



\$52,070,000 – FINAL ISSUANCE AMOUNT – CLOSED 2/1/2017

PAB CONDUIT

December 8, 2016

**\$55,000,000
Covenant Retirement Communities, Inc.**

REQUEST	<p>Purpose: Bond proceeds will be used to refund Covenant Retirement Communities, Inc. (“CRC” or the “Borrower”) Series 2011A & B Bonds and pay cost of issuance. The Series 2011A&B Bonds were issued to refund outstanding bonds for projects in Illinois (Batavia, Northbrook and Carol Stream), and in Westminster, Colorado. The Bonds that were refunded with the Series 2011 Bonds included prior Illinois and Colorado Bonds, as well as certain “system” bonds.</p> <p>Program: Conduit 501(c)(3) Revenue Bonds (Multi-State)</p> <p>Extraordinary Conditions: None.</p>																
BOARD ACTIONS	Final Bond Resolution (One-time consideration)																
MATERIAL CHANGES	This is the first time this project is being presented to the Board.																
JOB DATA	<table border="0"> <tr> <td>653</td> <td>Current jobs (IL)</td> <td>N/A</td> <td>New jobs projected</td> </tr> <tr> <td>N/A</td> <td>Retained jobs</td> <td>N/A</td> <td>Construction jobs projected</td> </tr> </table>	653	Current jobs (IL)	N/A	New jobs projected	N/A	Retained jobs	N/A	Construction jobs projected								
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DESCRIPTION	<ul style="list-style-type: none"> • CRC’s Illinois locations are in Cook, DuPage and Kane Counties. (The subject financing will also refinance prior bonds issued for a CRC facility in Westminster, Colorado.) • CRC is an Illinois 501(c)(3) eligible corporation organized in 1986. • As of December 31, 2015, the Obligated Group of CRC had 15 communities, 12 of which were continuing care retirement communities, with 4,771 total units consisting of 3,127 independent living apartments, 694 assisted living units and 950 nursing beds. The non-obligated group of CRC, Covenant Retirement Services (CRS), owns and operated two continuing care retirement communities and one rental community, with 244 total units, consisting of 142 independent living apartments, 68 assisted living units and 34 nursing beds. The communities of CRC and CRS operate in 10 states. • In the 2015 publication of the <i>LeadingAge Ziegler 150</i> (a joint venture of Leading Age and Ziegler), CRC was ranked as the 5th largest not-for-profit senior living provider of market rate housing in the United States. • CRC System-wide locations outside Illinois include facilities in Washington, California, Minnesota, Florida, Michigan, Colorado and Connecticut. 																
SECURITY/MATURITY	<ul style="list-style-type: none"> • Security: The 2016 bondholders will have a mortgage and a security interest in the Unrestricted Receivables of the Obligated Group. • Maturity: No later than 2034 (23 years) 																
CREDIT INDICATOR	<ul style="list-style-type: none"> • Covenant Retirement Communities, Inc. has an underlying rating of ‘BBB+’ from Fitch. 																
STRUCTURE	<ul style="list-style-type: none"> • The plan of finance contemplates a bank direct purchase by Bank of America. 																
SOURCES AND USES ESTIMATED	<table border="0"> <tr> <td colspan="2">Sources:</td> <td colspan="2">Uses:</td> </tr> <tr> <td>IFA Bonds</td> <td>\$55,000,000</td> <td>Refunding Escrow</td> <td>\$ 54,500,000</td> </tr> <tr> <td>Equity Contribution*</td> <td></td> <td>Costs of Issuance</td> <td><u>500,000</u></td> </tr> <tr> <td>Total</td> <td><u>\$55,000,000</u></td> <td>Total</td> <td><u>\$55,000,000</u></td> </tr> </table> <p>*If needed, an equity contribution will be made to cover any costs of issuance in excess of the 2% tax limit. An equity contribution is assumed to not be needed for this financing.</p>	Sources:		Uses:		IFA Bonds	\$55,000,000	Refunding Escrow	\$ 54,500,000	Equity Contribution*		Costs of Issuance	<u>500,000</u>	Total	<u>\$55,000,000</u>	Total	<u>\$55,000,000</u>
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IFA Bonds	\$55,000,000	Refunding Escrow	\$ 54,500,000														
Equity Contribution*		Costs of Issuance	<u>500,000</u>														
Total	<u>\$55,000,000</u>	Total	<u>\$55,000,000</u>														
RECOMMENDATION	Credit Review Committee recommends approval.																

