEAUTY/BARBER SHOP	<input type="checkbox"/>	<input checked="" type="checkbox"/>	HOUSEKEEPING TIMES/MONTH	<u>4/mo</u>	<u> </u>
BILLIARD ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NUMBER OF MEALS/DAY	<u>1 Depending on unit</u>	<u>2</u>
BOWLING GREEN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	SPECIAL DIETS AVAILABLE	<u>Yes</u>	<u> </u>
CARD ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	24-HOUR EMERGENCY RESPONSE	<input type="checkbox"/>	<input type="checkbox"/>
CHAPEL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ACTIVITIES PROGRAM	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
COFFEE SHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ALL UTILITIES EXCEPT PHONE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CRAFT ROOMS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	APARTMENT MAINTENANCE	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
EXERCISE ROOM	<input checked="" type="checkbox"/>	<input type="checkbox"/>	CABLE TV	<input checked="" type="checkbox"/>	<input type="checkbox"/>
GOLF COURSE ACCESS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS FURNISHED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
LIBRARY	<input checked="" type="checkbox"/>	<input type="checkbox"/>	LINENS LAUNDERED	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
PUTTING GREEN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MEDICATION MANAGEMENT	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
SHUFFLEBOARD	<input checked="" type="checkbox"/>	<input type="checkbox"/>	NURSING/WELLNESS CLINIC	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
SPA	<input checked="" type="checkbox"/>	<input type="checkbox"/>	PERSONAL NURSING/HOME CARE	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SWIMMING POOL-INDOOR	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PERSONAL	<input type="checkbox"/>	<input checked="" type="checkbox"/>
SWIMMING POOL-OUTDOOR	<input type="checkbox"/>	<input type="checkbox"/>	TRANSPORTATION-PREARRANGED	<input checked="" type="checkbox"/>	<input type="checkbox"/>
TENNIS COURT	<input checked="" type="checkbox"/>	<input type="checkbox"/>	OTHER <u>Computer Lab</u>	<input type="checkbox"/>	<input type="checkbox"/>
WORKSHOP	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
OTHER	<input type="checkbox"/>	<input type="checkbox"/>			

All providers are required by Health and Safety Code section 1789.1 to provide this report to prospective residents before executing a deposit agreement or continuing care contract, or receiving any payment. Many communities are part of multi-facility operations which may influence financial reporting. Consumers are encouraged to ask questions of the continuing care retirement community that they are considering and to seek advice from professional advisors.

PROVIDER NAME:

Covenant Retirement Communities, Inc.

CCRC's	LOCATION (City, State)	Phone (with area code)
<u>Covenant Village of Golden Valley</u>	<u>Minneapolis, Minnesota</u>	<u>763-546-6125</u>
<u>Covenant Shores</u>	<u>Mercer Island, Washington</u>	<u>206-268-3000</u>
<u>Covenant Village of Colorado</u>	<u>Westminster, Colorado</u>	<u>303-424-4828</u>
<u>Covenant Village of Cromwell</u>	<u>Cromwell, Connecticut</u>	<u>860-635-5511</u>
<u>Covenant Village of Florida*</u>	<u>Plantation, Florida</u>	<u>954-472-2860</u>
<u>Covenant Village of the Great Lakes</u>	<u>Grand Rapids, Michigan</u>	<u>616-735-4541</u>
<u>Covenant Village of Northbrook</u>	<u>Northbrook, Illinois</u>	<u>847-480-6380</u>
<u>Covenant Village of Turlock</u>	<u>Turlock, California</u>	<u>209-632-9976</u>
<u>The Holmstad</u>	<u>Batavia, Illinois</u>	<u>630-879-4000</u>
<u>Mount Miguel Covenant Village</u>	<u>Spring Valley, California</u>	<u>619-479-4790</u>
<u>The Samarkand</u>	<u>Santa Barbara, California</u>	<u>805-687-0701</u>
<u>Windsor Park*</u>	<u>Carol Stream, Illinois</u>	<u>630-682-4377</u>

MULTI-LEVEL RETIREMENT COMMUNITIES

<u>Covenant Home of Chicago</u>	<u>Chicago, Illinois</u>	<u>773-506-6900</u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>

