

THE MCAULEY

PART OF THE MERCY COMMUNITY†

McAuley Center, Incorporated

DISCLOSURE STATEMENT

June 30, 2015

(For Fiscal Year Ending December 31, 2014)

(Based on: Residency Agreement Dated October 1, 2007,
Assisted Living Residency Agreement Dated November, 2007,
Residency Agreement Without Long Term Care Coverage Dated January 1, 2008,
Residency Agreement With Sixty Days of Long Term Care Coverage Dated February 1, 2009,
and Residency Agreement With One Hundred Fifty Days of Long Term Care Coverage Dated
January 1, 2012

McAuley Center, Incorporated
275 Steele Road
West Hartford, Connecticut 06117-2716
(860) 920-6300 Fax (860) 232-4077

In accordance with Connecticut General Statute P.A. 98-250,
section 23(a), the Registration of this Disclosure Statement does not
constitute approval, recommendation or endorsement by the Department
or State, nor does such registration evidence the accuracy or completeness
of the information set out in this Disclosure Statement.

TABLE OF CONTENTS

Per subsections of Connecticut General Statutes Sec. 17a-362(2):

<u>Part A - Descriptive Disclosure</u>	<u>Page</u>
Introduction	
1. Name and Address of Provider	1
2. Officers and Trustees - (Attachment A)	1
3. Business Experience	1
4. Judicial Proceedings	2
5. Affiliation - Tax Exempt Status	2
6. Location and Description of Property	2
7. Benefits-Residency Agreement - (Attachment B)	2
8. Interest on Deposits - (Attachment B)	3
9. Termination of Contract - (Attachment B)	3
10. Rights of Surviving Spouse - (Attachment B)	3
11. Marriage of a Resident - (Attachment B)	3
12. Disposition of Personal Property - (Attachment B)	4
13. Tax Consequences - Entrance Fee	4
 <u>Part B - Financial Disclosures</u>	
14. Escrow Accounts - (Attachments D and E)	4
15. Financial Statements - (Attachment F)	4
16. Pro Forma Statements of Operations - (Attachment G)	5
17. Entrance Fees/Periodic Charges - (Attachments H and I)	5
18. Prepaid Obligations-Actuarial Value - (Attachment J)	5
19. Department of Social Services - Filings	5
20. Continuing Care Contract (Attachment B)	
 <u>Part C - Attachments</u>	
A. Current List of Officers and Trustees	
B Residency Agreements	
B-1. Pre-Residency Agreement, 2007 version	
B-2. Residency Agreement, 2007 version	
B-3. Residency Agreement for Assisted Living, 2007 version	
B-4. Residency Agreement Without Long Term Care Coverage, 2008 Version	
B-5. Residency Agreement With Sixty Days Long Term Care Coverage, 2009	
B-6. Residency Agreement With One Hundred Fifty Days Long Term Care Coverage, 2012	
C. Copy of Contract with Saint Mary Home	
D. Entrance Fee Escrow Agreement	
E. Reserve Fund Escrow Agreement	
F. Financial Statements	
G. Pro Forma Statements of Operations	
H. Assisted Living Services Agency License	
I-1. Schedule of Fees (Independent Living)	
I-2. Schedule of Fees (Independent Living)	
I-3. Schedule of Fees (Sixty Days Long Term Care Coverage)	
I-4. Schedule of Fees (One Hundred Fifty Days Long Term Care Coverage)	

I-5. Schedule of Fees (Assisted Living)

J. Entrance Fees/Monthly Service Fees for the Past Five Years

K. Future Service Obligation

Part A - Descriptive Disclosures

INTRODUCTION

McAuley Center, Incorporated (hereafter referred to as "The McAuley"), a continuing care retirement community is sponsored by Catholic Health Ministries, a Public Juridic Person of the Holy Roman Catholic Church.(hereafter referred to as "The Sponsor"), offers to individuals 62 years of age and older lifetime use of independent living units and certain personal services including: housekeeping, food service, transportation, 24 hour concierge, security, maintenance and health care.

Effective May, 1997, The McAuley became a primary subsidiary corporation of Mercy Community Health.. Mercy Community Health is the sole member of McAuley Center Incorporated. Mercy Community Health, Inc. is a Connecticut corporation with its principal offices located at 2021 Albany Avenue, West Hartford, Connecticut.

Mercy Community Health, Inc. has a Board of Trustees of no more than 20 persons, of which at least five shall be Sisters of Mercy. Mercy Community Health was founded in 1997 to integrate the facilities and campus activities of Saint Mary Home, Mercyknoll, Mercy Community Home Care Services and The McAuley on its campus in West Hartford.

Effective July 1, 2014, Mercy Community Health became a member of Trinity Continuing Care Services, doing business as Trinity Senior Living Communities, an affiliate of Trinity Health.. Trinity Health is a multi-institutional Catholic health system sponsored by Catholic Health Ministries to strengthen the role and identity of the Roman Catholic Church. The organization of Mercy Community Health, Trinity Continuing Care Services, and Trinity Health does not change the existing contractual obligations between The McAuley and its residents and will have no impact on the liabilities or assets of current or future residents of The McAuley.

1. **NAME AND ADDRESS OF PROVIDER**

A Connecticut non-stock, non-profit corporation, McAuley Center, Inc. (dba The McAuley) is located at 275 Steele Road, West Hartford, Connecticut 06117-2716.

2. **OFFICERS AND TRUSTEES**

The Officers of the Corporation, McAuley Center, Incorporated, shall consist of the President, the Vice President, the Secretary and the Treasurer (Attachment A).

The Board of Trustees of Mercy Community Health shall consist of not fewer than five nor more than 20 individuals, at least five of which shall be Sisters of Mercy, Northeast Regional Community (former Sponsor).

3. **BUSINESS EXPERIENCE**

The Board of Trustees of Mercy Community Health represents a broad range of interests and expertise to include: administration, architecture, law, human resources, finance, insurance, construction, development, health care, public relations and gerontology. Management of the day-to-day operations of The McAuley rests with the Executive Director directed by the President/Chief Executive Officer of Mercy Community Health.

4. **JUDICIAL PROCEEDINGS**

Not any among The McAuley, its Officers, Management Staff or the Board of Trustees of Mercy Community Health described in Attachment A of this disclosure statement has been convicted of a felony or pleaded nolo contendere to a felony charge, nor held liable or enjoined in a civil action by final judgment, if the felony or civil action involved fraud, embezzlement, fraudulent conversion or misappropriation of property; nor is subject to a currently effective injunction or restrictive or remedial order of a court of record, and within the past five years has not had any state or federal license or permit suspended or revoked as a result of an action brought by a governmental agency or department, rising out of or relating to business activity or health care, including but not limited to actions affecting the operation of a foster care facility, nursing home, retirement home, home for the aged, or any facility subject to sections 17-535 to 17-550 inclusive of the Connecticut General Statutes, or a similar statute in another state or country.

5. **AFFILIATION - TAX EXEMPT STATUS**

The Sponsor, a Public Juridic Person of the Holy Roman Catholic church, has no financial or other legal responsibility with regard to the operations of McAuley Center, Incorporated.

The provider is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.

6. **LOCATION AND DESCRIPTION OF PROPERTY**

The McAuley is located on a 15 plus acre tract of land in West Hartford, Connecticut, owned by The Sisters of Mercy of the Americas, Northeast Community. The site is immediately adjacent to Saint Joseph College and Saint Mary Home, with the land for all three institutions comprising 100 plus acres.

The McAuley contains 208 independent living units consisting of studio, one-bedroom and two-bedroom apartments and 20 assisted living units consisting of studio and one-bedroom apartments. The project totals approximately 335,000 square feet, which includes 74,010 square feet of

common/support space.

7. **BENEFITS - THE RESIDENCY AGREEMENT**

Section IV of the October 2007 Residency Agreement (Attachment B-2) describes the goods and services to be provided to residents of The McAuley without any additional charge, including nursing care and other health related benefits. These Sections also describes those goods and services that are available at an additional cost.

Article I of the November, 2007 Assisted Living Residency Agreement (Attachment B-3) describes the goods and services to be provided to assisted living residents of The McAuley without any additional charge as well as those services available for an additional charge, including nursing care and other health related benefits. Exhibit 3 of the Assisted Living Residency Agreement describes the schedule of charges for additional services for residents with this Agreement.

Section IV of the Residency Agreement Without Long Term Care Coverage, Residency Agreement with 60 Days Long Term Care Coverage and of the Residency Agreement With One Hundred Fifty Days Long Term Care Coverage (Attachments B-4, B-5 and B-6 respectively) describes the goods and services to be provided to residents of The McAuley without any additional charge and those goods and services available at an additional cost. The McAuley has a contractual relationship with Saint Mary Home, a 353 bed multi-level health care facility, to provide nursing and other therapeutic services for The McAuley residents (Attachment C).

8. **INTEREST ON DEPOSITS**

The Residency Agreement describes the payment of a 10% deposit of the total entrance fee at the time the resident signs the document. The interest earned on this deposit inures to the benefit of The McAuley. (Section III. B. of the 2007 agreement as provided in Attachment B-2 and Section III. B of the 2008, 2009, and 2012 Agreements in Attachments B-4 , B-5 and B-6.

The Assisted Living Residency Agreement describes the payment of a security deposit equal to one month's rental at the time the resident signs the document. The interest earned on this security deposit inures to the benefit of the resident (Attachment B-3).

9. **TERMINATION OF CONTRACT**

The Residency Agreement describes the conditions under which the contract may be terminated, whether before or after occupancy, by the Provider or by the resident. (Section V of the 2007 Agreement in Attachment B-2 and Section V of the 2008, 2009 and the 2012 Agreements in Attachments B-4 , B-5 and B-6).

The resident may appeal termination of the Residency Agreement for non-medical reasons by writing to the Executive Director and Chairperson of the Board of Trustees of Mercy Community Health, who will respond in writing. Termination for medical reasons may be appealed in writing by the residents personal physician to The McAuley's Executive Director and The McAuley's Medical Director, who will respond in writing.

The Assisted Living Residency Agreement describes the conditions under which the Agreement may be terminated, whether before or after occupancy, by The McAuley (We, Us or Our) or by the Resident (You) (Article VI in Attachment B-3).

10. **RIGHTS OF SURVIVING SPOUSE**

The Residency Agreement sets forth the rights of a surviving spouse who is a resident of the facility, as well as the rights of a surviving spouse who is not a resident. (Section VI of the 2007 Agreement in Attachment B-2 and in Section VI of the 2008, 2009, and the 2012 Agreements in Attachments B-4, B-5 and B-6).

The Assisted Living Residency Agreement sets forth the rights of a surviving resident, should one resident die (Article VI. Section D & E in Attachment B-3).

11. **MARRIAGE OF A RESIDENT**

The Residency Agreement covers the effect of a resident's marriage to another resident. If the resident marries an individual who is not a resident, and that individual wishes to reside at the facility and receive the benefits included in the continuing care contract, the individual must comply with the admission requirements covered in the Residency Agreement and pay the second person entrance fee and second person monthly maintenance fee. (Section VI. C of the 2007 Agreement in Attachment B-2 , Section VI.-C of the 2008, 2009, and the 2012 Agreement in Attachments B-4, B-5, and B-6).

The Assisted Living Residency Agreement does not cover the effect of a resident's marriage to another resident.

12. **DISPOSITION OF PERSONAL PROPERTY**

The Residency Agreement covers the disposition of a resident's personal property in the event of death or permanent transfer to a nursing facility, or termination of the contract by the Provider. (Section X of the 2007 Agreement in Attachment B-2 and Section X of the 2008, 2009 and the 2012 Agreement in Attachments B-4, B-5 and B-6).

The Assisted Living Residency Agreement covers the disposition of a resident's personal property in the event of death or termination of the Agreement (Article VI. H. in Attachment B-3).

13. **TAX CONSEQUENCES**

Payment of an entrance fee pursuant to a continuing care contract may have significant tax consequences. Any person considering such payment may wish to consult with a qualified advisor.

Part B - Financial Disclosures

14. **ESCROW ACCOUNTS**

ENTRANCE FEE ESCROW ACCOUNT

The McAuley maintains an entrance fee escrow account with People's Bank, 962 Farmington Avenue, West Hartford, CT 06107, and deposits within 72 hours of receipt each entrance fee or

portion of an entrance fee from or on behalf of a resident. Entrance fees on deposit with the Escrow Agent are invested in interest bearing accounts (Attachment D). Any interest inures to the benefit of The McAuley.

RESERVE FUND ESCROW ACCOUNT

The McAuley maintains a reserve fund investment management agreement with People's Bank sufficient to cover: (1) the total cost of operations of The McAuley facility for a one month period, excluding interest, depreciation, and amortization. (Attachment E)

15. **FINANCIAL STATEMENTS**

Audited financial statements of the parent organization, CHE Trinity Health, Inc. for the period ended June 30, 2014 and June 30, 2013 are included within this filing. These include Balance Sheets, Statements of Operations, Statements of Changes in Net Assets, and Statements of Cash Flows. Our organizations have elected a year-end of June 30th and therefore have not audited the December 31, 2014 period. Included with the audited financial statements for CHE Trinity Health, Inc. are the Supplementary Condensed Consolidating Schedules of Mercy Community Health for the June 30, 2014 year end. (Attachment F)

16. **PRO FORMA STATEMENTS OF OPERATIONS**

The pro forma statements of operations for The McAuley for the next five fiscal years are contained in Attachment G. Operating projections show a continual increase in net income as occupancy remains constant and operating costs are closely monitored.

17. **ENTRANCE FEES/PERIODIC CHARGES**

A copy of the entrance fee and monthly service fee schedule for The McAuley is included as Attachments I-1, I-2, I-3 and I-4. A schedule of entrance fees and monthly service fees for the past five years is included as Attachment J.

A copy of the monthly rental fees for assisted living apartments at The McAuley is included as Attachment I-5. A schedule of monthly fees for prior years is included as Attachment J.

18. **PREPAID OBLIGATIONS-ACTUARIAL VALUE**

The total actuarial value of future health care obligations assumed by the Provider as calculated on an actuarially sound basis using reasonable assumptions for mortality and morbidity is contained in Attachment K.

19. **DEPARTMENT OF SOCIAL SERVICES FILINGS**

The McAuley has submitted to the State of Connecticut, Department of Social Services, Elderly Services Division, all materials that it understands are necessary to file, including a Disclosure Statement and Residency Agreement, which are required for compliance with State regulations on the management of continuing care facilities. These materials are available for review at:

State of Connecticut
Department of Social Services
55 Farmington Avenue
Hartford, Connecticut 06105

ATTACHMENT A

OFFICERS OF McAULEY CENTER, INCORPORATED

as of December 31, 2014

William J. Fiocchetta, President

Sister Maureen Reardon, Vice-President

Steven D. Beaulieu, Secretary and Treasurer

BOARD OF TRUSTEES OF MERCY COMMUNITY HEALTH, INCORPORATED

Name and Title (Trustee unless otherwise noted)

Barbara Mullen, C.S.J.

Camille Alvarado, DO

Dalia Giedrimiene, MD

David Harris

Frederic W. Baker, II

Jean McGinty, RSM, RN

John Capasso (*Ex-officio*)

Margaret Farley, RSM

Mark D. Walker (*Board Chair*)

Patricia Cook, RSM

Patrick J. Johnson, Jr. (*Board Vice-Chair*)

Peter Murphy

Richard L. ZuWallack, MD

Susan Keefe, RSM

William J. Fiocchetta (*Ex-officio*)

ATTACHMENT B

RESIDENCY AGREEMENTS

(See Separate Documents)

1. Pre-Residency Agreement ó October 1, 2007
2. Residency Agreement ó October 1, 2007
3. Assisted Living Residency Agreement - November, 2007
4. Residency Agreement Without Long Term Care Coverage ó January 1, 2008
5. Residency Agreement With Sixty Days Long Term Care Coverage ó February 1, 2009
6. Residency Agreement With One Hundred Fifty Days Long Term Care Coverage ó January 1, 2012

RESIDENCY AGREEMENTS

(See Separate Documents)

1. Pre-Residency Agreement – October 1, 2007
2. Residency Agreement – October 1, 2007
3. Assisted Living Residency Agreement - November, 2007
4. Residency Agreement Without Long Term Care Coverage – January 1, 2008
5. Residency Agreement With Sixty Days Long Term Care Coverage – February 1, 2009
6. Residency Agreement With One Hundred Fifty Days Long Term Care Coverage – January 1, 2012



PRE-RESIDENCY AGREEMENT

275 Steele Road, West Hartford, Connecticut 06117-2716
Telephone (860) 920-6300 Facsimile (860) 232-4077

PRE-RESIDENCY AGREEMENT

This Pre-Residency Agreement (the "Agreement") is entered into this ____ day of _____ between McAuley Center, Incorporated, a Connecticut non-stock corporation ("McAuley" or "The McAuley" or "Provider"), and _____, a prospective McAuley Prospective Resident ("Prospective Resident"). (If two persons sign this Agreement, "Prospective Resident" shall apply to both Prospective Residents, jointly and severally.)

PREAMBLE

The McAuley, a non-profit, tax-exempt corporation, is a continuing care retirement community sponsored by the Sisters of Mercy of Connecticut, managed by Mercy Community Health, and is part of Catholic Health East. It is located at 275 Steele Road, West Hartford, Connecticut. The McAuley is registered as a Managed Residential Community ("MRC") in Connecticut.

The McAuley considers all applications for residency without regard to race, creed, color, sex, religion, disability, national origin or ancestry, marital or familial status and lawful sources of income, and affords equal treatment and access to all its residents.

I. APPLICATION PROCESS

A. Once Prospective Resident has accepted the available apartment (Apartment Acceptance), Prospective Resident must secure this commitment with an Entrance Fee Deposit. The Entrance Fee Deposit for each apartment is \$10,000.

B. The Entrance Fee Deposit will be payable within two (2) business days of Prospective Resident accepting the available apartment. A current copy of the Disclosure Statement will be given to Prospective Resident when the Entrance Fee Deposit is collected. Provider will retain any interest earned on the Entrance Fee Deposit.

C. As part of the Application Process and within ten (10) business days of the Apartment Acceptance (see Section I. B.), Prospective Resident is required to provide a confidential financial disclosure to Provider. This financial disclosure is maintained with the Prospective Resident's Pre-Residency Agreement.

D. As part of the Application Process and within thirty (30) business days of the Apartment Acceptance (see Section I. B.), Prospective Resident is required to provide a confidential, comprehensive medical history prepared by Prospective Resident's primary care physician. This medical history is maintained with the Prospective Resident's Pre-Residency Agreement.

E. As part of the Application Process, Provider reserves the right for Provider's representative(s) to visit Prospective Resident in Prospective Resident's home. The purpose of this visit will be to determine Prospective Resident's ability to live independently while at McAuley.

F. If applicable based on Resident Agreement type and upon receipt of the medical history and financial disclosure, Provider will schedule an appointment for Prospective Resident

with McAuley's Medical Director, a Board certified geriatrician. Provider's Medical Director will meet with Prospective Resident to review the Prospective Resident's medical history and to conduct a medical evaluation of the Prospective Resident.

II. ADMISSION PROCESS

A. Upon receipt of the financial disclosure, medical history, notes from the in-home visit (if applicable), and the medical evaluation conducted by Provider's Medical Director (if applicable), the Provider's Entrance Committee will meet to review the Prospective Resident's Application. Membership on the Entrance Committee is determined by McAuley's Executive Director. The decision of the Entrance Committee is final.

B. In the event that the Prospective Resident's Application is accepted, Prospective Resident will be notified of this decision in writing. The Letter of Acceptance will notify Prospective Resident of medical exclusions, if applicable and if any are noted, that will be added to the Residency Agreement in the form of an Addendum. The Letter of Acceptance will specify the Prospective Resident's Occupancy Date.

C. The Occupancy Date will be the 60th day following Prospective Resident's receipt of the Letter of Acceptance. Prospective Resident may choose to occupy the apartment prior to the Occupancy Date.

D. In the event that Prospective Resident elects not to accept the available apartment after receipt of the Letter of Acceptance, the Entrance Fee Deposit, minus an administrative fee of \$500, will be refunded within five (5) business days upon Provider's receipt of written notification of Prospective Resident's decision not to accept the available apartment.

E. In the event that Prospective Resident's Application is declined, the Entrance Fee Deposit, minus an administrative fee

of \$250, will be refunded within five (5) business days.

III. OCCUPANCY PROCESS

A. Before the Occupancy Date, as specified in Sections II. C., Prospective Resident and Provider will execute a Residency Agreement and, if applicable, any Addendum related to the Prospective Resident's Residency Agreement.

B. The balance of the Entrance Fee is payable to Provider at the time that the Residency Agreement is executed.

C. Once the Residency Agreement is executed, but at least 30 days prior to the Occupancy Date, Prospective Resident may request an extension of the Occupancy Date. Such request should be made in writing to McAuley's Executive Director. The decision of the Provider is final.

D. During the period of time prior to the Occupancy Date, Provider's representatives will assist Prospective Resident with preparations for Prospective Resident's move to McAuley. Provider's representative will assist Prospective Resident with various logistical issues related to the move and subsequent occupancy. In addition, Provider's representative will provide additional support including, but not limited to, visits in the Prospective Resident's home, orientation to programs and services at McAuley, and general assistance with respect to the occupancy process.

IV. TERMINATION OF AGREEMENT

A. Prospective Resident may rescind this Agreement at any time and for any reason by giving written notice to Provider (see Section V. B.). An administrative fee will be deducted from any deposit already made to Provider as applicable and as

outlined in Sections II. D. and II.E.

B. If Prospective Resident is unable to occupy the apartment due to Prospective Resident's death or due to illness, injury or incapacity, the Agreement shall terminate upon written notice to Provider. An administrative fee of \$250.00 will be deducted from any deposit already made to Provider as outlined in Sections and II. E.

C. Provider may rescind this Agreement at any time and for any reason by giving written notice to Prospective Resident (see Section V. B.). Some possible reasons may include, but not be limited to:

1. A misrepresentation on Prospective Resident's financial disclosure;
2. A disposition of Prospective Resident's assets that, in the judgment of Provider, materially impairs Prospective Resident's ability to pay future monthly service fees;
3. A decline in Prospective Resident's medical and/or cognitive condition that, in the judgment of Provider, impairs Prospective Resident's ability to live independently.

V. MISCELLANEOUS

A. Prospective Resident represents and warrants that all information that Prospective Resident has submitted or will submit to Provider, including but not limited to the Application and financial statements, is true and complete. Prospective Resident understands and acknowledges that Provider is relying on the accuracy of such information.

B. All written notices required by this Agreement must be sent via registered or certified mail and be addressed as follows:

1. If to Prospective Resident, to Prospective Resident's most current address according to Provider's records;
2. If to Provider, to the attention of the Executive Director, The McAuley located at 275 Steele Road, West Hartford, CT 06117.

Registered or certified mail shall be deemed issued when delivered or when acceptance is refused.

C. The failure of Provider in any one or more instances to insist upon strict compliance by Prospective Resident with any of the terms of this Agreement shall not be construed to be a waiver by Provider of such term(s) or of the right to insist upon strict compliance by Prospective Resident with any of the other terms of this Agreement.

D. This Agreement, including all exhibits, constitutes the entire agreement between Provider and Prospective Resident. Provider is not liable for nor bound in any manner by any statements, representations or promises made by any person representing or proposing to represent Provider unless such statements, representations, or promises are set forth in the Agreement.

E. No amendment of this Agreement will be valid unless

executed in writing by both Provider and Prospective Resident. The invalidity of any restriction, condition or other provision of this Agreement will not impair or affect in any way the validity or enforceability of the remainder of this Agreement. This Agreement will be interpreted according to the laws of the State of Connecticut.

F. The MRC (The McAuley) will comply with all municipal, state and federal laws and regulations regarding consumer protection and protection from financial exploitation. If the Prospective Resident enters into a continuing care agreement, The MRC will afford the resident all rights and privileges under Connecticut General Statutes 17b-520 et seq. and any other applicable laws. If the Prospective Resident is entering into a rental agreement, the MRC will afford the Prospective Resident all rights and privileges under landlord tenant law, title 47a of the Connecticut General Statutes.

G. The provisions of this Agreement may be modified by Provider by providing written notification of such changes to Prospective Resident. Such changes shall be provided at least thirty (30) days in advance of the effective date.

H. This Agreement becomes valid when executed by both parties and when the Entrance Fee Deposit is placed with Provider. This Agreement remains in force until the earlier of:

1. Prospective Resident's Occupancy Date; or
2. Terminated by Prospective Resident; or
3. Terminated by Provider.

Executed at West Hartford, Connecticut on this _____ day of _____, 20____.

PROSPECTIVE RESIDENT(S):

THE PROVIDER:

McAuley Center, Inc., a Connecticut not for profit corporation

(Signature)

By: _____
Its: Executive Director

(Printed Name)

(Signature)

(Printed Name)

APARTMENT TYPE SELECTION

According to the terms of this Agreement, Prospective Resident is encouraged to select the type of Apartment that Prospective Resident will consider for future occupancy at The McAuley.

Apartment Type Preferred

- ___ Studio Apartment
- ___ One Bedroom Apartment
- ___ One Bedroom Deluxe Apartment
- ___ Two Bedroom Apartment
- ___ Executive Apartment



RESIDENCY AGREEMENT

275 Steele Road, West Hartford, Connecticut 06117-2716
Telephone (860) 920-6300 Facsimile (860) 232-4077

THE MCAULEY
RESIDENCY AGREEMENT

This Residency Agreement (the "Agreement") is entered into this ____ day of _____ between McAuley Center, Incorporated, a Connecticut non-stock corporation ("The McAuley" or "Us" or "We" or "Our"), and _____ ("Resident" or "You"). This Agreement applies to Apartment _____, a ____ bedroom Apartment (the "Apartment"). (If two persons sign this Agreement, "Resident" or "You" shall apply to each of you individually and both of you together.)

PREAMBLE

The McAuley, a non-profit, tax-exempt corporation, is a continuing care retirement community sponsored by the Sisters of Mercy of Connecticut, managed by Mercy Community Health, and is part of Catholic Health East. It is located at 275 Steele Road, West Hartford, Connecticut. The McAuley is registered as a Managed Residential Community ("MRC") in Connecticut.

I. BASIC AGREEMENT

A. You agree to pay the Entrance Fee, Monthly Service Fee and any additional fees specified in Section III. of this Agreement. In exchange for such payments, you will have the right, subject to the terms of this Agreement, for your lifetime to occupy the Apartment and to have access to General Services at The McAuley set forth in Section IV. A. and B. of this Agreement. In addition, as set forth in Section IV. C. of this Agreement, you will have the right, subject to the terms of this Agreement, to Skilled Nursing Services available at Saint Mary Home, (skilled nursing facility located adjacent to us), or at such other skilled nursing facilities as may be acceptable to you and us.

B. You have completed the Application and Admission process and have executed a Pre-Residency Agreement that is incorporated by reference into this Agreement.

C. Your Occupancy Date was specified by us in your Letter of Acceptance. This Agreement must be executed by both you and us prior to the Occupancy Date. The balance of the Entrance Fee will be payable to us at the time this Agreement is executed by both you and us. You shall not be required to move in to the Apartment before the expiration of thirty (30) days from the execution of this Agreement.

D. Following the execution of this Agreement, but at least thirty (30) days prior to the Occupancy Date, you may request an extension of the Occupancy Date. Such request should be made in writing to us (see Section XI. J). Our decision is final.

II. ACCOMMODATIONS AT THE COMMUNITY

A. Alterations

Any physical alteration of the Apartment by you requires the prior written approval by us. Such alterations shall be at your expense, and must be performed by craftsmen approved by us. Upon death or termination of occupancy of you (or the second person if there are two people in the Apartment), we, in our sole discretion, may return the Apartment to its condition prior to such alterations, and all costs for this restoration incurred by us will be charged to you or your estate.

B. Access

You agree that we and our employees and agents shall have the right, at all reasonable times, subject to our policy described below regarding housekeeping, maintenance and laundry services, to enter your Apartment for purposes of management, housekeeping, maintenance, health services, enforcement of applicable laws and regulations, emergency purposes, or any other reasonable purpose. Our policy is that at least one of you must remain in the Apartment while housekeeping, maintenance and laundry services are provided, unless you waive this policy in writing by executing an Environmental Services Waiver.

C. Property Protection and Insurance

We will not be responsible for the loss of any of your personal property due to any cause other than our gross negligence. You agree to indemnify us for any loss or damage to our personal property and for any injury or damage to others or to the property of others resulting from the acts, omissions,

negligence or fault of you or your guests and invitees. You shall maintain both personal liability and personal property insurance coverage in accordance with our rules and regulations and shall provide us with a copy of that policy or proof of purchase, upon our request.

D. Moving Expenses

You will be responsible for all moving expenses associated with your move into and out of The McAuley. In the event that you transfer Apartments during your occupancy at The McAuley, you will be responsible for all moving expenses associated with such a transfer. In the event that you, upon meeting the terms set forth by us for carpet replacement and re-painting, should request that we provide carpet replacement and repainting for the Apartment, you will be responsible for all moving expenses associated with these services.

III. FINANCIAL ARRANGEMENTS

A. Contract Type

We offer two (2) different contract options. The contracts differ only with respect to the Entrance Fee amount and the Terms of the Entrance Fee Refund. The two plans are described below.

_____ **Standard Refund Plan:** You pay a standard Entrance Fee based on Apartment type. At the time that the Agreement is terminated, you or your Estate (or the estate of the last surviving Resident if there are two of you) may be entitled to a refund of two-thirds of the Entrance Fee. Any interest earned on the Entrance Fee will be retained by us.

(Your initials on the line next to "Standard Refund Plan" indicates your choice of this Contract.)

OR

_____ **Zero Refund Plan:** You pay a reduced Entrance Fee based on Apartment type. During the first fifty (50) months from the Occupancy Date, there will be a refund of the Entrance Fee paid, without interest, less two percent (2%) of that amount for each full month that you occupied the Apartment. After fifty (50) months, there will be no refund issued.

(Your initials on the line next to "Zero Refund Plan" indicates your choice of this Contract.)

B. Entrance Fee

The Entrance Fee for the Apartment is \$_____. You paid a \$10,000 Entrance Fee Deposit prior to the execution of this Agreement. The balance of the Entrance Fee is payable in full on the date this Agreement is executed. The Entrance Fee will be held in escrow and released pursuant to Connecticut law. Any interest earned on the Entrance Fee Deposit will be retained by us.

C. Monthly Service Fees

The "Monthly Service Fee" for one person in the Apartment is \$_____, and for a second person is \$_____. You agree to pay the Monthly Service Fee beginning on the Occupancy Date (prorated for the actual number of days from the Occupancy Date to the end of the month in which the Occupancy Date occurs) and each month thereafter.

D. Adjustments

The amount of the Monthly Service Fee is your share of our estimated monthly cost to operate The McAuley. The Monthly Service Fee may be adjusted from time to time, at our discretion, upon at least sixty (60) days prior written notice to you, to reflect changes in those costs. We will limit such adjustments to amounts necessary to maintain the financial stability of The McAuley. You agree to pay the adjusted Monthly Service Fee.

E. Additional Fees

In addition to the Monthly Service Fee, you will pay our fees for any Optional Services (as defined in Section IV. B. below) rendered at The McAuley. The fees for Optional Services as of

the date this Agreement is executed are set forth in the Fee Schedule attached as Exhibit 1. We may, from time to time, adjust fees for any Optional Services at our discretion.

E. Monthly Statement

Upon occupancy, we will issue monthly statements to you by the tenth of each month requiring payment of the Monthly Service Fee plus fees for any Optional Services defined in Section IV. B. of this Agreement. Payment will be due within ten days of receipt of the monthly statement. Any outstanding amounts owed to us ten (10) days after the due date will be charged a late fee of 1.5% per month until the amount owed is paid in full. If you fail to pay the amounts charged under the terms of the Agreement and we must refer the account to an attorney or collection agency, you agree to pay all charges, expenses, court costs and attorneys fees incurred by us, not to exceed any lawful limits.

G. Transfers

In the event that you temporarily transfer to any licensed care facility, including a licensed skilled nursing facility and this Agreement is not otherwise terminated, you will continue to be obligated to pay the Monthly Service Fee to us and your Apartment will be held as provided in Article IV, Paragraphs C and D.

H. Surviving Resident

If this Agreement is executed by two of you and either one dies, effective on the first day of the month following the death, the surviving Resident will be obligated to pay the Monthly Service Fee for single occupancy in the Apartment.

I. Personal Obligations

We shall not be liable or responsible for any expenses, debts, or other obligations incurred by you on your own account, nor shall we be obligated to furnish, supply, or give you any support, maintenance, board or lodging while you are absent from The McAuley, except as may be provided in this Agreement.

J. Health Insurance

If you are sixty-five (65) years of age or older, you agree to enroll in and be covered by, at your own expense, Medicare Part A, Part B, and Part D, or equivalent insurance coverage acceptable to us under a public or private insurance plan. In addition, you agree to enroll in and be covered by a supplemental insurance policy to pay Medicare co-insurance and deductible amounts. If you are less than sixty-five (65) years of age, you will enroll in and be covered by medical insurance coverage equivalent to the coverage provided under Medicare Part A and Part B.

You agree to provide proof of insurance coverage upon our request.

Any amounts paid or owing to you from federal, state, municipal, private, or supplemental insurance plans for services rendered to you by us shall be paid to us. You agree to diligently obtain all reimbursements, payments, proceeds or other benefits available under such plans or programs, and authorize us to take such action as may be required to obtain and recover same. Any insurance proceeds received by us in excess of the cost of such services shall be paid to you, or in the event of your death, to your estate.

K. Financial Requirements for Residency

As part of the Application and Admission Process, you completed a financial disclosure. Your Financial Disclosure is attached to this Agreement. You agree that as a condition of continued residency at The McAuley, you will provide on an annual basis or as requested by us, an update of all information contained in the Financial Disclosure on forms that will be given to you by us.

You agree to make all reasonable efforts to conserve your financial resources in order to enable you to meet your financial obligations under this Agreement.

IV. GENERAL SERVICES

A. Services Included in Monthly Service Fee

These services and amenities are included in the Monthly Service Fee:

1. Services:

- a. Normal repair and maintenance of the Apartment appliances that are provided by us.
- b. All utility expenses, except cable TV and telephone charges.
- c. Town of West Hartford real estate taxes.
- d. Property and building insurance. (Such insurance does not cover your personal liability and Apartment furnishings. See Section II.)
- e. Trash removal from designated areas in accordance with environmental waste management laws and regulations.

2. Amenities:

- a. Full kitchen facilities, including electric range, refrigerator/freezer, and garbage disposal.
- b. Individually controlled heating and air conditioning.
- c. Sheer Window Treatments.
- d. Emergency-alert system with call switches in each bedroom and bathroom of Apartment.
- e. Smoke detector and sprinkler system in each Apartment.

- f. Automatic washers and dryers located on each floor for personal laundry.
- g. Apartment is pre-wired for telephones and cable television.
- h. Individual mailboxes located in the "A" Building.
- i. Assigned uncovered parking space for one car.
- j. Storage bin.

3. Dietary Services:

- a. Continental breakfast and your choice of lunch or dinner daily with waited table service in the dining room.
- b. To the extent reasonably possible, food selection will be made available to all residents in order to accommodate physician ordered dietary restrictions.
- c. Medically authorized tray service for meals when ordered by the Supervisor of Assisted Living Services Agency of Mercy Community HomeCare, our Director of Resident Services or his/her Designee.

4. Housekeeping and Laundry Services:

- a. General cleaning of Apartment every other week.
- b. Bed and bath linens.
- c. Weekly laundry service for bed and bath linens.

5. Transportation Services:

- a. Scheduled, local transportation services to shopping, banking, medical appointments and religious services.

6. 24-Hour Services:

- a. 24-hour concierge service, located in the A Building.
- b. 24-hour health staff service.
- c. 24-hour in Apartment emergency response system.

7. Social and Recreational Activities

8. Building and grounds maintenance and custodial service:

- a. Maintenance of all community buildings, common areas and grounds, including lawns, walkways and driveways.
- b. All necessary repairs, maintenance and replacement of community property and equipment located in your Apartment, in accordance with the Resident Handbook.

9. Health Promotion and Care Management Services:

- a. Mercy Community HomeCare by our request will assist you in obtaining physician referrals and ancillary medical services and will provide Health Promotion Services that include Client Teaching, Wellness Counseling, Apartment/Office Visits, Blood

Pressure Checks, Care Management and Coordination of health services by a Registered Nurse.

