

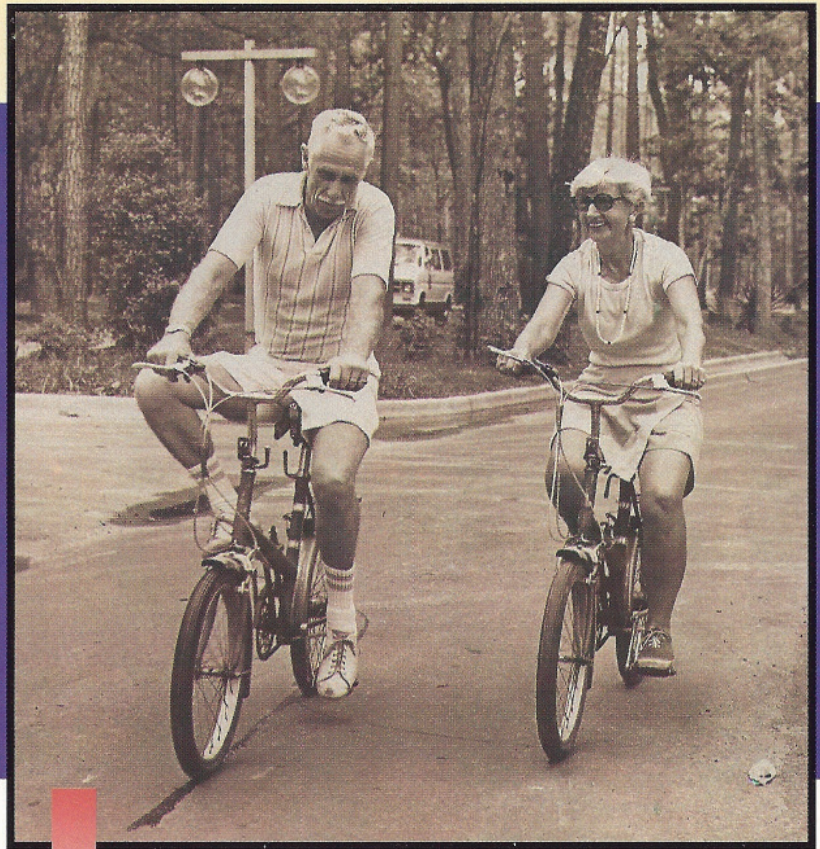


AN IDEA WHOSE TIME HAS COME



The Covenant Group, Inc.

AN IDEA WHOSE TIME HAS COME: THE PURPOSE



THE GRAYING OF AMERICA

Today 30 million Americans are over age 65. Moreover, this number will accelerate every day well into the 21st Century! As a result, the need to provide affordable, safe housing compatible with the needs of seniors is reaching the critical stage.

▲ LONGER, HEALTHIER LIVING DEMANDS A QUALITY LIFESTYLE

According to the U.S. Bureau of Census, the average 75-year-old can expect to live an additional 10.4 years, and an 80-year-old for an additional 8.1 years. Moreover, these seniors are active and involved. Only 9.7% of the 75-79 age group requires assistance in daily living activities. Most people are astonished to learn only 5% of all seniors live in a nursing home or in personal care homes.

▲ TYPICAL RETIREMENT SENIORS ARE OFTEN MORE AFFLUENT

Unlike the typical stereotype of seniors, over one-third of the households age 70 and over have incomes in excess of \$15,000 a year. The median cash income of senior households has increased by more than 75% since 1962. Seniors control a large portion of the wealth of the nation and they are the major clients of tour and travel agencies.

▲ GREATER INDEPENDENCE HAS INCREASED THE DEMAND FOR A SECURE, WORRY-FREE LIVING ENVIRONMENT

Because seniors enjoy unprecedented health, live longer, and are more prosperous, they are seeking a more independent lifestyle. The multi-service retirement community provides an environment of affordable housing which frees them from the physically draining chores of continual maintenance of a home.