FREE-STANDING SKILLED NURSING

SUBSIDIZED SENIOR HOUSING

*** PLEASE INDICATE IF THE FACILITY IS LIFE CARE**

PROVIDER NAME: Covenant Retirement Communities, Inc. (Covenant Village of Turlock)

In Thousands

	2013	2014	2015	2016
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME				
(excluding amortization of entrance fee income)	\$ 205,391	\$ 225,848	\$ 246,510	\$ 267,812
LESS OPERATING EXPENSES				
(excluding depreciation, amortization, & interest)	\$ 191,096	\$ 200,292	\$ 218,904	\$ 237,801
NET INCOME FROM OPERATIONS	\$ 14,295	\$ 25,556	\$ 27,606	\$ 30,011
LESS INTEREST EXPENSE				
	\$ 17,449	\$ 15,807	\$ 16,614	\$ 15,743
PLUS CONTRIBUTIONS				
	\$ 24	\$ 1,039	\$ 632	\$ 1,059
PLUS NON-OPERATING INCOME (EXPENSES)				
(excluding extraordinary items)	\$ -	\$ -	\$ -	\$ -
NET INCOME (LOSS) BEFORE ENTRANCE FEES,				
DEPRECIATION AND AMORTIZATION	\$ (3,130)	\$ 10,788	\$ 11,624	\$ 15,327
NET CASH FLOW FROM ENTRANCE FEES				
(Total Deposits Less Refunds)	\$ 33,920	\$ 50,199	\$ 62,614	\$ 66,311

DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD

FINANCIAL RATIOS (see next page for ratio formulas)

	2013	2014	2015	2016
DEBT TO ASSET RATIO	45.91	46.01	43.64	41.91
OPERATING RATIO	101.54	95.68	95.54	94.67
DEBT SERVICE COVERAGE RATIO	1.64	2.62	3.22	3.40
DAYS CASH-ON-HAND RATIO	304.16	327.67	310.99	302.89

**HISTORICAL MONTHLY SERVICE FEES
AVERAGE FEE AND PERCENT CHANGE**

	2013	%	2014	%	2015	%	2016	%
STUDIO	\$ 1,625.00	2.8	\$ 1,670.00	2.8	\$ 1,710.00	2.4	\$ 1,770.00	3.5
ONE BEDROOM	\$ 2,252.50	3.0	\$ 2,380.00	5.7	\$ 2,444.00	2.7	\$ 2,528.00	3.4
TWO BEDROOM	\$ 3,116.00	11.0	\$ 3,202.00	2.8	\$ 3,286.50	2.6	\$ 3,392.50	3.2
COTTAGE/HOUSE	\$ 1,965.00	3.0	\$ 2,020.00	2.8	\$ 2,075.00	2.7	\$ 2,140.00	3.1
ASSISTED LIVING	\$ 4,290.00	4.0	\$ 4,440.00	3.5	\$ 4,300.00	-3.2	\$3,350-4500/ Month	4.7
SKILLED NURSING	\$368/ Day	31.4	\$381/ Day	3.5	\$395/ Day	3.5	\$325-\$465/ Day	3.7
SPECIAL CARE	\$ -							

COMMENTS FROM PROVIDER: Second Person Care Fees in Residential: 2013 = \$815, 2014= \$835, 2015 = \$435 or \$ 855 Depending on unit, 2016= \$450 of \$855 Depending on unit.
The calculation methodology for the ONE BEDROOM, TWO BEDROOM and COTTAGE/HOUSE unit is based on an average as there are several unit types.