B. Optional Services (available at additional expense to Resident-See Fee Schedule attached as Exhibit 1)

1. Additional meals not included under Dietary Services described in Section IV. A. 3.
2. Well spouse/friend tray service.
3. Guest accommodations and meals.
4. Additional housekeeping, maintenance and custodial services not included in Sections IV. A.1., IV. 4., and IV. A. 8.
5. Beauty Salon/Barber Shop Services.
6. Parking space for additional car, when available.
7. Expenses incurred by us on your behalf that are not included in the scope of services as described in Section IV. A. above.
8. Access to health services in addition to those described in Section IV. A. 9. above, including Medicare reimbursable services through a licensed home health care agency and assistance with transfers to nursing homes and hospitals.
9. Assisted Living Services provided by Mercy Community HomeCare to those who reside in an independent living Apartment and who have a chronic and stable condition which necessitates assistance with some activities of daily living, but who do not require skilled nursing care: Assistance with bathing, dressing, exercising, grooming, meal

preparation, medication dispensation and administration, mobility, self-medicating, toileting and transferring, transportation, as well as routine services for which a fee for supplies only applies such as Glucose Monitoring. In the event you transfer to an Assisted Living unit at The McAuley, Section VII of this Agreement shall apply, and a separate agreement shall be executed by you for residence in the Assisted Living Unit.

C. Skilled Nursing Services

1. **Temporary Placement:** During your temporary stay in a skilled nursing facility, including Saint Mary Home, your right to occupy the Apartment will continue and you will continue to pay the Monthly Service Fee. Expenses incurred by you while temporarily placed in a skilled nursing facility shall be your obligation.

2. **Permanent Placement:** We will be responsible for the cost of skilled nursing care in a licensed, skilled nursing facility once all of the following criteria have been met:

- a. You, or your legal representative, have notified us, in writing, that your placement in the skilled nursing facility is permanent; and,
- b. Your primary care physician has certified in writing that the permanent placement is medically necessary; and,
- c. You vacate your living unit at The McAuley as defined in Section X.

3. You have a preferred access agreement with Saint Mary Home for the provision of skilled nursing services for

residents of The McAuley. You may be permanently admitted to Saint Mary Home, or another licensed, skilled nursing facility based on an order from your personal physician after consultation with you, your family or legal representative and our representative. Accommodations in a skilled nursing home will be in a semi-private room. If you choose a permanent placement at Saint Mary Home and no bed is available, we will arrange for you to be placed in a skilled nursing facility in the area, reasonably acceptable to both you and us, until a bed becomes available at St. Mary Home.

4. During your permanent stay in a skilled nursing facility, including Saint Mary Home, you will continue to pay the Monthly Service Fee.

5. If you are permanently placed in a skilled nursing facility, we will be responsible for the lesser of (i) the per diem semi-private rate at Saint Mary Home, or (ii) the per diem rate for a semi-private room at the actual skilled nursing facility used by you, not to exceed \$200 per day. All your other expenses incurred while in a skilled nursing facility shall be your obligation. If you should become eligible for a Medicare benefit or for benefits payable from your personal long term care insurance instrument, the proceeds from Medicare or your long term care insurance or other insurance will be applied, if applicable, to the semi-private room rate. You will be responsible for charges for all services and items provided at the skilled nursing facility in excess of those paid from Medicare or other insurance for non-covered items and services including personal expenses.

6. In the event that you receive services at St. Mary Home, we will advance to St. Mary Home the monthly fees that correspond to the semi-private room rate. If you choose another skilled nursing facility, you will be responsible to pay all monthly charges to the skilled nursing facility. Upon providing us with

proof of payment for the skilled nursing services, we will reimburse you for the semi-private room rate as described in Section IV. C. 5.

7. The long term care coverage (as described in Section IV. C.) offered to Residents of The McAuley who are permanently placed in a skilled nursing facility can only be applied after you have been discontinued from coverage under the Medicare program and the provisions of Section IV. C. 2. have been met.

8. All permanent placement decisions will be reviewed by our Medical Director.

D. Hospitals and Other Health Care Services

We will not provide, pay for, or indemnify you for hospital, physician, ambulance, surgical, home health care services, or for drugs, medical supplies, x-rays, laboratory and other diagnostic tests, eyeglasses or refractions, hearing aides, dentistry, dentures, inlays, orthopedic appliances, private duty nursing care, podiatric services, physical therapy, treatment for psychiatric disorders, alcoholism, or similar items or services.

In the event you are temporarily absent from The McAuley due to hospitalization, your right to occupy the Apartment will continue and you will remain responsible for payment of the Monthly Service Fee.

E. Private Duty Care

In the event you wish to employ outside caregivers, companions, private duty aides or other personnel to provide services to you, you shall notify us. You are required to execute additional documents prior to employing such outside caregivers, companions, private duty aides or other personnel.

V. TERMINATION OF AGREEMENT

A. Termination by Resident

1. Prior to Occupancy

- a. You may terminate this Agreement for any reason up to thirty (30) days after the execution of this Agreement by giving us written notice by registered or certified mail. We will refund to you all fees paid to you minus an administrative fee of \$250.00.
- b. If you (or both of you if there are two of you) die before the Occupancy Date, we will terminate this Agreement upon receipt of written notification from your legal representative. We will refund to your estate or representative all fees paid to us, minus an administrative fee of \$250.00.
- c. If you cannot occupy the Apartment on the Occupancy Date due to illness, injury or incapacity of you (or both of you if there are two of you), we will terminate this Agreement upon receipt of written notification from you or your legal representative by registered or certified mail. We will refund to you all fees paid to us minus an administrative fee of \$250.00.
- d. If for any reason the Apartment is not available for occupancy on the Occupancy Date, you may terminate this Agreement by giving us written notice by registered or certified mail. Upon termination of the Agreement, you will be paid, upon request, a full refund of the Entrance Fee, without interest, minus a \$250.00 administrative fee.
- e. If you fail to occupy the Apartment for any other

reason and at least thirty (30) days have passed since the execution of this Agreement, we will refund to you all fees paid to us minus an administrative fee of \$250.00.

2. After Occupancy

a. You may terminate this Agreement for any reason subsequent to the Occupancy Date by giving at least one hundred twenty (120) days advance written notice of the intent to terminate this Agreement and vacate the Apartment. Notice shall be sent to us by registered or certified mail (see Section XI. J.). The notice shall specify the date upon which you will vacate the Apartment; that date shall be no earlier than 120 days from date of notice. The actual date of termination will be the latest to occur of the date specified in the notice and the date that all of your personal property has been removed from the Apartment. You will be responsible for paying the Monthly Service Fee until the Apartment is vacated.

b. Subsequent to occupancy, upon your death, or the occurrence of an illness, hospitalization or injury, which precludes you from living at The McAuley:

- i. If you are the sole occupant of the Apartment, this Agreement will terminate when all of your personal property has been removed from the Apartment.
- ii. If this Agreement covers two of you, this Agreement will terminate as to the deceased or ill Resident who can no longer reside at The McAuley upon written notice of that Resident's death or notice of intent to move out. This Agreement shall remain in effect as to the surviving Resident with appropriate

adjustment of the Monthly Service Fee, as set forth in Section III. B. of this Agreement.

- iii. In the event of a Resident's death, the Resident's estate or family will only be responsible for payment of the Monthly Service fee for a period of time not to exceed fifteen (15) days following the date of death as long as the Resident's unit has been vacated and all of that Resident's personal property has been removed from the Apartment.

3. Entrance Fee refund procedures are set forth in Section VIII.

B. Termination by Us

We may terminate this Agreement upon the occurrence of any of the following events, by sending you a written notice:

1. Termination Prior to Occupancy Date

- a. A misrepresentation on your Financial Disclosure;
- b. A disposition of your assets that, in our judgment, materially impairs your ability to pay future monthly service fees;
- c. A decline in your medical and/or cognitive condition that, in our judgment, impairs your ability to live independently;
- d. You fail to pay the balance of the Entrance Fee when due.

2. Termination Subsequent to Occupancy for Non-Medical Reasons

If you default under this Agreement, we will give you written notice of your default. You will have thirty (30) days from date of such notice to cure the default. If the default is not cured within such thirty (30) day period, this Agreement will terminate. The following shall constitute your default:

- a. If we determine that information on the Application for Residency is erroneous or that any material facts affecting qualification for residency were not disclosed.
- b. If you (or either of you if there are two of you) fail to comply with our rules and regulations or the terms of this Agreement.
- c. If you (or either of you if there are two of you) create a situation detrimental to the health, safety or peaceful living of you, other residents or our staff as determined by us.
- d. If you make any disposition of your assets which, in our judgment, materially impairs your ability to pay the current or future Monthly Service Fee or other costs pursuant to this Agreement.
- e. If you fail to pay the Monthly Service Fee or other amounts owing to us within ten (10) days of the due date, unless other mutually satisfactory arrangements have been made. It is our intention that this Agreement shall not be terminated solely because of financial inability to pay the fees to the extent that: i) the inability to pay is not the result of the willful action of you; and ii) in our judgment, the financial viability of The McAuley will not be jeopardized by such failure to pay amounts due. In the event that you are unable to pay your Monthly Service Fee as

described above, The McAuley will assist you in finding alternative living arrangements that, in our assessment, will meet your needs.

During such time that we are assisting you to find alternative living arrangements, but not to exceed thirty (30) days, you will not be required to pay your Monthly Service Fee to The McAuley. Once, in our opinion, a suitable alternate living arrangement has been identified, the move out must occur within thirty (30) days. Moving expenses will be your responsibility.

We reserve the right to terminate this Agreement immediately without advance notice in the event a default under b. or c. of this subsection jeopardizes the health, safety or welfare of you or other residents of The McAuley.

3. Termination Subsequent to Occupancy for Medical Reasons

We may terminate this Agreement after occupancy, if you are in need of treatment and services for any condition for which we are not licensed or for which care is not customarily provided in The McAuley or a skilled nursing facility. If any of the above situations is determined to be temporary in nature, the Apartment will remain reserved for you and you will remain responsible for payment of the Monthly Service Fee. If it is determined that the situation is not temporary in nature, all our obligations and all of your rights in this Agreement will terminate as of the date of such determination; provided, however, that any right you may have to receive a refund of any portion of the Entrance Fee in accordance with Section VIII. and your obligations to make payments to us for any balance that accrued prior to the termination, will survive the termination.

4. Entrance Fee

Entrance Fees shall be refunded in accordance with Section VIII. of this Agreement.

VI. SPECIAL OCCUPANCY CIRCUMSTANCES

A. Death of a Resident

If two of you sign this Agreement and one of you dies, this Agreement shall remain in effect as to the surviving Resident.

B. Separation

1. If two of you sign this Agreement with the intention of residing in the same Apartment, and at a later date following occupancy you desire separate Apartments, one of you may remain in the Apartment and the other may transfer to another Apartment (subject to Our Internal Transfer Guidelines) upon payment of the then current Monthly Service Fees and Entrance Fee pertaining to that other Apartment. In addition, the Resident securing the second Apartment will be required to execute a new and separate Agreement. The Resident remaining in the Apartment will be obligated to pay the single occupancy Monthly Service Fee for that Apartment. There will not be a refund of any portion of the original Entrance Fee paid by both parties for the original Apartment at that time. The refund provisions of this Agreement will apply with respect to the Resident remaining in the Apartment and the refund provisions of the new Agreement will apply with respect to the Resident moving to the new Apartment.

2. If two of you sign this Agreement with the intention of residing in the same Apartment, and at a later date following occupancy you both choose to reside in different Apartments, you both may transfer, subject to Apartment availability (refer to our Internal Transfer Guidelines) upon payment of the then current Monthly Service Fees and Entrance Fee pertaining to the new Apartments. In addition, you both will be required to execute new and separate Agreements. There will not be a refund of any portion of the original Entrance Fee paid by both of you for the

original Apartment at that time. The refund provisions of the new Agreements will apply with respect to both of you.

3. If two of you sign this Agreement with the intention of residing in the same Apartment, and at a later date following occupancy one of you desires to leave The McAuley permanently for another residence, then the Resident leaving The McAuley will surrender all rights under this Agreement (see Termination by Resident). The remaining Resident will retain all rights as a Resident and will pay the single occupancy Monthly Service Fee for the Apartment. There will not be a refund of any portion of the original Entrance Fee for the original Apartment at that time. The refund provisions of this Agreement will apply with respect to the Resident remaining in the Apartment. The refund provisions of this Agreement will be operative only upon the death or termination of occupancy of the remaining Resident.

C. Resident Marriage

1. If you marry another Resident and both of you desire to reside in the same Apartment, you both may either, a) release one Apartment and reside together in the other Apartment, or b) release both Apartments and reside together in a different Apartment. If you and the other Resident choose to release both Apartments and reside together in a different Apartment, transfer to an available Apartment will be facilitated by us (subject to our Internal Transfer Guidelines). In either case, we will honor the existing Agreement for each of you. If the Entrance Fee for the new Apartment is greater than the sum of the original Entrance Fees paid by the two Residents, you will pay the difference between the current applicable Entrance Fee and the sum of the original Entrance Fees. Once residing together, the Monthly Service Fee will be adjusted so that one of you will pay the Monthly Service Fee for the Apartment style in which the couple resides, and the second Resident will pay the Monthly Service Fee for a Studio Apartment.

2. If you marry a non-resident and you both desire to live in your Apartment, the non-resident must apply to us for residency and meet all applicable Application and Admission requirements.

i. If the non-resident spouse is accepted for residency, a new Residency Agreement must be executed by all parties. An applicable Monthly Service Fee adjustment will apply. If the applicable current Entrance Fee is greater than the original Entrance Fee paid by you, the difference between the original Entrance Fee and the current Entrance Fee will be paid at the time the new Agreement is executed by you, your spouse and us.

ii. If the non-resident spouse is not accepted for residency, we and you will execute an Addendum to the Residency Agreement with respect to living arrangements for the non-resident spouse. An applicable Monthly Service Fee adjustment will apply. The non-resident spouse will be subject to our rules and regulations, as amended from time to time.

D. Special Resident Occupancy

1. If you decide to reside in the same apartment with another current Resident, who previously resided in a different Apartment, you and the other Resident may either, a) release one Apartment and reside together in the other Apartment, or b) release both Apartments and reside together in a different Apartment. If you and the other Resident choose to release both Apartments and reside together in a different Apartment, transfer to an available Apartment will be facilitated by us (subject to our Internal Transfer Guidelines). In either case, we will honor the existing Agreement for you and for the other Resident. If the

Entrance Fee for the new Apartment is greater than the sum of the original Entrance Fees paid by you and the other Resident, you will pay the difference between the current applicable Entrance Fee and the sum of the original Entrance Fees. Once you and the other Resident reside together, the Monthly Service Fee will be adjusted so that one Resident will pay the Monthly Service Fee for the Apartment style in which you both reside, and the second Resident will pay the Monthly Service Fee for a Studio Apartment.

2. If you and a non-resident desire to live in your Apartment, the non-resident must apply to us for residency and meet all applicable Application and Admission requirements.

i. If the non-resident is accepted for residency, a new Residency Agreement must be executed by you and the non-resident. An applicable Monthly Service Fee adjustment will apply. If the applicable current Entrance Fee is greater than the original Entrance Fee paid by you, the difference between the original Entrance Fee and the current Entrance Fee will be paid at the time the new Agreement is executed by you, the non-resident and us.

ii. If the non-resident is not accepted for residency, we and you will execute an Addendum to your Agreement with respect to living arrangements for the non-resident spouse. An applicable Monthly Service Fee adjustment will apply. The non-resident will be subject to our rules and regulations, as amended from time to time.

E. Guests

Guests staying in Resident Apartments are welcome at all times. Any visitation in the Apartment by a non-resident for more than a two-week period in any calendar year must be arranged with, and expressly approved in writing by, us. Guest meals will be available for an additional charge that will be added to your Monthly Statement.

VII. TRANSFER TO A DIFFERENT APARTMENT

If you wish to transfer to a different Apartment, you must notify us of the desire to transfer Apartments. We will assist you with such a transfer, subject to our Internal Transfer Guidelines. Our Internal Transfer Guidelines are incorporated by reference into, and attached as Exhibit 2 of this Agreement. When a new Apartment is available and you transfer, the Monthly Service Fee and the Entrance Fee will be adjusted to the then current charges for that Apartment type. The parties will amend this Agreement in writing prior to the transfer becoming effective to reflect such adjustments. If the current Entrance Fee for the new Apartment is less than the original Entrance Fee paid by you, there will be no refund of any portion of the Entrance Fee. All refunds will be made in accordance with Section VIII upon termination of this Agreement. We will establish a policy on the procedures and charges for transfers and may from time-to-time adjust this policy.

VIII. REFUND OF ENTRANCE FEE

In the event this Agreement is executed by two persons, the Entrance Fee refund procedures set forth below in this Section shall not apply until the last of the two of you dies or this Agreement is otherwise terminated as to both of you as set forth in Section V of this Agreement.

A. Prior to the Occupancy Date

1. Apartment Not Available

If for any reason the Apartment is not available for occupancy on the Occupancy Date, you may terminate this Agreement. Upon termination of the Agreement, you will be paid, upon request, a full refund of the Entrance Fee, without interest, minus a \$250 administrative fee. Such refund will be issued within thirty (30) days of the receipt of the notice of termination.

2. Death, Illness, Injury or Incapacity of Resident

If for reason of death, illness, injury or incapacity, you are not able to occupy Apartment on the Occupancy Date, we will refund the Entrance Fee paid, without interest, minus a \$250 administrative fee, within thirty (30) days of receipt of the notice required under Section V.A.1 above.

3. Termination Within Thirty Days of Execution of this Agreement

You may terminate this Agreement for any reason up to thirty (30) days after the execution of this Agreement by giving us written notice by registered or certified mail. We will refund to you all fees paid, without interest, minus an administrative fee of \$250.00.

4. Failure to Occupy Apartment for Any Other Reason

If for any other reason, you are not able or choose not to occupy the Apartment on the Occupancy Date and more than thirty (30) days have passed since execution of this Agreement, we will refund the Entrance Fee paid, without interest, minus a \$250.00 administrative fee, within thirty (30) days of receipt of the notice required under Section V.A.1.

B. Subsequent to the Occupancy Date – Standard Refund Plan

_____ **Standard Refund Plan**

(Your initials on the line next to "Standard Refund Plan" indicates your choice of this Contract.)

You, at the time this Agreement was executed, selected the Standard Refund Plan. If this Agreement is terminated after the Occupancy Date but within the first year of occupancy, that is prior to the first anniversary of the Occupancy Date, we will refund the Entrance Fee, without interest, less two percent (2%), of that amount for each thirty (30) day period from the Occupancy Date to the termination date, with less than thirty (30) day periods prorated on a per diem basis. If this Agreement is terminated after the first anniversary of the Occupancy Date, We will refund two-thirds (66.667%) of the Entrance Fee paid. Any interest earned on the Entrance Fee will be retained by us.

C. Subsequent to the Occupancy Date – Zero Refund Plan

_____ Zero Refund Plan

(Your initials on the line next to “Zero Refund Plan” indicates your choice of this Contract.)

You, at the time this Agreement was executed, selected the Zero Refund Plan. During the first fifty (50) months from the Occupancy Date, there will be a refund of the original Entrance Fee paid, without interest, less two percent (2%) of that amount for each full month from the Occupancy Date to the date the Apartment is vacated and empty of all personal possessions or the Agreement is terminated, whichever comes later.

Subsequent to the first fifty (50) months from the Occupancy Date, there will be zero refund of the original Entrance Fee paid by you.

D. Refund Payment

Any refunds due to you or your estate pursuant to the prior two paragraphs, will be payable within sixty (60) days following the later date when both of the following events first occur:

1. We receive an Entrance Fee for an Apartment similar in style (e.g. studio, one bedroom, etc.) to your Apartment; and
2. We have refunded all other entrance fees due and payable pursuant to residency agreements for like Apartment styles pursuant to residency agreements that terminated prior to the termination of this Agreement.

Notwithstanding the foregoing, we may at our option, deduct from any Entrance Fee refund any monies advanced to you by us and any monies owed us under Section III of this Agreement or under any other provision of this Agreement. In the event that you have incurred charges which exceed the Entrance Fee refund balance, no refund will be issued and you or your estate will be liable and billed for the excess amount.

We will pay any refund due hereunder to you or your estate if you are deceased, unless we are otherwise directed by written instructions signed by you and accepted by us.

IX. EXTENDED ABSENCE

If you are away from The McAuley for 14 or more consecutive days, and if we receive at least five (5) days written, advance notice of the intended absence, you will receive a daily meal credit on your Monthly Statement for those days when you were away from The McAuley. This credit for missed meals only applies to you if you are staying in an acute care setting, a rehabilitation hospital or having a temporary stay in a skilled nursing facility. No meal credit is available for Residents that are permanently placed in a skilled nursing facility. Your right to occupy the Apartment and your payment obligations will be as set forth in Section IV.D above.

X. VACATING APARTMENT

Upon termination of this Agreement, you must vacate the Apartment within thirty (30) days. For purposes of this Agreement, the Apartment will not be considered vacated until all of your personal property is removed from the Apartment. You will be responsible for the Monthly Service Fee during this thirty (30) day period; provided, however, that if the Agreement is terminated as a result of your death, your estate or family will only be responsible for payment of the Monthly Service Fee for a period of time not to exceed fifteen (15) days following your death as long as your Apartment has been vacated. If the Apartment is not vacated within the thirty (30) days, we will have the right to remove and store all property left in the Apartment after thirty (30) days. You will be responsible for the costs incurred as a result of moving and storing such items. Property left in storage for ninety (90) days or more may be disposed of by us at your expense.

If you are being permanently placed in a skilled nursing facility, we will not commence to pay for the skilled nursing placement until Your Apartment is vacated as described in Section IV. C. 2.

When you vacate the Apartment, we expect that the Apartment will be left in the same condition as of the Occupancy Date, ordinary wear and tear excluded. We may charge you for any damage to the Apartment that, at our discretion, is deemed as not the result of ordinary wear and tear. If with our permission, you physically altered the Apartment, we, in our sole discretion, may return the Apartment to its condition prior to such alterations, and all costs for this restoration incurred by us will be charged to you.

XI. MISCELLANEOUS

A. Fees Not Held in Trust

All fees paid to us, including Entrance Fees, shall become the sole property of us as payment for residence and services once the Entrance Fees are released to us pursuant to Connecticut law, except to the extent that Entrance Fees may be refundable under this Agreement.

B. Subordination

All your rights under this Agreement are subordinate to any existing or future mortgages on The McAuley and to any of our other creditors with respect to The McAuley. You agree to execute any documents requested by us in order to carry out the terms of this Section.

C. Property Rights

This Agreement grants you a revocable license to occupy and use space in The McAuley. This Agreement is not a lease and does not transfer or grant to you any ownership interest or rights of tenancy in real or personal property owned or leased by us. Your rights under this Agreement, except your rights to any refunds to which you are entitled under this Agreement, are subject to all terms and conditions of this Agreement and are subordinate to any mortgage, financing deed, deed of trust, or other financing on The McAuley.

D. Arrangements for Conservatorship

If you become unable to care properly for yourself or your property and have made no designation of a conservator or

trustee, then we are authorized to institute proceedings for appointment of a person or entity to serve as conservator for you.

E. Rules and Regulations

We shall have the right to adopt or amend such reasonable policies, rules, regulations, guidelines and operating procedures ("Rules and Regulations") as we deem necessary or desirable for proper management and operation and for the health, safety and comfort of the residents. The Resident Handbook summarizes many of our Rules and Regulations, and is incorporated by reference into this Agreement. You agree to abide by the Rules and Regulations.

F. Smoking

The McAuley is a smoke free building therefore smoking is prohibited. This applies to all areas in The McAuley, including but not limited to: McAuley vehicles, resident apartments, apartment balconies, the front entrances to each building, all dining areas, meeting rooms, activity areas and all corridors. This prohibition applies to everyone, including all residents, family members, overnight guests, visitors, and private duty assistants.

G. Compliance with Laws and Regulations

We will comply with all municipal, state and federal laws and regulations regarding consumer protection and protection from financial exploitation. We will afford you all rights and privileges under Section 17b-520 et seq. Connecticut General Statutes and any other applicable laws.

H. Grievance Procedure

You may present a formal complaint about any alleged violation of the Residency Agreement. The complaint must be submitted in writing and delivered to the Executive Director at the address specified in Paragraph J below. Upon receipt of a formal written complaint, the Executive Director or designee will respond in writing after conducting an investigation. The Executive Director or designee will respond within five (5) business days. If you are not satisfied with the response, you may appeal the decision to the Chief Executive Officer (CEO) of Mercy Community Health. This appeal must be made in writing and delivered to the CEO at The McAuley, 275 Steele Road, West Hartford, CT, 06117, Attn.: Chief Executive Officer. Under no circumstances will The McAuley, its Executive Director or the CEO or any other agent allow or permit retaliation against a Resident who has filed a complaint.

I. Accuracy of Information

You represent and warrant that all information that you have submitted or will submit to us, including but not limited to annual financial statements, is true and complete. You understand and acknowledge that we are relying on such information.

J. Notices

All written notices required by this Agreement will be sufficient if addressed:

1. If to you: to Your Apartment at The McAuley;
2. If to us, to the Executive Director, The McAuley, at 275 Steele Road, West Hartford, CT 06117.

Unless otherwise specified in this Agreement, all written notices shall be sent by registered or certified U.S. Mail, overnight express courier service, or messenger service and shall be deemed issued when delivered or when acceptance is refused.

K. Waiver

Our failure in any one or more instances to insist upon strict compliance by you with any of the terms of this Agreement shall not be construed to be a waiver by us of such term(s) or of the right to insist upon strict compliance by you with any of the other terms of this Agreement.

L. Assignment

Your rights and benefits under this Agreement (except for the possible right to a refund of some part of the Entrance Fee) are not assignable and will not inure to the use or benefit of the heirs, legatees, assignees or representatives of you, but your obligations under this Agreement shall bind your heirs, legatees, assignees or representatives. The Agreement shall bind and inure to the benefit of our successors and assigns.

M. Entire Agreement

This Agreement, including all exhibits, constitutes the entire agreement between us and you. We are not liable for nor bound in any manner by any statements, representations or promises made by any person representing or proposing to represent us unless such statements, representations, or promises are set forth in the Agreement. Any modification of the Agreement must be in writing and signed by us and you.

N. Interpretation of Agreement

No amendment of this Agreement will be valid unless

executed in writing by both you and us.

The invalidity of any restriction, condition or other provision of this Agreement will not impair or affect in any way the validity or enforceability of the remainder of this Agreement. This Agreement will be interpreted according to the laws of the State of Connecticut.

O. Counterparts

This Agreement may be executed in counterparts.
Executed at West Hartford, Connecticut on this _____ day of
_____, 20_____.

RESIDENT(S):

THE PROVIDER:

McAuley Center, Inc.,
a Connecticut not for profit
corporation

(Signature)

By: _____
Its: Executive Director

(Printed Name)

(Signature)

(Printed Name)

Summary of Key Information Contained in this Residency
Agreement

Resident Name(s):

Contract Type: __ Standard Refund Plan__ Zero Refund Plan

Occupancy Date: _____

Unit Number: _____ Unit Type: _____

Entrance Fee Amount: _____

Monthly Service Fee: First Person _____ Second Person _____

EXHIBIT 1

FEE SCHEDULE SEPTEMBER 2007

Listed below are prices for additional services not covered by Your Monthly Fee. These prices may be modified from time to time.

HEALTH CARE SERVICES

Provided by Mercy Community Home Care

Nurse Services:

The following services will be performed by a licensed nurse at the fees indicated:

- (a) Prepouring of physician ordered medication \$25.00/wk
- (b) Administration of physician ordered medication \$ 5.00/visit
- (c) When ordered by your physician, Nurse visits to the apartment will be provided at the rate of \$9.00 per every 15 minutes, billed in 5 minute increments.

Aide Services:

The following services will be provided by an Aide at the rate of \$ 6.00 per every 15 minutes, billed in 5 minute increments.

- (a) Scheduled assistance with personal activities of daily living
- (b) Emergency linen change
- (c) Internal transportation, unless medically necessary
- (d) Appointment escort service

Other Staff:

Other services may be provided to you in your apartment by other members of The McAuley Staff. These services, billed at the rate of

EXHIBIT 1

\$ 3.00 per every 15 minutes, billed in 5 minute increments, would include:

- (a) Assistance with personal laundry
- (b) Routine bed making and apartment tidying

DINING SERVICES PROGRAM

Away Credit for Meals Missed	See Residency Agreement
Additional Resident Meal/Dining Room	\$10.00 per meal
Café Meals	\$7.00-\$15.00
Guest Meals:	
Monday –Saturday	
Adult	\$15.00
Child (6-12)	\$ 6.50
Children 3 and under	Free
Sunday Brunch/Holiday Meal	
Adult	\$17.50
Child (6-12)	\$6.50
Children 3 and under	Free
Meal Delivery	\$ 3.00 per meal

ENVIRONMENTAL SERVICES DEPARTMENT

Housekeeping \$20.00 per hour
(in addition to the basic housekeeping
and annual heavy-duty cleaning included
in your Monthly Fee)

EXHIBIT 1

Labor is available in 15 minute increments.

Laundry Service/Private Laundry Service \$ 7.00 per load
(in addition to the service
included in your Monthly Fee)

Maintenance \$30.00 per hour

Parts and supplies are extra as required. Labor is available in 15 minute increments. The above prices for maintenance represent additional requests for services not covered in The McAuley Residency Agreement.

Replacement Key Card, additional key cards and mailbox key \$ 7.00 per key

Environmental Services can provide special services and items to for your apartment upon request. Here is a list of items we can install in your apartment with prices (Prices are subject to change).

The prices for the following items include installation.

Manual door bells	\$35.00ea
Wireless door chimes	\$45.00ea
Hand held shower units	\$40.00ea without massage, \$65.00ea with massage
Surface mount bathroom cabinets	\$100.00ea
Ice cube maker for your refrigerator	\$110.00ea
Mini-blinds:	
Balcony door	\$50.00ea
Dining room window	\$55.00ea
Living room window	\$80.00ea
Bedroom window(s)	\$65.00ea

EXHIBIT 1

Grab bars or handicap bars 18 inch bar	\$55.00ea
(stainless or white colors) 24 inch bar	\$65.00ea
Cones for your parking space	\$15.00ea delivered

The following items are available and are priced upon request.

Balcony blinds
Telephones desk & wall (one color & style telephone)
Telephone wall jacks
Repair of lamps (table or floor)
Area rug non-slip pads (all sizes)
Extra painting of bookcases or other items
Wallpapering
Extra shelving in your closets
Screens & glass for balcony(s)
Carpet for your balcony (samples to pick from are with Carol in Marketing)

MISCELLANEOUS ITEMS

Auditorium Reservation Fee	\$25.00
Cordmate system	\$275.00
Guest Apartment	\$75.00 per night
Mail Delivery to "B" desk	\$ 5.00 per week
Rollaway Bed with Linen Service	15.00 per night

EXHIBIT 1

TRANSPORTATION

Transportation Fee Schedule

Pricing schedule for transportation not covered by your Monthly Fee.

- Zone I: \$ 6.00 per round trip
- Zone II: \$ 9.00 per round trip
- Zone III: \$12.00 per round trip
- Zone IV: Price to be determined by mile

McAuley Sponsored Trips: \$ 6.00 per person per round trip
Resident Sponsored Trips: Price is per person according to
Zone Schedule

Subscription Series: \$ 6.00 per person

Bradley International Airport: \$20.00 one way during business hrs.
(Per Person) \$30.00 one way after business hrs.

Bus/Train Station: \$10.00 one way during business hrs.
(Per Person) \$15.00 one way after business hrs.

Medical Appts. (Zone I; after hours): \$20.00 Roundtrip per person

Add-on medical appointment fee: \$ 6.00 plus Zone charge if outside
of Zone I

EXHIBIT 2

INTERNAL TRANSFER GUIDELINES

I. Policy Statement

- A. All residents choose their independent living unit prior to occupancy. Once the resident occupies the living unit, the applicable unit is considered the resident's primary residence. From time to time, and in consideration of a number of factors, it may be necessary for the resident to move to a different independent living unit. Any internal transfer from the primary residence to another living unit at The McAuley is subject to the Internal Transfer Guidelines.
- B. Current residents who desire to change units and make these requests are also placed on a waiting list. In this case, the name is placed in the last position for the living unit type requested.
- C. In certain circumstances, a current resident of The McAuley may request a living unit change for financial or medical reasons. In this case, The McAuley will give priority placement on the applicable waiting list. Priority consideration means that the current resident will be placed in the first position on the waiting list.

II. Internal Transfer Procedure

There are four (4) possible scenarios with respect to an internal transfer of living units. The following guidelines apply to these specific unit transfers.

- A. Pre-Arranged Move (Prior to Move-In) to a Different Living Unit

1. In certain circumstances, a resident may elect to move to The McAuley and into an available living unit, even if that unit is not the resident's choice.
2. In this situation, The McAuley and the resident will enter into an Addendum as part of the Residency Agreement. The Addendum will specify that the resident is entitled to move into an alternative unit and will specify the details of this relocation. In this situation, the resident will be given priority placement on the applicable living unit wait list. All moving expenses are the responsibility of the resident.

B. Planned Move (After Move-In) to a Different Living Unit.

1. In certain circumstances, a resident will select a living unit and, once residing in that unit, will desire to relocate to another living unit. For example, a resident chooses a living unit with a view of the parking lot and then decides that a view of the college would be more appealing.
2. In this situation, the resident must notify the Marketing Department of the desire to change living units. The resident's request will be noted on the applicable waiting list for the unit desired. At that time, the resident's name will be placed in the last position on the applicable wait list.
3. In the event that a unit comes available and the resident selects this unit, the resident will be required to pay the current entrance fee for that living unit. The resident's original entrance fee will be applied to the entrance

fee for the new living unit. In the event that the new entrance fee is less than the original entrance fee, no entrance refund will be provided to the resident. Resident must also be aware that a change in monthly fees may also apply as a result of a living unit transfer. All moving expenses are the responsibility of the resident.

C. Required Move (after Move-In) to a Smaller Living Unit for Financial Reasons.

1. In certain instances, due to a loss of financial means, it may become necessary to relocate to a smaller living unit.
2. In this situation, the resident must send a written request to relocate to the Executive Director. The letter should request the living unit change and should note the size living unit that the resident is requesting. The Executive Director will review the request and meet with the resident to review his/her financial position. After due consideration, if the request is approved, the resident will be given priority placement on the applicable unit wait list. At the time that the resident relocates to the smaller unit, the resident's monthly fee will be adjusted. The original entrance fee will not be adjusted. All moving expenses will be the responsibility of the resident.
3. If the resident's request is not approved, the resident's name will be placed on the unit wait list in last position. At the time that the resident relocates to the smaller unit, the resident's monthly fee will be adjusted. The

original entrance fee will not be adjusted. All moving expenses will be the responsibility of the resident.

D. Required Move (after Move-In) to a Different Living Unit for Medical Reasons.

1. In certain instances, due to a change in a resident's medical status, it may become necessary for a resident to relocate to a different living unit.
2. In this situation, the resident must send a written request to relocate to the Executive Director. The letter should request the living unit change and should note the location of the unit that the resident is requesting.
3. The Executive Director will review the request and meet with the representatives of The McAuley to review the resident's change in medical status and the relocation request. After due consideration, if the resident's request is approved, the resident will be given priority placement on the applicable unit wait list. At the time that the resident relocates to a different living unit, the resident's monthly fee will be adjusted. Further, if the resident relocates to a larger living unit, the resident will be required to pay the current entrance fee for that living unit. The resident's original entrance fee will be applied to the entrance fee for the new living unit. In the event that the new entrance fee is less than the original entrance fee, no entrance fee will be provided to the resident. All moving expenses will be the responsibility of the resident.

4. If the resident's request is not approved, the resident's name will be placed on the unit wait list in the last position. At the time that the resident relocates to the smaller unit, the resident's monthly fee will be adjusted. The resident's original entrance fee will be applied to the entrance fee for the new living unit. In the event that the new entrance fee is less than the original entrance fee, no entrance fee will be provided to the resident. All moving expenses will be the responsibility of the resident.

THE McAULEY

ASSISTED LIVING RESIDENCY AGREEMENT

THIS RESIDENCY AGREEMENT ("Residency Agreement") is made and entered into by and between:

- (1) The McAuley, a managed residential community which is owned and operated by The McAuley Center, Inc. ("We," "Us," or "Our"); and
- (2) _____ ("You" or "Your") or _____ ("Designated Representative").
(If more than one person is signing this Residency Agreement, "You" or "Your") refers to each of you individually and both of you together.)

PREAMBLE

The McAuley is a managed residential community ("MRC") for older persons located at 275 Steele Road in West Hartford, Connecticut. Residents of The McAuley also may obtain assisted living services from Mercy Community HomeCare which is licensed by the Connecticut Department of Public Health as an Assisted Living Services Agency (the "ALSA"). Residents must sign a separate agreement to obtain the assisted living services.

This Residency Agreement applies to Your rental of an apartment in The McAuley and sets forth Your obligations as a resident of The McAuley.