▲ THE INDEPENDENT LIVING RETIREMENT COMMUNITY

Unfortunately, typical nursing homes, as a stopgap measure, have not addressed the real demands of most vibrant, reasonably healthy seniors. It is estimated that 50% of those who go to the traditional nursing home do not belong there. They go there because there seems to be no intermediate alternative.

Many in the Baby-Boomer generation are coping with the dilemma of where aging parents can go when they cannot live totally independent or when Dad is gone and Mom is left alone.

A completely new concept to address this problem has now begun to emerge. Traditional apartments and villas restricted to seniors have given way to facilities that offer smaller units with the emphasis on large, common activity areas. Increasingly, the need to combat loneliness, the need to be active, and the need to feel secure seem to be the major requirements of the senior adult.

This phenomenon has developed into the "independent living retirement center" movement. As in any new industry, mistakes occurred in the growing pains of early efforts. Today, with nearly twenty years of history and research, the modern day retirement center that best fits the needs and desires of active senior adults has emerged.

THE RENTAL MULTI-SERVICE, INDEPENDENT-LIVING RETIREMENT CONCEPT MEETS THE DEMANDS OF THE SENIOR MARKET.

The rental concept is extremely attractive to the independent senior adult market. This target group is in reasonably good health. They own their own homes and are financially independent.

Renting eliminates the requirements of an endowment, entrance fee, or involvement of residents in maintenance of their apartments. Elderly residents retain the equity in their home and use it's earning capability to enhance their income. This makes the one-charge monthly rent very appealing to them.

▲ THE COVENANT GROUP

The Covenant Group Inc. (CGI) provides affinity groups all the expertise needed in the decision-making process of marketing, building and operating an independent living retirement facility. From the initial dream to the completed product, the various components of The Covenant Group Inc. provide decades of experience in the independent living retirement industry.

COMPANIES COMMITTED TO EXCELLENCE

The Covenant Group Inc. was created by individuals who want to assist interested groups in caring for senior adults. As a result, CGI is actively involved in the development, operation, and management of multi-service independent living rental retirement properties.

Senior Life Care, Inc., an associated firm, helps round out a cooperative effort to provide the needed services for residents of such properties. A multimillion dollar company, SLC provides private pay home health care services in nearly 30 agencies throughout Texas, Louisiana, Oklahoma, Mississippi, and Alabama.

PROFESSIONAL LEADERSHIP AND EXPERIENCE

Beginning as an independent living management company, The Covenant Group Inc. has experienced both the evolution and the growing pains of the industry. As a result, CGI has assembled a team of professionals who can assist various affinity groups. Help is offered in all phases necessary to create and manage a state-of-the-art retirement care facility.

The Covenant Group is committed to both quality and creative services for the older adult population. Each officer is a professional with a passion for excellence. With a combined experience of more than thirty-five years in health care and retirement related services, the officers of the associated companies form a qualified team to build, manage, and serve residents of retirement centers.

Gary Staats, President of The Covenant Group Inc. and of Senior Life Care, Inc., has more than 15 years experience in management of various elements of the health care related service industry, including ten years of retirement housing development and management. His accomplishments in the Retirement Housing Industry provide an in-depth understanding of the residents' needs for security and continued independence in the setting of a non-institutional environment. He is also aware of the importance of having a sound approach to both marketing and management: something investors in such facilities require.

Rhonda Keenan, Executive Vice President of Senior Life Care, Inc. and the Covenant Group, Inc., has owned several home health care agencies in Oklahoma. She has served as administrator of a large Texas-based agency and has been a consultant to many hospital and physician groups. Since the onset of the Medicare Program, Keenan has become an established industry leader with particular expertise in regulatory compliance.

Robert Bullock, Chief Financial Officer of CGI and SLC, is an accomplished financial manager with particular skills in the planning and implementation of financial and accounting packages. With his experience in automation, and five years experience as Senior Auditor for Arthur Andersen & Company, he provides an excellent foundation for the planning, budgeting, and daily auditing of the construction, operation, and management of retirement facilities.