PROVIDER NAME: Covenant Retirement Communities, Inc.
DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END
As of January 31, 2016
In Thousands

LENDER	1/31/16 OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
California Statewide Communities Development Authority Variable Rate Certificates of Participation Series 2013C	20,450	5.625	7/31/2013	12/1/2036	23 years
Illinois Finance Authority Revenue Refunding Direct Placement Bonds Series 2011A	15,830	variable	12/14/2011	12/1/2029	18 years
Series 2011B	37,965	variable	12/14/2011	12/1/2029	18 years
Colorado Health Facilities Authority Revenue Bonds Series 2012A	104,205	4.50-5.00	9/7/2012	12/1/2033	21 years
Series 2012B	22,905	4.00-5.00	9/7/2012	12/1/2026	14 years
Series 2012C	14,250	2.00-5.00	9/7/2012	12/1/2022	10 years
Series 2013A	21,995	4.250-5.750	7/31/2013	12/1/2036	23 years
Series 2013B	17,550	3.150	7/31/2013	12/1/2018	5 years
Series 2015A	110,760	1.00-5.00	4/1/2015	12/1/2035	21 years
Series 2015B	20,515	variable	4/1/2015	12/1/2024	10 years
Total long-term debt	<u>386,425</u>				
Less current maturities	11,590				
Plus unamortized OIP - net of unamortized discount	12,051				

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

$$\frac{\text{Long-Term Debt, less Current Portion}}{\text{Total Assets}}$$

OPERATING RATIO

$$\frac{\begin{array}{l} \text{Total Operating Expenses} \\ \text{-- Depreciation Expense} \\ \text{-- Amortization Expense} \end{array}}{\begin{array}{l} \text{Total Operating Revenues} \\ \text{--Amortization of Deferred Revenues} \end{array}}$$

DEBT SERVICE COVERAGE RATIO

$$\frac{\begin{array}{l} \text{Total Excess of Revenues over Expenses} \\ \text{+ Interest, Depreciation,} \\ \text{and Amortization Expenses} \\ \text{-- Amortization of Deferred Revenue} \\ \text{+ Net Proceeds from Entrance Fees} \end{array}}{\text{Annual Debt Service}}$$

DAYS CASH ON HAND RATIO

$$\frac{\begin{array}{l} \text{Unrestricted Current Cash} \\ \text{And Investments} \\ \text{+ Unrestricted Non-Current Cash} \\ \text{and Investments} \end{array}}{\begin{array}{l} \text{(Operating Expenses - Depreciation} \\ \text{- Amortization)/365} \end{array}}$$

Note: These formulas are also used by the Continuing Care Accreditation Commission. For each formula, that organization also publishes annual median figures for certain continuing care retirement communities.

Continuing Care Retirement Community Disclosure Statement General Information

FACILITY NAME: Mount Miguel Covenant Village
 ADDRESS: 325 Kempton Street, Spring Valley, CA ZIP CODE: 91977-5810 PHONE: 619-479-4790
 PROVIDER NAME: Covenant Retirement Communities FACILITY OPERATOR: Covenant Retirement Communities
 RELATED FACILITIES: See Page 2 RELIGIOUS AFFILIATION: Evangelical Covenant Church
 YEAR OPENED: 1964 NO. OF ACRES: 28 MULTI-STORY: SINGLE STORY: BOTH: Y
 MILES TO SHOPPING CENTER: 1 mile MILES TO HOSPITAL: 8 miles

NUMBER OF UNITS:

INDEPENDENT LIVING	HEALTH CARE
APARTMENTS - STUDIO <u>28</u>	ASSISTED LIVING <u>36</u>
APARTMENTS - 1 BDRM <u>85</u>	SKILLED NURSING <u>86</u>
APARTMENTS - 2 BDRM <u>127</u>	SPECIAL CARE <u>10</u>
COTTAGES/HOUSES <u>8</u>	DESCRIBE SPECIAL CARE <u> </u>
% OCCUPANCY AT YEAR END <u>95%</u>	

TYPE OF OWNERSHIP: NOT FOR PROFIT FOR PROFIT ACCREDITED: Y N BY:
 FORM OF CONTRACT: LIFE CARE CONTINUING CARE FEE FOR SERVICE
 ASSIGN ASSETS EQUITY ENTRY FEE RENTAL
 REFUND PROVISIONS (Check all that apply): 90% 75% 50% PRORATED TO 0% OTHER: Monthly
 RANGE OF ENTRANCE FEES: \$ 98,000 TO \$ 349,326 LONG-TERM CARE INSURANCE REQUIRED? Y N
 HEALTH CARE BENEFITS INCLUDED IN CONTRACT: 60 Health Care Days; 10% Discount
 ENTRY REQUIREMENTS: MIN. AGE: 62 PRIOR PROFESSION: N/A OTHER:

FACILITY SERVICES AND AMENITIES

COMMON AREA AMENITIES	SERVICES AVAILABLE				
	AVAILABLE	FEE FOR SERVICE			
	[X]	[X]	INCLUDED IN FEE	FOR EXTRA CHARGE	[X]
BEAUTY/BARBER SHOP	[X]	[X]	HOUSEKEEPING TIMES/MONTH <u>4</u>	<u>4</u>	<u>2</u>
BILLIARD ROOM	[X]	[]	NUMBER OF MEALS/DAY <u>1</u>	<u>1</u>	<u>2</u>
BOWLING GREEN	[]	[]	SPECIAL DIETS AVAILABLE <u>Yes</u>	<u>Yes</u>	<u> </u>
CARD ROOMS	[]	[]			
CHAPEL	[X]	[]	24-HOUR EMERGENCY RESPONSE	[X]	[]
COFFEE SHOP	[]	[]	ACTIVITIES PROGRAM	[X]	[]
CRAFT ROOMS	[X]	[]	ALL UTILITIES EXCEPT PHONE	[X]	[]
EXERCISE ROOM	[X]	[X]	APARTMENT MAINTENANCE	[X]	[]
GOLF COURSE ACCESS	[]	[]	CABLE TV	[X]	[]
LIBRARY	[X]	[]	LINENS FURNISHED	[X]	[]
PUTTING GREEN	[]	[]	LINENS LAUNDERED	[]	[]
SHUFFLEBOARD	[X]	[]	MEDICATION MANAGEMENT	[]	[X]
SPA	[X]	[]	NURSING/WELLNESS CLINIC	[X]	[]
SWIMMING POOL-INDOOR	[]	[]	PERSONAL NURSING/HOME CARE	[]	[]
SWIMMING POOL-OUTDOOR	[X]	[]	TRANSPORTATION-PERSONAL	[]	[]
TENNIS COURT	[X]	[]	TRANSPORTATION-PREARRANGED	[]	[X]
WORKSHOP	[X]	[]	OTHER <u> </u>	[]	[]
OTHER	[]	[]			

All providers are required by Health and Safety Code section 1789.1 to provide this report to prospective residents before executing a deposit agreement or continuing care contract, or receiving any payment. Many communities are part of multi-facility operations which may influence financial reporting. Consumers are encouraged to ask questions of the continuing care retirement community that they are considering and to seek advice from professional advisors.

PROVIDER NAME:

Covenant Retirement Communities, Inc.

CCRC's	LOCATION (City, State)	Phone (with area code)
<u>Covenant Village of Golden Valley</u>	<u>Minneapolis, Minnesota</u>	<u>763-546-6125</u>
<u>Covenant Shores</u>	<u>Mercer Island, Washington</u>	<u>206-268-3000</u>
<u>Covenant Village of Colorado</u>	<u>Westminster, Colorado</u>	<u>303-424-4828</u>
<u>Covenant Village of Cromwell</u>	<u>Cromwell, Connecticut</u>	<u>860-635-5511</u>
<u>Covenant Village of Florida*</u>	<u>Plantation, Florida</u>	<u>954-472-2860</u>
<u>Covenant Village of the Great Lakes</u>	<u>Grand Rapids, Michigan</u>	<u>616-735-4541</u>
<u>Covenant Village of Northbrook</u>	<u>Northbrook, Illinois</u>	<u>847-480-6380</u>
<u>Covenant Village of Turlock</u>	<u>Turlock, California</u>	<u>209-632-9976</u>
<u>The Holmstad</u>	<u>Batavia, Illinois</u>	<u>630-879-4000</u>
<u>Mount Miguel Covenant Village</u>	<u>Spring Valley, California</u>	<u>619-479-4790</u>
<u>The Samarkand</u>	<u>Santa Barbara, California</u>	<u>805-687-0701</u>
<u>Windsor Park*</u>	<u>Carol Stream, Illinois</u>	<u>630-682-4377</u>