ARTICLE I

ACCOMMODATIONS

A. Apartment. You will occupy the Apartment number identified in Exhibit 1 of this Residency Agreement (the "Apartment"). You may move into the Apartment as of the occupancy date listed in Exhibit 1 (the "Occupancy Date").

If the Apartment is for double occupancy, You acknowledge that You have chosen and consented to a double occupancy apartment. If You prefer a single occupancy Apartment and notify Us in writing of this preference, Your name will be placed on a waiting list, in order of receipt of notice, to fill future vacancies in Our single occupancy apartments.

B. Furnishings Provided. Your Apartment will be furnished with a fully handicapped accessible bathroom with shower. It will also include a small refrigerator, storage areas, carpeting and sheer curtains. You are responsible for all other furnishings, and You may furnish and decorate Your Apartment according to Your own individual tastes and preferences as long as You do not interfere with Our safety standards. Please refer to the Resident Handbook for more information.

C. Emergency Response. Your Apartment will include a 24-hour emergency call system, which includes individual smoke detectors and a sprinkler system. It will also be equipped with one or more emergency pull cords to alert staff to any emergencies that may arise. We will provide 24-hour staffing at the A concierge desk. The staff will provide emergency response to the emergency call system, including obtaining emergency medical assistance and notification of Your Designated Representative or other designated

family member(s) and personal physician. The costs associated with any and all types of medical treatment, including emergency medical assistance, will be borne by You or Your insurer and are not included in the Rental Fee set forth in Exhibit 1.

D. **Utilities**. Utilities (heat, hot water, air conditioning and electricity) are included with the Apartment and covered in Your Rental Fee. Cable television and telephone hookup equipment is available in Your Apartment, but You will be responsible for the installation of, and any charges for telephone and cable television service.

E. **Parking**. Parking is available outside The McAuley building in assigned parking spaces.

F. **Common Facilities**. As a resident of The McAuley, You are entitled to share, with all other residents, access to the following common facilities:

1. Assisted living community dining room
2. Community areas for social and recreational use
3. On-site washers and dryers

G. **Core Services**. In addition to the accommodations and access to facilities described above, Your Rental Fee also includes the following "core services":

1. **Meals**. We provide three, nutritionally well-balanced meals per day served at designated hours in the assisted living community dining room. We will prepare meals required by special diets in accordance with Your care plan. If You are away from The McAuley for fourteen (14) or more

consecutive days, You may apply for a meal credit. Meal credits are not available if You choose to dine out or are absent from The McAuley for less than fourteen (14) consecutive days. Take out meals are available for an additional charge if You are unable to come to the dining room. You may invite guests for meals, at an additional charge, on a space available basis, provided You make reservations in advance.

2. **Transportation.** We will provide regularly scheduled group transportation for personal shopping, social, religious, health care appointments and similar needs. The schedule may be modified by Us at any time and in Our sole discretion. We will provide personal transportation, at an additional charge, on a first-come, first-served basis, provided You make reservations in advance.
3. **Housekeeping.** We will provide weekly basic housekeeping services. In addition, We will provide a thorough, heavy duty cleaning once per year. You can arrange for additional or more frequent housekeeping services for an additional charge.
4. **Maintenance.** We will do any routine repairs and chore services for routine domestic tasks in Your Apartment. We also will take care of all grounds keeping and exterior maintenance, including landscaping, snow removal from sidewalks and parking areas, painting, exterior window cleaning, and regularly scheduled rubbish removal from designated locations. You will securely wrap all

rubbish and garbage and shall regularly take all rubbish and garbage to containers provided by Us at designated locations.

5. **Laundry.** We will provide and launder bed and bath linens (towels and sheets) on a weekly basis. If required more frequently, an additional charge will apply. You are free to use our laundry facilities with or without assistance. Personal laundry service may be included in the one hour per day of assistance. If additional assistance is required, an additional fee will apply.
6. **Social and Recreational Activities.** Our staff will arrange for a variety of social and recreational activities; transportation will be provided to activities sponsored by The McAuley. Additional charges may apply for some social and recreational events.

H. **Assisted Living Services and Other Health Care Services.** Assisted living services are available to You from the ALSA at an additional cost. You will need to execute a separate agreement for the provision of assisted living services (the "Agreement for Assisted Living Services"), a copy of which is attached as Exhibit 2. You also have the right to make arrangements to obtain assisted living, nursing or other regularly scheduled health or personal care services or assistance from any other assisted living services agency, any Connecticut licensed home health care agency or other appropriately licensed or certified health care professionals.

These providers must be licensed and authorized to provide services at The McAuley. You also have the right to obtain companion services by arrangement with any agency or individual.

I. Additional Charges. Additional charges for items and services not included in Your Rental Fee are listed in the Fee Schedule attached to this Agreement as Exhibit 3. The Fee Schedule is subject to change.

ARTICLE II

FINANCIAL ARRANGEMENTS

A. Rental Fee. We have summarized the monthly rental fee ("Rental Fee") for which You are responsible and have listed it in Exhibit 1. The Rental Fee includes fees for any second person residing in the Apartment. We will send You a statement each month specifying Your Rental Fee as set forth in subsection D of this Article. You agree to pay Us the Rental Fee and understand that Your right to occupy and use Your Apartment is contingent upon timely payment of Your Rental Fee and any other charges.

B. Rate Changes. We may adjust the Rental Fee upon sixty (60) days advance written notice to You. This provision shall not affect Our ability to change Your rate in accordance with a change in the type of occupancy (single or double) if necessary, and to adjust Your Rental Fee to correspond to the appropriate occupancy level. You agree that in the event of such a rate change, You will pay the adjusted Rental Fee.

C. Payment Schedule. Prior to or on the Occupancy Date, You shall pay Us an amount equal to one month's Rental Fee. This advance payment shall be prorated accordingly, and the residual amount will be credited to the following month's Rental Fee. If You have paid a reservation fee, that fee has been applied to the first

month's Rental Fee. Thereafter, the Rental Fee shall be due 10 days from receipt of the monthly statement.

D. **Monthly Statement.** We will issue a monthly statement to You on or before the fifteenth of each month. Your statement will include the Rental Fee, charges for guest or extra meals, fees for additional charges, transportation costs, and other charges You or Your guests have incurred. Payments will be due within ten (10) days of receipt of the monthly statement.

E. **Late Payment Charge.** If the Rental Fee and any other fees are not paid in full as required under the terms of this Residency Agreement, We may assess a late payment charge on the outstanding balance. A late charge of one percent of the outstanding balance will be imposed if Your payment is not made within 10 days after the due date. We may reasonably increase the late fee upon thirty (30) days written notice to You.

In the event of failure or refusal to pay the amounts charged under the terms of this Residency Agreement and the subsequent referral of the account to an attorney or collection agency, You agree to pay all charges, expenses, court costs and attorneys' fees incurred by Us attributable to collection not to exceed limits imposed under state law.

F. **Fees in the Event of a Apartment Hold.** If You transfer to another facility or are otherwise away from Your Apartment for medical reasons (e.g., temporary hospitalization), We will hold Your Apartment for Your return, as described in Article VI, paragraph I. Your payment obligation will be as follows:

1. **Single Occupancy.**

a. If You do not return for up to fourteen (14)

consecutive days, You will continue to be responsible for the Rental Fee.

b. After the fourteenth (14th) day, You will be responsible for the Rental Fee, however, You may request a meal credit for the time away in excess of fourteen (14) days.

2. Double Occupancy. If two persons occupy Your Apartment and one of You is permanently transferred to another facility, Your Rental Fee will be adjusted to reflect single occupancy. Residents who are away from their Apartment for more than fourteen (14) days must pay the Rental Fee less a meal credit in an amount to be determined by Us.

G. Refunds.

1. If this Agreement is terminated at any time on or after the Occupancy Date, We will refund any payments to which You are entitled within thirty (30) days of the last day of the month in which this Agreement is terminated. In no case, however, will a refund be made before Your Apartment is vacated in the event this Residency Agreement is terminated or before You have settled any outstanding bills for services rendered or arranged through Us.

2. If You die or are prevented by a material change in Your health from occupying the Apartment prior to the Occupancy Date, We will refund the first month's Rental Fee and the Security Deposit, provided that We receive written notice of death or material change in health on or before the Occupancy Date. Refunds will be made within 30 days of Our receipt of the required written notice.

3. In the event that You terminate this Agreement before the Occupancy Date for any reason other than death or material change in health, We will refund the first month's Rental Fee and the Security Deposit, less a charge of \$500.00, provided that You give written notice of termination no later than 10 days prior to the Occupancy Date. This \$500.00 charge is intended to compensate Us for the inability to market the Unit during the time it has been reserved for You, for costs associated with remarketing the Apartment, and processing costs.

4. In the event of Your death, We shall return any applicable refund to Your estate, or as otherwise required by law.

5. If We discontinue operations, any advance payments for services that You have not received shall be refunded to You within thirty (30) days of closure, whether or not such refund is requested.

H. Security Deposit. Upon signing this Residency Agreement, You agree to deposit with Us the sum of \$_____ (the "Security Deposit") as security for performance of Your obligations under the Residency Agreement. The Security Deposit equals one month's Rental Fee. Within thirty (30) days after termination of the Residency Agreement, We will return the Security Deposit with interest to You after deducting any outstanding fees or charges in accordance with Connecticut law. We may deduct from Your Security Deposit the cost of any repairs or replacements required in connection with any damage, beyond normal wear and tear, which We determine in Our sole discretion to be Your responsibility. In no event may You apply the Security Deposit to the last month's rental.

I. Financial Requirements for Residency and Notification of Spend-Down. We will review Your financial status at least yearly. To assist Us in Our review, You agree, upon request, to update the financial disclosure form that You submitted for admission to Us. You agree to make all reasonable efforts to conserve Your financial resources to enable You to meet Your financial obligations under this Residency Agreement. You further agree to notify Us at such time as You have spent down income and assets so that You have funds available for only three (3) months of the Rental Fee. You further agree not to impair Your ability to meet these obligations. In addition, You agree not to transfer assets or income, other than for ordinary living expenses, so as to impair Your eventual eligibility for benefits under Title XIX of the Social Security Act (Medicaid) in the event You require skilled nursing services. If You are unsure whether a contemplated transaction will place You in jeopardy of violating this Residency Agreement, contact Us for assistance.

ARTICLE III

YOUR RIGHTS AND OBLIGATIONS

A. Monthly Rental; Charges. You will pay the Rental Fee and all other charges in accordance with this Residency Agreement.

B. Maintenance of the Apartment. You will maintain the Apartment in a clean, sanitary and orderly condition. We reserve the right to determine in Our sole discretion whether You are complying with this obligation.

C. Damage. You will reimburse Us for the repair or replacement of fixtures (including carpeting) if Your Apartment is

damaged beyond normal wear and tear. In addition, You agree to reimburse Us for any loss or damage to Our real or personal property (whether located within Your Apartment or not) caused either intentionally or negligently by You or by Your guest or invitees.

D. **Alterations; Waste.** You may not cause or permit any alterations, additions or changes to any part of Your Apartment without first obtaining Our written consent. All such alterations, additions or changes shall be at Your expense and shall become Our property. If You alter Your Apartment, You must return it to its original condition, at Your expense, or pay for the labor required to have it done prior to terminating this Residency Agreement.

E. **Subletting; Assignment.** You may not sublet the Apartment or any part of the Apartment or assign this Agreement to any party.

F. **Designation of Family Members and Physician.** You will provide Us with the name(s), including address and telephone number, of one or more designated family members to be contacted in an emergency and to be consulted regarding any need for assisted living or other health services (with Your consent) and with the name, address and telephone number of Your primary care physician.

G. **Pets.** You may maintain a small and orderly pet upon the written approval of and on terms and special conditions prescribed by Us. You will be responsible for ensuring that any pet is properly cared for and that Your pet does not create any disturbance or otherwise constitute a nuisance. You agree to comply with Our "Pet Policy," which is published in the Resident's Handbook.

H. Guests. You may invite guests to The McAuley. Guest accommodations are available in a guest apartment, on a first-come, first served, prior reservation basis. We will charge a daily guest room rate. A "guest" is anyone staying overnight who has not signed this Residency Agreement. If You wish to have a guest stay in Your Apartment, You may do so provided You obtain Our prior approval. A guest's stay in Your Apartment is limited to a total of fourteen (14) days within any six (6) month period. All guests are subject to Our rules and regulations and have no rights under this Residency Agreement.

I. Right to Occupancy and Use. You (and the person sharing the Apartment, if applicable) have the exclusive right to occupy the Apartment. You have the non-exclusive right to use community areas together with all other persons entitled to use such areas, including but not limited to all other Residents, guests, and Our employees and agents.

J. Services. You will have access to all services described in Article I. It is expressly agreed and understood that some services and programs, such as transportation and recreational and social programs, may be accessed only on a space-available or first-come, first-served basis.

K. Community Rules and Regulations. We have established certain rules and regulations for the proper management and operation of the community and the health, safety and comfort of the residents. These rules and regulations are contained in the Resident Handbook which is incorporated into and made part of the Agreement. You agree to observe and abide by these rules and regulations. We reserve the right to modify the rules and regulations at any time. By signing this Residency Agreement, You acknowledge that You have received a copy of Our Resident Handbook.

L. Appropriateness. You acknowledge and agree that the Apartment is appropriate for occupancy by persons who can live independently, if necessary with assistance from an Assisted Living Services Agency, Home Health Agency or other qualified provider, but that the Apartment is not appropriate for occupancy by persons who need 24-hour skilled nursing care or whose physical, mental or psychological condition otherwise results in their inability to live appropriately in a residential setting. You agree that You will vacate the Apartment upon 30 days' notice, or lesser notice if an emergency exists, if it is determined by Us in Our sole discretion that Your physical, mental, or psychological condition is no longer appropriate for continued residency in the Apartment.

M. Property Interest. This Residency Agreement shall give You no property rights in The McAuley or any of Our assets. In addition, You shall have no right to any of Our personal property, including any of its furnishings and fixtures in Your Apartment and in common areas.

N. Miscellaneous. You will not make or permit any loud or disturbing noises; cause odors or disturbances; place foreign matter in toilets or sinks; obstruct or permit to be obstructed sidewalks, driveways, walkways, hallways or parking areas; cause any damage to the exterior of the residence; store flammable materials; leave rubbish or personal articles in hallways, common areas, or the exterior premises or grounds; install exterior antennas or aerials without Our consent; park cars in areas or spaces other than as designated by Us; change or add locks except with Our written consent; use the Apartment or the community areas other than for residential and usual and customary social and recreational purposes or in any manner that is offensive, improper, or contrary to any law or ordinance or in violation of The Residents' Handbook; or

default under the terms of Your Agreement for the Provision of Assisted Living Services, if applicable.

O. Bill of Rights. You are entitled to all of the rights set for the in the Managed Residential Community Residents' Bill of Rights.

ARTICLE IV

THE McAULEY'S RIGHTS AND OBLIGATIONS

A. The Apartment, Facilities and Services. We will provide and maintain the Apartment, facilities and services as described in Article I.

B. Maintenance. We will maintain the building, community areas, heating and air conditioning, electrical, plumbing, and septic system in good and reasonable operating condition and shall maintain the exterior premises and grounds in good and reasonable repair.

C. Right of Entry. Our employees or agents may enter Your Apartment at reasonable times with your consent, which consent shall not unreasonably be withheld, in order to provide services to You, to perform building inspection and maintenance functions, and otherwise to carry out Our obligations under this Residency Agreement. Our employees and agents may enter Your Apartment at any time when responding to the medical alert system, fire alert system or other emergency as determined by Us at Our discretion.

D. Emergency Medical Care. In an emergency, the existence of which shall be determined by Us in Our sole discretion, We have the right to arrange for Your immediate emergency medical treatment by an emergency medical service or other licensed health care provider or professional as needed, at Your sole expense. We will notify Your designated family member and physician as soon as practical thereafter.

ARTICLE V

GENERAL CONDITIONS

A. Damage to Personal Property. You are responsible, at Your discretion, for providing all personal property and liability insurance for You, Your property and Your guests. Except when Our staff are negligently or intentionally at fault, We shall not be responsible for, and Our insurance will not protect You against, personal liability for injury to guests or other persons in Your Apartment or any loss or damage to Your personal property from theft, fire or other cause. In the event that You or Your personal property shall suffer any injury or damage as the result of the act of a third party or parties, We shall be subrogated to Your claims for all expenses We may incur arising from such injury or damage, and We may take all steps necessary in Your name or otherwise to enforce payment of such expenses by the person(s) responsible or their insurer(s).

B. Lessor's Covenants. We covenant that We have the right to enter into this Agreement and that, upon Your payment of the Rental Fee and keeping the promises made in this Agreement, You have the right to undisturbed occupancy of the Apartment for the term of this Agreement, all in accordance with the terms of this Agreement.

C. Casualty; Condemnation. In the event that damage to the Apartment or building by fire, the elements, unavoidable accident or other casualty ("casualty") causes the Apartment to be unfit for occupancy, We in Our sole discretion shall determine whether the damage is so substantial that repairs and restoration are not feasible or whether the Apartment and building shall be repaired and restored. If We determine that repair and restoration are not feasible, You will be offered occupancy of any other available Unit at the usual and customary monthly rental fee for that Unit, and that Unit shall constitute the "Apartment". If You elect not to occupy the offered Unit or if no Unit is available, this Agreement shall terminate pursuant to the provisions of Article VI, Paragraph F. If We determine that repairs and restoration will be made, You will be offered any other available Unit and this Agreement shall remain in full force and effect. If no other Apartment is available, the Rental Fee set forth in Exhibit I of this Agreement shall be suspended until the Apartment is restored and available for occupancy. In the event of a casualty affecting the community areas, which may result in Your inability to use the community areas or a portion of the building but not Your Apartment, there shall be no reduction in the Rental Fee as long as the Apartment is suitable for occupancy; provided, however, that We will cause the community areas to be restored at the earliest practical date.

In the event of a condemnation or taking of the Apartment or the building containing the Apartment, which renders the Apartment or the community areas unusable by You, this Agreement shall terminate pursuant to the provisions of Article VI, Paragraph F.

ARTICLE VI

TERM AND TERMINATION

A. Effective Date; Term; Renewal. This Residency Agreement is effective upon execution by all parties (the “Effective Date”); provided, however, that Your obligation to pay the Rental Fee and Our obligation to provide services pursuant to this Residency Agreement shall not become effective until the Occupancy Date.

The initial term of this Residency Agreement shall be from the Effective Date until one month from the Occupancy Date and shall automatically renew and continue on a month to month basis thereafter unless terminated sooner as set forth herein.

B. Termination by Resident.

1. Termination Prior to the Occupancy Date

You may terminate this Agreement before the Occupancy Date by providing prior written notice to Us.

2. Termination On or After the Occupancy Date

You may terminate this Agreement on or after the Occupancy Date as of the last day of the initial term or the last day of any succeeding one-month term, provided that You give Us thirty (30) days prior written notice of intent not to renew the Agreement. If You fail to provide thirty (30) days’ prior written notice to Us, You will be responsible for paying the daily rate for the difference

between the termination date and the full 30-day notice period. For example, if We receive notice from You on the 24th day of the month (i.e., You provide only 7 days' notice of termination), You will be responsible for the daily charges for an additional 23 days. Notwithstanding the foregoing, this notice of termination requirement shall be waived in the event of Your death.

C. Termination by The McAuley. We may terminate this Residency Agreement at any time with or without cause upon thirty (30) days' prior written notice delivered to You and to Your designated representative signing this Residency Agreement on Your behalf. Our policy is to terminate a Residency Agreement, in Our sole discretion, in the event of:

1. Failure to perform Your obligations under this Agreement, including Your obligation to pay the Rental Fee and other charges on a timely basis, and failure to conserve appropriately Your financial resources, as defined in Article II, Paragraph H above;
2. Failure to abide by Our rules and regulations, including conduct by You that, in Our judgment, is detrimental to the health, safety, comfort or peaceful living of any of the other residents or staff;
3. Your refusal of treatment or care, or refusal to be transferred to an appropriate facility to receive treatment or care that, in the opinion of the Our staff, is medically required for Your physical or mental health or for the health and safety of other residents and staff;

4. Material misstatements or failure to state a material fact in Your application, financial disclosure statement, or health history statement filed with Us.
5. Permanent transfer to another public or private institution for medical reasons when it is determined that We do not have adequate facilities or staff to provide medical services needed by You or that Your continued occupancy of Your Apartment constitutes a danger to other residents or to Yourself, or is detrimental to the peace or health of other residents.

We may terminate this Residency Agreement sooner than thirty (30) days if in Our sole discretion We determine that such an earlier termination is necessary for Your welfare, or because the health, safety and peaceful living of other residents is in jeopardy.

D. Termination by Reason of Death.

1. **Sole Occupant.** In the event of Your death, if You are the sole occupant of Your Apartment, this Residency Agreement will be deemed terminated thirty (30) days following Your death.
2. **Surviving Spouse or Roommate.** In the event of Your death, if Your spouse or roommate remains in the Apartment, the Rental Fee will be adjusted appropriately to reflect a single occupant. ("Roommate" means the person who signed the Residency Agreement with You.) The Security Deposit will not be returned at this time.

E. Termination by Reason of Separation or Divorce. If You are married and are living in a double occupancy and You become separated or divorced, or in the case of any other double occupancy and You no longer desire to live in a double occupancy apartment at The McAuley, You have three options under this Agreement:

1. Both residents may remain at The McAuley in separate apartments. Each will be responsible for the appropriate Rental Fee for his or her apartment, and each must sign a new Residency Agreement with a Security Deposit for the second apartment. If the original apartment is retained, the Residency Agreement for that apartment will be amended to show a single occupant.
2. If one resident desires to leave The McAuley, and the other resident chooses to remain in the original apartment, the Residency Agreement for that apartment will be amended to show a single occupant.
3. If both residents choose to terminate their residency at The McAuley, the normal termination and refund provisions will apply.

F. Termination by Casualty or Condemnation. If this Agreement is terminated due to casualty or condemnation as provided in Article V, Paragraph C, this Agreement shall terminate as of the date of casualty or the condemnation becomes effective.

G. Release of Residence. The termination of Your Residency Agreement shall entitle Us to release for other occupancy the living accommodations provided to You.

H. Vacating Apartment and Removal of Personal Property.

1. Upon termination of this Residency Agreement for whatever reason, You agree that You, Your designated representative or estate shall vacate and remove all Your personal property from the Apartment on or before the termination date. If Your personal property is not removed on or before the termination date, We shall continue to assess, and You or Your designated representative will be required to pay, the Rental Fee on a prorated basis until the personal property is removed from the Apartment, except as provided in subsection 2 below. Subject to and in compliance with state law, if Your personal property is not removed within fourteen (14) days of termination of this Residency Agreement, We will remove the personal property from Your Apartment and place it in storage. You agree that You or Your estate will be responsible for all moving and storage costs.
2. Notwithstanding anything to the contrary in subsection 1 above, in the event this Residency Agreement is terminated by reason of Your death, Your estate or family will only be responsible for payment to Us for a period of time not to exceed fifteen (15) days following the date of death as long as Your unit has been vacated.

I. Apartment Hold. In the event You are temporarily absent from The McAuley for any reason, including for medical reasons such as transfer to another facility or hospitalization, We will continue to hold Your Apartment for Your return until You or Your designated representative terminates this Residency Agreement in accordance with Article VI, Paragraph B.2, or We determine that Your placement at another facility has become permanent and We terminate this Residency Agreement in accordance with Article VI, Paragraph C.5. Your payment obligations in the event of an apartment hold are described in Article II, paragraph F above.

J. Our Rights upon Termination. Upon termination of this Agreement, except to the extent specifically set forth herein, each party's rights and obligations pursuant to this Agreement shall cease; provided, however, that nothing in this Section shall limit Our rights as to any sums due from You or Your Estate or because of Your failure to perform Your obligations prior to the date of termination.

ARTICLE VII

MISCELLANEOUS

A. Policy of Nondiscrimination. We consider all applications for residency without regard to race, creed, color, religion, sex, national origin, ancestry, disability, marital and familial status and lawful source of income and We afford equal treatment and access to services to all residents.

B. Accuracy of Application. The Application that You submitted to Us, which includes health and financial assessments, is incorporated by reference into and made an express part of this Residency Agreement. You warrant that all information contained in these documents is true and correct, and You understand that We have relied upon this information in accepting You for residency.

C. Notices.

1. Notices to Us shall be sent by certified mail, return receipt requested to the following address:

The McAuley Center, Inc.
275 Steele Road
West Hartford, Connecticut 06117
Attn.: Executive Director

2. Notices to You will be hand-delivered or sent by certified mail, return receipt requested, to You at Your Apartment or, if You have temporarily or permanently ceased to occupy the Apartment, to Your last known address, and any legal representative signing this Residency Agreement on Your behalf at the following address:

Designated Representative: _____

D. Assignment by Us. This Residency Agreement shall inure to the benefit of and be binding on Us and Our successors and assigns. Nothing contained herein shall in any manner restrict Our right to assign or encumber this Residency Agreement in Our sole discretion.

E. Heirs, Executors and Administrators. This Residency Agreement shall be binding on Your Estate and Your heirs, executors and administrators.

F. Entire Agreement; Modification. This Residency Agreement, plus all exhibits and application materials, and, if applicable, Your Agreement For Provision of Assisted Living Services contain the entire understanding of the parties. This Residency Agreement may not be modified except in a writing signed by all parties.

G. Attorney's Fees and Costs. If We take legal action to enforce the terms of this Residency Agreement, We are entitled to recover reasonable attorney's fees and costs of any such action to the extent permitted by applicable law.

H. Governing Law. This Residency Agreement shall be construed in accordance with the laws of the State of Connecticut. In addition, We will comply with all municipal, state and federal laws and regulations regarding consumer protection and protection from financial exploitation. We will afford You all rights and privileges under landlord tenant law, title 47a of the Connecticut General Statutes.

I. Severability. If any provisions of this Residency Agreement should be found to be unenforceable, all other provisions of this Residency Agreement shall remain in full force and effect and shall not be affected by any such finding. Our failure to insist on strict compliance with one or more of the terms of this Residency Agreement in any particular instance shall not constitute and shall not be construed as a waiver of Our rights regarding any of the terms of this Residency Agreement in any other instance or generally.

J. Duplicate Originals. This Residency Agreement may be executed in counterparts each of which shall be deemed to be an original document, and all of which shall constitute a single document.

K. Grievance Procedure. Resident may present a formal complaint about any alleged violation of the Residency Agreement. The complaint must be submitted in writing and delivered to the Executive Director at the following address: The McAuley Center, Inc., 275 Steele Road, West Hartford, CT, 06117, Attn.: Executive Director. Upon receipt of a formal written complaint, The Executive Director or designee will respond in writing after conducting an investigation within seven (7) business days. If Resident is not satisfied with the response, Resident may appeal the decision to the Chief Executive Officer (CEO) of Mercy Community Health. This appeal must be made in writing and delivered to the CEO at the following address: The McAuley Center, Inc., 275 Steele Road, West Hartford, CT, 06117, Attn.: Chief Executive Officer. Under no circumstances will The McAuley, its Executive Director or the CEO or any other agent allow or permit retaliation against a Resident who has filed a complaint.

L. Smoking Policy. The McAuley is a smoke free building therefore smoking is prohibited. This applies to all areas in The McAuley, including but not limited to: McAuley vehicles, resident apartments, apartment balconies, the front entrances to each building, all dining areas, meeting rooms, activity areas and all corridors. This prohibition applies to everyone, including all residents, family members, overnight guests, visitors, and private duty assistants.

YOU ACKNOWLEDGE THAT YOU HAVE READ AND UNDERSTOOD THIS RESIDENCY AGREEMENT AND HAVE RECEIVED A DUPLICATE ORIGINAL OF THIS RESIDENCY AGREEMENT.

WITNESS

The McAuley Center, Inc.

By _____
Its Authorized Representative

Date _____

WITNESS

RESIDENT

Name(printed): _____

Date _____

DESIGNATED REPRESENTATIVE

Name(printed): _____

Relationship to Resident: _____

Date _____

WITNESS

RESIDENT

Name(printed): _____

Date _____

DESIGNATED REPRESENTATIVE

Name(printed): _____

Relationship to Resident: _____

Date _____

The undersigned, who is related to the Resident in the following capacity _____ and will benefit from our entering into the above Residency Agreement, guarantees the prompt payment and performance of the Resident's obligations under the Residency Agreement.

Witness

Guarantor

Date

EXHIBIT 1

YOUR APARTMENT AND YOUR FEES

Names(s) of Resident(s): _____

Apartment # _____ Occupancy Date: _____

Rental Fee:* \$ _____

(prorated daily rate: \$ _____)

Second Rental
Fee: (If Applicable) \$ _____

(prorated daily rate: \$ _____)

TOTAL RENTAL FEE:
(AS OF OCCUPANCY DATE) _____

* Fees are subject to change. You will be given at least thirty (30) days written notice of any change in fees.

EXHIBIT 2

AGREEMENT FOR THE PROVISION OF ASSISTED LIVING SERVICES

THIS ASSISTED LIVING SERVICES AGREEMENT (the "Agreement") is made and entered into by and between:

- (1) Mercy Community Home Care, a licensed assisted living services agency ("ALSA") ("We", "Us" or "Our") which is owned by Mercy Community Home Care, Inc., a Connecticut corporation; and
- (2) _____ ("You or "Your") or _____ ("Designated Representative"). (If more than one person is signing this Residency Agreement, "You" or "Your") refers to each of you individually and both of you together.)

PREAMBLE

Mercy Community Home Care is licensed by the Connecticut Department of Public Health as an ALSA and provides assisted living services to residents of The McAuley, a managed residential community ("MRC") for older persons located at 275 Steele Road in West Hartford, Connecticut. This Agreement applies to Your receipt of assisted living services as a resident of The McAuley.

1. Criteria for Admission to the ALSA. In order to be admitted to the ALSA, You must meet the following criteria:
 1. You must need assistance with activities of daily living and/or nursing care and services.

2. A licensed physician or other health care practitioner with applicable statutory authority must certify upon admission and annually thereafter that Your physical and mental health, and/or cognitive condition is chronic and stable.
2. Your Care Plan. Within seven (7) days of Your admission to The McAuley, or earlier, Our nurse will perform an initial assessment of Your needs. This assessment will allow Our staff to develop a written care plan appropriate for Your level of need (the "Service Plan"). This initial care plan will remain in effect for at least one hundred twenty (120) days. Our nurses will review and modify the Service Plan as necessary every one hundred twenty (120) days. We may also revise Your Service Plan if the Our staff determines that You have experienced a significant change in physical or psychosocial status. We shall consult with You or Your designated representative concerning the initial assessment, regular reassessments and determinations of a change of condition; however, all revisions of Your Service Plan shall be at Our final discretion.
3. Nursing and Personal Care Services. We agree to provide assisted living services in accordance with Your Service Plan developed by Our nurse after a nursing assessment of Your needs and Your agreement in writing. These services include health and wellness programs, a Registered Nurse on site 40 hours per week and on call at all other times, 24-hour Certified Aide staffing, health monitoring, periodic nursing assessments and, if necessary, revisions of Your Service Plan, coordination with Your personal physician, referrals to other health care professionals, agencies or other ancillary services, provision of professional nursing services as required by Your Service Plan

and provision of Certified Aide assistance with activities of daily living and supervision of self-administration of medication as required by Your Service Plan.

4. Cost of Services. The following assisted living services are included in Your Rental Fee as set forth in Your Residency Agreement dated _____ and signed by You, at no additional cost to You:

- (a) Preliminary health/functional assessment upon move in and the collection of emergency profile information.
- (b) Assessment, monitoring, coordination of care and referrals to other providers and ancillary services in accordance with Your care plan.
- (c) Staff response to the emergency call system.
- (d) Up to one hour per day of assistance with bathing, dressing, grooming and medication supervision.
- (e) Health education and wellness programs.
- (g) Coordination of medical transportation.
- (h) Initial nursing assessment upon Your return to Your Apartment from a hospital or nursing home.

If additional services are required by Your Service Plan, We will charge You for these services in accordance with the Schedule of Charges for Additional Services made a part of this Agreement by reference and attached hereto as Schedule A. Bills for these additional services will be sent to

You monthly. The bills for assisted living services shall be due and payable within ten (10) days of the first (1st) day of receipt of the bill. If the fees are not paid in full as required under the terms of this Agreement, We may assess a late payment charge on the outstanding balance. A late charge of one percent of the outstanding balance will be imposed if Your balance is paid 10 days after the due date. We may reasonably increase the late fee upon thirty (30) days written notice to You.

5. **Right to Refuse Services.** You have the right to refuse services recommended by Us after a nursing assessment or to obtain such services from another provider as set forth in Paragraph 5 of this Agreement, however, We retain the right to terminate Your Residency Agreement in accordance with Article VI, Paragraph C of that Residency Agreement if Your refusal of or failure to obtain recommended services results in Your inability to live appropriately in a residential setting.

6. **Right to Receive Services From Other Agencies.** You have the right to receive nursing, nurse aide, and companion services recommended in Your Service Plan from any other appropriate agencies or individuals. We reserve the right to require evidence of licensure from other agencies and health care professionals, to review the qualifications and experience of any non-licensed aides, assistants or companions You may employ and to require them to conform to Our rules and policies, and to periodically monitor the provision of such services. We are not responsible for payment of any charges to You by health care professionals or institutions, aides companions, housekeepers, homemakers or any other agency or individual You may employ.

7. **Home Health Agency Services.** If at any time Your personal physician certifies that Your condition is no longer chronic and stable and You require skilled nursing or therapy services, under Connecticut law, We must refer You to a licensed Home Health Agency for the provision of services. Home Health Agency services may be provided by Mercy Community Home Care or by another licensed Home Health Agency of Your choice. Payment arrangements for Home Health Agency services (which may be covered by Medicare) must be made directly between You and the Home Health Agency. We will continue to provide any services hereunder that are not offered by the Home Health Agency and to coordinate provision of services with the Home Health Agency, and will charge You in accordance with Paragraph 4 of this Agreement.

8. **Excluded Items and Services.** We shall not provide or pay for any health care services or items unless such services or items are expressly included in this Agreement. Excluded services and items include but are not limited to physician services; surgery; home health care; hospital care; skilled nursing for conditions that are not chronic and stable; physical, occupational and speech therapy; mental health and substance abuse; hospice; x-ray services; podiatry; treatment or examinations of the eyes or teeth; laboratory; and other similar services as well as prescription drugs; non-prescription medications and vitamins; medical supplies; medical devices; eyeglasses; hearing aids; toiletries and personal supplies.

9. **Authorization to Obtain Personal Medical Records.** You hereby consent to Our obtaining and reviewing as necessary any of Your medical records maintained by Your personal

physician, Home Health Agency, and any other licensed health care professionals or institutions and to Our discussion of Your health condition with any of these as appropriate. Your personal physician is

_____.

10. **Designated Family Member.** You hereby consent to Our notification of one or more designated family members of any significant changes in Your condition or in an emergency. Your designated family member is

_____.

11. **Emergency Medical Care.** In an emergency, Our staff will contact appropriate providers of emergency services, including but not limited to Emergency Medical Services, ambulance service and hospitals. You will be billed by those providers for any services required. We are not responsible for payment of such charges.

12. **Transfer for Health Reasons.** Except in an emergency, We will not transfer You from Your Apartment for health related reasons until We have consulted with You, Your personal physician, family member or designated representative. You agree that We have the full authority to transfer You from Your Apartment for hospitalization or other health related services in an emergency, or if not an emergency, upon the Supervisor of Assisted Living Services' determination, with concurrence by the Executive Director and the Director of Resident Services, that We do not have adequate facilities or staff to provide the nursing services or medical care You need or that Your continued residency constitutes a danger and health hazard to You or to other residents.

13. **Residency Agreement.** Paragraphs A through J of Article VII of the Residency Agreement dated, _____, and signed by You are incorporated herein by reference.
14. **Client's Bill of Rights.** You hereby acknowledge that You have received and reviewed a copy of Our Assisted Living Client's Bill of Rights.
15. **Confidentiality of Records.** We agree to keep all of Your health care records confidential. Copies of Your health care records will be released only with Your express written authorization or that of Your legal representative, except where expressly required or allowed by law. You shall be responsible for the cost of copying records requested by Your or Your legal representative. All health records are Our property.
16. **Authorization to Release Information.** You authorize and direct Us to release information and health records concerning You to other medical and health care providers, insurance companies, federal and/or state agencies and regulatory bodies to the extent necessary to obtain payment, coordinate and/or facilitate Your care, and otherwise comply with applicable laws and regulations. You further authorize the release of information and/or records necessary for Us to conduct reviews or audits of care rendered in the assisted living section.
17. **Effective Date and Termination.** This Agreement is effective upon execution by all parties (the "Effective Date") and will automatically terminate upon the termination of Your Residency Agreement.