Robert Barnhill, Vice President of CGI, is involved in the initial creation and coordination of the follow up of potential markets for retirement centers. Bringing over thirty years experience in relationships with churches and nonprofit groups, he has developed the unique pre-marketing approach used by CGI. This early marketing of the facilities to groups with common interests has the demonstrated capacity to result in rapid positive occupancy rates. Through personal contacts (generated through pre-marketing, surveys, and volunteer follow-up by common interest groups), the methods used serve as the keystone of the networking concept for recruitment of retirement residents.

Jimmy Rogers serves as an independent consultant to CGI in construction matters. He brings thirty years of experience in the construction industry with all stages of development and property management. Rogers has served as President of the Texas Homebuilders Association. In 1976 he was name "Builder of the Year" by Tarrant County and the Ft. Worth Builders Association. His proven record helps insure quality retirement construction at a fair price.

Albert P. McGarity, President of Financial Services, Inc., serves as the Covenant Group Inc. consultant on the financing of projects. McGarity has been involved in the financial consulting profession since 1976. With Fortune 500 companies, and in his own company, he has developed financial structures and raised funds for more than \$800 million worth of real estate projects. He was instrumental in the first federally mandated public partnership, headed by Warren Buffet, that raised \$75 million to build independent living retirement centers.

▲ A POTENTIAL INVESTMENT IN A GROWING MARKET

For either individual or institutional investors in such properties, the primary objective is high current income in a soundly based investment. These properties are income-oriented real estate ventures that take a significantly different approach for the investor. This investment is in properties that address the growing phenomenon, "The Graying of America."

The multi-service concept of rental retirement properties offers a solid yet exciting investment opportunity. It addresses the largest growing segment of society in America--the senior adult population. As this decade began, for example, heads of households age 65 or over were greater than the number of those 30 or younger. As the Baby Boomer generation joins this age bracket at the end of this decade, the figures will be even more dramatic.

Members of the sponsoring organization and potential residents are contacted and invited to a presentation. At the meeting, a preliminary layout of the structure and the amenities offered are explained. Estimated monthly fees and services are presented. Interested potential residents are asked to submit an application with a refundable deposit to insure pre-leased apartment space in the structure upon its completion.

The independent living retirement community is an idea whose time has come. To answer this need, the Covenant Group Inc. has a purpose...and a plan.

AN IDEA WHOSE TIME HAS COME: THE PLAN

THE COVENANT GROUP INC. OFFERS A UNIQUE PLAN FOR PROVIDING RETIREMENT HOUSING

Many affinity groups may want to help their senior adults have safe, affordable retirement housing at a convenient location so the group can serve the needs of their constituency. In addition, studies suggest many senior adults desire senior housing but are reluctant to move away from their friends, churches, civic groups, and familiar neighborhoods.

Recognizing this phenomenon, The Covenant Group Inc. can serve as consultants to affinity groups to assist in determining the feasibility of providing a quality retirement center in a location attractive to prospective residents.

More significantly, The Covenant Group Inc. also stands ready to help in determining the best course of ownership, financing, construction, and management of a facility.

In some cases, the interests of the affinity group are best served by retaining ownership. There are also times when the group decides separate ownership is desirable. Because financing will determine whether the project is ultimately possible, CGI will work with the affinity group to discover if financing is feasible.

▲ THE INITIAL CONSULTING

The Covenant Group Inc. will meet with the affinity group in a fact-finding session. In this gathering, CGI will explain the process involved in making a decision about whether the project is feasible.

The steps to follow will be outlined so that the interested group can make a prudent decision on proceeding.

▲ THE SURVEY

One innovative approach offered by the The Covenant Group Inc. is the pre-marketing method used to subscribe residents for new properties *prior to construction of the facilities*.

Based on networking through churches and civic groups, the thrust is to identify interested potential residents, before construction, rather than after the facility is completed.

An example that illustrates the success of this unique marketing idea is Tealridge Manor in Oklahoma City. A 169-unit facility, Tealridge reached break-even cash flow in only eight months after completion of construction! Residential capacity was achieved in twenty months.