MULTI-LEVEL RETIREMENT COMMUNITIES

<u>Covenant Home of Chicago</u>	<u>Chicago, Illinois</u>	<u>773-506-6900</u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>

FREE-STANDING SKILLED NURSING

SUBSIDIZED SENIOR HOUSING

*** PLEASE INDICATE IF THE FACILITY IS LIFE CARE**

PROVIDER NAME: Covenant Retirement Communities, Inc. (Mount Miguel Covenant Village)

In Thousands

	2013	2014	2015	2016
INCOME FROM ONGOING OPERATIONS				
OPERATING INCOME				
(excluding amortization of entrance fee income)	\$ 205,391	\$ 225,848	\$ 246,510	\$ 267,812
LESS OPERATING EXPENSES				
(excluding depreciation, amortization, & interest)	\$ 191,096	\$ 200,292	\$ 218,904	\$ 237,801
NET INCOME FROM OPERATIONS	\$ 14,295	\$ 25,556	\$ 27,606	\$ 30,011
LESS INTEREST EXPENSE	\$ 17,449	\$ 15,807	\$ 16,614	\$ 15,743
PLUS CONTRIBUTIONS	\$ 24	\$ 1,039	\$ 632	\$ 1,059
PLUS NON-OPERATING INCOME (EXPENSES)				
(excluding extraordinary items)	\$ -	\$ -	\$ -	\$ -
NET INCOME (LOSS) BEFORE ENTRANCE FEES,				
DEPRECIATION AND AMORTIZATION	\$ (3,130)	\$ 10,788	\$ 11,624	\$ 15,327
NET CASH FLOW FROM ENTRANCE FEES				
(Total Deposits Less Refunds)	\$ 33,920	\$ 50,199	\$ 62,614	\$ 66,311

DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END

LENDER	OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORIGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
		* See Attached Sheet *			

FINANCIAL RATIOS (see next page for ratio formulas)

	2013	2014	2015	2016
DEBT TO ASSET RATIO	45.91	46.01	43.64	41.91
OPERATING RATIO	101.54	95.68	95.54	94.67
DEBT SERVICE COVERAGE RATIO	1.64	2.62	3.22	3.40
DAYS CASH-ON-HAND RATIO	304.16	327.67	310.99	302.89

**HISTORICAL MONTHLY SERVICE FEES
AVERAGE FEE AND PERCENT CHANGE**

	2013	%	2014	%	2015	%	2016	%
STUDIO	\$ 1,537.00	3.2	\$ 1,591.00	3.5	\$ 1,647.00	3.5	\$ 1,729.00	5.0
ONE BEDROOM	\$ 1,878.00	3.0	\$ 1,939.00	3.3	\$ 2,002.00	3.3	\$ 2,097.00	4.8
TWO BEDROOM	\$ 2,228.00	2.8	\$ 2,295.00	3.0	\$ 2,364.00	3.0	\$ 2,470.00	4.5
COTTAGE/HOUSE	N/A		N/A		N/A		N/A	
ASSISTED LIVING	\$ 4,096.00	4.0	\$ 4,260.00	4.0	\$ 4,430.00	4.0	\$ 4,784.00	8.0
SKILLED NURSING	\$284/Day	4.0	\$295/Day	4.0	\$307/Day	4.0	\$322/Day	5.0
SPECIAL CARE			\$6,000.00		\$6,750.00	12.5		

COMMENTS FROM PROVIDER: Second Person Care Fees in Residential: 2013 = \$730; 2014 = \$767; 2015 = \$805; 2016 = \$861

Assisted Living pricing adjusted due to service level pricing: 2014 - SL2: \$244 SL3: \$505 SL4 \$916 SL5 \$1,373; 2015 - SL2 \$244: SL3 \$505: SL4 \$941: SL5 \$1,412; 2016 - SL2 \$244: SL3 \$505; SL4 \$941: SL5 \$1,412