YOU ACKNOWLEDGE THAT YOU HAVE READ AND UNDERSTOOD THIS AGREEMENT AND HAVE RECEIVED A DUPLICATE ORIGINAL OF THIS AGREEMENT.

WITNESS

Mercy Community HomeCare

By _____

Its Authorized Representative

Date _____

WITNESS

RESIDENT

Name(printed): _____

Date _____

WITNESS

DESIGNATED REPRESENTATIVE

Name(printed): _____

Relationship to Resident: _____

Date _____

WITNESS

RESIDENT

Name(printed): _____

Date _____

WITNESS

DESIGNATED REPRESENTATIVE

Name(printed): _____

Relationship to Resident: _____

Date _____

WITNESS

DESIGNATED REPRESENTATIVE

Name(printed): _____
Relationship to Resident: _____
Date _____

The undersigned, who is related to the Resident in the following capacity _____ and will benefit from our entering into the above Agreement, guarantees the prompt payment and performance of the Resident's obligations under the Agreement.

Witness

Guarantor

Date

SCHEDULE A

Mercy Community HomeCare Assisted Living Services Agency

SCHEDULE OF CHARGES FOR ADDITIONAL SERVICES

1. The following services will be performed by a licensed nurse at the fees indicated:
 - (a) Prepouring of physician ordered medication - \$25.00 per week.
 - (b) Administration of physician ordered medication - \$5.00 per visit.
 - (c) When requested by You or ordered by Your physician, Nurse visits to the Apartment will be provided at the rate of \$32.00 per hour, billed in 5 minute increments, to include assessments, procedures, client teaching, wellness counseling, health promotion and disease prevention.

2. The following services will be provided by an Assisted Living Aide, at the rate of \$20.00 per hour, billed in 5 minute increments:
 - (a) Scheduled assistance with personal activities of daily living, beyond those services provided for in the Assisted Living Residency Agreement.
 - (b) Emergency linen change

- (c) Internal transportation, unless medically necessary
 - (d) Assistance with exercise, ambulation and transfer activities
 - (e) Appointment escort service
3. The following services will be provided to you by a member of The McAuley staff, at the rate of \$10.00 per hour, billed in 5 minute increments.
- (a) Meal preparation
 - (b) Assistance with personal laundry
 - (c) Routine bed making and apartment tidying
 - (d) Additional housekeeping

EXHIBIT 3

FEE SCHEDULE SEPTEMBER 2007

Listed below are prices for additional services not covered by Your Monthly Fee. These prices may be modified from time to time.

HEALTH CARE SERVICES

Provided by Mercy Community Home Care

Nurse Services:

The following services will be performed by a licensed nurse at the fees indicated:

- (a) Prepouring of physician ordered medication \$25.00/wk
- (b) Administration of physician ordered medication \$ 5.00/visit
- (c) When ordered by your physician, Nurse visits to the apartment will be provided at the rate of \$9.00 per every 15 minutes, billed in 5 minute increments.

Aide Services:

The following services will be provided by an Aide at the rate of \$ 6.00 per every 15 minutes, billed in 5 minute increments.

- (a) Scheduled assistance with personal activities of daily living
- (b) Emergency linen change
- (c) Internal transportation, unless medically necessary
- (d) Appointment escort service

Other Staff:

Other services may be provided to you in your apartment by other members of The McAuley Staff. These services, billed at the rate of

EXHIBIT 3

\$ 3.00 per every 15 minutes, billed in 5 minute increments, would include:

- (a) Assistance with personal laundry
- (b) Routine bed making and apartment tidying

DINING SERVICES PROGRAM

Away Credit for Meals Missed	See Residency Agreement
Additional Resident Meal/Dining Room	\$10.00 per meal
Café Meals	\$7.00-\$15.00
Guest Meals:	
Monday –Saturday	
Adult	\$15.00
Child (6-12)	\$ 6.50
Children 3 and under	Free
Sunday Brunch/Holiday Meal	
Adult	\$17.50
Child (6-12)	\$6.50
Children 3 and under	Free
Meal Delivery	\$ 3.00 per meal

ENVIRONMENTAL SERVICES DEPARTMENT

Housekeeping \$20.00 per hour
(in addition to the basic housekeeping
and annual heavy-duty cleaning included
in your Monthly Fee)

EXHIBIT 3

Labor is available in 15 minute increments.

Laundry Service/Private Laundry Service \$ 7.00 per load
(in addition to the service
included in your Monthly Fee)

Maintenance \$30.00 per hour

Parts and supplies are extra as required. Labor is available in 15 minute increments. The above prices for maintenance represent additional requests for services not covered in The McAuley Residency Agreement.

Replacement Key Card, additional key cards
and mailbox key \$ 7.00 per key

Environmental Services can provide special services and items to for your apartment upon request. Here is a list of items we can install in your apartment with prices (Prices are subject to change).

The prices for the following items include installation.

Manual door bells	\$35.00ea
Wireless door chimes	\$45.00ea
Hand held shower units	\$40.00ea without massage, \$65.00ea with massage
Surface mount bathroom cabinets	\$100.00ea
Ice cube maker for your refrigerator	\$110.00ea
Mini-blinds:	
Balcony door	\$50.00ea
Dining room window	\$55.00ea
Living room window	\$80.00ea
Bedroom window(s)	\$65.00ea

EXHIBIT 3

Grab bars or handicap bars 18 inch bar	\$55.00ea
(stainless or white colors) 24 inch bar	\$65.00ea
Cones for your parking space	\$15.00ea delivered

The following items are available and are priced upon request.

Balcony blinds
Telephones desk & wall (one color & style telephone)
Telephone wall jacks
Repair of lamps (table or floor)
Area rug non-slip pads (all sizes)
Extra painting of bookcases or other items
Wallpapering
Extra shelving in your closets
Screens & glass for balcony(s)
Carpet for your balcony (samples to pick from are with Carol in Marketing)

MISCELLANEOUS ITEMS

Auditorium Reservation Fee	\$25.00
Cordmate system	\$275.00
Guest Apartment	\$75.00 per night
Mail Delivery to "B" desk	\$ 5.00 per week
Rollaway Bed with Linen Service	15.00 per night

EXHIBIT 3

TRANSPORTATION

Transportation Fee Schedule

Pricing schedule for transportation not covered by your Monthly Fee.

- Zone I: \$ 6.00 per round trip
- Zone II: \$ 9.00 per round trip
- Zone III: \$12.00 per round trip
- Zone IV: Price to be determined by mile

McAuley Sponsored Trips: \$ 6.00 per person per round trip

Resident Sponsored Trips: Price is per person according to
Zone Schedule

Subscription Series: \$ 6.00 per person

Bradley International Airport: \$20.00 one way during business hrs.

(Per Person) \$30.00 one way after business hrs.

Bus/Train Station: \$10.00 one way during business hrs.

(Per Person) \$15.00 one way after business hrs.

Medical Appts. (Zone I; after hours): \$20.00 Roundtrip per person

Add-on medical appointment fee: \$ 6.00 plus Zone charge if outside
of Zone I



RESIDENCY AGREEMENT

WITHOUT LONG TERM CARE COVERAGE

275 Steele Road, West Hartford, Connecticut 06117-2716
Telephone (860) 920-6300 Facsimile (860) 232-4077

THE McAULEY
RESIDENCY AGREEMENT

This Residency Agreement (the "Agreement") is entered into this ____ day of _____ between McAuley Center, Incorporated, a Connecticut non-stock corporation (the "McAuley" or "us"), and _____ "Resident" or "you"). This Agreement applies to Apartment _____, a _____ bedroom Apartment (the "Apartment"). (If two persons sign this Agreement, "Resident" or "you" shall apply to both of you, jointly and severally.)

PREAMBLE

The McAuley, a non-profit, tax-exempt corporation, is a continuing care retirement community sponsored by the Sisters of Mercy of Connecticut, managed by Mercy Community Health, and part of Catholic Health East. It is located at 275 Steele Road, West Hartford, Connecticut. The McAuley is registered as a Managed Residential Community ("MRC") in Connecticut.

I. BASIC AGREEMENT

A. You agree to pay the Entrance Fee, Monthly Rental Fee and any additional fees specified in Section III of this Agreement. In exchange for such payments, you will have the right, subject to the terms of this Agreement, to occupy the Apartment and to have access to General Services at The McAuley set forth in Section IV. A. and B. of this Agreement.

B. You have completed the Application and Admission process and have executed a Pre-Residency Agreement that is incorporated by reference into this Agreement.

C. Your Occupancy Date was specified by us in your Letter of Acceptance. This Agreement must be executed by both you and us prior to the Occupancy Date. The balance of the Entrance Fee will be payable to us at the time this Agreement is executed by both you and us. You shall not be required to move in to the Apartment before the expiration of thirty (30) days from the execution of this Agreement.

D. Following the execution of this Agreement, but at least thirty (30) days prior to the Occupancy Date, you may request an extension of the Occupancy Date. Such request should be made in writing to us (see Section XI. J). Our decision is final.

II. ACCOMMODATIONS AT THE COMMUNITY

A. Alterations

Any physical alteration of the Apartment by you requires the prior written approval of us. Such alterations shall be at your expense, and must be performed by craftsmen approved by us. Upon death or termination of occupancy of you (or the second person if there are two people in the Apartment), we, in our sole discretion, may return the Apartment to its condition prior to such alterations, and all costs for this restoration incurred by us will be charged to you or your estate.

B. Access

You agree that we and our employees and agents shall have the right, at all reasonable times, subject to our policy described below regarding housekeeping, maintenance and laundry services, to enter your Apartment for purposes of management, housekeeping, maintenance, health services, enforcement of applicable laws and regulations, emergency purposes, or any other reasonable purpose. Our policy is that at least one of you must

remain in the Apartment while housekeeping, maintenance and laundry services are provided, unless you waive this policy in writing by executing an Environmental Services Waiver.

C. Property Protection and Insurance

We will not be responsible for the loss of any of your personal property due to any cause other than our gross negligence. You agree to indemnify us for any loss or damage to our personal property and for any injury or damage to others or to the property of others resulting from the acts, omissions, negligence or fault of you or your guests and invitees. You shall maintain both personal liability and personal property insurance coverage in accordance with our rules and regulations and shall provide us with a copy of that policy or proof of purchase, upon our request.

D. Moving Expenses

You will be responsible for all moving expenses associated with your move into and out of the McAuley. In the event that you transfer Apartments during your occupancy at the McAuley, you will be responsible for all moving expenses associated with such transfer. In the event that you, upon meeting the terms set forth by us for carpet replacement and re-painting, should request us to provide carpet replacement and repainting for the Apartment, you will be responsible for all moving expenses associated with these services.

III. FINANCIAL ARRANGEMENTS

A. Contract Type

Standard Rental Refund Plan: You pay a standard Entrance Fee based on Apartment type. At the time that the Agreement is terminated, you or your estate (or the estate of the last surviving Resident if there are two of you) may be entitled to a refund of the Entrance Fee as described in this Agreement. Any interest earned on the Entrance Fee will be retained by us.

B. Entrance Fee

The Entrance Fee for the Apartment is \$ _____. You paid a \$10,000 Entrance Fee Deposit prior to the execution of this Agreement. The balance of the Entrance Fee is payable in full on the date this Agreement is executed. The Entrance Fee will be held in escrow and released pursuant to Connecticut law. Any interest earned on the Entrance Fee Deposit will be retained by us.

C. Monthly Rental Fees

The "Monthly Rental Fee" for one person in the Apartment is \$ _____, and for a second person is \$ _____. You agree to pay the Monthly Rental Fee beginning on the Occupancy Date (prorated for the actual number of days from the Occupancy Date to the end of the month in which the Occupancy Date occurs) and each month thereafter.

D. Adjustments

The amount of the Monthly Rental Fee is your share of our estimated monthly cost to operate the McAuley. The Monthly Rental Fee may be adjusted from time to time, at our discretion, upon at least sixty (60) days prior written notice to you, to reflect changes in those costs. We will limit such adjustments to amounts necessary to maintain the financial stability of the McAuley. You agree to pay the adjusted Monthly Rental Fee.

L. Appropriateness. You acknowledge and agree that the Apartment is appropriate for occupancy by persons who can live independently, if necessary with assistance from an Assisted Living Services Agency, Home Health Agency or other qualified provider, but that the Apartment is not appropriate for occupancy by persons who need 24-hour skilled nursing care or whose physical, mental or psychological condition otherwise results in their inability to live appropriately in a residential setting. You agree that You will vacate the Apartment upon 30 days' notice, or lesser notice if an emergency exists, if it is determined by Us in Our sole discretion that Your physical, mental, or psychological condition is no longer appropriate for continued residency in the Apartment.

M. Property Interest. This Residency Agreement shall give You no property rights in The McAuley or any of Our assets. In addition, You shall have no right to any of Our personal property, including any of its furnishings and fixtures in Your Apartment and in common areas.

N. Miscellaneous. You will not make or permit any loud or disturbing noises; cause odors or disturbances; place foreign matter in toilets or sinks; obstruct or permit to be obstructed sidewalks, driveways, walkways, hallways or parking areas; cause any damage to the exterior of the residence; store flammable materials; leave rubbish or personal articles in hallways, common areas, or the exterior premises or grounds; install exterior antennas or aerials without Our consent; park cars in areas or spaces other than as designated by Us; change or add locks except with Our written consent; use the Apartment or the community areas other than for residential and usual and customary social and recreational purposes or in any manner that is offensive, improper, or contrary to any law or ordinance or in violation of The Residents' Handbook; or

default under the terms of Your Agreement for the Provision of Assisted Living Services, if applicable.

O. Bill of Rights. You are entitled to all of the rights set for the in the Managed Residential Community Residents' Bill of Rights.

ARTICLE IV

THE McAULEY'S RIGHTS AND OBLIGATIONS

A. The Apartment, Facilities and Services. We will provide and maintain the Apartment, facilities and services as described in Article I.

B. Maintenance. We will maintain the building, community areas, heating and air conditioning, electrical, plumbing, and septic system in good and reasonable operating condition and shall maintain the exterior premises and grounds in good and reasonable repair.

C. Right of Entry. Our employees or agents may enter Your Apartment at reasonable times with your consent, which consent shall not unreasonably be withheld, in order to provide services to You, to perform building inspection and maintenance functions, and otherwise to carry out Our obligations under this Residency Agreement. Our employees and agents may enter Your Apartment at any time when responding to the medical alert system, fire alert system or other emergency as determined by Us at Our discretion.

D. Emergency Medical Care. In an emergency, the existence of which shall be determined by Us in Our sole discretion, We have the right to arrange for Your immediate emergency medical treatment by an emergency medical service or other licensed health care provider or professional as needed, at Your sole expense. We will notify Your designated family member and physician as soon as practical thereafter.

ARTICLE V

GENERAL CONDITIONS

A. Damage to Personal Property. You are responsible, at Your discretion, for providing all personal property and liability insurance for You, Your property and Your guests. Except when Our staff are negligently or intentionally at fault, We shall not be responsible for, and Our insurance will not protect You against, personal liability for injury to guests or other persons in Your Apartment or any loss or damage to Your personal property from theft, fire or other cause. In the event that You or Your personal property shall suffer any injury or damage as the result of the act of a third party or parties, We shall be subrogated to Your claims for all expenses We may incur arising from such injury or damage, and We may take all steps necessary in Your name or otherwise to enforce payment of such expenses by the person(s) responsible or their insurer(s).

B. Lessor's Covenants. We covenant that We have the right to enter into this Agreement and that, upon Your payment of the Rental Fee and keeping the promises made in this Agreement, You have the right to undisturbed occupancy of the Apartment for the term of this Agreement, all in accordance with the terms of this Agreement.

C. Casualty; Condemnation. In the event that damage to the Apartment or building by fire, the elements, unavoidable accident or other casualty ("casualty") causes the Apartment to be unfit for occupancy, We in Our sole discretion shall determine whether the damage is so substantial that repairs and restoration are not feasible or whether the Apartment and building shall be repaired and restored. If We determine that repair and restoration are not feasible, You will be offered occupancy of any other available Unit at the usual and customary monthly rental fee for that Unit, and that Unit shall constitute the "Apartment". If You elect not to occupy the offered Unit or if no Unit is available, this Agreement shall terminate pursuant to the provisions of Article VI, Paragraph F. If We determine that repairs and restoration will be made, You will be offered any other available Unit and this Agreement shall remain in full force and effect. If no other Apartment is available, the Rental Fee set forth in Exhibit I of this Agreement shall be suspended until the Apartment is restored and available for occupancy. In the event of a casualty affecting the community areas, which may result in Your inability to use the community areas or a portion of the building but not Your Apartment, there shall be no reduction in the Rental Fee as long as the Apartment is suitable for occupancy; provided, however, that We will cause the community areas to be restored at the earliest practical date.

In the event of a condemnation or taking of the Apartment or the building containing the Apartment, which renders the Apartment or the community areas unusable by You, this Agreement shall terminate pursuant to the provisions of Article VI, Paragraph F.

ARTICLE VI

TERM AND TERMINATION

A. Effective Date; Term; Renewal. This Residency Agreement is effective upon execution by all parties (the “Effective Date”); provided, however, that Your obligation to pay the Rental Fee and Our obligation to provide services pursuant to this Residency Agreement shall not become effective until the Occupancy Date.

The initial term of this Residency Agreement shall be from the Effective Date until one month from the Occupancy Date and shall automatically renew and continue on a month to month basis thereafter unless terminated sooner as set forth herein.

B. Termination by Resident.

1. Termination Prior to the Occupancy Date

You may terminate this Agreement before the Occupancy Date by providing prior written notice to Us.

2. Termination On or After the Occupancy Date

You may terminate this Agreement on or after the Occupancy Date as of the last day of the initial term or the last day of any succeeding one-month term, provided that You give Us thirty (30) days prior written notice of intent not to renew the Agreement. If You fail to provide thirty (30) days’ prior written notice to Us, You will be responsible for paying the daily rate for the difference

between the termination date and the full 30-day notice period. For example, if We receive notice from You on the 24th day of the month (i.e., You provide only 7 days' notice of termination), You will be responsible for the daily charges for an additional 23 days. Notwithstanding the foregoing, this notice of termination requirement shall be waived in the event of Your death.

C. Termination by The McAuley. We may terminate this Residency Agreement at any time with or without cause upon thirty (30) days' prior written notice delivered to You and to Your designated representative signing this Residency Agreement on Your behalf. Our policy is to terminate a Residency Agreement, in Our sole discretion, in the event of:

1. Failure to perform Your obligations under this Agreement, including Your obligation to pay the Rental Fee and other charges on a timely basis, and failure to conserve appropriately Your financial resources, as defined in Article II, Paragraph H above;
2. Failure to abide by Our rules and regulations, including conduct by You that, in Our judgment, is detrimental to the health, safety, comfort or peaceful living of any of the other residents or staff;
3. Your refusal of treatment or care, or refusal to be transferred to an appropriate facility to receive treatment or care that, in the opinion of the Our staff, is medically required for Your physical or mental health or for the health and safety of other residents and staff;

4. Material misstatements or failure to state a material fact in Your application, financial disclosure statement, or health history statement filed with Us.
5. Permanent transfer to another public or private institution for medical reasons when it is determined that We do not have adequate facilities or staff to provide medical services needed by You or that Your continued occupancy of Your Apartment constitutes a danger to other residents or to Yourself, or is detrimental to the peace or health of other residents.

We may terminate this Residency Agreement sooner than thirty (30) days if in Our sole discretion We determine that such an earlier termination is necessary for Your welfare, or because the health, safety and peaceful living of other residents is in jeopardy.

D. Termination by Reason of Death.

1. **Sole Occupant.** In the event of Your death, if You are the sole occupant of Your Apartment, this Residency Agreement will be deemed terminated thirty (30) days following Your death.
2. **Surviving Spouse or Roommate.** In the event of Your death, if Your spouse or roommate remains in the Apartment, the Rental Fee will be adjusted appropriately to reflect a single occupant. ("Roommate" means the person who signed the Residency Agreement with You.) The Security Deposit will not be returned at this time.

E. Termination by Reason of Separation or Divorce. If You are married and are living in a double occupancy and You become separated or divorced, or in the case of any other double occupancy and You no longer desire to live in a double occupancy apartment at The McAuley, You have three options under this Agreement:

1. Both residents may remain at The McAuley in separate apartments. Each will be responsible for the appropriate Rental Fee for his or her apartment, and each must sign a new Residency Agreement with a Security Deposit for the second apartment. If the original apartment is retained, the Residency Agreement for that apartment will be amended to show a single occupant.
2. If one resident desires to leave The McAuley, and the other resident chooses to remain in the original apartment, the Residency Agreement for that apartment will be amended to show a single occupant.
3. If both residents choose to terminate their residency at The McAuley, the normal termination and refund provisions will apply.

F. Termination by Casualty or Condemnation. If this Agreement is terminated due to casualty or condemnation as provided in Article V, Paragraph C, this Agreement shall terminate as of the date of casualty or the condemnation becomes effective.

G. Release of Residence. The termination of Your Residency Agreement shall entitle Us to release for other occupancy the living accommodations provided to You.

H. Vacating Apartment and Removal of Personal Property.

1. Upon termination of this Residency Agreement for whatever reason, You agree that You, Your designated representative or estate shall vacate and remove all Your personal property from the Apartment on or before the termination date. If Your personal property is not removed on or before the termination date, We shall continue to assess, and You or Your designated representative will be required to pay, the Rental Fee on a prorated basis until the personal property is removed from the Apartment, except as provided in subsection 2 below. Subject to and in compliance with state law, if Your personal property is not removed within fourteen (14) days of termination of this Residency Agreement, We will remove the personal property from Your Apartment and place it in storage. You agree that You or Your estate will be responsible for all moving and storage costs.
2. Notwithstanding anything to the contrary in subsection 1 above, in the event this Residency Agreement is terminated by reason of Your death, Your estate or family will only be responsible for payment to Us for a period of time not to exceed fifteen (15) days following the date of death as long as Your unit has been vacated.

I. Apartment Hold. In the event You are temporarily absent from The McAuley for any reason, including for medical reasons such as transfer to another facility or hospitalization, We will continue to hold Your Apartment for Your return until You or Your designated representative terminates this Residency Agreement in accordance with Article VI, Paragraph B.2, or We determine that Your placement at another facility has become permanent and We terminate this Residency Agreement in accordance with Article VI, Paragraph C.5. Your payment obligations in the event of an apartment hold are described in Article II, paragraph F above.

J. Our Rights upon Termination. Upon termination of this Agreement, except to the extent specifically set forth herein, each party's rights and obligations pursuant to this Agreement shall cease; provided, however, that nothing in this Section shall limit Our rights as to any sums due from You or Your Estate or because of Your failure to perform Your obligations prior to the date of termination.

ARTICLE VII

MISCELLANEOUS

A. Policy of Nondiscrimination. We consider all applications for residency without regard to race, creed, color, religion, sex, national origin, ancestry, disability, marital and familial status and lawful source of income and We afford equal treatment and access to services to all residents.

B. Accuracy of Application. The Application that You submitted to Us, which includes health and financial assessments, is incorporated by reference into and made an express part of this Residency Agreement. You warrant that all information contained in these documents is true and correct, and You understand that We have relied upon this information in accepting You for residency.

C. Notices.

1. Notices to Us shall be sent by certified mail, return receipt requested to the following address:

The McAuley Center, Inc.
275 Steele Road
West Hartford, Connecticut 06117
Attn.: Executive Director

2. Notices to You will be hand-delivered or sent by certified mail, return receipt requested, to You at Your Apartment or, if You have temporarily or permanently ceased to occupy the Apartment, to Your last known address, and any legal representative signing this Residency Agreement on Your behalf at the following address:

Designated Representative: _____

_____.

D. Assignment by Us. This Residency Agreement shall inure to the benefit of and be binding on Us and Our successors and assigns. Nothing contained herein shall in any manner restrict Our right to assign or encumber this Residency Agreement in Our sole discretion.

E. Heirs, Executors and Administrators. This Residency Agreement shall be binding on Your Estate and Your heirs, executors and administrators.

F. Entire Agreement; Modification. This Residency Agreement, plus all exhibits and application materials, and, if applicable, Your Agreement For Provision of Assisted Living Services contain the entire understanding of the parties. This Residency Agreement may not be modified except in a writing signed by all parties.

G. Attorney's Fees and Costs. If We take legal action to enforce the terms of this Residency Agreement, We are entitled to recover reasonable attorney's fees and costs of any such action to the extent permitted by applicable law.

H. Governing Law. This Residency Agreement shall be construed in accordance with the laws of the State of Connecticut. In addition, We will comply with all municipal, state and federal laws and regulations regarding consumer protection and protection from financial exploitation. We will afford You all rights and privileges under landlord tenant law, title 47a of the Connecticut General Statutes.

I. Severability. If any provisions of this Residency Agreement should be found to be unenforceable, all other provisions of this Residency Agreement shall remain in full force and effect and shall not be affected by any such finding. Our failure to insist on strict compliance with one or more of the terms of this Residency Agreement in any particular instance shall not constitute and shall not be construed as a waiver of Our rights regarding any of the terms of this Residency Agreement in any other instance or generally.

J. Duplicate Originals. This Residency Agreement may be executed in counterparts each of which shall be deemed to be an original document, and all of which shall constitute a single document.

K. Grievance Procedure. Resident may present a formal complaint about any alleged violation of the Residency Agreement. The complaint must be submitted in writing and delivered to the Executive Director at the following address: The McAuley Center, Inc., 275 Steele Road, West Hartford, CT, 06117, Attn.: Executive Director. Upon receipt of a formal written complaint, The Executive Director or designee will respond in writing after conducting an investigation within seven (7) business days. If Resident is not satisfied with the response, Resident may appeal the decision to the Chief Executive Officer (CEO) of Mercy Community Health. This appeal must be made in writing and delivered to the CEO at the following address: The McAuley Center, Inc., 275 Steele Road, West Hartford, CT, 06117, Attn.: Chief Executive Officer. Under no circumstances will The McAuley, its Executive Director or the CEO or any other agent allow or permit retaliation against a Resident who has filed a complaint.

L. Smoking Policy. The McAuley is a smoke free building therefore smoking is prohibited. This applies to all areas in The McAuley, including but not limited to: McAuley vehicles, resident apartments, apartment balconies, the front entrances to each building, all dining areas, meeting rooms, activity areas and all corridors. This prohibition applies to everyone, including all residents, family members, overnight guests, visitors, and private duty assistants.

YOU ACKNOWLEDGE THAT YOU HAVE READ AND UNDERSTOOD THIS RESIDENCY AGREEMENT AND HAVE RECEIVED A DUPLICATE ORIGINAL OF THIS RESIDENCY AGREEMENT.

WITNESS

The McAuley Center, Inc.

By _____
Its Authorized Representative

Date _____

WITNESS

RESIDENT

Name(printed): _____

Date _____

DESIGNATED REPRESENTATIVE

Name(printed): _____

Relationship to Resident: _____

Date _____

WITNESS

RESIDENT

Name(printed): _____

Date _____

DESIGNATED REPRESENTATIVE

Name(printed): _____

Relationship to Resident: _____

Date _____

The undersigned, who is related to the Resident in the following capacity _____ and will benefit from our entering into the above Residency Agreement, guarantees the prompt payment and performance of the Resident's obligations under the Residency Agreement.

Witness

Guarantor

Date

EXHIBIT 1

YOUR APARTMENT AND YOUR FEES

Names(s) of Resident(s): _____

Apartment # _____ Occupancy Date: _____

Rental Fee:* \$ _____

(prorated daily rate: \$ _____)

Second Rental
Fee: (If Applicable) \$ _____

(prorated daily rate: \$ _____)

TOTAL RENTAL FEE:
(AS OF OCCUPANCY DATE) _____

* Fees are subject to change. You will be given at least thirty (30) days written notice of any change in fees.

EXHIBIT 2

AGREEMENT FOR THE PROVISION OF ASSISTED LIVING SERVICES

THIS ASSISTED LIVING SERVICES AGREEMENT (the "Agreement") is made and entered into by and between:

- (1) Mercy Community Home Care, a licensed assisted living services agency ("ALSA") ("We", "Us" or "Our") which is owned by Mercy Community Home Care, Inc., a Connecticut corporation; and
- (2) _____ ("You or "Your") or _____ ("Designated Representative"). (If more than one person is signing this Residency Agreement, "You" or "Your") refers to each of you individually and both of you together.)

PREAMBLE

Mercy Community Home Care is licensed by the Connecticut Department of Public Health as an ALSA and provides assisted living services to residents of The McAuley, a managed residential community ("MRC") for older persons located at 275 Steele Road in West Hartford, Connecticut. This Agreement applies to Your receipt of assisted living services as a resident of The McAuley.

1. Criteria for Admission to the ALSA. In order to be admitted to the ALSA, You must meet the following criteria:
 1. You must need assistance with activities of daily living and/or nursing care and services.

2. A licensed physician or other health care practitioner with applicable statutory authority must certify upon admission and annually thereafter that Your physical and mental health, and/or cognitive condition is chronic and stable.
2. Your Care Plan. Within seven (7) days of Your admission to The McAuley, or earlier, Our nurse will perform an initial assessment of Your needs. This assessment will allow Our staff to develop a written care plan appropriate for Your level of need (the "Service Plan"). This initial care plan will remain in effect for at least one hundred twenty (120) days. Our nurses will review and modify the Service Plan as necessary every one hundred twenty (120) days. We may also revise Your Service Plan if the Our staff determines that You have experienced a significant change in physical or psychosocial status. We shall consult with You or Your designated representative concerning the initial assessment, regular reassessments and determinations of a change of condition; however, all revisions of Your Service Plan shall be at Our final discretion.
3. Nursing and Personal Care Services. We agree to provide assisted living services in accordance with Your Service Plan developed by Our nurse after a nursing assessment of Your needs and Your agreement in writing. These services include health and wellness programs, a Registered Nurse on site 40 hours per week and on call at all other times, 24-hour Certified Aide staffing, health monitoring, periodic nursing assessments and, if necessary, revisions of Your Service Plan, coordination with Your personal physician, referrals to other health care professionals, agencies or other ancillary services, provision of professional nursing services as required by Your Service Plan

and provision of Certified Aide assistance with activities of daily living and supervision of self-administration of medication as required by Your Service Plan.

4. **Cost of Services.** The following assisted living services are included in Your Rental Fee as set forth in Your Residency Agreement dated _____ and signed by You, at no additional cost to You:

- (a) Preliminary health/functional assessment upon move in and the collection of emergency profile information.
- (b) Assessment, monitoring, coordination of care and referrals to other providers and ancillary services in accordance with Your care plan.
- (c) Staff response to the emergency call system.
- (d) Up to one hour per day of assistance with bathing, dressing, grooming and medication supervision.
- (e) Health education and wellness programs.
- (g) Coordination of medical transportation.
- (h) Initial nursing assessment upon Your return to Your Apartment from a hospital or nursing home.

If additional services are required by Your Service Plan, We will charge You for these services in accordance with the Schedule of Charges for Additional Services made a part of this Agreement by reference and attached hereto as Schedule A. Bills for these additional services will be sent to

You monthly. The bills for assisted living services shall be due and payable within ten (10) days of the first (1st) day of receipt of the bill. If the fees are not paid in full as required under the terms of this Agreement, We may assess a late payment charge on the outstanding balance. A late charge of one percent of the outstanding balance will be imposed if Your balance is paid 10 days after the due date. We may reasonably increase the late fee upon thirty (30) days written notice to You.

5. **Right to Refuse Services.** You have the right to refuse services recommended by Us after a nursing assessment or to obtain such services from another provider as set forth in Paragraph 5 of this Agreement, however, We retain the right to terminate Your Residency Agreement in accordance with Article VI, Paragraph C of that Residency Agreement if Your refusal of or failure to obtain recommended services results in Your inability to live appropriately in a residential setting.

6. **Right to Receive Services From Other Agencies.** You have the right to receive nursing, nurse aide, and companion services recommended in Your Service Plan from any other appropriate agencies or individuals. We reserve the right to require evidence of licensure from other agencies and health care professionals, to review the qualifications and experience of any non-licensed aides, assistants or companions You may employ and to require them to conform to Our rules and policies, and to periodically monitor the provision of such services. We are not responsible for payment of any charges to You by health care professionals or institutions, aides companions, housekeepers, homemakers or any other agency or individual You may employ.

7. **Home Health Agency Services.** If at any time Your personal physician certifies that Your condition is no longer chronic and stable and You require skilled nursing or therapy services, under Connecticut law, We must refer You to a licensed Home Health Agency for the provision of services. Home Health Agency services may be provided by Mercy Community Home Care or by another licensed Home Health Agency of Your choice. Payment arrangements for Home Health Agency services (which may be covered by Medicare) must be made directly between You and the Home Health Agency. We will continue to provide any services hereunder that are not offered by the Home Health Agency and to coordinate provision of services with the Home Health Agency, and will charge You in accordance with Paragraph 4 of this Agreement.

8. **Excluded Items and Services.** We shall not provide or pay for any health care services or items unless such services or items are expressly included in this Agreement. Excluded services and items include but are not limited to physician services; surgery; home health care; hospital care; skilled nursing for conditions that are not chronic and stable; physical, occupational and speech therapy; mental health and substance abuse; hospice; x-ray services; podiatry; treatment or examinations of the eyes or teeth; laboratory; and other similar services as well as prescription drugs; non-prescription medications and vitamins; medical supplies; medical devices; eyeglasses; hearing aids; toiletries and personal supplies.

9. **Authorization to Obtain Personal Medical Records.** You hereby consent to Our obtaining and reviewing as necessary any of Your medical records maintained by Your personal

physician, Home Health Agency, and any other licensed health care professionals or institutions and to Our discussion of Your health condition with any of these as appropriate. Your personal physician is

_____.

10. **Designated Family Member.** You hereby consent to Our notification of one or more designated family members of any significant changes in Your condition or in an emergency. Your designated family member is
_____.

11. **Emergency Medical Care.** In an emergency, Our staff will contact appropriate providers of emergency services, including by not limited to Emergency Medical Services, ambulance service and hospitals. You will be billed by those providers for any services required. We are not responsible for payment of such charges.

12. **Transfer for Health Reasons.** Except in an emergency, We will not transfer You from Your Apartment for health related reasons until We have consulted with You, Your personal physician, family member or designated representative. You agree that We have the full authority to transfer You from Your Apartment for hospitalization or other health related services in an emergency, or if not an emergency, upon the Supervisor of Assisted Living Services' determination, with concurrence by the Executive Director and the Director of Resident Services, that We do not have adequate facilities or staff to provide the nursing services or medical care You need or that Your continued residency constitutes a danger and health hazard to You or to other residents.

13. Residency Agreement. Paragraphs A through J of Article VII of the Residency Agreement dated, _____, and signed by You are incorporated herein by reference.
14. Client's Bill of Rights. You hereby acknowledge that You have received and reviewed a copy of Our Assisted Living Client's Bill of Rights.
15. Confidentiality of Records. We agree to keep all of Your health care records confidential. Copies of Your health care records will be released only with Your express written authorization or that of Your legal representative, except where expressly required or allowed by law. You shall be responsible for the cost of copying records requested by Your or Your legal representative. All health records are Our property.
16. Authorization to Release Information. You authorize and direct Us to release information and health records concerning You to other medical and health care providers, insurance companies, federal and/or state agencies and regulatory bodies to the extent necessary to obtain payment, coordinate and/or facilitate Your care, and otherwise comply with applicable laws and regulations. You further authorize the release of information and/or records necessary for Us to conduct reviews or audits of care rendered in the assisted living section.
17. Effective Date and Termination. This Agreement is effective upon execution by all parties (the "Effective Date") and will automatically terminate upon the termination of Your Residency Agreement.

YOU ACKNOWLEDGE THAT YOU HAVE READ AND UNDERSTOOD THIS AGREEMENT AND HAVE RECEIVED A DUPLICATE ORIGINAL OF THIS AGREEMENT.

WITNESS

Mercy Community HomeCare
By _____
Its Authorized Representative
Date _____

WITNESS

RESIDENT

Name(printed): _____
Date _____

WITNESS

DESIGNATED REPRESENTATIVE

Name(printed): _____
Relationship to Resident: _____
Date _____

WITNESS

RESIDENT

Name(printed): _____
Date _____

WITNESS

DESIGNATED REPRESENTATIVE

Name(printed): _____
Relationship to Resident: _____
Date _____

WITNESS

DESIGNATED REPRESENTATIVE

Name(printed): _____
Relationship to Resident: _____
Date _____

The undersigned, who is related to the Resident in the following capacity _____ and will benefit from our entering into the above Agreement, guarantees the prompt payment and performance of the Resident's obligations under the Agreement.