**ILLINOIS FINANCE AUTHORITY
BOARD SUMMARY
December 8, 2016**

Project: Covenant Retirement Communities, Inc.

STATISTICS

Project Number: 12373	Amount: \$55,000,000 (Not-to-Exceed)
Type: 501(c)(3) Bonds	IFA Staff: Pam Lenane
Cities: Batavia, Carol Stream, Northbrook, IL and Westminster, Colorado	Counties/Region: DuPage and Cook/Northeast

BOARD ACTION

Final Bond Resolution (One-time consideration)	No IFA funds at risk
Conduit 501(c)(3) Bonds (Multi-State)	No extraordinary conditions
Credit Review Committee recommends approval	

VOTING RECORD

This is the first time this project has been brought before the IFA Board of Directors.

PURPOSE

Bond proceeds will be used to refund Covenant Retirement Communities, Inc. (“CRC” or the “Borrower”) Series 2011A & B Bonds and pay cost of issuance.

The Series 2011A&B Bonds were issued to refund outstanding bonds and to fund new money projects in Illinois (Batavia, Northbrook and Carol Stream), and in Westminster, Colorado.

The Bonds that were refunded with the Series 2011 Bonds included prior Illinois and Colorado Bonds, as well as certain “system” bonds.

IFA PROGRAM AND CONTRIBUTION

501(c)(3) Bonds are a form of municipal bonds that 501(c)(3) corporations can use to finance capital projects that will be used to further their charitable mission. IFA’s issuance will convey federal income tax-exempt status on interest earned on the Bonds paid to bondholders and thereby reducing the borrower’s interest expense.

VOLUME CAP

501(c)(3) Bond issues do not require Volume Cap.

JOBS

Current employment: 653 FTE’s (in Illinois)	New jobs projected: N/A
Jobs retained: 653 FTE’s (in Illinois)	Construction jobs projected: N/A

ESTIMATED SOURCES AND USES OF FUNDS

Sources: IFA Bonds	\$55,000,000	Uses: Refunding Escrow	\$54,500,000
Equity Contribution*		Issuance Costs*	500,000
Total	\$55,000,000	Total	\$55,000,000

* If needed, an equity contribution will be made to cover cost of issuance in excess of the 2% tax limit. An equity contribution is assumed to not be needed for this financing.

FINANCING SUMMARY/STRUCTURE

Security: First mortgage on property and equipment; gross revenue pledge.

Structure: The Series 2011 Bonds will be a bank direct purchase by Bank of America.

Interest Rate: Variable

Interest Mode: Weekly

Credit Enhancement: None

Maturity: No later than 2034

Rating: The Bonds will not carry a rating as they will be a bank direct purchase by Bank of America. Covenant Retirement Communities, Inc. has an underlying rating of 'BBB+' from Fitch.

Estimated Closing Date: January 19, 2017

PROJECT SUMMARY

Bond proceeds will be used to refund Covenant Retirement Communities, Inc. ("CRC" or the "Borrower") Series 2011A & B Bonds and pay cost of issuance.

The Series 2011A&B Bonds were issued to refund outstanding bonds and to fund new money projects in Illinois (Batavia, Northbrook and Carol Stream), and in Westminster, Colorado.

The Bonds that were refunded with the Series 2011 Bonds included prior Illinois and Colorado Bonds, as well as certain "system" bonds.