PROVIDER NAME: Covenant Retirement Communities, Inc.
DESCRIPTION OF SECURED DEBT AS OF MOST RECENT FISCAL YEAR END
As of January 31, 2016
In Thousands

LENDER	1/31/16 OUTSTANDING BALANCE	INTEREST RATE	DATE OF ORGINATION	DATE OF MATURITY	AMORTIZATION PERIOD
California Statewide Communities Development Authority Variable Rate Certificates of Participation Series 2013C	20,450	5.625	7/31/2013	12/1/2036	23 years
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Colorado Health Facilities Authority Revenue Bonds Series 2012A	104,205	4.50-5.00	9/7/2012	12/1/2033	21 years
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Series 2012C	14,250	2.00-5.00	9/7/2012	12/1/2022	10 years
Series 2013A	21,995	4.250-5.750	7/31/2013	12/1/2036	23 years
Series 2013B	17,550	3.150	7/31/2013	12/1/2018	5 years
Series 2015A	110,760	1.00-5.00	4/1/2015	12/1/2035	21 years
Series 2015B	20,515	variable	4/1/2015	12/1/2024	10 years
Total long-term debt	<u>386,425</u>				
Less current maturities	11,590				
Plus unamortized OIP - net of unamortized discount	12,051				

FINANCIAL RATIO FORMULAS

LONG-TERM DEBT TO TOTAL ASSETS RATIO

$$\frac{\text{Long-Term Debt, less Current Portion}}{\text{Total Assets}}$$

OPERATING RATIO

$$\frac{\begin{array}{l} \text{Total Operating Expenses} \\ \text{-- Depreciation Expense} \\ \text{-- Amortization Expense} \end{array}}{\begin{array}{l} \text{Total Operating Revenues} \\ \text{--Amortization of Deferred Revenues} \end{array}}$$

DEBT SERVICE COVERAGE RATIO

$$\frac{\begin{array}{l} \text{Total Excess of Revenues over Expenses} \\ \text{+ Interest, Depreciation,} \\ \text{and Amortization Expenses} \\ \text{-- Amortization of Deferred Revenue} \\ \text{+ Net Proceeds from Entrance Fees} \end{array}}{\text{Annual Debt Service}}$$

DAYS CASH ON HAND RATIO

$$\frac{\begin{array}{l} \text{Unrestricted Current Cash} \\ \text{And Investments} \\ \text{+ Unrestricted Non-Current Cash} \\ \text{and Investments} \end{array}}{\begin{array}{l} \text{(Operating Expenses - Depreciation} \\ \text{- Amortization)/365} \end{array}}$$

Note: These formulas are also used by the Continuing Care Accreditation Commission. For each formula, that organization also publishes annual median figures for certain continuing care retirement communities.

Part 7
Adjustments in Monthly
Care Fees

Form 7-1 Report on CCRC Monthly Service Fees
 Samarkand

	Residential Living	Assisted Living	Skilled Nursing
1 Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	\$2,065 to \$5,660	\$4,940 to \$7,425	\$11,220 to \$15,660
2 Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	3.9% to 4.0%	4.7% to 5.4%	3.9% to 4.0%

Check here if monthly service fees at this community were not increased during the reporting period. (If you checked this box, please skip down to the bottom of this form and specify the names of the provider and community.)

3 Indicate the date the fee increase was implemented: **2/1/2015**

(If more than 1 increase was implemented, indicate the dates for each increase.)

4 Check each of the appropriate boxes:

Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.

All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.

At least 30 days prior to the increase in monthly service fees, the designated representative of the provider convened a meeting that all residents were invited to attend.

At the meeting with residents, the provider discussed and explained the reasons for the increase, the **basis** for determining the amount of the increase, and the data used for calculating the increase.

The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.

The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

5 On an attached page, provide a concise explanation for the increase in monthly service fees including the amount of the increase.

Form 7-1 Report on CCRC Monthly Service Fees
Turlock

	Residential Living	Assisted Living	Skilled Nursing
1 Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	\$1,770- \$4,100	\$3,350-\$4,500	\$325-\$465/ day
2 Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	3.3%	4.7%	3.3% - 4.84%

Check here if monthly service fees at this community were not increased during the reporting period. (If you checked this box, please skip down to the bottom of this form and specify the names of the provider and community.)