Witness

Guarantor

Date

SCHEDULE A

Mercy Community HomeCare Assisted Living Services Agency

SCHEDULE OF CHARGES FOR ADDITIONAL SERVICES

1. The following services will be performed by a licensed nurse at the fees indicated:
 - (a) Prepouring of physician ordered medication - \$25.00 per week.
 - (b) Administration of physician ordered medication - \$5.00 per visit.
 - (c) When requested by You or ordered by Your physician, Nurse visits to the Apartment will be provided at the rate of \$32.00 per hour, billed in 5 minute increments, to include assessments, procedures, client teaching, wellness counseling, health promotion and disease prevention.

2. The following services will be provided by an Assisted Living Aide, at the rate of \$20.00 per hour, billed in 5 minute increments:
 - (a) Scheduled assistance with personal activities of daily living, beyond those services provided for in the Assisted Living Residency Agreement.
 - (b) Emergency linen change

- (c) Internal transportation, unless medically necessary
 - (d) Assistance with exercise, ambulation and transfer activities
 - (e) Appointment escort service
3. The following services will be provided to you by a member of The McAuley staff, at the rate of \$10.00 per hour, billed in 5 minute increments.
- (a) Meal preparation
 - (b) Assistance with personal laundry
 - (c) Routine bed making and apartment tidying
 - (d) Additional housekeeping

EXHIBIT 3

FEE SCHEDULE SEPTEMBER 2007

Listed below are prices for additional services not covered by Your Monthly Fee. These prices may be modified from time to time.

HEALTH CARE SERVICES

Provided by Mercy Community Home Care

Nurse Services:

The following services will be performed by a licensed nurse at the fees indicated:

- (a) Prepouring of physician ordered medication \$25.00/wk
- (b) Administration of physician ordered medication \$ 5.00/visit
- (c) When ordered by your physician, Nurse visits to the apartment will be provided at the rate of \$9.00 per every 15 minutes, billed in 5 minute increments.

Aide Services:

The following services will be provided by an Aide at the rate of \$ 6.00 per every 15 minutes, billed in 5 minute increments.

- (a) Scheduled assistance with personal activities of daily living
- (b) Emergency linen change
- (c) Internal transportation, unless medically necessary
- (d) Appointment escort service

Other Staff:

Other services may be provided to you in your apartment by other members of The McAuley Staff. These services, billed at the rate of

EXHIBIT 3

\$ 3.00 per every 15 minutes, billed in 5 minute increments, would include:

- (a) Assistance with personal laundry
- (b) Routine bed making and apartment tidying

DINING SERVICES PROGRAM

Away Credit for Meals Missed	See Residency Agreement
Additional Resident Meal/Dining Room	\$10.00 per meal
Café Meals	\$7.00-\$15.00
Guest Meals:	
Monday –Saturday	
Adult	\$15.00
Child (6-12)	\$ 6.50
Children 3 and under	Free
Sunday Brunch/Holiday Meal	
Adult	\$17.50
Child (6-12)	\$6.50
Children 3 and under	Free
Meal Delivery	\$ 3.00 per meal

ENVIRONMENTAL SERVICES DEPARTMENT

Housekeeping \$20.00 per hour
(in addition to the basic housekeeping
and annual heavy-duty cleaning included
in your Monthly Fee)

EXHIBIT 3

Labor is available in 15 minute increments.

Laundry Service/Private Laundry Service (in addition to the service included in your Monthly Fee)	\$ 7.00 per load
---	------------------

Maintenance	\$30.00 per hour
-------------	------------------

Parts and supplies are extra as required. Labor is available in 15 minute increments. The above prices for maintenance represent additional requests for services not covered in The McAuley Residency Agreement.

Replacement Key Card, additional key cards and mailbox key	\$ 7.00 per key
---	-----------------

Environmental Services can provide special services and items to for your apartment upon request. Here is a list of items we can install in your apartment with prices (Prices are subject to change).

The prices for the following items include installation.

Manual door bells	\$35.00ea
Wireless door chimes	\$45.00ea
Hand held shower units	\$40.00ea without massage, \$65.00ea with massage
Surface mount bathroom cabinets	\$100.00ea
Ice cube maker for your refrigerator	\$110.00ea
Mini-blinds:	
Balcony door	\$50.00ea
Dining room window	\$55.00ea
Living room window	\$80.00ea
Bedroom window(s)	\$65.00ea

EXHIBIT 3

Grab bars or handicap bars 18 inch bar	\$55.00ea
(stainless or white colors) 24 inch bar	\$65.00ea
Cones for your parking space	\$15.00ea delivered

The following items are available and are priced upon request.

Balcony blinds
Telephones desk & wall (one color & style telephone)
Telephone wall jacks
Repair of lamps (table or floor)
Area rug non-slip pads (all sizes)
Extra painting of bookcases or other items
Wallpapering
Extra shelving in your closets
Screens & glass for balcony(s)
Carpet for your balcony (samples to pick from are with Carol in Marketing)

MISCELLANEOUS ITEMS

Auditorium Reservation Fee	\$25.00
Cordmate system	\$275.00
Guest Apartment	\$75.00 per night
Mail Delivery to "B" desk	\$ 5.00 per week
Rollaway Bed with Linen Service	15.00 per night

EXHIBIT 3

TRANSPORTATION

Transportation Fee Schedule

Pricing schedule for transportation not covered by your Monthly Fee.

- Zone I: \$ 6.00 per round trip
- Zone II: \$ 9.00 per round trip
- Zone III: \$12.00 per round trip
- Zone IV: Price to be determined by mile

- McAuley Sponsored Trips: \$ 6.00 per person per round trip
- Resident Sponsored Trips: Price is per person according to Zone Schedule
- Subscription Series: \$ 6.00 per person

Bradley International Airport: \$20.00 one way during business hrs.
(Per Person) \$30.00 one way after business hrs.

Bus/Train Station: \$10.00 one way during business hrs.
(Per Person) \$15.00 one way after business hrs.

Medical Appts. (Zone I; after hours): \$20.00 Roundtrip per person

Add-on medical appointment fee: \$ 6.00 plus Zone charge if outside of Zone I



RESIDENCY AGREEMENT

WITHOUT LONG TERM CARE COVERAGE

275 Steele Road, West Hartford, Connecticut 06117-2716
Telephone (860) 920-6300 Facsimile (860) 232-4077

THE McAULEY
RESIDENCY AGREEMENT

This Residency Agreement (the "Agreement") is entered into this ____ day of _____ between McAuley Center, Incorporated, a Connecticut non-stock corporation (the "McAuley" or "us"), and _____ "Resident" or "you"). This Agreement applies to Apartment _____, a _____ bedroom Apartment (the "Apartment"). (If two persons sign this Agreement, "Resident" or "you" shall apply to both of you, jointly and severally.)

PREAMBLE

The McAuley, a non-profit, tax-exempt corporation, is a continuing care retirement community sponsored by the Sisters of Mercy of Connecticut, managed by Mercy Community Health, and part of Catholic Health East. It is located at 275 Steele Road, West Hartford, Connecticut. The McAuley is registered as a Managed Residential Community ("MRC") in Connecticut.

I. BASIC AGREEMENT

A. You agree to pay the Entrance Fee, Monthly Rental Fee and any additional fees specified in Section III of this Agreement. In exchange for such payments, you will have the right, subject to the terms of this Agreement, to occupy the Apartment and to have access to General Services at The McAuley set forth in Section IV. A. and B. of this Agreement.

B. You have completed the Application and Admission process and have executed a Pre-Residency Agreement that is incorporated by reference into this Agreement.

C. Your Occupancy Date was specified by us in your Letter of Acceptance. This Agreement must be executed by both you and us prior to the Occupancy Date. The balance of the Entrance Fee will be payable to us at the time this Agreement is executed by both you and us. You shall not be required to move in to the Apartment before the expiration of thirty (30) days from the execution of this Agreement.

D. Following the execution of this Agreement, but at least thirty (30) days prior to the Occupancy Date, you may request an extension of the Occupancy Date. Such request should be made in writing to us (see Section XI. J). Our decision is final.

II. ACCOMMODATIONS AT THE COMMUNITY

A. Alterations

Any physical alteration of the Apartment by you requires the prior written approval of us. Such alterations shall be at your expense, and must be performed by craftsmen approved by us. Upon death or termination of occupancy of you (or the second person if there are two people in the Apartment), we, in our sole discretion, may return the Apartment to its condition prior to such alterations, and all costs for this restoration incurred by us will be charged to you or your estate.

B. Access

You agree that we and our employees and agents shall have the right, at all reasonable times, subject to our policy described below regarding housekeeping, maintenance and laundry services, to enter your Apartment for purposes of management, housekeeping, maintenance, health services, enforcement of applicable laws and regulations, emergency purposes, or any other reasonable purpose. Our policy is that at least one of you must

remain in the Apartment while housekeeping, maintenance and laundry services are provided, unless you waive this policy in writing by executing an Environmental Services Waiver.

C. Property Protection and Insurance

We will not be responsible for the loss of any of your personal property due to any cause other than our gross negligence. You agree to indemnify us for any loss or damage to our personal property and for any injury or damage to others or to the property of others resulting from the acts, omissions, negligence or fault of you or your guests and invitees. You shall maintain both personal liability and personal property insurance coverage in accordance with our rules and regulations and shall provide us with a copy of that policy or proof of purchase, upon our request.

D. Moving Expenses

You will be responsible for all moving expenses associated with your move into and out of the McAuley. In the event that you transfer Apartments during your occupancy at the McAuley, you will be responsible for all moving expenses associated with such transfer. In the event that you, upon meeting the terms set forth by us for carpet replacement and re-painting, should request us to provide carpet replacement and repainting for the Apartment, you will be responsible for all moving expenses associated with these services.

III. FINANCIAL ARRANGEMENTS

A. Contract Type

Standard Rental Refund Plan: You pay a standard Entrance Fee based on Apartment type. At the time that the Agreement is terminated, you or your estate (or the estate of the last surviving Resident if there are two of you) may be entitled to a refund of the Entrance Fee as described in this Agreement. Any interest earned on the Entrance Fee will be retained by us.

B. Entrance Fee

The Entrance Fee for the Apartment is \$ _____. You paid a \$10,000 Entrance Fee Deposit prior to the execution of this Agreement. The balance of the Entrance Fee is payable in full on the date this Agreement is executed. The Entrance Fee will be held in escrow and released pursuant to Connecticut law. Any interest earned on the Entrance Fee Deposit will be retained by us.

C. Monthly Rental Fees

The "Monthly Rental Fee" for one person in the Apartment is \$ _____, and for a second person is \$ _____. You agree to pay the Monthly Rental Fee beginning on the Occupancy Date (prorated for the actual number of days from the Occupancy Date to the end of the month in which the Occupancy Date occurs) and each month thereafter.

D. Adjustments

The amount of the Monthly Rental Fee is your share of our estimated monthly cost to operate the McAuley. The Monthly Rental Fee may be adjusted from time to time, at our discretion, upon at least sixty (60) days prior written notice to you, to reflect changes in those costs. We will limit such adjustments to amounts necessary to maintain the financial stability of the McAuley. You agree to pay the adjusted Monthly Rental Fee.

E. Additional Fees

In addition to the Monthly Rental Fee, you will pay our fees for any Optional Services (as defined in Section IV. B. below) rendered at the McAuley. The fees for Optional Services as of the date this Agreement is executed are set forth in the Fee Schedule attached as Exhibit 1. We may, from time to time, adjust fees for any Optional Services at our discretion.

F. Monthly Statement

Upon occupancy, we will issue monthly statements to you by the tenth of each month requiring payment of the Monthly Rental Fee plus fees for any Optional Services defined in Section IV. B. of this Agreement. Payment will be due within ten days of receipt of the monthly statement. Any outstanding amounts due after the thirtieth of the month will be charged a late fee of 1.5% per month until the amount owed is paid in full. If you fail to pay the amounts charged under the terms of the Agreement and we must refer the account to an attorney or collection agency, you agree to pay all charges, expenses, court costs and attorneys fees incurred by us, not to exceed any lawful limits.

G. Transfers

In the event that you temporarily transfer to any licensed care facility including a licensed skilled nursing facility or hospital and this Agreement is not otherwise terminated, you will continue to be obligated to pay the Monthly Rental Fee to us and your Apartment will be held as provided in Article IV, Paragraphs C and D.

H. Surviving Resident

If this Agreement is executed by two of you and either one dies, effective on the first day of the month following the death, the surviving Resident will be obligated to pay the Monthly Rental Fee for single occupancy in the Apartment.

I. Personal Obligations

We shall not be liable or responsible for any expenses, debts, or other obligations incurred by you on your own account, nor shall we be obligated to furnish, supply, or give you any support, maintenance, board or lodging while you are absent from the McAuley, except as may be provided in this Agreement.

J. Health Insurance

If you are sixty-five (65) years of age or older, you agree to enroll in and be covered by, at your own expense, Medicare Part A, Part B, and Part D, or equivalent insurance coverage acceptable to us under a public or private insurance plan. In addition, you agree to enroll in and be covered by a supplemental insurance policy to pay Medicare co-insurance and deductible amounts. If you are less than sixty-five (65) years of age, you will enroll in and be covered by medical insurance coverage equivalent to the coverage provided under Medicare Part A and Part B.

You agree to provide proof of insurance coverage upon our request.

Any amounts paid or owing to you from federal, state, municipal, private, or supplemental insurance plans for services rendered to you by us shall be paid to us. You agree to diligently obtain all reimbursements, payments, proceeds or other benefits available under such plans or programs, and authorize us to take such action as may be required to obtain and recover same. Any insurance proceeds received by us in excess of the cost of such services shall be paid to you, or in the event of your death, to your estate.

K. Financial Requirements for Residency

As part of the Application and Admission Process, you completed a financial disclosure. Your Financial Disclosure is

attached to this Agreement. You agree that as a condition of continued residency at the McAuley, you will provide on an annual basis or as requested by us, an update of all information contained in the Financial Disclosure on forms that will be given to you by us.

You agree to make all reasonable efforts to conserve your financial resources in order to enable you to meet your financial obligations under this Agreement.

IV. GENERAL SERVICES

A. Services Included in Monthly Rental Fee

These services and amenities are included in the Monthly Rental Fee:

1. Services:

- a. Normal repair and maintenance of the Apartment appliances that are provided by us.
- b. All utility expenses, except cable TV and telephone charges.
- c. Town of West Hartford real estate taxes.
- d. Property and building insurance. (Such insurance does not cover your personal liability and Apartment furnishings. See Section II.)
- e. Trash removal from designated areas in accordance with environmental waste management laws and regulations.

2. Amenities:

- a. Full kitchen facilities, including electric range, refrigerator/freezer, and garbage disposal.
- b. Individually controlled heating and air conditioning.
- c. Sheer Window Treatments.
- d. Emergency-alert system with call switches in each bedroom and bathroom of Apartment.
- e. Smoke detector and sprinkler system in each Apartment.
- f. Automatic washers and dryers located on each floor for personal laundry.
- g. Apartment is pre-wired for telephones and cable television.
- h. Individual mailboxes located in the "A" Building.

- i. Assigned uncovered parking space for one car.
- j. Storage bin.

3. Dietary Services:

- a. Continental breakfast and your choice of lunch or dinner daily with waited table service in the dining room.
- b. To the extent reasonably possible, food selection will be made available to all residents in order to accommodate physician ordered dietary restrictions.
- c. Medically authorized tray service for meals when ordered by the Supervisor of Assisted Living Services Agency of Mercy Community HomeCare, our Director of Resident Services or his/her Designee.

4. Housekeeping and Laundry Services:

- a. General cleaning of Apartment every other week.
- b. Bed and bath linens.
- c. Weekly laundry service for bed and bath linens.

5. Transportation Services:

- a. Scheduled, local transportation services to shopping, banking, medical appointments and religious services.

6. 24-Hour Services:

- a. 24-hour concierge service, located in the A Building.
- b. 24-hour health staff service.
- c. 24-hour in Apartment emergency response system.

7. Social and Recreational Activities
8. Building and grounds maintenance and custodial service:
 - a. Maintenance of all community buildings, common areas and grounds, including lawns, walkways and driveways.
 - b. All necessary repairs, maintenance and replacement of community property and equipment located in your Apartment, in accordance with the Resident Handbook.
9. Health Promotion and Care Management Services:
 - a. Mercy Community HomeCare by our request will assist Resident in obtaining physician referrals and ancillary medical services and will provide Health Promotion Services that include Client Teaching, Wellness Counseling, Blood Pressure Checks, Care Management and Coordination of health services by a Registered Nurse.

B. Optional Services (available at additional expense to Resident- See Fee Schedule attached as Exhibit 1)

1. Additional meals not included under Dietary Services described in Section IV. A. 3.
2. Well spouse/friend tray service.
3. Guest accommodations and meals.
4. Additional housekeeping, maintenance and custodial services not included in Sections IV. A. 1., IV. 4., and IV. A. 8.
5. Beauty Salon/Barber Shop Services.

6. Parking space for additional car, when available.
7. Expenses incurred by us on your behalf that are not included in the scope of services as described in Section IV. A. above.
8. Access to health services in addition to those described in Section IV. A. 9. above, including Medicare reimbursable services through a licensed home health care agency and assistance with transfers to nursing homes and hospitals.
9. Assisted Living Services provided by Mercy Community HomeCare to those who reside in an independent living Apartment and who have a chronic and stable condition which necessitates assistance with some activities of daily living, but who do not require skilled nursing care: Assistance with bathing, dressing, exercising, grooming, meal preparation, medication dispensation and administration, mobility, self-medicating, toileting and transferring, transportation, as well as routine services. In the event you transfer to an Assisted Living unit at The McAuley, Section VII of this Agreement shall apply, and a separate agreement shall be executed by you for residence in the Assisted Living Unit.

C. Skilled Nursing Services

1. **Temporary Placement:** During your temporary stay in a skilled nursing facility, including Saint Mary Home, your right to occupy the Apartment will continue and you will continue to pay the Monthly Rental Fee. Expenses incurred by you while temporarily placed in a skilled nursing facility shall be your obligation.

2. You have a preferred access agreement with Saint Mary Home for the provision of skilled nursing services for residents of The McAuley.

D. Hospitals and Other Health Care Services

We will not provide, pay for, or indemnify you for hospital, physician, ambulance, surgical, home health care services, skilled nursing care or for drugs, medical supplies, x-rays, laboratory and other diagnostic tests, eyeglasses or refractions, hearing aides, dentistry, dentures, inlays, orthopedic appliances, private duty nursing care, podiatric services, physical therapy, treatment for psychiatric disorders, alcoholism, or similar items or services.

In the event you are temporarily absent from The McAuley due to hospitalization, your right to occupy the Apartment will continue and you will remain responsible for payment of the Monthly Rental Fee.

E. Private Duty Care

In the event you wish to employ outside caregivers, companions, private duty aides or other personnel to provide services to you, you shall notify us. You are required to execute additional documents prior to employing such outside caregivers, companions, private duty aides or other personnel.

V. TERMINATION OF AGREEMENT

A. Termination by Resident

1. Prior to Occupancy.

- a. You may terminate this Agreement for any reason up to thirty (30) days after the execution of this Agreement by giving us written notice by registered or certified mail. We will refund to you all fees paid to you minus an administrative fee of \$1,000.00.
- b. If you (or both of you if there are two of you) die before the Occupancy Date, we will terminate this Agreement upon receipt of written notification from your legal representative. We will refund to your estate or representative all fees paid to us, minus an administrative fee of \$250.00.
- c. If you cannot occupy the Apartment on the Occupancy Date due to illness, injury or incapacity of you (or both of you if there are two of you), we will terminate this Agreement upon receipt of written notification from you or your legal representative by registered or certified mail. We will refund to you all fees paid to us, minus an administrative fee of \$250.00.
- d. If for any reason the Apartment is not available for occupancy on the Occupancy Date, you may terminate this Agreement by giving us written notice by registered or certified mail. Upon termination of the Agreement, you will be paid, upon request, a full refund of the Entrance Fee, without interest, minus a \$250 administrative fee.

- e. If you fail to occupy the Apartment for any other reason and at least thirty (30) days have passed since the execution of this Agreement, we will refund to you all fees paid to you minus an administrative fee of \$1,000.00.

2. After Occupancy

a. You may terminate this Agreement for any reason subsequent to the Occupancy Date by giving at least one hundred twenty (120) days advance written notice of the intent to terminate this Agreement and vacate the Apartment. Notice shall be sent to us by registered or certified mail. (see Section XI. J.). The notice shall specify the date upon which you will vacate the Apartment; that date shall be no earlier than 120 days from date of notice. The actual date of termination will be the latest to occur of the date specified in the notice and the date that all of your personal property has been removed from the Apartment. You will be responsible for paying the Monthly Rental Fee until the Apartment is vacated.

b. Subsequent to occupancy, upon your death, or the occurrence of an illness, hospitalization or injury, which precludes you from living at The McAuley:

- i. If you are the sole occupant of the Apartment, this Agreement will terminate when all of your personal property has been removed from the Apartment.
- ii. If this Agreement covers two Residents, this Agreement will terminate as to the deceased or ill Resident who can no longer reside at the McAuley upon written notice of that Resident's death or notice of intent to move out. This Agreement shall remain in effect as to the surviving Resident with appropriate adjustment of the Monthly Rental Fee, as set forth in Section III. B. of this Agreement.

- iii. In the event of a Resident's death, the Resident's estate or family will only be responsible for payment of the Monthly Rental Fee for a period of time not to exceed fifteen (15) days following the date of death as long as the Resident's unit has been vacated and all of that Resident's personal property has been removed from the Apartment.

3. Entrance Fee refund procedures are set forth in Section VIII.

B. Termination by Us

We may terminate this Agreement upon the occurrence of any of the following events, by sending you a written notice:

1. Termination Prior to Occupancy Date

- a. A misrepresentation on your Financial Disclosure;
- b. A disposition of your assets that, in our judgment, materially impairs your ability to pay future monthly rental fees;
- c. A decline in your medical and/or cognitive condition that, in our judgment, impairs your ability to live independently;
- d. You fail to pay the balance of the Entrance Fee when due.

2. Termination Subsequent to Occupancy for Non-Medical Reasons

If you default under this Agreement, we will give you written notice of your default. You will have thirty (30) days from date of such notice to cure the default. If the default is not cured within such thirty (30) day period, this Agreement will terminate. The following shall constitute your default:

- a. If we determine that information on the Application for Residency is erroneous or that any material facts affecting qualification for residency were not disclosed.
- b. If you (or either of you if there are two of you) fail to comply with our rules and regulations or the terms of this Agreement.
- c. If you (or either of you if there are two of you) create a situation detrimental to the health, safety or peaceful living of you, other residents or our staff as determined by us.
- d. If you make any disposition of your assets which, in our judgment, materially impairs our ability to pay the current or future Monthly Rental Fee or other costs pursuant to this Agreement.
- e. If you fail to pay the Monthly Rental Fee or other amounts owing to us within ten (10) days of the due date, unless other mutually satisfactory arrangements have been made. It is our intention that this Agreement shall not be terminated solely because of financial inability to pay the fees to the extent that: i) the inability to pay is not the result of the willful action of you; and ii) in our judgment, the financial viability of the McAuley will not be jeopardized by such failure to pay amounts due. In the event that you are unable to pay your monthly rental fee as described above, The McAuley will assist you in finding alternative living arrangements that, in our assessment, will meet your needs. During such time that McAuley is assisting you to find alternative living arrangements, but not to exceed 30 days, you will not be required to pay your monthly fee to The McAuley. Once, in our opinion, a

suitable alternate living arrangement has been identified, the move out must occur within 30 days. Moving expenses will be your responsibility.

We reserve the right to terminate this Agreement immediately without advance notice in the event a default under b. or c. of this subsection jeopardizes the health, safety or welfare of you or other residents of the McAuley.

3. Termination Subsequent to Occupancy for Medical Reasons

We may terminate this Agreement after occupancy, if you are in need of treatment and services for any condition for which we are not licensed or for which care is not customarily provided in The McAuley. If any of the above situations is determined to be temporary in nature, the Apartment will remain reserved for you and you will remain responsible for payment of the Monthly Rental Fee. If it is determined that the situation is not temporary in nature, all our obligations and all of your rights in this Agreement will terminate as of the date of such determination; provided, however, that any right you may have to receive a refund of any portion of the Entrance Fee in accordance with Section VIII. and your obligations to make payments to us for any balance that accrued prior to the termination, will survive the termination.

4. Entrance Fee

Entrance Fees shall be refunded in accordance with Section VIII. of this Agreement.

VI. SPECIAL OCCUPANCY CIRCUMSTANCES

A. Death of a Resident

If two of you sign this Agreement and one of you dies, this Agreement shall remain in effect as to the surviving Resident.

B. Separation

1. If two of you sign this Agreement with the intention of residing in the same Apartment, and at a later date following occupancy you desire separate Apartments, one of you may remain in the Apartment and the other will may transfer to another Apartment (subject to Provider's Internal Transfer Guidelines) upon payment of the then current Monthly Rental Fees and Entrance Fee pertaining to that other Apartment. In addition, the Resident securing the second Apartment will be required to execute a new and separate Agreement. The Resident remaining in the Apartment will be obligated to pay the single occupancy Monthly Rental Fee for that Apartment. There will not be a refund of any portion of the original Entrance Fee paid by both parties for the original Apartment at that time. The refund provisions of this Agreement will apply with respect to the Resident remaining in the Apartment and the refund provisions of the new Agreement will apply with respect to the Resident moving to the new Apartment.

2. If two of you sign this Agreement with the intention of residing in the same Apartment, and at a later date following occupancy you both choose to reside in different Apartments, you both may transfer, subject to Apartment availability (refer to Our Internal Transfer Guidelines) upon payment of the then current Monthly Rental Fees and Entrance Fee pertaining to the new Apartments. In addition, you both will be required to execute new and separate Agreements. There will not be a refund of any portion of the original Entrance Fee paid by both of you for the original Apartment at that time. The refund provisions of the new Agreements will apply with respect to both of you.

3. If two of you sign this Agreement with the intention of residing in the same Apartment, and at a later date following occupancy one of you desires to leave The McAuley permanently for another residence, then the Resident leaving McAuley will surrender all rights under this Agreement (see Termination by Resident). The remaining Resident will retain all rights as a Resident and will pay the single occupancy Monthly Rental Fee for the Apartment. There will not be a refund of any portion of the original Entrance Fee for the original Apartment at that time. The refund provisions of this Agreement will apply with respect to the Resident remaining in the Apartment. The refund provisions of this Agreement will be operative only upon the death or termination of occupancy of the remaining Resident.

C. Resident Marriage

1. If you marry another Resident and both of you desire to reside in the same Apartment, you both may either, a) release one Apartment and reside together in the other Apartment, or b) release both Apartments and reside together in a different Apartment. If you and the other Resident choose to release both Apartments and reside together in a different Apartment, transfer to an available Apartment will be facilitated by us (subject to our Internal Transfer Guidelines). In either case, we will honor the existing Agreement for each of you. If the Entrance Fee for the new Apartment is greater than the sum of the original Entrance Fees paid by the two Residents, you will pay the difference between the current applicable Entrance Fee and the sum of the original Entrance Fees. Once residing together, the Monthly Rental Fee will be adjusted so that one of you will pay the Monthly Rental Fee for the Apartment style in which the couple resides, and the second Resident will pay the Monthly Rental Fee for a Studio Apartment.

2. If you marry a non-resident and you both desire to live in the your Apartment, the non-resident must apply to us for residency and meet all applicable Application and Admission requirements.

i. If the non-resident spouse is accepted for residency, a new Residency Agreement must be executed by all parties. An applicable Monthly Rental Fee adjustment will apply. If the applicable current Entrance Fee is greater than the original Entrance Fee paid by you, the difference between the original Entrance Fee and the current Entrance Fee will be paid at the time the new Agreement is executed by you, your spouse and us.

ii. If the non-resident spouse is not accepted for residency, we and you will execute an Addendum to the Residency Agreement with respect to living arrangements for the non-resident spouse. An applicable Monthly Rental Fee adjustment will apply. The non-resident spouse will be subject to our rules and regulations, as amended from time to time.

D. Special Resident Occupancy

1. If you decide to reside in the same apartment with another current Resident, who previously resided in a different Apartment, you and the other Resident may either, a) release one Apartment and reside together in the other Apartment, or b) release both Apartments and reside together in a different Apartment. If you and the other Resident choose to release both Apartments and reside together in a different Apartment, transfer to an available Apartment will be facilitated by us (subject to our Internal Transfer Guidelines). In either case, we will honor the existing Agreement for you and for the other Resident. If the Entrance Fee for the new Apartment is greater than the sum of the original Entrance Fees paid by you and the other Resident, you will pay the difference between the current applicable Entrance Fee and the sum of the original Entrance Fees. Once you and the other Resident reside together, the Monthly Rental Fee will be adjusted so that one Resident will pay the Monthly Rental Fee for the Apartment style in which you both reside, and the second Resident will pay the Monthly Rental Fee for a Studio Apartment.

2. If you and a non-resident desire to live in your Apartment, the non-resident must apply to us for residency and meet all applicable Application and Admission requirements.

i. If the non-resident is accepted for residency, a new Residency Agreement must be executed by you and the non-resident. An applicable Monthly Rental Fee adjustment will apply. If the applicable current Entrance Fee is greater than the original Entrance Fee paid by you, the difference between the original Entrance Fee and the current Entrance Fee will be paid at the time the new Agreement is executed by you, the non-resident and us.

ii. If the non-resident is not accepted for residency, we and you will execute an Addendum to your Agreement with respect to living arrangements for the non-resident spouse. An applicable Monthly Rental Fee adjustment will apply. The non-resident will be subject to our rules and regulations, as amended from time to time.

E. Guests

Guests staying in Resident Apartments are welcome at all times. Any visitation in the Apartment by a non-resident for more than a two-week period in any calendar year must be arranged with, and expressly approved in writing by, us. Guest meals will be available for an additional charge that will be added to your Monthly Statement.

VII. TRANSFER TO A DIFFERENT APARTMENT

If you wish to transfer to a different Apartment, you must notify us of the desire to transfer Apartments. We will assist you with such a transfer, subject to our Internal Transfer Guidelines. Our Internal Transfer Guidelines are incorporated by reference into, and attached as Exhibit 2 of, this Agreement. When a new Apartment is available and you transfer, the Monthly Rental Fee and the Entrance Fee will be adjusted to the then current charges for that Apartment type. The parties will amend this Agreement in writing prior to the transfer becoming effective to reflect such adjustments. If the current Entrance Fee for the new Apartment is less than the original Entrance Fee paid by you, there will be no refund of any portion of the Entrance Fee. All refunds will be made in accordance with Section VIII upon termination of this Agreement. We will establish a policy on the procedures and charges for transfers and may from time-to-time adjust this policy.

VIII. REFUND OF ENTRANCE FEE

In the event this Agreement is executed by two persons, the Entrance Fee refund procedures set forth below in this Section shall not apply until the last of the two of you dies or this Agreement is otherwise terminated as to both of you as set forth in Section V of this Agreement.

A. Prior to the Occupancy Date

1. Apartment Not Available

If for any reason the Apartment is not available for occupancy on the Occupancy Date, you may terminate this Agreement. Upon termination of the Agreement, you will be paid, upon request, a full refund of the Entrance Fee, without interest, minus a \$250 administrative fee. Such refund will be issued within thirty (30) days of the receipt of the notice of termination.

2. Death, Illness, Injury or Incapacity of Resident

If for reason of death, illness, injury or incapacity, you are not able to occupy Apartment on the Occupancy Date, we will refund the Entrance Fee paid, without interest, minus a \$250 administrative fee, within thirty (30) days of receipt of the notice required under Section V. A. 1 above.

3. Termination Within Thirty Days of Execution of this Agreement

You may terminate this Agreement for any reason up to thirty (30) days after the execution of this Agreement by giving us written notice by registered or certified mail. We will refund to you all fees paid to you minus an administrative fee of \$1,000.

4. If for any other reason, you are not able to or choose not to occupy Apartment on the Occupancy Date and more than 30

days have passed since execution of this Agreement, we will refund the Entrance Fee paid, without interest, minus a \$1,000 administrative fee, within thirty (30) days of receipt of the notice required under Section V. A. 1.

B. Subsequent to the Occupancy Date – Standard Rental Refund Plan

You, at the time this Agreement was executed, selected the Standard Rental Refund Plan. During the first twenty four (24) months from the Occupancy Date, there will be a refund of the original Entrance Fee paid, less four percent (4%) of that amount for each full month from the Occupancy Date to the date the Apartment is vacated (and empty of all personal possessions) or the Agreement is terminated, whichever comes later. Any interest earned on the Entrance Fee will be retained by us.

In situations involving serious deterioration of your health requiring nursing home placement or your death (or, if there are two of you, the nursing home placement or death of both of you) during the first twenty four (24) months from the Occupancy Date, there will be a full refund, without interest, of the original Entrance Fee paid by the Resident.

Subsequent to the first twenty four (24) months from the Occupancy Date, there will be a full refund, without interest, of the original Entrance Fee paid by Resident.

C. Refund Payment

Any refunds due to you or your estate pursuant to the prior paragraph, will be payable within sixty (60) days following the later date when both of the following events first occur:

1. we receive an Entrance Fee for an Apartment similar in style (e.g. studio, one bedroom, etc.) to your Apartment; and
2. we have refunded all other entrance fees due and

payable pursuant to residency agreements for like Apartment styles pursuant to residency agreements that terminated prior to the termination of this Agreement.

Notwithstanding the foregoing, we may at our option, deduct from any Entrance Fee refund any monies advanced to you by us and any monies owed Provider under Section III. of this Agreement or under any other provision of this Agreement. In the event that you have incurred charges which exceed the Entrance Fee refund balance, no refund will be issued and you or your estate will be liable and billed for the excess amount.

We will pay any refund due hereunder to you or your estate if you are deceased, unless we are otherwise directed by written instructions signed by you and accepted by us.

IX. EXTENDED ABSENCE

If you are away from The McAuley for 14 or more consecutive days, and if we receive at least five (5) days written, advance notice of the intended absence, you will receive a daily meal credit on Resident's Monthly Statement for those days when the Resident was away from The McAuley. This credit for missed meals only applies to you if you are staying in an acute care setting, a rehabilitation hospital or having a temporary stay in a skilled nursing facility. Your right to occupy the Apartment and your payment obligations will be as set forth in Section IV.D above.

X. VACATING APARTMENT

Upon termination of this Agreement, you must vacate the Apartment within thirty (30) days. For purposes of this Agreement, the Apartment will not be considered vacated until all of your personal property is removed from the Apartment. You will be responsible for the Monthly Rental Fee during this thirty (30) day

period; provided, however, that if the Agreement is terminated as a result of your death, your estate or family will only be responsible for payment of the Monthly Rental Fee for a period of time not to exceed fifteen (15) days following your death as long as your Apartment has been vacated. If the Apartment is not vacated within the thirty (30) days, we will have the right to remove and store all property left in the Apartment after thirty (30) days. You will be responsible for the costs incurred as a result of moving and storing such items. Property left in storage for ninety (90) days or more may be disposed of by us at your expense.

When you vacate the Apartment, we expect that the Apartment will be left in the same condition as of the Occupancy Date, ordinary wear and tear excluded. We may charge you for any damage to the Apartment that, at our discretion, is deemed as not the result of ordinary wear and tear. If with our permission, you physically altered the Apartment, we, in our sole discretion, may return the Apartment to its condition prior to such alterations, and all costs for this restoration incurred by us will be charged to you.

XI. MISCELLANEOUS

A. Fees Not Held in Trust

All fees paid to us, including Entrance Fees, shall become the sole property of us as payment for residence and services once the Entrance Fees are released to us pursuant to Connecticut law, except to the extent that Entrance Fees may be refundable under this Agreement

B. Subordination

All your rights under this Agreement are subordinate to any existing or future mortgages on The McAuley and to any of our other creditors with respect to The McAuley. You agree to execute

any documents requested by us in order to carry out the terms of this Section.

C. Property Rights

This Agreement grants you a revocable license to occupy and use space in The McAuley. This Agreement is not a lease and does not transfer or grant to you any ownership interest or rights of tenancy in real or personal property owned or leased by Provider. Your rights under this Agreement, except your rights to any refunds to which you are entitled under this Agreement, are subject to all terms and conditions of this Agreement and are subordinate to any mortgage, financing deed, deed of trust, or other financing on The McAuley.

D. Arrangements for Conservatorship

If you become unable to care properly for yourself or your property and have made no designation of a conservator or trustee, then we are authorized to institute proceedings for appointment of a person or entity to serve as conservator for you.

E. Rules and Regulations

We shall have the right to adopt or amend such reasonable policies, rules, regulations, guidelines and operating procedures ("Rules and Regulations") as we deem necessary or desirable for proper management and operation and for the health, safety and comfort of the residents. The Resident Handbook summarizes many of our Rules and Regulations, and is incorporated by reference into this Agreement. You agree to abide by the Rules and Regulations.