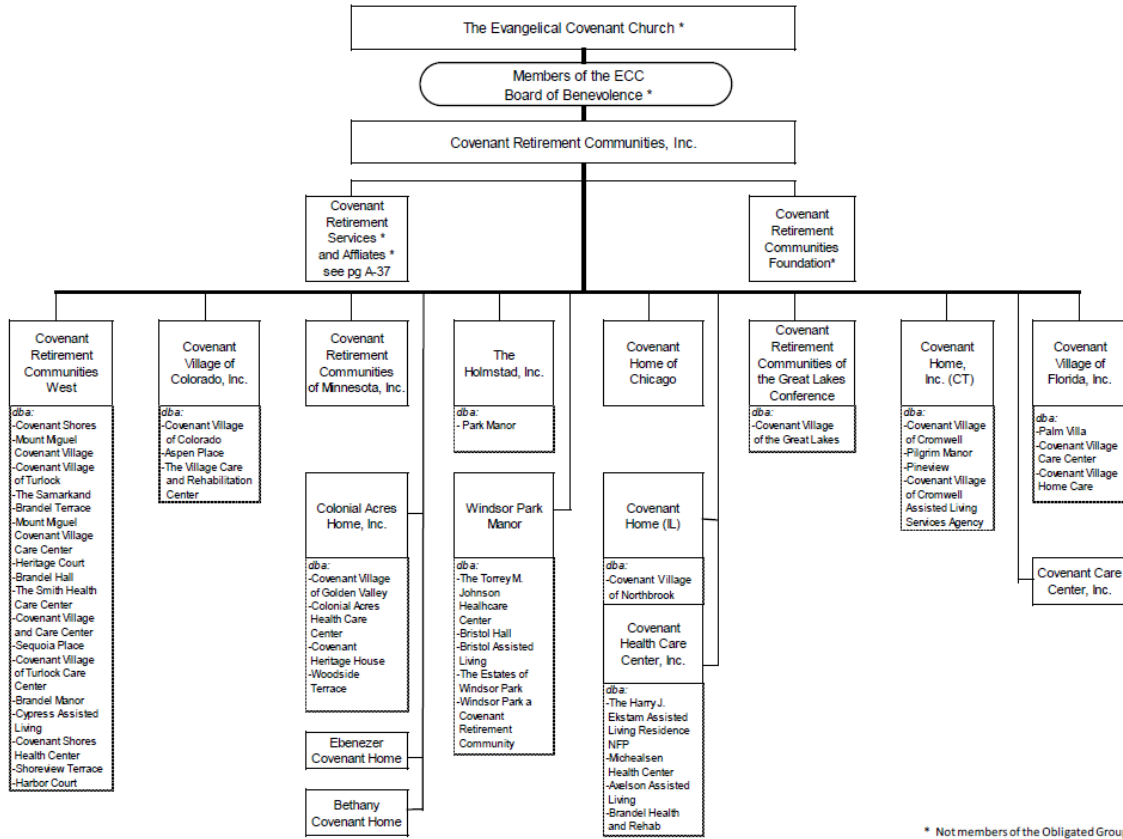
BUSINESS SUMMARY

Description of Business: Covenant Retirement Communities, Inc. ("CRC") is an Illinois 501(c)(3) eligible corporation organized in 1986 to give formal recognition to the administrative organization that operated a multi-institutional continuing care system of retirement communities, assisted living and personal care facilities, as well as skilled nursing facilities on behalf of the Board of Benevolence of the Evangelical Covenant Church. The central corporate office of CRC is located in Skokie, Illinois with existing facilities located in California, Washington, Connecticut, Florida, Illinois, Minnesota, Colorado, and Michigan.

As of December 31, 2015, the Obligated Group of CRC has 15 communities, 12 of which are continuing care retirement communities, with 4,771 total units consisting of 3,127 independent living apartments, 694 assisted living units and 950 nursing beds. The non-obligated group of CRC, Covenant Retirement Services ("CRS"), owns and operated two continuing care retirement communities and one rental community, with 244 total units, consisting of 142 independent living apartments, 68 assisted living units and 34 nursing beds. The communities of CRC and CRS operate in 10 states.

In the 2015 publication of the *LeadingAge Ziegler 150* (a joint venture of Leading Age and Ziegler), CRC was ranked as the 5th largest not-for-profit senior living provider of market rate housing in the United States.