3 Indicate the date the fee increase was implemented: 2/1/2015

(If more than 1 increase was implemented, indicate the dates for each increase.)

4 Check each of the appropriate boxes:

Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.

All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.

At least 30 days prior to the increase in monthly service fees, the designated representative of the provider convened a meeting that all residents were invited to attend.

At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.

The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.

The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

5 On an attached page, provide a concise explanation for the increase in monthly service fees including the amount of the increase.

Form 7-1 Report on CCRC Monthly Service Fees
Mount Miguel

	Residential Living	Assisted Living	Skilled Nursing
1 Monthly Service Fees at beginning of reporting period: (indicate range, if applicable)	\$1,729 - \$4,695	\$4,784 - \$13,500	\$8,230 - \$11,656
2 Indicate percentage of increase in fees imposed during reporting period: (indicate range, if applicable)	4.5 - 5.00%	8.00%	4.00%

Check here if monthly service fees at this community were not increased during the reporting period. (If you checked this box, please skip down to the bottom of this form and specify the names of the provider and community.)

3 Indicate the date the fee increase was implemented:

2/1/2015

(If more than 1 increase was implemented, indicate the dates for each increase.)

4 Check each of the appropriate boxes:

Each fee increase is based on the provider's projected costs, prior year per capita costs, and economic indicators.

All affected residents were given written notice of this fee increase at least 30 days prior to its implementation.

At least 30 days prior to the increase in monthly service fees, the designated representative of the provider convened a meeting that all residents were invited to attend.

At the meeting with residents, the provider discussed and explained the reasons for the increase, the basis for determining the amount of the increase, and the data used for calculating the increase.

The provider provided residents with at least 14 days advance notice of each meeting held to discuss the fee increases.

The governing body of the provider, or the designated representative of the provider posted the notice of, and the agenda for, the meeting in a conspicuous place in the community at least 14 days prior to the meeting.

5 On an attached page, provide a concise explanation for the increase in monthly service fees including the amount of the increase.

COVENANT RETIREMENT COMMUNITIES WEST, INC.

Year Ended January 31, 2016

Form 7-1

The data utilized in establishing adjustments in monthly care fees include projected increases in costs such as salary and benefits, food costs, utilities, contract services, supplies and other operating costs and economic analyses of market conditions. The development of the budget, which includes planning for next years' costs of salary and benefits, food costs, utilities, contract services, supplies and other operating costs is a six-month process which starts with ten year forecasting in the spring. For the budget process, the last four years' expenditures are reviewed as well as actual year-to-date expenditures for the current year and an estimated actual for the remaining months of the year.

Budgeted apartment revenues are calculated for the residential units by taking into account occupancy percentages by apartment type and specific monthly rates. Budgeted revenues at the personal care and skilled nursing facilities take into account room type, occupancy percentages by patient payer type and specific monthly and/or daily rates.

Revenues generated from monthly fees are budgeted for in the operating plan. These revenues are planned to cover operating costs and an operating margin consistent with industry standards.

Adjustments to monthly fees typically only occur annually on the first day of the fiscal year, February 1.

Part 9
Calculation of Refund Reserve Amount

FORM 9-1
CALCULATION OF REFUND RESERVE AMOUNT

[1]	[2]	[3]	[4]	[5]	[6]	[7]	[9]	[10]
Resident Name	Sex	Entrance Fee	Refund %	Refund Amount (promised after 6 yrs)	Age	Life Exp.	Present Value Multiplier	Present Value of Refund
Resident #1	F	\$542,900	90%	\$488,610	88	5.613	0.705	\$344,451
								\$0
								\$0
								\$0
								\$0
								\$0
								\$0
								\$0
								\$0
								\$0
								\$0
								\$0
								\$0
								\$0
								\$0
								\$0
								\$0
								\$0
								\$0
								\$0
TOTAL AMOUNT REQUIRED FOR REFUND RESERVE :								\$344,451

PROVIDER: Covenant Retirement Communities, Inc.
COMMUNITY: The Samarkand