F. Smoking

The McAuley is a smoke free building, therefore smoking is prohibited. This applies to all areas in The McAuley, including but not limited to: McAuley vehicles, resident apartments, apartment

balconies, the front entrances to each building, all dining areas, meeting rooms, activity areas and all corridors. This prohibition applies to everyone, including all residents, family members, overnight guests, visitors, and private duty assistants.

G. Compliance with Laws and Regulations

We will comply with all municipal, state and federal laws and regulations regarding consumer protection and protection from financial exploitation. We will afford you all rights and privileges under Section 17b-520 et seq. Connecticut General Statutes.

H. Grievance Procedure

You may present a formal complaint about any alleged violation of the Residency Agreement. The complaint must be submitted in writing and delivered to the Executive Director at the address specified in Paragraph J below. Upon receipt of a formal written complaint, The Executive Director or designee will respond in writing after conducting an investigation. The Executive Director or designee will respond within five (5) business days. If you are not satisfied with the response, you may appeal the decision to the Chief Executive Officer (CEO) of Mercy Community Health. This appeal must be made in writing and delivered to the CEO at The McAuley, 275 Steele Road, West Hartford, CT, 06117, Attn.: Chief Executive Officer. Under no circumstances will The McAuley, its Executive Director or the CEO or any other agent allow or permit retaliation against a Resident who has filed a complaint.

I. Accuracy of Information

You represent and warrant that all information that you have submitted or will submit to us, including but not limited to annual financial statements, is true and complete. You understand and acknowledge that we are relying on such information.

J. Notices

All written notices required by this Agreement will be sufficient if addressed:

1. If to you: to Resident's Apartment at The McAuley;
2. If to us, to the Executive Director, The McAuley, at 275 Steele Road, West Hartford, CT 06117.

Unless otherwise specified in this Agreement, all written notices shall be sent by registered or certified U.S. Mail, overnight express courier service, or messenger service and shall be deemed issued when delivered or when acceptance is refused.

K. Waiver

Our failure in any one or more instances to insist upon strict compliance by you with any of the terms of this Agreement shall not be construed to be a waiver by you of such term(s) or of the right to insist upon strict compliance by you with any of the other terms of this Agreement.

L. Assignment

Your rights and benefits under this Agreement (except for the possible right to a refund of some part of the Entrance Fee) are not assignable and will not inure to the use or benefit of the heirs, legatees, assignees or representatives of you, but your obligations under this Agreement shall bind your heirs, legatees, assignees or representatives. The Agreement shall bind and inure to the benefit of our successors and assigns.

M. Entire Agreement

This Agreement, including all exhibits, constitutes the entire agreement between us and you. We are not liable for nor bound in any manner by any statements, representations or promises made by any person representing or proposing to represent us, unless such statements, representations, or promises are set forth in the Agreement. Any modification of the Agreement must be in writing and signed by us and you.

N. Interpretation of Agreement

No amendment of this Agreement will be valid unless executed in writing by both you and us.

The invalidity of any restriction, condition or other provision of this Agreement will not impair or affect in any way the validity or enforceability of the remainder of this Agreement. This Agreement will be interpreted according to the laws of the State of Connecticut.

O. Counterparts

This Agreement may be executed in counterparts.
Executed at West Hartford, Connecticut on this _____ day of _____, 20____.

RESIDENT(S):

THE PROVIDER:
McAuley Center, Inc.,
A Connecticut not for profit
corporation

(Signature)

By: _____
Its: Executive Director

(Printed Name)

(Signature)

(Printed Name)

Summary of Key Information Contained in this Residency Agreement

Resident Name(s):

Occupancy Date: _____

Unit Number: _____ Unit Type: _____

Entrance Fee Amount: _____

Monthly Fee: First Person _____ Second Person _____

EXHIBIT 1

FEE SCHEDULE SEPTEMBER 2007

Listed below are prices for additional services not covered by Your Monthly Fee. These prices may be modified from time to time.

HEALTH CARE SERVICES

Provided by Mercy Community Home Care

Nurse Services:

The following services will be performed by a licensed nurse at the fees indicated:

- (a) Prepouring of physician ordered medication \$25.00/wk
- (b) Administration of physician ordered medication \$ 5.00/visit
- (c) When ordered by your physician, Nurse visits to the apartment will be provided at the rate of \$9.00 per every 15 minutes, billed in 5 minute increments.

Aide Services:

The following services will be provided by an Aide at the rate of \$ 6.00 per every 15 minutes, billed in 5 minute increments.

- (a) Scheduled assistance with personal activities of daily living
- (b) Emergency linen change
- (c) Internal transportation, unless medically necessary
- (d) Appointment escort service

Other Staff:

Other services may be provided to you in your apartment by other members of The McAuley Staff. These services, billed at the rate of

EXHIBIT 1

\$ 3.00 per every 15 minutes, billed in 5 minute increments, would include:

- (a) Assistance with personal laundry
- (b) Routine bed making and apartment tidying

DINING SERVICES PROGRAM

Away Credit for Meals Missed	See Residency Agreement
Additional Resident Meal/Dining Room	\$10.00 per meal
Café Meals	\$7.00-\$15.00
Guest Meals:	
Monday –Saturday	
Adult	\$15.00
Child (6-12)	\$ 6.50
Children 3 and under	Free
Sunday Brunch/Holiday Meal	
Adult	\$17.50
Child (6-12)	\$6.50
Children 3 and under	Free
Meal Delivery	\$ 3.00 per meal

ENVIRONMENTAL SERVICES DEPARTMENT

Housekeeping \$20.00 per hour
(in addition to the basic housekeeping
and annual heavy-duty cleaning included
in your Monthly Fee)

EXHIBIT 1

Labor is available in 15 minute increments.

Laundry Service/Private Laundry Service \$ 7.00 per load
(in addition to the service
included in your Monthly Fee)

Maintenance \$30.00 per hour

Parts and supplies are extra as required. Labor is available in 15 minute increments. The above prices for maintenance represent additional requests for services not covered in The McAuley Residency Agreement.

Replacement Key Card, additional key cards
and mailbox key \$ 7.00 per key

Environmental Services can provide special services and items to for your apartment upon request. Here is a list of items we can install in your apartment with prices (Prices are subject to change).

The prices for the following items include installation.

Manual door bells	\$35.00ea
Wireless door chimes	\$45.00ea
Hand held shower units	\$40.00ea without massage, \$65.00ea with massage
Surface mount bathroom cabinets	\$100.00ea
Ice cube maker for your refrigerator	\$110.00ea
Mini-blinds:	
Balcony door	\$50.00ea
Dining room window	\$55.00ea
Living room window	\$80.00ea
Bedroom window(s)	\$65.00ea

EXHIBIT 1

Grab bars or handicap bars 18 inch bar	\$55.00ea
(stainless or white colors) 24 inch bar	\$65.00ea
Cones for your parking space	\$15.00ea delivered

The following items are available and are priced upon request.

Balcony blinds
Telephones desk & wall (one color & style telephone)
Telephone wall jacks
Repair of lamps (table or floor)
Area rug non-slip pads (all sizes)
Extra painting of bookcases or other items
Wallpapering
Extra shelving in your closets
Screens & glass for balcony(s)
Carpet for your balcony (samples to pick from are with Carol in Marketing)

MISCELLANEOUS ITEMS

Auditorium Reservation Fee	\$25.00
Cordmate system	\$275.00
Guest Apartment	\$75.00 per night
Mail Delivery to "B" desk	\$ 5.00 per week
Rollaway Bed with Linen Service	15.00 per night

EXHIBIT 1

TRANSPORTATION

Transportation Fee Schedule

Pricing schedule for transportation not covered by your Monthly Fee.

- Zone I: \$ 6.00 per round trip
- Zone II: \$ 9.00 per round trip
- Zone III: \$12.00 per round trip
- Zone IV: Price to be determined by mile

McAuley Sponsored Trips: \$ 6.00 per person per round trip

Resident Sponsored Trips: Price is per person according to
Zone Schedule

Subscription Series: \$ 6.00 per person

Bradley International Airport: \$20.00 one way during business hrs.
(Per Person) \$30.00 one way after business hrs.

Bus/Train Station: \$10.00 one way during business hrs.
(Per Person) \$15.00 one way after business hrs.

Medical Appts. (Zone I; after hours): \$20.00 Roundtrip per person

Add-on medical appointment fee: \$ 6.00 plus Zone charge if outside
of Zone I

EXHIBIT 2

INTERNAL TRANSFER GUIDELINES

I. Policy Statement

- A. All residents choose their independent living unit prior to occupancy. Once the resident occupies the living unit, the applicable unit is considered the resident's primary residence. From time to time, and in consideration of a number of factors, it may be necessary for the resident to move to a different independent living unit. Any internal transfer from the primary residence to another living unit at The McAuley is subject to the Internal Transfer Guidelines.
- B. Current residents who desire to change units and make these requests are also placed on a waiting list. In this case, the name is placed in the last position for the living unit type requested.
- C. In certain circumstances, a current resident of The McAuley may request a living unit change for financial or medical reasons. In this case, The McAuley will give priority placement on the applicable waiting list. Priority consideration means that the current resident will be placed in the first position on the waiting list.

II. Internal Transfer Procedure

There are four (4) possible scenarios with respect to an internal transfer of living units. The following guidelines apply to these specific unit transfers.

- A. Pre-Arranged Move (Prior to Move-In) to a Different Living Unit

1. In certain circumstances, a resident may elect to move to The McAuley and into an available living unit, even if that unit is not the resident's choice.
2. In this situation, The McAuley and the resident will enter into an Addendum as part of the Residency Agreement. The Addendum will specify that the resident is entitled to move into an alternative unit and will specify the details of this relocation. In this situation, the resident will be given priority placement on the applicable living unit wait list. All moving expenses are the responsibility of the resident.

B. Planned Move (After Move-In) to a Different Living Unit.

1. In certain circumstances, a resident will select a living unit and, once residing in that unit, will desire to relocate to another living unit. For example, a resident chooses a living unit with a view of the parking lot and then decides that a view of the college would be more appealing.
2. In this situation, the resident must notify the Marketing Department of the desire to change living units. The resident's request will be noted on the applicable waiting list for the unit desired. At that time, the resident's name will be placed in the last position on the applicable wait list.
3. In the event that a unit comes available and the resident selects this unit, the resident will be required to pay the current entrance fee for that living unit. The resident's original entrance fee will be applied to the entrance

fee for the new living unit. In the event that the new entrance fee is less than the original entrance fee, no entrance refund will be provided to the resident. Resident must also be aware that a change in monthly fees may also apply as a result of a living unit transfer. All moving expenses are the responsibility of the resident.

C. Required Move (after Move-In) to a Smaller Living Unit for Financial Reasons.

1. In certain instances, due to a loss of financial means, it may become necessary to relocate to a smaller living unit.
2. In this situation, the resident must send a written request to relocate to the Executive Director. The letter should request the living unit change and should note the size living unit that the resident is requesting. The Executive Director will review the request and meet with the resident to review his/her financial position. After due consideration, if the request is approved, the resident will be given priority placement on the applicable unit wait list. At the time that the resident relocates to the smaller unit, the resident's monthly fee will be adjusted. The original entrance fee will not be adjusted. All moving expenses will be the responsibility of the resident.
3. If the resident's request is not approved, the resident's name will be placed on the unit wait list in last position. At the time that the resident relocates to the smaller unit, the resident's monthly fee will be adjusted. The

original entrance fee will not be adjusted. All moving expenses will be the responsibility of the resident.

D. Required Move (after Move-In) to a Different Living Unit for Medical Reasons.

1. In certain instances, due to a change in a resident's medical status, it may become necessary for a resident to relocate to a different living unit.
2. In this situation, the resident must send a written request to relocate to the Executive Director. The letter should request the living unit change and should note the location of the unit that the resident is requesting.
3. The Executive Director will review the request and meet with the representatives of The McAuley to review the resident's change in medical status and the relocation request. After due consideration, if the resident's request is approved, the resident will be given priority placement on the applicable unit wait list. At the time that the resident relocates to a different living unit, the resident's monthly fee will be adjusted. Further, if the resident relocates to a larger living unit, the resident will be required to pay the current entrance fee for that living unit. The resident's original entrance fee will be applied to the entrance fee for the new living unit. In the event that the new entrance fee is less than the original entrance fee, no entrance fee will be provided to the resident. All moving expenses will be the responsibility of the resident.

4. If the resident's request is not approved, the resident's name will be placed on the unit wait list in the last position. At the time that the resident relocates to the smaller unit, the resident's monthly fee will be adjusted. The resident's original entrance fee will be applied to the entrance fee for the new living unit. In the event that the new entrance fee is less than the original entrance fee, no entrance fee will be provided to the resident. All moving expenses will be the responsibility of the resident.



RESIDENCY AGREEMENT

WITH SIXTY DAYS LONG TERM CARE COVERAGE

275 Steele Road, West Hartford, Connecticut 06117-2716
Telephone (860) 920-6300 Facsimile (860) 232-4077

THE MCAULEY
RESIDENCY AGREEMENT

This Residency Agreement (the "Agreement") is entered into this ____ day of _____ between McAuley Center, Incorporated, a Connecticut non-stock corporation (the "McAuley" or "us"), and _____ "Resident" or "you"). This Agreement applies to Apartment _____, a _____ bedroom Apartment (the "Apartment"). (If two persons sign this Agreement, "Resident" or "you" shall apply to both of you, jointly and severally.)

PREAMBLE

The McAuley, a non-profit, tax-exempt corporation, is a continuing care retirement community sponsored by the Sisters of Mercy of Connecticut, managed by Mercy Community Health, and part of Catholic Health East. It is located at 275 Steele Road, West Hartford, Connecticut. The McAuley is registered as a Managed Residential Community ("MRC") in Connecticut.

I. BASIC AGREEMENT

A. You agree to pay the Entrance Fee, Monthly Fee and any additional fees specified in Section III of this Agreement. In exchange for such payments, you will have the right, subject to the terms of this Agreement, to occupy the Apartment and to have access to General Services at The McAuley set forth in Section IV. A. and B. of this Agreement.

B. You have completed the Application and Admission process and have executed a Pre-Residency Agreement that is incorporated by reference into this Agreement.

C. Your Occupancy Date was specified by us in your Letter of Acceptance. This Agreement must be executed by both you and us prior to the Occupancy Date. The balance of the Entrance Fee will be payable to us at the time this Agreement is executed by both you and us. You shall not be required to move in to the Apartment before the expiration of thirty (30) days from the execution of this Agreement.

D. Following the execution of this Agreement, but at least thirty (30) days prior to the Occupancy Date, you may request an extension of the Occupancy Date. Such request should be made in writing to us (see Section XI. J). Our decision is final.

II. ACCOMMODATIONS AT THE COMMUNITY

A. Alterations

Any physical alteration of the Apartment by you requires the prior written approval of us. Such alterations shall be at your expense, and must be performed by craftsmen approved by us. Upon death or termination of occupancy of you (or the second person if there are two people in the Apartment), we, in our sole discretion, may return the Apartment to its condition prior to such alterations, and all costs for this restoration incurred by us will be charged to you or your estate.

B. Access

You agree that we and our employees and agents shall have the right, at all reasonable times, subject to our policy described below regarding housekeeping, maintenance and laundry services, to enter your Apartment for purposes of management, housekeeping, maintenance, health services, enforcement of applicable laws and regulations, emergency purposes, or any other reasonable purpose. Our policy is that at least one of you must

remain in the Apartment while housekeeping, maintenance and laundry services are provided, unless you waive this policy in writing by executing an Environmental Services Waiver.

C. Property Protection and Insurance

We will not be responsible for the loss of any of your personal property due to any cause other than our gross negligence. You agree to indemnify us for any loss or damage to our personal property and for any injury or damage to others or to the property of others resulting from the acts, omissions, negligence or fault of you or your guests and invitees. You shall maintain both personal liability and personal property insurance coverage in accordance with our rules and regulations and shall provide us with a copy of that policy or proof of purchase, upon our request.

D. Moving Expenses

You will be responsible for all moving expenses associated with your move into and out of The McAuley. In the event that you transfer Apartments during your occupancy at The McAuley, you will be responsible for all moving expenses associated with such transfer. In the event that you, upon meeting the terms set forth by us for carpet replacement and re-painting, should request us to provide carpet replacement and repainting for the Apartment, you will be responsible for all moving expenses associated with these services.

III. FINANCIAL ARRANGEMENTS

A. Contract Type

Standard Refund Plan: You pay a standard Entrance Fee based on Apartment type. At the time that the Agreement is terminated, you or your estate (or the estate of the last surviving Resident if there are two of you) may be entitled to a refund of the Entrance Fee as described in this Agreement. Any interest earned on the Entrance Fee will be retained by us.

B. Entrance Fee

The Entrance Fee for the Apartment is \$_____. You paid a \$10,000 Entrance Fee Deposit prior to the execution of this Agreement. The balance of the Entrance Fee is payable in full on the date this Agreement is executed. The Entrance Fee will be held in escrow and released pursuant to Connecticut law. Any interest earned on the Entrance Fee Deposit will be retained by us.

C. Monthly Fees

The "Monthly Fee" for one person in the Apartment is \$_____, and for a second person is \$_____. You agree to pay the Monthly Fee beginning on the Occupancy Date (prorated for the actual number of days from the Occupancy Date to the end of the month in which the Occupancy Date occurs) and each month thereafter.

D. Adjustments

The amount of the Monthly Fee is your share of our estimated monthly cost to operate the McAuley. The Monthly Fee may be adjusted from time to time, at our discretion, upon at least sixty (60) days prior written notice to you, to reflect changes in those costs. We will limit such adjustments to amounts necessary to maintain the financial stability of The McAuley. You agree to pay the adjusted Monthly Fee.

E. Additional Fees

In addition to the Monthly Fee, you will pay our fees for any Optional Services (as defined in Section IV. B. below) rendered at The McAuley. The fees for Optional Services as of the date this Agreement is executed are set forth in the Fee Schedule attached as Exhibit 1. We may, from time to time, adjust fees for any Optional Services at our discretion.

F. Monthly Statement

Upon occupancy, we will issue monthly statements to you by the tenth of each month requiring payment of the Monthly Fee plus fees for any Optional Services defined in Section IV. B. of this Agreement. Payment will be due within ten days of receipt of the monthly statement. Any outstanding amounts owed to us ten (10) days after the due date will be charged a late fee of 1.5% per month until the amount owed is paid in full. If you fail to pay the amounts charged under the terms of the Agreement and we must refer the account to an attorney or collection agency, you agree to pay all charges, expenses, court costs and attorneys fees incurred by us, not to exceed any lawful limits.

G. Transfers

In the event that you temporarily transfer to any licensed care facility including a licensed skilled nursing facility or hospital and this Agreement is not otherwise terminated, you will continue to be obligated to pay the Monthly Fee to us and your Apartment will be held as provided in Article IV, Paragraphs C and D.

H. Surviving Resident

If this Agreement is executed by two of you and either one dies, effective on the first day of the month following the death, the surviving Resident will be obligated to pay the Monthly Fee for single occupancy in the Apartment.

I. Personal Obligations

We shall not be liable or responsible for any expenses, debts, or other obligations incurred by you on your own account, nor shall we be obligated to furnish, supply, or give you any support, maintenance, board or lodging while you are absent from The McAuley, except as may be provided in this Agreement.

J. Health Insurance

If you are sixty-five (65) years of age or older, you agree to enroll in and be covered by, at your own expense, Medicare Part A, Part B, and Part D, or equivalent insurance coverage acceptable to us under a public or private insurance plan. In addition, you agree to enroll in and be covered by a supplemental insurance policy to pay Medicare co-insurance and deductible amounts. If you are less than sixty-five (65) years of age, you will enroll in and be covered by medical insurance coverage equivalent to the coverage provided under Medicare Part A and Part B.

You agree to provide proof of insurance coverage upon our request.

Any amounts paid or owing to you from federal, state, municipal, private, or supplemental insurance plans for services rendered to you by us shall be paid to us. You agree to diligently obtain all reimbursements, payments, proceeds or other benefits available under such plans or programs, and authorize us to take such action as may be required to obtain and recover same. Any insurance proceeds received by us in excess of the cost of such services shall be paid to you, or in the event of your death, to your estate.

K. Financial Requirements for Residency

As part of the Application and Admission Process, you completed a financial disclosure. Your Financial Disclosure is

attached to this Agreement. You agree that as a condition of continued residency at the McAuley, you will provide on an annual basis or as requested by us, an update of all information contained in the Financial Disclosure on forms that will be given to you by us.

You agree to make all reasonable efforts to conserve your financial resources in order to enable you to meet your financial obligations under this Agreement.

IV. GENERAL SERVICES

A. Services Included in Monthly Fee

These services and amenities are included in the Monthly Fee:

1. Services:

- a. Normal repair and maintenance of the Apartment appliances that are provided by us.
- b. All utility expenses, except cable TV and telephone charges.
- c. Town of West Hartford real estate taxes.
- d. Property and building insurance. (Such insurance does not cover your personal liability and Apartment furnishings. See Section II.)
- e. Trash removal from designated areas in accordance with environmental waste management laws and regulations.

2. Amenities:

- a. Full kitchen facilities, including electric range, refrigerator/freezer, and garbage disposal.
- b. Individually controlled heating and air conditioning.
- c. Sheer Window Treatments.
- d. Emergency-alert system with call switches in each bedroom and bathroom of Apartment.
- e. Smoke detector and sprinkler system in each Apartment.
- f. Automatic washers and dryers located on each floor for personal laundry.
- g. Apartment is pre-wired for telephones and cable television.
- h. Individual mailboxes located in the "A" Building.

- i. Assigned uncovered parking space for one car.
- j. Storage bin.

3. Dietary Services:

- a. Continental breakfast and your choice of lunch or dinner daily with waited table service in the dining room.
- b. To the extent reasonably possible, food selection will be made available to all residents in order to accommodate physician ordered dietary restrictions.
- c. Medically authorized tray service for meals when ordered by the Supervisor of Assisted Living Services Agency of Mercy Community HomeCare, our Director of Resident Services or his/her Designee.

4. Housekeeping and Laundry Services:

- a. General cleaning of Apartment every other week.
- b. Bed and bath linens.
- c. Weekly laundry service for bed and bath linens.

5. Transportation Services:

- a. Scheduled, local transportation services to shopping, banking, medical appointments and religious services.

6. 24-Hour Services:

- a. 24-hour concierge service, located in the A Building.
- b. 24-hour health staff service.
- c. 24-hour in Apartment emergency response system.

7. Social and Recreational Activities
8. Building and grounds maintenance and custodial service:
 - a. Maintenance of all community buildings, common areas and grounds, including lawns, walkways and driveways.
 - b. All necessary repairs, maintenance and replacement of community property and equipment located in your Apartment, in accordance with the Resident Handbook.
9. Health Promotion and Care Management Services:
 - a. Mercy Community HomeCare by our request will assist Resident in obtaining physician referrals and ancillary medical services and will provide Health Promotion Services that include Client Teaching, Wellness Counseling, Blood Pressure Checks, Care Management and Coordination of health services by a Registered Nurse.

B. Optional Services (available at additional expense to Resident- See Fee Schedule attached as Exhibit 1)

1. Additional meals not included under Dietary Services described in Section IV. A. 3.
2. Well spouse/friend tray service.
3. Guest accommodations and meals.
4. Additional housekeeping, maintenance and custodial services not included in Sections IV. A. 1., IV. 4., and IV. A. 8.

5. Beauty Salon/Barber Shop Services.
6. Parking space for additional car, when available.
7. Expenses incurred by us on your behalf that are not included in the scope of services as described in Section IV. A. above.
8. Access to health services in addition to those described in Section IV. A. 9. above, including Medicare reimbursable services through a licensed home health care agency and assistance with transfers to nursing homes and hospitals.
9. Assisted Living Services provided by Mercy Community HomeCare to those who reside in an independent living Apartment and who have a chronic and stable condition which necessitates assistance with some activities of daily living, but who do not require skilled nursing care: Assistance with bathing, dressing, exercising, grooming, meal preparation, medication dispensation and administration, mobility, self-medicating, toileting and transferring, transportation, all nursing visits, as well as routine services. In the event you transfer to an Assisted Living unit at The McAuley, Section VII of this Agreement shall apply, and a separate agreement shall be executed by you for residence in the Assisted Living Unit.

C. Skilled Nursing Services

1. As a resident of The McAuley, You have preferred access to Saint Mary Home for the provision of skilled nursing services based on the terms that follow below in this Section of the Agreement.

2. We will be responsible for the cost of the per diem semi-private rate for skilled nursing care at Saint Mary Home for a maximum of sixty (60) days during your lifetime. This skilled nursing coverage will only be applied after you have exhausted any Medicare benefits that may apply for each nursing home stay. In addition, this coverage only applies when you are admitted to Saint Mary Home. Accommodations in Saint Mary Home will be in a semi-private room (Private rooms, Sub-Acute Rehabilitation rooms and other Specialty Unit rooms are available for an additional fee). Once you have utilized your sixty (60) days of skilled nursing benefit, you will be responsible for all skilled nursing charges at the then current applicable per diem rate.
3. If no bed is available at Saint Mary Home, we will arrange for you to be placed in a licensed skilled nursing facility in the area, reasonably acceptable to both you and us. While you are in a skilled nursing facility other than Saint Mary Home because no bed is available for you, we will be responsible for the cost of the semi-private room rate at the actual skilled nursing facility, not to exceed the then current semi-private rate at Saint Mary Home. At such time that a bed becomes available at Saint Mary Home, you will be required to transfer to Saint Mary Home. In the event that you refuse to relocate to Saint Mary Home, we will no longer be responsible for the semi-private room rate at your current facility.
4. In the event that you are admitted to Saint Mary Home, we will advance to Saint Mary Home the fees that correspond to the semi-private room rate up to the sixty (60) day lifetime maximum benefit. If you use another skilled nursing facility approved by us because no bed is available at Saint Mary Home,

you will be responsible to provide us with an invoice from the skilled nursing facility used by you for payment up to the sixty (60) day lifetime maximum benefit in accordance with the terms in the preceding paragraph.

5. Placement in Saint Mary Home, whether temporary or permanent, must be based on an order from your personal physician after consultation with you, your family or legal representative and our representative.
6. During your stay in Saint Mary Home, your right to occupy the Apartment will continue and you will continue to pay the Monthly Fee.

D. Hospitals and Other Health Care Services

We will not provide, pay for, or indemnify you for hospital, physician, ambulance, surgical, home health care services, skilled nursing care or for drugs, medical supplies, x-rays, laboratory and other diagnostic tests, eyeglasses or refractions, hearing aides, dentistry, dentures, inlays, orthopedic appliances, private duty nursing care, podiatric services, physical therapy, treatment for psychiatric disorders, alcoholism, or similar items or services.

In the event you are temporarily absent from The McAuley due to hospitalization, your right to occupy the Apartment will continue and you will remain responsible for payment of the Monthly Fee.

E. Private Duty Care

In the event you wish to employ outside caregivers, companions, private duty aides or other personnel to provide services to you, you shall notify us. You are

required to execute additional documents prior to employing such outside caregivers, companions, private duty aides or other personnel.

V. TERMINATION OF AGREEMENT

A. Termination by Resident

1. Prior to Occupancy.

- a. You may terminate this Agreement for any reason up to thirty (30) days after the execution of this Agreement by giving us written notice by registered or certified mail. We will refund to you all fees paid to you minus an administrative fee of \$1,000.00.
- b. If you (or both of you if there are two of you) die before the Occupancy Date, we will terminate this Agreement upon receipt of written notification from your legal representative. We will refund to your estate or representative all fees paid to us, minus an administrative fee of \$250.00.
- c. If you cannot occupy the Apartment on the Occupancy Date due to illness, injury or incapacity of you (or both of you if there are two of you), we will terminate this Agreement upon receipt of written notification from you or your legal representative by registered or certified mail. We will refund to you all fees paid to us, minus an administrative fee of \$250.00.
- d. If for any reason the Apartment is not available for occupancy on the Occupancy Date, you may terminate this Agreement by giving us written notice by registered or certified mail. Upon termination of the Agreement, you will be paid, upon request, a full refund of the Entrance Fee, without interest, minus a \$250 administrative fee.

- e. If you fail to occupy the Apartment for any other reason and at least thirty (30) days have passed since the execution of this Agreement, we will refund to you all fees paid to you minus an administrative fee of \$1,000.00.

2. After Occupancy

a. You may terminate this Agreement for any reason subsequent to the Occupancy Date by giving at least one hundred twenty (120) days advance written notice of the intent to terminate this Agreement and vacate the Apartment. Notice shall be sent to us by registered or certified mail. (See Section XI. J.). The notice shall specify the date upon which you will vacate the Apartment; that date shall be no earlier than 120 days from date of notice. The actual date of termination will be the latest to occur of the date specified in the notice and the date that all of your personal property has been removed from the Apartment. You will be responsible for paying the Monthly Fee until the Apartment is vacated.

b. Subsequent to occupancy, upon your death, or the occurrence of an illness, hospitalization or injury, which precludes you from living at The McAuley:

- i. If you are the sole occupant of the Apartment, this Agreement will terminate when all of your personal property has been removed from the Apartment.
- ii. If this Agreement covers two Residents, this Agreement will terminate as to the deceased or ill Resident who can no longer reside at the McAuley upon written notice of that Resident's death or notice of intent to move out. This Agreement shall remain in effect as to the surviving Resident with appropriate adjustment of the Monthly Fee, as set forth in Section III. B. of this Agreement.

- iii. In the event of a Resident's death, the Resident's estate or family will only be responsible for payment of the Monthly Fee for a period of time not to exceed fifteen (15) days following the date of death as long as the Resident's unit has been vacated and all of that Resident's personal property has been removed from the Apartment.

3. Entrance Fee refund procedures are set forth in Section VIII.

B. Termination by Us

We may terminate this Agreement upon the occurrence of any of the following events, by sending you a written notice:

1. Termination Prior to Occupancy Date

- a. A misrepresentation on your Financial Disclosure;
- b. A disposition of your assets that, in our judgment, materially impairs your ability to pay future monthly fees;
- c. A decline in your medical and/or cognitive condition that, in our judgment, impairs your ability to live independently;
- d. You fail to pay the balance of the Entrance Fee when due.

2. Termination Subsequent to Occupancy for Non-Medical Reasons

If you default under this Agreement, we will give you written notice of your default. You will have thirty (30) days from date of such notice to cure the default. If the default is not cured within such thirty (30) day period, this Agreement will terminate. The following shall constitute your default:

- a. If we determine that information on the Application for Residency is erroneous or that any material facts affecting qualification for residency were not disclosed.
- b. If you (or either of you if there are two of you) fail to comply with our rules and regulations or the terms of this Agreement.
- c. If you (or either of you if there are two of you) create a situation detrimental to the health, safety or peaceful living of you, other residents or our staff as determined by us.
- d. If you make any disposition of your assets which, in our judgment, materially impairs our ability to pay the current or future Monthly Fee or other costs pursuant to this Agreement.
- e. If you fail to pay the Monthly Fee or other amounts owing to us within ten (10) days of the due date, unless other mutually satisfactory arrangements have been made. It is our intention that this Agreement shall not be terminated solely because of financial inability to pay the fees to the extent that: i) the inability to pay is not the result of the willful action of you; and ii) in our judgment, the financial viability of The McAuley will not be jeopardized by such failure to pay amounts due. In the event that you are unable to pay your monthly fee as described above, The McAuley will assist you in finding alternative living arrangements that, in our assessment, will meet your needs. During such time that McAuley is assisting you to find alternative living arrangements, but not to exceed 30 days; you will not be required to pay your monthly fee to The McAuley. Once, in our opinion, a suitable alternate living arrangement has been

identified, the move out must occur within 30 days. Moving expenses will be your responsibility.

We reserve the right to terminate this Agreement immediately without advance notice in the event a default under b. or c. of this subsection jeopardizes the health, safety or welfare of you or other residents of the McAuley.

3. Termination Subsequent to Occupancy for Medical Reasons

We may terminate this Agreement after occupancy, if you are in need of treatment and services for any condition for which we are not licensed or for which care is not customarily provided in The McAuley. If any of the above situations is determined to be temporary in nature, the Apartment will remain reserved for you and you will remain responsible for payment of the Monthly Fee. If it is determined that the situation is not temporary in nature, all our obligations and all of your rights in this Agreement will terminate as of the date of such determination; provided, however, that any right you may have to receive a refund of any portion of the Entrance Fee in accordance with Section VIII. and your obligations to make payments to us for any balance that accrued prior to the termination, will survive the termination.

4. Entrance Fee

Entrance Fees shall be refunded in accordance with Section VIII. of this Agreement.

VI. SPECIAL OCCUPANCY CIRCUMSTANCES

A. Death of a Resident

If two of you sign this Agreement and one of you dies, this Agreement shall remain in effect as to the surviving Resident.

B. Separation

1. If two of you sign this Agreement with the intention of residing in the same Apartment, and at a later date following occupancy you desire separate Apartments, one of you may remain in the Apartment and the other will may transfer to another Apartment (subject to Provider's Internal Transfer Guidelines) upon payment of the then current Monthly Fees and Entrance Fee pertaining to that other Apartment. In addition, the Resident securing the second Apartment will be required to execute a new and separate Agreement. The Resident remaining in the Apartment will be obligated to pay the single occupancy Monthly Fee for that Apartment. There will not be a refund of any portion of the original Entrance Fee paid by both parties for the original Apartment at that time. The refund provisions of this Agreement will apply with respect to the Resident remaining in the Apartment and the refund provisions of the new Agreement will apply with respect to the Resident moving to the new Apartment.

2. If two of you sign this Agreement with the intention of residing in the same Apartment, and at a later date following occupancy you both choose to reside in different Apartments, you both may transfer, subject to Apartment availability (refer to Our Internal Transfer Guidelines) upon payment of the then current Monthly Fees and Entrance Fee pertaining to the new Apartments. In addition, you both will be required to execute new and separate Agreements. If you are entitled to a refund of any portion of the original Entrance Fee paid by both of you for the original Apartment, that refund will be paid according to the terms of the original

Agreement. The refund provisions of the new Agreements will apply with respect to both of you.

3. If two of you sign this Agreement with the intention of residing in the same Apartment, and at a later date following occupancy one of you desires to leave The McAuley permanently for another residence, then the Resident leaving McAuley will surrender all rights under this Agreement (see Termination by Resident). The remaining Resident will retain all rights as a Resident and will pay the single occupancy Monthly Fee for the Apartment. There will not be a refund of any portion of the original Entrance Fee for the original Apartment at that time. The refund provisions of this Agreement will apply with respect to the Resident remaining in the Apartment. The refund provisions of this Agreement will be operative only upon the death or termination of occupancy of the remaining Resident.

C. Resident Marriage

1. If you marry another Resident and both of you desire to reside in the same Apartment, you may either, a) release one Apartment and reside together in the other Apartment, or b) release both Apartments and reside together in a different Apartment. If you and the other Resident choose to release both Apartments and reside together in a different Apartment, transfer to an available Apartment will be facilitated by us (subject to our Internal Transfer Guidelines). In either case, we will honor the existing Agreement for each of you. If the Entrance Fee for the new Apartment is greater than the sum of the original Entrance Fees paid by the two Residents, you will pay the difference between the current applicable Entrance Fee and the sum of the original Entrance Fees. Once residing together, the Monthly Fee will be adjusted so that one of you will pay the Monthly Fee for the Apartment style in which the couple resides, and the second Resident will pay the Monthly Fee for a Studio Apartment.

2. If you marry a non-resident and you both desire to live in your Apartment, the non-resident must apply to us for residency and meet all applicable Application and Admission requirements.

i. If the non-resident spouse is accepted for residency, a new Residency Agreement must be executed by all parties. An applicable Monthly Fee adjustment will apply. If the applicable current Entrance Fee is greater than the original Entrance Fee paid by you, the difference between the original Entrance Fee and the current Entrance Fee will be paid at the time the new Agreement is executed by you, your spouse and us.

ii. If the non-resident spouse is not accepted for residency, we and you will execute an Addendum to the Residency Agreement with respect to living arrangements for the non-resident spouse. An applicable Monthly Fee adjustment will apply. The non-resident spouse will be subject to our rules and regulations, as amended from time to time.

D. Special Resident Occupancy

1. If you decide to reside in the same apartment with another current Resident, who previously resided in a different Apartment, you and the other Resident may either, a) release one Apartment and reside together in the other Apartment, or b) release both Apartments and reside together in a different Apartment. If you and the other Resident choose to release both Apartments and reside together in a different Apartment, transfer to an available Apartment will be facilitated by us (subject to our Internal Transfer Guidelines). In either case, we will honor the existing Agreement for you and for the other Resident. If the Entrance Fee for the new Apartment is greater than the sum of the original Entrance Fees paid by you and the other Resident, you will pay the difference between the current applicable Entrance Fee and the sum of the original Entrance Fees. Once you and the other Resident reside together,

the Monthly Fee will be adjusted so that one Resident will pay the Monthly Fee for the Apartment style in which you both reside, and the second Resident will pay the Monthly Fee for a Studio Apartment.