This unique, hands-on pre-marketing concept serves to provide confidence for potential investors. With a significant number of committed residents (who have signed leases and reserved apartments with cash deposits in escrow) before completion of construction, a potential positive cash flow is more readily demonstrated.

This strategy of marketing is a significant improvement over methods employed by many in the retirement industry.

Traditional market studies of the area to be served will be provided to demonstrate potential. Yet, the harvest of actual residents through the networking survey approach used by CGI should create a significant level of investor confidence.

It is a refreshing, business-like approach.

Past performance of properly marketed facilities by The Covenant Group Inc., such as Tealridge Manor in Oklahoma City, illustrates a potential to reach full occupancy rapidly. This is a chief ingredient toward positive cash flow for the investor.

▲ MAKING A COMMITMENT

The consulting team from The Covenant Group Inc. will present the survey results and conclusions from the data.

Based on a favorable market survey, the sponsoring group is given the opportunity to enter an exclusive consulting and development contract with The Covenant Group Inc. to provide the services necessary to bring the project to reality.

▲ DEVELOPMENT AND MARKETING

The Covenant Group Inc. and the sponsoring group determine the structure of ownership, cost estimates of the project, and the necessary financial approach.

▲ THE FINANCIAL STRUCTURE

Recognizing the financial climate in today's marketplace, the sponsoring group invites potential investors and those interested parties referred to The Covenant Group Inc. (i.e., individuals; banks; endowments; pension funds; etc.) to a group presentation.

Individual investors in the community with a net worth of \$250,000 or more are prime prospects to invest in a portion of the project.

At the meeting, the financial structure of the unaudited preliminary proforma (which has been approved by the sponsoring group) will be reviewed.

At the conclusion of the meeting, only those who request to be contacted for further information on investment will be given more detailed materials.

▲ GROUNDBREAKING AND CONSTRUCTION

The architectural plans are considered and approved. The contractor is selected and bids for construction are completed to get development underway.

CONSTRUCTION: CUSTOMIZED FOR THE SENIOR ADULT

Construction of retirement centers by The Covenant Group Inc. gives attention to the particular needs of the senior adult. Many factors are recognized to make the structure quite different from a typical apartment complex.

Using experience from years of dealing with the senior adult resident, great care is taken in the architectural design to consider:

- The accessibility to common areas of the building
- Color schemes of walls and furniture that appeal to the older resident
- Safety features in all apartments and common areas that recognize health limitations
- Controlled access of the premises from the outside through proper layout design to provide 24 hour security
- An attractive and functional dining area equipped to provide nutritious meals daily.



CONSTRUCTION: COORDINATED WITH MARKETING

Throughout the construction phase, representatives of The Covenant Group Inc. will continue to help generate interest in and market the facility. The goal will be to subscribe all units in advance, and to build a waiting list. This will insure the project of having a positive cash flow as early as possible.

▲ CONTINUED CARE IN RESIDENCE

Key services normally included for residents of CGI communities in the monthly basic rent are:

- A central dining restaurant with at least one meal provided
- Maid service
- Transportation to doctors and shopping
- Social and recreational programs
- 24 hour staffing and monitoring of the facility
- Beauty and barber shops
- A full-time maintenance staff
- Independent home health services

Currently, Senior Life Care, Inc., through its program of "Life Care Services," is on the leading edge of assisting seniors in the retirement housing setting. SLC is presently operating in a number of retirement facilities.

The unique nature of the SLC approach is underlined by maintaining a permanent health care office in each retirement center they serve. Such on-site presence is strengthened by the availability of an LVN or RN to assist with various home health care services for the retirement center residents.

Providing a complete slate of assistance that offers various therapists, health talks, and convalescent services often enables residents to avoid a premature or unnecessary move to a nursing home facility.

Such services offered to residents are usually at below market cost (when compared to traditional home health services or institutional health care). Such features enhance marketability of the retirement center to prospective residents.

The obvious appeal to the targeted senior adult, which such a lifestyle offers, enhances the market demand for the multi-service retirement community. This is an idea whose time has come.



The Covenant Group, Inc.

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