Covenant Retirement Communities, Inc. - Legal Structure



* Not members of the Obligated Group

Site	Independent Living	Assisted Living	Skilled Nursing	Total
CRC Obligated Group:				
Covenant Village of Golden Valley	198	56	88	342
Covenant Village of Florida	294	43	60	397
Covenant Village of Colorado	235	43	60	338
Covenant Village of Northbrook	352	58	95	505
The Holmstad	351	62	90	503
Covenant Home	0	52	0	52
Windsor Park Manor, including Estates	408	38	72	518
Covenant Village of Cromwell	216	50	60	326
The Samarkand	213	54	63	330
Covenant Village of Turlock	216	52	50	318
Brandel Manor-Cypress	0	30	146	176
Mount Miguel Covenant Village	248	46	86	380
Covenant Shores	208	47	43	298
Covenant Village of the Great Lakes	188	63	37	288
Total CRC Obligated Group	3,127	694	950	4,771
Non-Obligated Group Communities:				
Covenant Village of Lenexa	44	34	34	112
Covenant Place of Tulsa	46	34	0	80
Geneva Place	52	0	0	52
	142	68	34	244
Total all CRC Communities	3,269	762	984	5,015

As shown in the organizational chart above, the CRC Obligated Group is affiliated with the Evangelical Covenant Church (the "Church"), which has been involved in caring for the sick and the elderly for over 125 years. Covenant Ministries of Benevolence ("CMB") is the organization that oversees the operations of the entities affiliated with the Church which include (i) the CRC Obligated Group, (ii) Swedish Covenant Hospital in Chicago, and (iii) many other organizations involved in senior living and care, wellness, healthcare, the care of children, ministry, insurance, real estate and finance.

OWNERSHIP / ECONOMIC DISCLOSURE STATEMENT

Applicant: Covenant Retirement Communities, Inc.
Location: Multiple CRC facilities
Borrower: Covenant Retirement Communities, Inc.
Ownership: Covenant Retirement Communities, Inc. is a 501(c)(3) organization

Board Members:

**BOARD OF DIRECTORS
OF COVENANT RETIREMENT COMMUNITIES AND ITS AFFILIATES
July 2016 to June 2017**

Aagaard, Jon P., M.D. (2019) Wheaton, IL 60187	Macdonald, Scott (2018) Wheaton, IL 60187-5439
Christensen, Pamela (2020) Roseville, CA 95678	Manlove, Matthew (2020) Attleboro, MA 02703
Davis, Kara E., M.D. (2017) South Holland, IL 60473	Rinard, Dale Glen (2020) Spring Valley, CA 91977
Eastburg, Mark, chair (2020) Grand Rapids, MI 49546	Stante, Marlene E. (2019) Turlock, CA 95382
Elving, Jim (2017) Edina, MN 55436	Vining, Anne E. (2018) St. Paul, MN 55106
Espinosa, Marc E., vice chair (2018) Arvada, CO 80002	<u>Ex Officio (voting)</u>
Friesen, Rhoda (2017) Westminster, CO 80031	Cunliffe, Terri S., president Covenant Retirement Communities Skokie, IL 60077-1036
Heywood, Thomas F. (2017) Mercer Island, WA 98040	Dwight, David A., president Covenant Ministries of Benevolence Chicago, IL 60625
Hodgkinson, Donald (2020) Chicago, IL 60625	Larson, Jennifer, chair Board of Benevolence Turlock, CA 95380
Holmgren, Kathy (2017) Kirkland, WA 98033	Walter, Gary, president The Evangelical Covenant Church Chicago, IL 60631
Holt, Jody (2020) Bedford, NH 03110-4517	

PROFESSIONAL & FINANCIAL

Borrower's Counsel:	Erickson Papanek Peterson Rose	St. Paul	Julie Peterson
Bond Counsel:	Chapman and Cutler LLP	Chicago	John Bibby
Bank:	Bank of America	Chicago	Feena Ward
Bank's Counsel:	Katten Muchin Rosenman LLP	Chicago	Janet Hoffman
Financing Facilitator:	Ziegler	Chicago	Don Carlson
IFA Counsel:	Sanchez Daniels & Hoffman LLP	Chicago	John Cummins
IFA Financial Advisor:	Acacia Financial Group Inc.	Chicago	Phoebe Selden

LEGISLATIVE DISTRICTS

The Holmstad – Batavia, IL

Congressional: 14
State Senate: 33
State House: 65

Windsor Park Manor – Carol Stream, IL

Congressional: 6
State Senate: 21
State House: 42

Covenant Village of Northbrook – Northbrook, IL

Congressional: 10
State Senate: 9
State House: 17

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SERVICE AREA