2. If you and a non-resident desire to live in your Apartment, the non-resident must apply to us for residency and meet all applicable Application and Admission requirements.

i. If the non-resident is accepted for residency, a new Residency Agreement must be executed by you and the non-resident. An applicable Monthly Fee adjustment will apply. If the applicable current Entrance Fee is greater than the original Entrance Fee paid by you, the difference between the original Entrance Fee and the current Entrance Fee will be paid at the time the new Agreement is executed by you, the non-resident and us.

ii. If the non-resident is not accepted for residency, we and you will execute an Addendum to your Agreement with respect to living arrangements for the non-resident spouse. An applicable Monthly Fee adjustment will apply. The non-resident will be subject to our rules and regulations, as amended from time to time.

E. Guests

Guests staying in Resident Apartments are welcome at all times. Any visitation in the Apartment by a non-resident for more than a two-week period in any calendar year must be arranged with, and expressly approved in writing by, us. Guest meals will be available for an additional charge that will be added to your Monthly Statement.

VII. TRANSFER TO A DIFFERENT APARTMENT

If you wish to transfer to a different Apartment, you must notify us of the desire to transfer Apartments. We will assist you with such a transfer, subject to our Internal Transfer Guidelines. Our Internal Transfer Guidelines are incorporated by reference into, and attached as Exhibit 2 of, this Agreement. When a new Apartment is available and you transfer, the Monthly Fee and the Entrance Fee will be adjusted to the then current charges for that Apartment type. The parties will amend this Agreement in writing prior to the transfer becoming effective to reflect such adjustments. If the current Entrance Fee for the new Apartment is less than the original Entrance Fee paid by you, there will be no refund of any portion of the Entrance Fee. All refunds will be made in accordance with Section VIII upon termination of this Agreement. We will establish a policy on the procedures and charges for transfers and may from time-to-time adjust this policy.

VIII. REFUND OF ENTRANCE FEE

In the event this Agreement is executed by two persons, the Entrance Fee refund procedures set forth below in this Section shall not apply until the last of the two of you dies or this Agreement is otherwise terminated as to both of you as set forth in Section V of this Agreement.

A. Prior to the Occupancy Date

1. Apartment Not Available

If for any reason the Apartment is not available for occupancy on the Occupancy Date, you may terminate this Agreement. Upon termination of the Agreement, you will be paid, upon request, a full refund of the Entrance Fee, without interest, minus a \$250 administrative fee. Such refund will be issued within thirty (30) days of the receipt of the notice of termination.

2. Death, Illness, Injury or Incapacity of Resident

If for reason of death, illness, injury or incapacity, you are not able to occupy Apartment on the Occupancy Date, we will refund the Entrance Fee paid, without interest, minus a \$250 administrative fee, within thirty (30) days of receipt of the notice required under Section V. A. 1 above.

3. Termination Within Thirty Days of Execution of this Agreement

You may terminate this Agreement for any reason up to thirty (30) days after the execution of this Agreement by giving us written notice by registered or certified mail. We will refund to you all fees paid to you minus an administrative fee of \$1,000.

4. If for any other reason, you are not able to or choose not to occupy Apartment on the Occupancy Date and more than 30

days have passed since execution of this Agreement, we will refund the Entrance Fee paid, without interest, minus a \$1,000 administrative fee, within thirty (30) days of receipt of the notice required under Section V. A. 1.

B. Subsequent to the Occupancy Date – Standard Refund Plan

You, at the time this Agreement was executed, selected the Standard Refund Plan. During the first twenty four (24) months from the Occupancy Date, there will be a refund of ninety -five percent (95%) of the original Entrance Fee paid, less four percent (4%) of that amount for each full month from the Occupancy Date to the date the Apartment is vacated (and empty of all personal possessions) or the Agreement is terminated, whichever comes later. Any interest earned on the Entrance Fee will be retained by us.

In situations involving serious deterioration of your health requiring nursing home placement or your death (or, if there are two of you, the nursing home placement or death of both of you) during the first twenty four (24) months from the Occupancy Date, there will be a ninety-five percent (95%) refund, without interest, of the original Entrance Fee paid by the Resident.

Subsequent to the first twenty four (24) months from the Occupancy Date, there will be a ninety-five percent (95%) refund, without interest, of the original Entrance Fee paid by Resident.

C. Refund Payment

Any refunds due to you or your estate pursuant to the prior paragraph, will be payable within sixty (60) days following the later date when both of the following events first occur:

1. we receive an Entrance Fee for an Apartment similar in style (e.g. studio, one bedroom, etc.) to your Apartment; and
2. we have refunded all other entrance fees due and

payable pursuant to residency agreements for like Apartment styles pursuant to residency agreements that terminated prior to the termination of this Agreement.

Notwithstanding the foregoing, we may at our option, deduct from any Entrance Fee refund any monies advanced to you by us and any monies owed Provider under Section III. of this Agreement or under any other provision of this Agreement. In the event that you have incurred charges which exceed the Entrance Fee refund balance, no refund will be issued and you or your estate will be liable and billed for the excess amount.

We will pay any refund due hereunder to you or your estate if you are deceased, unless we are otherwise directed by written instructions signed by you and accepted by us.

IX. EXTENDED ABSENCE

If you are away from The McAuley for 14 or more consecutive days, and if we receive at least five (5) days written, advance notice of the intended absence, you will receive a daily meal credit on Resident's Monthly Statement for those days when the Resident was away from The McAuley. This credit for missed meals only applies to you if you are staying in an acute care setting, a rehabilitation hospital or having a temporary stay in a skilled nursing facility. Your right to occupy the Apartment and your payment obligations will be as set forth in Section IV.D above.

X. VACATING APARTMENT

Upon termination of this Agreement, you must vacate the Apartment within thirty (30) days. For purposes of this Agreement, the Apartment will not be considered vacated until all of your personal property is removed from the Apartment. You will be responsible for the Monthly Fee during this thirty (30) day period; provided, however, that if the Agreement is terminated as a result of your death, your estate or family will only be responsible for payment of the Monthly Fee for a period of time not to exceed fifteen (15) days following your death as long as your Apartment has been vacated. If the Apartment is not vacated within the thirty (30) days, we will have the right to remove and store all property left in the Apartment after thirty (30) days. You will be responsible for the costs incurred as a result of moving and storing such items. Property left in storage for ninety (90) days or more may be disposed of by us at your expense.

When you vacate the Apartment, we expect that the Apartment will be left in the same condition as of the Occupancy Date, ordinary wear and tear excluded. We may charge you for any damage to the Apartment that, at our discretion, is deemed as not the result of ordinary wear and tear. If with our permission, you physically altered the Apartment, we, in our sole discretion, may return the Apartment to its condition prior to such alterations, and all costs for this restoration incurred by us will be charged to you.

XI. MISCELLANEOUS

A. Fees Not Held in Trust

All fees paid to us, including Entrance Fees, shall become the sole property of us as payment for residence and services once the Entrance Fees are released to us pursuant to Connecticut law, except to the extent that Entrance Fees may be refundable under this Agreement

B. Subordination

All your rights under this Agreement are subordinate to any existing or future mortgages on The McAuley and to any of our other creditors with respect to The McAuley. You agree to execute any documents requested by us in order to carry out the terms of this Section.

C. Property Rights

This Agreement grants you a revocable license to occupy and use space in The McAuley. This Agreement is not a lease and does not transfer or grant to you any ownership interest or rights of tenancy in real or personal property owned or leased by Provider. Your rights under this Agreement, except your rights to any refunds to which you are entitled under this Agreement, are subject to all terms and conditions of this Agreement and are subordinate to any mortgage, financing deed, deed of trust, or other financing on The McAuley.

D. Arrangements for Conservatorship

If you become unable to care properly for yourself or your property and have made no designation of a conservator or trustee, then we are authorized to institute proceedings for appointment of a person or entity to serve as conservator for you.

E. Rules and Regulations

We shall have the right to adopt or amend such reasonable policies, rules, regulations, guidelines and operating procedures ("Rules and Regulations") as we deem necessary or desirable for proper management and operation and for the health, safety and comfort of the residents. The Resident Handbook summarizes many of our Rules and Regulations, and is incorporated by reference into this Agreement. You agree to abide by the Rules and Regulations.

F. Smoking

The McAuley is a smoke free building, therefore smoking is prohibited. This applies to all areas in The McAuley, including but not limited to: McAuley vehicles, resident apartments, apartment balconies, the front entrances to each building, all dining areas, meeting rooms, activity areas and all corridors. This prohibition applies to everyone, including all residents, family members, overnight guests, visitors, and private duty assistants.

G. Compliance with Laws and Regulations

We will comply with all municipal, state and federal laws and regulations regarding consumer protection and protection from financial exploitation. We will afford you all rights and privileges under Section 17b-520 et seq. Connecticut General Statutes.

H. Grievance Procedure

You may present a formal complaint about any alleged violation of the Residency Agreement. The complaint must be submitted in writing and delivered to the Executive Director at the address specified in Paragraph J below. Upon receipt of a formal written complaint, The Executive Director or designee will respond in writing after conducting an investigation. The Executive Director or

designee will respond within five (5) business days. If you are not satisfied with the response, you may appeal the decision to the Chief Executive Officer (CEO) of Mercy Community Health. This appeal must be made in writing and delivered to the CEO at The McAuley, 275 Steele Road, West Hartford, CT, 06117, Attn.: Chief Executive Officer. Under no circumstances will The McAuley, its Executive Director or the CEO or any other agent allow or permit retaliation against a Resident who has filed a complaint.

I. Accuracy of Information

You represent and warrant that all information that you have submitted or will submit to us, including but not limited to annual financial statements, is true and complete. You understand and acknowledge that we are relying on such information.

J. Notices

All written notices required by this Agreement will be sufficient if addressed:

1. If to you: to Resident's Apartment at The McAuley;
2. If to us, to the Executive Director, The McAuley, at 275 Steele Road, West Hartford, CT 06117.

Unless otherwise specified in this Agreement, all written notices shall be sent by registered or certified U.S. Mail, overnight express courier service, or messenger service and shall be deemed issued when delivered or when acceptance is refused.

K. Waiver

Our failure in any one or more instances to insist upon strict compliance by you with any of the terms of this Agreement shall not be construed to be a waiver by you of such term(s) or of the right to insist upon strict compliance by you with any of the other

terms of this Agreement.

L. Assignment

Your rights and benefits under this Agreement (except for the possible right to a refund of some part of the Entrance Fee) are not assignable and will not inure to the use or benefit of the heirs, legatees, assignees or representatives of you, but your obligations under this Agreement shall bind your heirs, legatees, assignees or representatives. The Agreement shall bind and inure to the benefit of our successors and assigns.

M. Entire Agreement

This Agreement, including all exhibits, constitutes the entire agreement between us and you. We are not liable for nor bound in any manner by any statements, representations or promises made by any person representing or proposing to represent us, unless such statements, representations, or promises are set forth in the Agreement. Any modification of the Agreement must be in writing and signed by us and you.

N. Interpretation of Agreement

No amendment of this Agreement will be valid unless executed in writing by both you and us.

The invalidity of any restriction, condition or other provision of this Agreement will not impair or affect in any way the validity or enforceability of the remainder of this Agreement. This Agreement will be interpreted according to the laws of the State of Connecticut.

O. Counterparts

This Agreement may be executed in counterparts.
Executed at West Hartford, Connecticut on this _____ day of _____, 20____.

RESIDENT(S):

THE PROVIDER:

McAuley Center, Inc.,
A Connecticut not for profit corporation

(Signature)

By: _____
Its: Executive Director

(Printed Name)

(Signature)

(Printed Name)

Summary of Key Information Contained in this Residency Agreement

Resident Name(s):

Occupancy Date: _____

Unit Number: _____ Unit Type: _____

Entrance Fee Amount: _____

Monthly Fee: First Person _____ Second Person _____

EXHIBIT 1

FEE SCHEDULE SEPTEMBER 2007

Listed below are prices for additional services not covered by Your Monthly Fee. These prices may be modified from time to time.

HEALTH CARE SERVICES

Provided by Mercy Community Home Care

Nurse Services:

The following services will be performed by a licensed nurse at the fees indicated:

- (a) Prepouring of physician ordered medication \$25.00/wk
- (b) Administration of physician ordered medication \$ 5.00/visit
- (c) When ordered by your physician, Nurse visits to the apartment will be provided at the rate of \$9.00 per every 15 minutes, billed in 5 minute increments.

Aide Services:

The following services will be provided by an Aide at the rate of \$ 6.00 per every 15 minutes, billed in 5 minute increments.

- (a) Scheduled assistance with personal activities of daily living
- (b) Emergency linen change
- (c) Internal transportation, unless medically necessary
- (d) Appointment escort service

Other Staff:

Other services may be provided to you in your apartment by other members of The McAuley Staff. These services, billed at the rate of

EXHIBIT 1

\$ 3.00 per every 15 minutes, billed in 5 minute increments, would include:

- (a) Assistance with personal laundry
- (b) Routine bed making and apartment tidying

DINING SERVICES PROGRAM

Away Credit for Meals Missed	See Residency Agreement
Additional Resident Meal/Dining Room	\$10.00 per meal
Café Meals	\$7.00-\$15.00
Guest Meals:	
Monday –Saturday	
Adult	\$15.00
Child (6-12)	\$ 6.50
Children 3 and under	Free
Sunday Brunch/Holiday Meal	
Adult	\$17.50
Child (6-12)	\$6.50
Children 3 and under	Free
Meal Delivery	\$ 3.00 per meal

ENVIRONMENTAL SERVICES DEPARTMENT

Housekeeping \$20.00 per hour
(in addition to the basic housekeeping
and annual heavy-duty cleaning included
in your Monthly Fee)

EXHIBIT 1

Labor is available in 15 minute increments.

Laundry Service/Private Laundry Service \$ 7.00 per load
(in addition to the service
included in your Monthly Fee)

Maintenance \$30.00 per hour

Parts and supplies are extra as required. Labor is available in 15 minute increments. The above prices for maintenance represent additional requests for services not covered in The McAuley Residency Agreement.

Replacement Key Card, additional key cards
and mailbox key \$ 7.00 per key

Environmental Services can provide special services and items to for your apartment upon request. Here is a list of items we can install in your apartment with prices (Prices are subject to change).

The prices for the following items include installation.

Manual door bells	\$35.00ea
Wireless door chimes	\$45.00ea
Hand held shower units	\$40.00ea without massage, \$65.00ea with massage
Surface mount bathroom cabinets	\$100.00ea
Ice cube maker for your refrigerator	\$110.00ea
Mini-blinds:	
Balcony door	\$50.00ea
Dining room window	\$55.00ea
Living room window	\$80.00ea
Bedroom window(s)	\$65.00ea

EXHIBIT 1

Grab bars or handicap bars 18 inch bar	\$55.00ea
(stainless or white colors) 24 inch bar	\$65.00ea
Cones for your parking space	\$15.00ea delivered

The following items are available and are priced upon request.

Balcony blinds
Telephones desk & wall (one color & style telephone)
Telephone wall jacks
Repair of lamps (table or floor)
Area rug non-slip pads (all sizes)
Extra painting of bookcases or other items
Wallpapering
Extra shelving in your closets
Screens & glass for balcony(s)
Carpet for your balcony (samples to pick from are with Carol in Marketing)

MISCELLANEOUS ITEMS

Auditorium Reservation Fee	\$25.00
Cordmate system	\$275.00
Guest Apartment	\$75.00 per night
Mail Delivery to "B" desk	\$ 5.00 per week
Rollaway Bed with Linen Service	15.00 per night

EXHIBIT 1

TRANSPORTATION

Transportation Fee Schedule

Pricing schedule for transportation not covered by your Monthly Fee.

Zone I: \$ 6.00 per round trip

Zone II: \$ 9.00 per round trip

Zone III: \$12.00 per round trip

Zone IV: Price to be determined by mile

McAuley Sponsored Trips: \$ 6.00 per person per round trip

Resident Sponsored Trips: Price is per person according to
Zone Schedule

Subscription Series: \$ 6.00 per person

Bradley International Airport: \$20.00 one way during business hrs.
(Per Person) \$30.00 one way after business hrs.

Bus/Train Station: \$10.00 one way during business hrs.
(Per Person) \$15.00 one way after business hrs.

Medical Appts. (Zone I; after hours): \$20.00 Roundtrip per person

Add-on medical appointment fee: \$ 6.00 plus Zone charge if outside
of Zone I

EXHIBIT 2

INTERNAL TRANSFER GUIDELINES

- I. Policy Statement
 - A. All residents choose their independent living unit prior to occupancy. Once the resident occupies the living unit, the applicable unit is considered the resident's primary residence. From time to time, and in consideration of a number of factors, it may be necessary for the resident to move to a different independent living unit. Any internal transfer from the primary residence to another living unit at The McAuley is subject to the Internal Transfer Guidelines.
 - B. Current residents who desire to change units and make this request are also placed on a waiting list. In both of these cases, the name is placed in the last position for the living unit type requested.
 - C. In certain circumstances, a current resident of The McAuley may request a living unit change for financial or medical reasons. In this case, The McAuley will give priority placement on the applicable waiting list. Priority consideration means that the current resident will be placed in the first position on the waiting list.

II. Internal Transfer Procedure

There are four (4) possible scenarios with respect to an internal transfer of living units. The following guidelines apply to these specific unit transfers.

A. Pre-Arranged Move (Prior to Move In) to a Different Living Unit

1. In certain circumstances, a resident may elect to move to The McAuley and into an available living unit, even if that unit is not the resident's choice.
2. In this situation, The McAuley and the resident will enter into an Addendum as part of the Residency Agreement. The Addendum will specify that the resident is entitled to move into an alternative unit and will specify the details of this relocation. In this situation, the resident will be given priority placement on the applicable living unit wait list. All moving expenses are the responsibility of the resident.

A. Planned Move (After Move In) to a Different Living Unit.

1. In certain circumstances, a resident will select a living unit and, once residing in that unit, will desire to relocate to another living unit. For example, a resident chooses a living unit with a view of the parking lot and then decides that a view of the college would be more appealing.

2. In this situation, the resident must notify the Marketing Department of the desire to change living units. The resident's request will be noted on the applicable waiting list for the unit desired. At that time, the resident's name will be placed in the last position on the applicable wait list.
3. In the event that a unit comes available and the resident selects this unit, the resident will be required to pay the current entrance fee for that living unit. The resident's original entrance fee will be applied to the entrance fee for the new living unit. In the event that the new entrance fee is less than the original entrance fee, no entrance refund will be provided to the resident. Resident must also be aware that a change in monthly fees may also apply as a result of a living unit transfer. All moving expenses are the responsibility of the resident.

B. Required Move (after Move In) to a Smaller Living Unit for Financial Reasons.

1. In certain instances, due to a loss of financial means, it may become necessary to relocate to a smaller living unit.
2. In this situation, the resident must send a written request to relocate to the Executive Director. The letter should request the living unit change and

should note the size living unit that the resident is requesting. The Executive Director will review the request and meet with the resident to review his/her financial position. After due consideration, if the request is approved, the resident will be given priority placement on the applicable unit wait list. At the time that the resident relocates to the smaller unit, the resident's monthly fee will be adjusted. The original entrance fee will not be adjusted. All moving expenses will be the responsibility of the resident.

3. If the resident's request is not approved, the resident's name will be placed on the unit wait list in last position. At the time that the resident relocates to the smaller unit, the resident's monthly fee will be adjusted. The original entrance fee will not be adjusted. All moving expenses will be the responsibility of the resident.

4. Required Move (after Move-in) to a Different Living Unit for Medical Reasons.

- a. In certain instances, due to a change in a resident's medical status, it may become necessary for a resident to relocate to a different living unit.
- b. In this situation, the resident must send a written request to relocate to the Executive Director. The

letter should request the living unit change and should note the location of the unit that the resident is requesting.

- c. The Executive Director will review the request and meet with the representatives of The McAuley to review the resident's change in medical status and the relocation request. After due consideration, if the resident's request is approved, the resident will be given priority placement on the applicable unit wait list. At the time that the resident relocates to a different living unit, the resident's monthly fee will be adjusted. Further, if the resident relocates to a larger living unit, the resident will be required to pay the current entrance fee for that living unit. The resident's original entrance fee will be applied to the entrance fee for the new living unit. In the event that the new entrance fee is less than the original entrance fee, no entrance fee will be provided to the resident. All moving expenses will be the responsibility of the resident.

- d. If the resident's request is not approved, the resident's name will be placed in the unit wait list in the last position. At the time that the resident relocates to the smaller unit, the resident's monthly fee will be adjusted. The resident's original entrance fee will be applied to the entrance fee for the new living unit. In the event that the new entrance fee is less than the original entrance fee, no entrance fee will be provided to the resident. All moving expenses will be the responsibility of the resident.

THE MCAULEY

PART OF THE MERCY COMMUNITY 

RESIDENCY AGREEMENT

WITH ONE HUNDRED FIFTY DAYS LONG TERM CARE COVERAGE

275 Steele Road, West Hartford, Connecticut 06117-2716
Telephone (860) 920-6300 Facsimile (860) 232-4077

THE McAULEY
RESIDENCY AGREEMENT

This Residency Agreement (the "Agreement") is entered into this ____ day of _____ between McAuley Center, Incorporated, a Connecticut non-stock corporation (the "McAuley" or "us"), and _____ "Resident" or "you"). This Agreement applies to Apartment _____, a _____ bedroom Apartment (the "Apartment"). (If two persons sign this Agreement, "Resident" or "you" shall apply to both of you, jointly and severally.)

PREAMBLE

The McAuley, a non-profit, tax-exempt corporation, is a continuing care retirement community sponsored by the Sisters of Mercy of Connecticut, managed by Mercy Community Health, and part of Catholic Health East. It is located at 275 Steele Road, West Hartford, Connecticut. The McAuley is registered as a Managed Residential Community ("MRC") in Connecticut.

I. BASIC AGREEMENT

A. You agree to pay the Entrance Fee, Monthly Fee and any additional fees specified in Section III of this Agreement. In exchange for such payments, you will have the right, subject to the terms of this Agreement, to occupy the Apartment and to have access to General Services at The McAuley set forth in Section IV. A. and B. of this Agreement.

B. You have completed the Application and Admission process and have executed a Pre-Residency Agreement that is incorporated by reference into this Agreement.

C. Your Occupancy Date was specified by us in your Letter of Acceptance. This Agreement must be executed by both you and us prior to the Occupancy Date. The balance of the Entrance Fee will be payable to us at the time this Agreement is executed by both you and us. You shall not be required to move in to the Apartment before the expiration of thirty (30) days from the execution of this Agreement.

D. Following the execution of this Agreement, but at least thirty (30) days prior to the Occupancy Date, you may request an extension of the Occupancy Date. Such request should be made in writing to us (see Section XI. J). Our decision is final.

II. ACCOMMODATIONS AT THE COMMUNITY

A. Alterations

Any physical alteration of the Apartment by you requires the prior written approval of us. Such alterations shall be at your expense, and must be performed by craftsmen approved by us. Upon death or termination of occupancy of you (or the second person if there are two people in the Apartment), we, in our sole discretion, may return the Apartment to its condition prior to such alterations, and all costs for this restoration incurred by us will be charged to you or your estate.

B. Access

You agree that we and our employees and agents shall have the right, at all reasonable times, subject to our policy described below regarding housekeeping, maintenance and laundry services, to enter your Apartment for purposes of management, housekeeping, maintenance, health services, enforcement of applicable laws and regulations, emergency purposes, or any other reasonable purpose. Our policy is that at least one of you must

remain in the Apartment while housekeeping, maintenance and laundry services are provided, unless you waive this policy in writing by executing an Environmental Services Waiver.

C. Property Protection and Insurance

We will not be responsible for the loss of any of your personal property due to any cause other than our gross negligence. You agree to indemnify us for any loss or damage to our personal property and for any injury or damage to others or to the property of others resulting from the acts, omissions, negligence or fault of you or your guests and invitees. You shall maintain both personal liability and personal property insurance coverage in accordance with our rules and regulations and shall provide us with a copy of that policy or proof of purchase, upon our request.

D. Moving Expenses

You will be responsible for all moving expenses associated with your move into and out of The McAuley. In the event that you transfer Apartments during your occupancy at The McAuley, you will be responsible for all moving expenses associated with such transfer. In the event that you, upon meeting the terms set forth by us for carpet replacement and re-painting, should request us to provide carpet replacement and repainting for the Apartment, you will be responsible for all moving expenses associated with these services.

III. FINANCIAL ARRANGEMENTS

A. Contract Type

Standard Refund Plan: You pay a standard Entrance Fee based on Apartment type. At the time that the Agreement is terminated, you or your estate (or the estate of the last surviving Resident if there are two of you) may be entitled to a refund of the Entrance Fee as described in this Agreement. Any interest earned on the Entrance Fee will be retained by us.

B. Entrance Fee

The Entrance Fee for the Apartment is \$_____. You paid a \$10,000 Entrance Fee Deposit prior to the execution of this Agreement. The balance of the Entrance Fee is payable in full on the date this Agreement is executed. The Entrance Fee will be held in escrow and released pursuant to Connecticut law. Any interest earned on the Entrance Fee Deposit will be retained by us.

C. Monthly Fees

The "Monthly Fee" for one person in the Apartment is \$_____, and for a second person is \$_____. You agree to pay the Monthly Fee beginning on the Occupancy Date (prorated for the actual number of days from the Occupancy Date to the end of the month in which the Occupancy Date occurs) and each month thereafter.

D. Adjustments

The amount of the Monthly Fee is your share of our estimated monthly cost to operate the McAuley. The Monthly Fee may be adjusted from time to time, at our discretion, upon at least sixty (60) days prior written notice to you, to reflect changes in those costs. We will limit such adjustments to amounts necessary to maintain the financial stability of The McAuley. You agree to pay the adjusted Monthly Fee.

E. Additional Fees

In addition to the Monthly Fee, you will pay our fees for any Optional Services (as defined in Section IV. B. below) rendered at The McAuley. The fees for Optional Services as of the date this Agreement is executed are set forth in the Fee Schedule attached as Exhibit 1. We may, from time to time, adjust fees for any Optional Services at our discretion.

F. Monthly Statement

Upon occupancy, we will issue monthly statements to you by the tenth of each month requiring payment of the Monthly Fee plus fees for any Optional Services defined in Section IV. B. of this Agreement. Payment will be due within ten days of receipt of the monthly statement. Any outstanding amounts owed to us ten (10) days after the due date will be charged a late fee of 1.5% per month until the amount owed is paid in full. If you fail to pay the amounts charged under the terms of the Agreement and we must refer the account to an attorney or collection agency, you agree to pay all charges, expenses, court costs and attorneys fees incurred by us, not to exceed any lawful limits.

G. Transfers

In the event that you temporarily transfer to any licensed care facility including a licensed skilled nursing facility or hospital and this Agreement is not otherwise terminated, you will continue to be obligated to pay the Monthly Fee to us and your Apartment will be held as provided in Article IV, Paragraphs C and D.

H. Surviving Resident

If this Agreement is executed by two of you and either one dies, effective on the first day of the month following the death, the surviving Resident will be obligated to pay the Monthly Fee for single occupancy in the Apartment.

I. Personal Obligations

We shall not be liable or responsible for any expenses, debts, or other obligations incurred by you on your own account, nor shall we be obligated to furnish, supply, or give you any support, maintenance, board or lodging while you are absent from The McAuley, except as may be provided in this Agreement.

J. Health Insurance

If you are sixty-five (65) years of age or older, you agree to enroll in and be covered by, at your own expense, Medicare Part A, Part B, and Part D, or equivalent insurance coverage acceptable to us under a public or private insurance plan. In addition, you agree to enroll in and be covered by a supplemental insurance policy to pay Medicare co-insurance and deductible amounts. If you are less than sixty-five (65) years of age, you will enroll in and be covered by medical insurance coverage equivalent to the coverage provided under Medicare Part A and Part B.

You agree to provide proof of insurance coverage upon our request.

Any amounts paid or owing to you from federal, state, municipal, private, or supplemental insurance plans for services rendered to you by us shall be paid to us. You agree to diligently obtain all reimbursements, payments, proceeds or other benefits available under such plans or programs, and authorize us to take such action as may be required to obtain and recover same. Any insurance proceeds received by us in excess of the cost of such services shall be paid to you, or in the event of your death, to your estate.

K. Financial Requirements for Residency

As part of the Application and Admission Process, you completed a financial disclosure. Your Financial Disclosure is attached to this Agreement. You agree that as a condition of continued residency at the McAuley, you will provide on an annual basis or as requested by us, an update of all information contained in the Financial Disclosure on forms that will be given to you by us.

You agree to make all reasonable efforts to conserve your financial resources in order to enable you to meet your financial obligations under this Agreement.

IV. GENERAL SERVICES

A. Services Included in Monthly Fee

These services and amenities are included in the Monthly Fee:

1. Services:

- a. Normal repair and maintenance of the Apartment appliances that are provided by us.
- b. All utility expenses, except cable TV and telephone charges.
- c. Town of West Hartford real estate taxes.
- d. Property and building insurance. (Such insurance does not cover your personal liability and Apartment furnishings. See Section II.)
- e. Trash removal from designated areas in accordance with environmental waste management laws and regulations.

2. Amenities:

- a. Full kitchen facilities, including electric range, refrigerator/freezer, and garbage disposal.
- b. Individually controlled heating and air conditioning.
- c. Sheer Window Treatments.
- d. Emergency-alert system with call switches in each bedroom and bathroom of Apartment.
- e. Smoke detector and sprinkler system in each Apartment.
- f. Automatic washers and dryers located on each floor for personal laundry.
- g. Apartment is pre-wired for telephones and cable television.
- h. Individual mailboxes located in the "A" Building.

- i. Assigned uncovered parking space for one car.
- j. Storage bin.

3. Dietary Services:

- a. Continental breakfast and your choice of lunch or dinner daily with waited table service in the dining room.
- b. To the extent reasonably possible, food selection will be made available to all residents in order to accommodate physician ordered dietary restrictions.
- c. Medically authorized tray service for meals when ordered by the Supervisor of Assisted Living Services Agency of Mercy Community HomeCare, our Director of Resident Services or his/her Designee.

4. Housekeeping and Laundry Services:

- a. General cleaning of Apartment every other week.
- b. Bed and bath linens.
- c. Weekly laundry service for bed and bath linens.

5. Transportation Services:

- a. Scheduled, local transportation services to shopping, banking, medical appointments and religious services.

6. 24-Hour Services:

- a. 24-hour concierge service, located in the A Building.
- b. 24-hour health staff service.
- c. 24-hour in Apartment emergency response system.

7. Social and Recreational Activities

8. Building and grounds maintenance and custodial service:

- a. Maintenance of all community buildings, common areas and grounds, including lawns, walkways and driveways.
- b. All necessary repairs, maintenance and replacement of community property and equipment located in your Apartment, in accordance with the Resident Handbook.

9. Health Promotion and Care Management Services:

- a. Mercy Community Health by our request will assist Resident in obtaining physician referrals and ancillary medical services and will provide Health Promotion Services that include Client Teaching, Wellness Counseling, Blood Pressure Checks, Care Management and Coordination of health services by a Registered Nurse.

B. Optional Services (available at additional expense to Resident- See Fee Schedule attached as Exhibit 1)

1. Additional meals not included under Dietary Services described in Section IV. A. 3.
2. Well spouse/friend tray service.
3. Guest accommodations and meals.
4. Additional housekeeping, maintenance and custodial services not included in Sections IV. A. 1., IV. 4., and IV. A. 8.
5. Beauty Salon/Barber Shop Services.

6. Parking space for additional car, when available.
7. Expenses incurred by us on your behalf that are not included in the scope of services as described in Section IV. A. above.
8. Access to health services in addition to those described in Section IV. A. 9. above, including Medicare reimbursable services through a licensed home health care agency and assistance with transfers to nursing homes and hospitals.
9. Assisted Living Services provided by The McAuley to those who reside in an independent living Apartment and who have a chronic and stable condition which necessitates assistance with some activities of daily living, but who do not require skilled nursing care: Assistance with bathing, dressing, exercising, grooming, meal preparation, medication dispensation and administration, mobility, self-medicating, toileting and transferring, transportation, all nursing visits, as well as routine services. In the event you transfer to an Assisted Living unit at The McAuley, Section VII of this Agreement shall apply, and a separate agreement shall be executed by you for residence in the Assisted Living Unit.

C. Skilled Nursing Services

1. As a resident of The McAuley, You have preferred access to Saint Mary Home for the provision of skilled nursing services based on the terms that follow below in this Section of the Agreement.

2. We will be responsible for the cost of the per diem semi-private rate for skilled nursing care at Saint Mary Home for a maximum of one hundred fifty (150) days during your lifetime. This skilled nursing coverage will only be applied after you have exhausted any Medicare benefits that may apply for each nursing home stay. In addition, this coverage only applies when you are admitted to Saint Mary Home. Accommodations in Saint Mary Home will be in a semi-private room (Private rooms, Sub-Acute Rehabilitation rooms and other Specialty Unit rooms are available for an additional fee). Once you have utilized your one hundred fifty (150) days of skilled nursing benefit, you will be responsible for all skilled nursing charges at the then current applicable per diem rate.
3. If no bed is available at Saint Mary Home, we will arrange for you to be placed in a licensed skilled nursing facility in the area, reasonably acceptable to both you and us. While you are in a skilled nursing facility other than Saint Mary Home because no bed is available for you, we will be responsible for the cost of the semi-private room rate at the actual skilled nursing facility, not to exceed the then current semi-private rate at Saint Mary Home. At such time that a bed becomes available at Saint Mary Home, you will be required to transfer to Saint Mary Home. In the event that you refuse to relocate to Saint Mary Home, we will no longer be responsible for the semi-private room rate at your current facility.
4. In the event that you are admitted to Saint Mary Home, we will advance to Saint Mary Home the fees that correspond to the semi-private room rate up to the one hundred and fifty(150) days of lifetime maximum benefit. If you use another skilled nursing

facility approved by us because no bed is available at Saint Mary Home, you will be responsible to provide us with an invoice from the skilled nursing facility used by you for payment up to the one hundred fifty (150) days of lifetime maximum benefit in accordance with the terms in the preceding paragraph.

5. Placement in Saint Mary Home, whether temporary or permanent, must be based on an order from your personal physician after consultation with you, your family or legal representative and our representative.
6. During your stay in Saint Mary Home, your right to occupy the Apartment will continue and you will continue to pay the Monthly Fee.

D. Hospitals and Other Health Care Services

We will not provide, pay for, or indemnify you for hospital, physician, ambulance, surgical, home health care services, skilled nursing care or for drugs, medical supplies, x-rays, laboratory and other diagnostic tests, eyeglasses or refractions, hearing aides, dentistry, dentures, inlays, orthopedic appliances, private duty nursing care, podiatric services, physical therapy, treatment for psychiatric disorders, alcoholism, or similar items or services.

In the event you are temporarily absent from The McAuley due to hospitalization, your right to occupy the Apartment will continue and you will remain responsible for payment of the Monthly Fee.

E. Private Duty Care

In the event you wish to employ outside caregivers, companions, private duty aides or other personnel to provide services to you, you shall notify us. You are required to execute additional documents prior to employing such outside caregivers, companions, private duty aides or other personnel.

V. TERMINATION OF AGREEMENT

A. Termination by Resident

1. Prior to Occupancy.

- a. You may terminate this Agreement for any reason up to thirty (30) days after the execution of this Agreement by giving us written notice by registered or certified mail. We will refund to you all fees paid to you minus an administrative fee of \$1,000.00.
- b. If you (or both of you if there are two of you) die before the Occupancy Date, we will terminate this Agreement upon receipt of written notification from your legal representative. We will refund to your estate or representative all fees paid to us, minus an administrative fee of \$250.00.
- c. If you cannot occupy the Apartment on the Occupancy Date due to illness, injury or incapacity of you (or both of you if there are two of you), we will terminate this Agreement upon receipt of written notification from you or your legal representative by registered or certified mail. We will refund to you all fees paid to us, minus an administrative fee of \$250.00.
- d. If for any reason the Apartment is not available for occupancy on the Occupancy Date, you may terminate this Agreement by giving us written notice by registered or certified mail. Upon termination of the Agreement, you will be paid, upon request, a full refund of the Entrance Fee, without interest, minus a \$250 administrative fee.

- e. If you fail to occupy the Apartment for any other reason and at least thirty (30) days have passed since the execution of this Agreement, we will refund to you all fees paid to you minus an administrative fee of \$1,000.00.

2. After Occupancy

a. You may terminate this Agreement for any reason subsequent to the Occupancy Date by giving at least one hundred twenty (120) days advance written notice of the intent to terminate this Agreement and vacate the Apartment. Notice shall be sent to us by registered or certified mail. (See Section XI. J.). The notice shall specify the date upon which you will vacate the Apartment; that date shall be no earlier than 120 days from date of notice. The actual date of termination will be the latest to occur of the date specified in the notice and the date that all of your personal property has been removed from the Apartment. You will be responsible for paying the Monthly Fee until the Apartment is vacated.

b. Subsequent to occupancy, upon your death, or the occurrence of an illness, hospitalization or injury, which precludes you from living at The McAuley:

- i. If you are the sole occupant of the Apartment, this Agreement will terminate when all of your personal property has been removed from the Apartment.
- ii. If this Agreement covers two Residents, this Agreement will terminate as to the deceased or ill Resident who can no longer reside at the McAuley upon written notice of that Resident's death or notice of intent to move out. This Agreement shall remain in effect as to the surviving Resident with appropriate adjustment of the Monthly Fee, as set forth in Section III. B. of this Agreement.

- iii. In the event of a Resident's death, the Resident's estate or family will only be responsible for payment of the Monthly Fee for a period of time not to exceed fifteen (15) days following the date of death as long as the Resident's unit has been vacated and all of that Resident's personal property has been removed from the Apartment.

3. Entrance Fee refund procedures are set forth in Section VIII.

B. Termination by Us

We may terminate this Agreement upon the occurrence of any of the following events, by sending you a written notice:

1. Termination Prior to Occupancy Date

- a. A misrepresentation on your Financial Disclosure;
- b. A disposition of your assets that, in our judgment, materially impairs your ability to pay future monthly fees;
- c. A decline in your medical and/or cognitive condition that, in our judgment, impairs your ability to live independently;
- d. You fail to pay the balance of the Entrance Fee when due.

2. Termination Subsequent to Occupancy for Non-Medical Reasons

If you default under this Agreement, we will give you written notice of your default. You will have thirty (30) days from date of such notice to cure the default. If the default is not cured within such thirty (30) day period, this Agreement will terminate. The following shall constitute your default:

- a. If we determine that information on the Application for Residency is erroneous or that any material facts affecting qualification for residency were not disclosed.
- b. If you (or either of you if there are two of you) fail to comply with our rules and regulations or the terms of this Agreement.
- c. If you (or either of you if there are two of you) create a situation detrimental to the health, safety or peaceful living of you, other residents or our staff as determined by us.
- d. If you make any disposition of your assets which, in our judgment, materially impairs our ability to pay the current or future Monthly Fee or other costs pursuant to this Agreement.
- e. If you fail to pay the Monthly Fee or other amounts owing to us within ten (10) days of the due date, unless other mutually satisfactory arrangements have been made. It is our intention that this Agreement shall not be terminated solely because of financial inability to pay the fees to the extent that: i) the inability to pay is not the result of the willful action of you; and ii) in our judgment, the financial viability of The McAuley will not be jeopardized by such failure to pay amounts due. In the event that you are unable to pay your monthly fee as described above, The McAuley will assist you in finding alternative living arrangements that, in our assessment, will meet your needs. During such time that McAuley is assisting you to find alternative living arrangements, but not to exceed 30 days; you will not be required to pay your monthly fee to The McAuley. Once, in our opinion, a suitable alternate living arrangement has been

identified, the move out must occur within 30 days. Moving expenses will be your responsibility.

We reserve the right to terminate this Agreement immediately without advance notice in the event a default under b. or c. of this subsection jeopardizes the health, safety or welfare of you or other residents of the McAuley.

3. Termination Subsequent to Occupancy for Medical Reasons

We may terminate this Agreement after occupancy, if you are in need of treatment and services for any condition for which we are not licensed or for which care is not customarily provided in The McAuley. If any of the above situations is determined to be temporary in nature, the Apartment will remain reserved for you and you will remain responsible for payment of the Monthly Fee. If it is determined that the situation is not temporary in nature, all our obligations and all of your rights in this Agreement will terminate as of the date of such determination; provided, however, that any right you may have to receive a refund of any portion of the Entrance Fee in accordance with Section VIII. and your obligations to make payments to us for any balance that accrued prior to the termination, will survive the termination.

4. Entrance Fee

Entrance Fees shall be refunded in accordance with Section VIII. of this Agreement.

VI. SPECIAL OCCUPANCY CIRCUMSTANCES

A. Death of a Resident

If two of you sign this Agreement and one of you dies, this Agreement shall remain in effect as to the surviving Resident.

B. Separation

1. If two of you sign this Agreement with the intention of residing in the same Apartment, and at a later date following occupancy you desire separate Apartments, one of you may remain in the Apartment and the other will may transfer to another Apartment (subject to Provider's Internal Transfer Guidelines) upon payment of the then current Monthly Fees and Entrance Fee pertaining to that other Apartment. In addition, the Resident securing the second Apartment will be required to execute a new and separate Agreement. The Resident remaining in the Apartment will be obligated to pay the single occupancy Monthly Fee for that Apartment. There will not be a refund of any portion of the original Entrance Fee paid by both parties for the original Apartment at that time. The refund provisions of this Agreement will apply with respect to the Resident remaining in the Apartment and the refund provisions of the new Agreement will apply with respect to the Resident moving to the new Apartment.

2. If two of you sign this Agreement with the intention of residing in the same Apartment, and at a later date following occupancy you both choose to reside in different Apartments, you both may transfer, subject to Apartment availability (refer to Our Internal Transfer Guidelines) upon payment of the then current Monthly Fees and Entrance Fee pertaining to the new Apartments. In addition, you both will be required to execute new and separate Agreements. If you are entitled to a refund of any portion of the original Entrance Fee paid by both of you for the original Apartment, that refund will be paid according to the terms of the original

Agreement. The refund provisions of the new Agreements will apply with respect to both of you.

3. If two of you sign this Agreement with the intention of residing in the same Apartment, and at a later date following occupancy one of you desires to leave The McAuley permanently for another residence, then the Resident leaving McAuley will surrender all rights under this Agreement (see Termination by Resident). The remaining Resident will retain all rights as a Resident and will pay the single occupancy Monthly Fee for the Apartment. There will not be a refund of any portion of the original Entrance Fee for the original Apartment at that time. The refund provisions of this Agreement will apply with respect to the Resident remaining in the Apartment. The refund provisions of this Agreement will be operative only upon the death or termination of occupancy of the remaining Resident.

C. Resident Marriage

1. If you marry another Resident and both of you desire to reside in the same Apartment, you may either, a) release one Apartment and reside together in the other Apartment, or b) release both Apartments and reside together in a different Apartment. If you and the other Resident choose to release both Apartments and reside together in a different Apartment, transfer to an available Apartment will be facilitated by us (subject to our Internal Transfer Guidelines). In either case, we will honor the existing Agreement for each of you. If the Entrance Fee for the new Apartment is greater than the sum of the original Entrance Fees paid by the two Residents, you will pay the difference between the current applicable Entrance Fee and the sum of the original Entrance Fees. Once residing together, the Monthly Fee will be adjusted so that one of you will pay the Monthly Fee for the Apartment style in which the couple resides, and the second Resident will pay the Monthly Fee for a Studio Apartment.

2. If you marry a non-resident and you both desire to live in your Apartment, the non-resident must apply to us for residency and meet all applicable Application and Admission requirements.

i. If the non-resident spouse is accepted for residency, a new Residency Agreement must be executed by all parties. An applicable Monthly Fee adjustment will apply. If the applicable current Entrance Fee is greater than the original Entrance Fee paid by you, the difference between the original Entrance Fee and the current Entrance Fee will be paid at the time the new Agreement is executed by you, your spouse and us.

ii. If the non-resident spouse is not accepted for residency, we and you will execute an Addendum to the Residency Agreement with respect to living arrangements for the non-resident spouse. An applicable Monthly Fee adjustment will apply. The non-resident spouse will be subject to our rules and regulations, as amended from time to time.

D. Special Resident Occupancy

1. If you decide to reside in the same apartment with another current Resident, who previously resided in a different Apartment, you and the other Resident may either, a) release one Apartment and reside together in the other Apartment, or b) release both Apartments and reside together in a different Apartment. If you and the other Resident choose to release both Apartments and reside together in a different Apartment, transfer to an available Apartment will be facilitated by us (subject to our Internal Transfer Guidelines). In either case, we will honor the existing Agreement for you and for the other Resident. If the Entrance Fee for the new Apartment is greater than the sum of the original Entrance Fees paid by you and the other Resident, you will pay the difference between the current applicable Entrance Fee and the sum of the original Entrance Fees. Once you and the other Resident reside together,

the Monthly Fee will be adjusted so that one Resident will pay the Monthly Fee for the Apartment style in which you both reside, and the second Resident will pay the Monthly Fee for a Studio Apartment.

2. If you and a non-resident desire to live in your Apartment, the non-resident must apply to us for residency and meet all applicable Application and Admission requirements.

i. If the non-resident is accepted for residency, a new Residency Agreement must be executed by you and the non-resident. An applicable Monthly Fee adjustment will apply. If the applicable current Entrance Fee is greater than the original Entrance Fee paid by you, the difference between the original Entrance Fee and the current Entrance Fee will be paid at the time the new Agreement is executed by you, the non-resident and us.

ii. If the non-resident is not accepted for residency, we and you will execute an Addendum to your Agreement with respect to living arrangements for the non-resident spouse. An applicable Monthly Fee adjustment will apply. The non-resident will be subject to our rules and regulations, as amended from time to time.

E. Guests

Guests staying in Resident Apartments are welcome at all times. Any visitation in the Apartment by a non-resident for more than a two-week period in any calendar year must be arranged with, and expressly approved in writing by, us. Guest meals will be available for an additional charge that will be added to your Monthly Statement.

VII. TRANSFER TO A DIFFERENT APARTMENT

If you wish to transfer to a different Apartment, you must notify us of the desire to transfer Apartments. We will assist you with such a transfer, subject to our Internal Transfer Guidelines. Our Internal Transfer Guidelines are incorporated by reference into, and attached as Exhibit 2 of, this Agreement. When a new Apartment is available and you transfer, the Monthly Fee and the Entrance Fee will be adjusted to the then current charges for that Apartment type. The parties will amend this Agreement in writing prior to the transfer becoming effective to reflect such adjustments. If the current Entrance Fee for the new Apartment is less than the original Entrance Fee paid by you, there will be no refund of any portion of the Entrance Fee. All refunds will be made in accordance with Section VIII upon termination of this Agreement. We will establish a policy on the procedures and charges for transfers and may from time-to-time adjust this policy.

VIII. REFUND OF ENTRANCE FEE

In the event this Agreement is executed by two persons, the Entrance Fee refund procedures set forth below in this Section shall not apply until the last of the two of you dies or this Agreement is otherwise terminated as to both of you as set forth in Section V of this Agreement.

A. Prior to the Occupancy Date

1. Apartment Not Available

If for any reason the Apartment is not available for occupancy on the Occupancy Date, you may terminate this Agreement. Upon termination of the Agreement, you will be paid, upon request, a full refund of the Entrance Fee, without interest, minus a \$250 administrative fee. Such refund will be issued within thirty (30) days of the receipt of the notice of termination.

2. Death, Illness, Injury or Incapacity of Resident

If for reason of death, illness, injury or incapacity, you are not able to occupy Apartment on the Occupancy Date, we will refund the Entrance Fee paid, without interest, minus a \$250 administrative fee, within thirty (30) days of receipt of the notice required under Section V. A. 1 above.

3. Termination Within Thirty Days of Execution of this Agreement

You may terminate this Agreement for any reason up to thirty (30) days after the execution of this Agreement by giving us written notice by registered or certified mail. We will refund to you all fees paid to you minus an administrative fee of \$1,000.

4. If for any other reason, you are not able to or choose not to occupy Apartment on the Occupancy Date and more than 30

days have passed since execution of this Agreement, we will refund the Entrance Fee paid, without interest, minus a \$1,000 administrative fee, within thirty (30) days of receipt of the notice required under Section V. A. 1.

B. Subsequent to the Occupancy Date – Standard Refund Plan

You, at the time this Agreement was executed, selected the Standard Refund Plan. During the first twenty four (24) months from the Occupancy Date, there will be a refund of eighty percent (80%) of the original Entrance Fee paid, less four percent (4%) of that amount for each full month from the Occupancy Date to the date the Apartment is vacated (and empty of all personal possessions) or the Agreement is terminated, whichever comes later. Any interest earned on the Entrance Fee will be retained by us.

In situations involving serious deterioration of your health requiring nursing home placement or your death (or, if there are two of you, the nursing home placement or death of both of you) during the first twenty four (24) months from the Occupancy Date, there will be a eighty percent (80%) refund, without interest, of the original Entrance Fee paid by the Resident.

Subsequent to the first twenty four (24) months from the Occupancy Date, there will be a eighty percent (80%) refund, without interest, of the original Entrance Fee paid by Resident.

C. Refund Payment

Any refunds due to you or your estate pursuant to the prior paragraph, will be payable within sixty (60) days following the later date when both of the following events first occur:

1. we receive an Entrance Fee for an Apartment similar in style (e.g. studio, one bedroom, etc.) to your Apartment; and
2. we have refunded all other entrance fees due and

payable pursuant to residency agreements for like Apartment styles pursuant to residency agreements that terminated prior to the termination of this Agreement.

Notwithstanding the foregoing, we may at our option, deduct from any Entrance Fee refund any monies advanced to you by us and any monies owed Provider under Section III. of this Agreement or under any other provision of this Agreement. In the event that you have incurred charges which exceed the Entrance Fee refund balance, no refund will be issued and you or your estate will be liable and billed for the excess amount.

We will pay any refund due hereunder to you or your estate if you are deceased, unless we are otherwise directed by written instructions signed by you and accepted by us.

IX. EXTENDED ABSENCE

If you are away from The McAuley for 14 or more consecutive days, and if we receive at least five (5) days written, advance notice of the intended absence, you will receive a daily meal credit on Resident's Monthly Statement for those days when the Resident was away from The McAuley. This credit for missed meals only applies to you if you are staying in an acute care setting, a rehabilitation hospital or having a temporary stay in a skilled nursing facility. Your right to occupy the Apartment and your payment obligations will be as set forth in Section IV.D above.

X. VACATING APARTMENT

Upon termination of this Agreement, you must vacate the Apartment within thirty (30) days. For purposes of this Agreement, the Apartment will not be considered vacated until all of your personal property is removed from the Apartment. You will be responsible for the Monthly Fee during this thirty (30) day period; provided, however, that if the Agreement is terminated as a result of your death, your estate or family will only be responsible for payment of the Monthly Fee for a period of time not to exceed fifteen (15) days following your death as long as your Apartment has been vacated. If the Apartment is not vacated within the thirty (30) days, we will have the right to remove and store all property left in the Apartment after thirty (30) days. You will be responsible for the costs incurred as a result of moving and storing such items. Property left in storage for ninety (90) days or more may be disposed of by us at your expense.

When you vacate the Apartment, we expect that the Apartment will be left in the same condition as of the Occupancy Date, ordinary wear and tear excluded. We may charge you for any damage to the Apartment that, at our discretion, is deemed as not the result of ordinary wear and tear. If with our permission, you physically altered the Apartment, we, in our sole discretion, may return the Apartment to its condition prior to such alterations, and all costs for this restoration incurred by us will be charged to you.

XI. MISCELLANEOUS

A. Fees Not Held in Trust

All fees paid to us, including Entrance Fees, shall become the sole property of us as payment for residence and services once the Entrance Fees are released to us pursuant to Connecticut law, except to the extent that Entrance Fees may be refundable under this Agreement

B. Subordination

All your rights under this Agreement are subordinate to any existing or future mortgages on The McAuley and to any of our other creditors with respect to The McAuley. You agree to execute any documents requested by us in order to carry out the terms of this Section.

C. Property Rights

This Agreement grants you a revocable license to occupy and use space in The McAuley. This Agreement is not a lease and does not transfer or grant to you any ownership interest or rights of tenancy in real or personal property owned or leased by Provider. Your rights under this Agreement, except your rights to any refunds to which you are entitled under this Agreement, are subject to all terms and conditions of this Agreement and are subordinate to any mortgage, financing deed, deed of trust, or other financing on The McAuley.

D. Arrangements for Conservatorship

If you become unable to care properly for yourself or your property and have made no designation of a conservator or trustee, then we are authorized to institute proceedings for appointment of a person or entity to serve as conservator for you.

Rules and Regulations

We shall have the right to adopt or amend such reasonable policies, rules, regulations, guidelines and operating procedures ("Rules and Regulations") as we deem necessary or desirable for proper management and operation and for the health, safety and comfort of the residents. The Resident Handbook summarizes many of our Rules and Regulations, and is incorporated by reference into this Agreement. You agree to abide by the Rules and Regulations.

F. Smoking

The McAuley is a smoke free building, therefore smoking is prohibited. This applies to all areas in The McAuley, including but not limited to: McAuley vehicles, resident apartments, apartment balconies, the front entrances to each building, all dining areas, meeting rooms, activity areas and all corridors. This prohibition applies to everyone, including all residents, family members, overnight guests, visitors, and private duty assistants.

G. Compliance with Laws and Regulations

We will comply with all municipal, state and federal laws and regulations regarding consumer protection and protection from financial exploitation. We will afford you all rights and privileges under Section 17b-520 et seq. Connecticut General Statutes.

H. Grievance Procedure

You may present a formal complaint about any alleged violation of the Residency Agreement. The complaint must be submitted in writing and delivered to the Executive Director at the address specified in Paragraph J below. Upon receipt of a formal written complaint, The Executive Director or designee will respond in writing after conducting an investigation. The Executive Director or designee will respond within five (5) business days. If you are not

satisfied with the response, you may appeal the decision to the Chief Executive Officer (CEO) of Mercy Community Health. This appeal must be made in writing and delivered to the CEO at The McAuley, 275 Steele Road, West Hartford, CT, 06117, Attn.: Chief Executive Officer. Under no circumstances will The McAuley, its Executive Director or the CEO or any other agent allow or permit retaliation against a Resident who has filed a complaint.

I. Accuracy of Information

You represent and warrant that all information that you have submitted or will submit to us, including but not limited to annual financial statements, is true and complete. You understand and acknowledge that we are relying on such information.

J. Notices

All written notices required by this Agreement will be sufficient if addressed:

1. If to you: to Resident's Apartment at The McAuley;
2. If to us, to the Executive Director, The McAuley, at 275 Steele Road, West Hartford, CT 06117.

Unless otherwise specified in this Agreement, all written notices shall be sent by registered or certified U.S. Mail, overnight express courier service, or messenger service and shall be deemed issued when delivered or when acceptance is refused.

K. Waiver

Our failure in any one or more instances to insist upon strict compliance by you with any of the terms of this Agreement shall not be construed to be a waiver by you of such term(s) or of the right to insist upon strict compliance by you with any of the other terms of this Agreement.

L. Assignment

Your rights and benefits under this Agreement (except for the possible right to a refund of some part of the Entrance Fee) are not assignable and will not inure to the use or benefit of the heirs, legatees, assignees or representatives of you, but your obligations under this Agreement shall bind your heirs, legatees, assignees or representatives. The Agreement shall bind and inure to the benefit of our successors and assigns.

M. Entire Agreement

This Agreement, including all exhibits, constitutes the entire agreement between us and you. We are not liable for nor bound in any manner by any statements, representations or promises made by any person representing or proposing to represent us, unless such statements, representations, or promises are set forth in the Agreement. Any modification of the Agreement must be in writing and signed by us and you.

N. Interpretation of Agreement

No amendment of this Agreement will be valid unless executed in writing by both you and us.

The invalidity of any restriction, condition or other provision of this Agreement will not impair or affect in any way the validity or enforceability of the remainder of this Agreement. This Agreement will be interpreted according to the laws of the State of Connecticut.

O. Counterparts

This Agreement may be executed in counterparts.
Executed at West Hartford, Connecticut on this _____ day of _____, 20____.

RESIDENT(S):

THE PROVIDER:

McAuley Center, Inc.,
A Connecticut not for profit
corporation

(Signature)

By: _____
Its: Executive Director

(Printed Name)

(Signature)

(Printed Name)

Summary of Key Information Contained in this Residency Agreement

Resident Name(s):

Occupancy Date: _____

Unit Number: _____ **Unit Type:** _____

Entrance Fee Amount: _____

Monthly Fee: First Person _____ **Second Person** _____

Formatted: Font: AGaramond

EXHIBIT 1

FEE SCHEDULE SEPTEMBER 2007

Listed below are prices for additional services not covered by Your Monthly Fee. These prices may be modified from time to time.

HEALTH CARE SERVICES

Provided by Mercy Community Home Care

Nurse Services:

The following services will be performed by a licensed nurse at the fees indicated:

- (a) Prepouring of physician ordered medication \$25.00/wk
- (b) Administration of physician ordered medication \$ 5.00/visit
- (c) When ordered by your physician, Nurse visits to the apartment will be provided at the rate of \$9.00 per every 15 minutes, billed in 5 minute increments.

Aide Services:

The following services will be provided by an Aide at the rate of \$ 6.00 per every 15 minutes, billed in 5 minute increments.

- (a) Scheduled assistance with personal activities of daily living
- (b) Emergency linen change
- (c) Internal transportation, unless medically necessary
- (d) Appointment escort service

Other Staff:

Other services may be provided to you in your apartment by other members of The McAuley Staff. These services, billed at the rate of

EXHIBIT 1

\$ 3.00 per every 15 minutes, billed in 5 minute increments, would include:

- (a) Assistance with personal laundry
- (b) Routine bed making and apartment tidying

DINING SERVICES PROGRAM

Away Credit for Meals Missed	See Residency Agreement
Additional Resident Meal/Dining Room	\$10.00 per meal
Café Meals	\$7.00-\$15.00
Guest Meals:	
Monday –Saturday	
Adult	\$15.00
Child (6-12)	\$ 6.50
Children 3 and under	Free
Sunday Brunch/Holiday Meal	
Adult	\$17.50
Child (6-12)	\$6.50
Children 3 and under	Free
Meal Delivery	\$ 3.00 per meal

ENVIRONMENTAL SERVICES DEPARTMENT

Housekeeping \$20.00 per hour
(in addition to the basic housekeeping
and annual heavy-duty cleaning included
in your Monthly Fee)

EXHIBIT 1

Labor is available in 15 minute increments.

Laundry Service/Private Laundry Service \$ 7.00 per load
(in addition to the service
included in your Monthly Fee)

Maintenance \$30.00 per hour

Parts and supplies are extra as required. Labor is available in 15 minute increments. The above prices for maintenance represent additional requests for services not covered in The McAuley Residency Agreement.

Replacement Key Card, additional key cards
and mailbox key \$ 7.00 per key

Environmental Services can provide special services and items to for your apartment upon request. Here is a list of items we can install in your apartment with prices (Prices are subject to change).

The prices for the following items include installation.

Manual door bells	\$35.00ea
Wireless door chimes	\$45.00ea
Hand held shower units	\$40.00ea without massage, \$65.00ea with massage
Surface mount bathroom cabinets	\$100.00ea
Ice cube maker for your refrigerator	\$110.00ea
Mini-blinds:	
Balcony door	\$50.00ea
Dining room window	\$55.00ea
Living room window	\$80.00ea
Bedroom window(s)	\$65.00ea

EXHIBIT 1

Grab bars or handicap bars 18 inch bar	\$55.00ea
(stainless or white colors) 24 inch bar	\$65.00ea
Cones for your parking space	\$15.00ea delivered

The following items are available and are priced upon request.

Balcony blinds
Telephones desk & wall (one color & style telephone)
Telephone wall jacks
Repair of lamps (table or floor)
Area rug non-slip pads (all sizes)
Extra painting of bookcases or other items
Wallpapering
Extra shelving in your closets
Screens & glass for balcony(s)
Carpet for your balcony (samples to pick from are with Carol in Marketing)

MISCELLANEOUS ITEMS

Auditorium Reservation Fee	\$25.00
Cordmate system	\$275.00
Guest Apartment	\$75.00 per night
Mail Delivery to "B" desk	\$ 5.00 per week
Rollaway Bed with Linen Service	15.00 per night

EXHIBIT 1

TRANSPORTATION

Transportation Fee Schedule

Pricing schedule for transportation not covered by your Monthly Fee.

- Zone I: \$ 6.00 per round trip
- Zone II: \$ 9.00 per round trip
- Zone III: \$12.00 per round trip
- Zone IV: Price to be determined by mile

McAuley Sponsored Trips: \$ 6.00 per person per round trip

Resident Sponsored Trips: Price is per person according to
Zone Schedule

Subscription Series: \$ 6.00 per person

Bradley International Airport: \$20.00 one way during business hrs.
(Per Person) \$30.00 one way after business hrs.

Bus/Train Station: \$10.00 one way during business hrs.
(Per Person) \$15.00 one way after business hrs.

Medical Appts. (Zone I; after hours): \$20.00 Roundtrip per person

Add-on medical appointment fee: \$ 6.00 plus Zone charge if outside
of Zone I

EXHIBIT 2

INTERNAL TRANSFER GUIDELINES

I. Policy Statement

- A. All residents choose their independent living unit prior to occupancy. Once the resident occupies the living unit, the applicable unit is considered the resident's primary residence. From time to time, and in consideration of a number of factors, it may be necessary for the resident to move to a different independent living unit. Any internal transfer from the primary residence to another living unit at The McAuley is subject to the Internal Transfer Guidelines.**
- B. Current residents who desire to change units and make this request are also placed on a waiting list. In both of these cases, the name is placed in the last position for the living unit type requested.**
- C. In certain circumstances, a current resident of The McAuley may request a living unit change for financial or medical reasons. In this case, The McAuley will give priority placement on the applicable waiting list. Priority consideration means that the current resident will be placed in the first position on the waiting list.**

II. Internal Transfer Procedure

There are four (4) possible scenarios with respect to an internal transfer of living units. The following guidelines apply to these specific unit transfers.

A. Pre-Arranged Move (Prior to Move In) to a Different Living Unit

- 1. In certain circumstances, a resident may elect to move to The McAuley and into an available living unit, even if that unit is not the resident's choice.**
- 2. In this situation, The McAuley and the resident will enter into an Addendum as part of the Residency Agreement. The Addendum will specify that the resident is entitled to move into an alternative unit and will specify the details of this relocation. In this situation, the resident will be given priority placement on the applicable living unit wait list. All moving expenses are the responsibility of the resident.**

A. Planned Move (After Move In) to a Different Living Unit.

- 1. In certain circumstances, a resident will select a living unit and, once residing in that unit, will desire to relocate to another living unit. For example, a resident chooses a living unit with a view of the parking lot and then decides that a view of the college would be more appealing.**

- 2. In this situation, the resident must notify the Marketing Department of the desire to change living units. The resident's request will be noted on the applicable waiting list for the unit desired. At that time, the resident's name will be placed in the last position on the applicable wait list.**
- 3. In the event that a unit comes available and the resident selects this unit, the resident will be required to pay the current entrance fee for that living unit. The resident's original entrance fee will be applied to the entrance fee for the new living unit. In the event that the new entrance fee is less than the original entrance fee, no entrance refund will be provided to the resident. Resident must also be aware that a change in monthly fees may also apply as a result of a living unit transfer. All moving expenses are the responsibility of the resident.**

B. Required Move (after Move In) to a Smaller Living Unit for Financial Reasons.

- 1. In certain instances, due to a loss of financial means, it may become necessary to relocate to a smaller living unit.**
- 2. In this situation, the resident must send a written request to relocate to the Executive Director. The letter should request the living unit change and**

should note the size living unit that the resident is requesting. The Executive Director will review the request and meet with the resident to review his/her financial position. After due consideration, if the request is approved, the resident will be given priority placement on the applicable unit wait list. At the time that the resident relocates to the smaller unit, the resident's monthly fee will be adjusted. The original entrance fee will not be adjusted. All moving expenses will be the responsibility of the resident.

3. If the resident's request is not approved, the resident's name will be placed on the unit wait list in last position. At the time that the resident relocates to the smaller unit, the resident's monthly fee will be adjusted. The original entrance fee will not be adjusted. All moving expenses will be the responsibility of the resident.

4. Required Move (after Move-in) to a Different Living Unit for Medical Reasons.

- a. In certain instances, due to a change in a resident's medical status, it may become necessary for a resident to relocate to a different living unit.
- b. In this situation, the resident must send a written request to relocate to the Executive Director. The

letter should request the living unit change and should note the location of the unit that the resident is requesting.

- c. The Executive Director will review the request and meet with the representatives of The McAuley to review the resident's change in medical status and the relocation request. After due consideration, if the resident's request is approved, the resident will be given priority placement on the applicable unit wait list. At the time that the resident relocates to a different living unit, the resident's monthly fee will be adjusted. Further, if the resident relocates to a larger living unit, the resident will be required to pay the current entrance fee for that living unit. The resident's original entrance fee will be applied to the entrance fee for the new living unit. In the event that the new entrance fee is less than the original entrance fee, no entrance fee will be provided to the resident. All moving expenses will be the responsibility of the resident.**

- d. If the resident's request is not approved, the resident's name will be placed in the unit wait list in the last position. At the time that the resident relocates to the smaller unit, the resident's monthly fee will be adjusted. The resident's original entrance fee will be applied to the entrance fee for the new living unit. In the event that the new entrance fee is less than the original entrance fee, no entrance fee will be provided to the resident. All moving expenses will be the responsibility of the resident.**



ATTACHMENT C

March 9, 1987

Mr. Gordon Andrew
Administrator
Saint Mary Home
291 Steele Road
West Hartford, CT 06117

Dear Gordon:

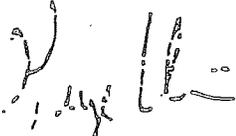
This will confirm the arrangements that have been agreed upon between Saint Mary Home ("Home") and McAuley Center Incorporated ("McAuley") for the admission of McAuley residents to the Home.

1. The Home agrees to admit McAuley residents for nursing services on a priority basis.
2. Each time that McAuley accepts an application from a prospective resident, McAuley will promptly notify the Home and provide the Home with such information about the resident as the Home may reasonably request.
3. The Home shall place the resident's name on the Home's waiting list and the resident will be deemed to have applied for admission to the Home concurrently with the resident's application to McAuley.
4. The resident's name shall remain on the waiting list during the time that he or she is a resident of McAuley and shall move toward the top of the waiting list in the normal course of events.
5. Despite the fact that the resident's name may be at the top of the waiting list, the resident shall not be admitted to the Home unless such admission is requested by McAuley.
6. Upon McAuley's request, a resident will be admitted to the Home in accordance with usual admission procedures and in the order of his or her priority on the waiting list.
7. McAuley agrees to arrange for transportation of its residents to and from the Home.

Mr. Gordon Andrew
March 9, 1987
Page Two

8. McAuley will be billed directly on a monthly basis by the Home for the following services provided to McAuley residents:
- (a) Nursing services, at the current private pay per diem rate.
 - (b) Physical therapy services, at the current private pay rate.
 - (c) Occupational therapy services, at the rate charged by the Home's outside consultant.
9. McAuley will pay the Home directly for all billed services within 15 days of receipt of the monthly statement.

Sincerely,



George Hession
McAuley Center Incorporated

Accepted by:


Gordon C. Andrew

March 19, 1987
(date)

ENTRANCE FEE DEPOSIT
ESCROW AGREEMENT

THIS AGREEMENT, made and entered into this 12th day of May, 1996 by and between McAULEY CENTER, INC. ("The McAuley"), and People's Bank (the "Escrow Agent"), a banking association with an office at 962 Farmington Avenue, West Hartford, CT.

WITNESSETH:

WHEREAS, McAuley Center, Inc. operates a continuing care retirement community know as The McAuley, A Classic Residence by Hyatt, in West Hartford, CT; and

WHEREAS, prospective residents of The McAuley are required to pay an Entrance Fee prior to occupying a living unit at the facility, and are required to pay as a deposit (the "Deposits") a portion of the Entrance Fee as a part of the application process; and

WHEREAS, The McAuley has agreed to place all of the Deposits in an escrow account with the Escrow Agent;

NOW, THEREFORE, in consideration of the terms and conditions contained herein, the parties agree as follows:

1. Escrow Agent. The McAuley appoints People's Bank as the Escrow Agent for the purposes set forth in this Agreement and the Escrow Agent accepts such appointment
2. Deposit of Escrow Funds.
 - a. The McAuley shall deposit all Deposits with the Escrow Agent within seventy-two (72) hours of their receipt by The McAuley from a prospective resident (the "Resident").
 - b. The Escrow Agent shall hold the Escrow Funds in interest bearing accounts as determined by The McAuley. All interest will inure to the benefit of The McAuley.
 - c. The Escrow Agent shall account for each Deposit made on behalf of the Resident.
3. Disbursement of Funds. The Escrow Agent shall disburse funds held in escrow as requested by The McAuley upon delivery by The McAuley to the Escrow Agent of a certificate signed by a duly authorized officer of The McAuley certifying to any one of the following conditions:

- a. The living unit to which the Escrow Funds that are requested (the "Requested Funds") apply is, or will be shortly, occupied by the Resident.
- b. The Resident who has paid the Requested Funds has rescinded his/her agreement with The McAuley.
- c. The Resident who has paid the Requested Funds has died.
- d. The McAuley has declined to accept the application of the Resident who has paid the Requested Funds.

4. Provisions as to Escrow Agent.

- a. The Escrow Agent shall have no liability to any party on account of any investment of funds in accordance with this Agreement.
- b. The Escrow Agent shall be protected in acting upon any written notice, statement, certificate, waiver, consent or other instrument or document which the Escrow Agent believes to be genuine.
- c. It is understood and agreed that the duties of the Escrow Agent under this Agreement are ministerial in nature and that the Escrow Agent shall not be liable for any error of judgement, or for any act done or step taken or omitted in good faith, or for anything which the Escrow Agent may do or refrain from doing in connection with the Agreement, except that the Escrow Agent shall be liable for its own gross negligence or willful misconduct.
- d. The Escrow Agent may consult with and obtain advice from legal counsel in the event of any dispute or question as to the construction of any of the provisions of this Agreement and the Escrow Agent shall incur no liability.
- e. If at any time the Escrow Agent shall be in doubt as to the party or parties entitled to receive any or all of the Requested Funds, the Escrow Agent may apply to a court for a determination of the party or parties entitled to receive the same, and the Escrow Agent shall incur no liability therefore.
- f. The McAuley shall indemnify and hold harmless the Escrow Agent from and against all claims, losses, damages, costs, or attorneys' fees arising out of or in connection with the Escrow Agent's acceptance of, or performance of, its duties and obligations under this Agreement other than as a result of willful misconduct or gross negligence on the part of the Escrow Agent.
- g. The Escrow Agent may resign at any time by giving written notice thereof to The McAuley. Such resignation shall become effective upon the appointment by The McAuley of a successor corporate Escrow Agent and the delivery of the Deposits

to such successor Escrow Agent. Any successor Escrow Agent shall have all the rights and obligations of the Escrow Agent named herein.

5. Notices. All notices given pursuant to this Agreement shall be in writing and shall be mailed by certified mail, postage prepaid and shall be deemed given on the date mailed. The addresses to which such notice shall be sent are as set forth below, unless a different address is specified in writing by either party after the date hereof:

To The McAuley: McAuley Center, Inc.
 275 Steele Road
 West Hartford, CT 06117
 Attn: Director of Accounting

To Escrow Agent: People's Bank
 962 Farmington Avenue
 West Hartford, CT 061107-2199
 Attn: Renee Vanek

The Escrow Agent's telephone number is: (860) 232-0071.

6. Disputes. Any dispute whatsoever relating to the interpretation, validity or performance of this Agreement, or any dispute arising out of this Agreement which cannot be resolved after fifteen (15) days' written notice by the parties to such dispute, shall be settled by arbitration in the City of Hartford, CT, in accordance with the rules then prevailing of the American Arbitration Association, and judgement upon the award rendered by the arbitrators may be entered in any court of competent jurisdiction. The cost of any arbitration proceeding under this Paragraph shall be shared equally by the parties thereto.
7. Escrow Agent Fees. The Escrow Agent hereby agrees to act as such in accordance with the terms hereof. ~~The Escrow Agent's fees and expenses shall be paid by The McAuley utilizing interest earned by the escrowed funds.~~
8. Governing Law. This Agreement shall be governed, construed and administered in accordance with the laws of the State of Connecticut.
9. Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective legal representatives, successors and assigns.
10. Amendments. This Agreement may only be modified by a written amendment signed by both McAuley Center, Inc. and Escrow Agent, provided that no amendments shall be made without the prior notification by The McAuley to the Commissioner of the Department on Aging, and prior to approval by the Commissioner of the proposed changes.

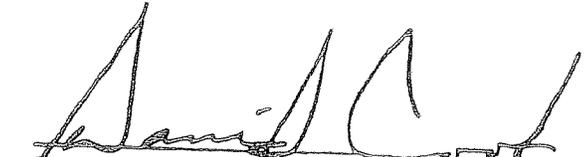
IN WITNESS WHEREOF, the parties have executed this Agreement, on the day and year first above written.

McAuley Center, Inc.



Richard Johnson
President and Executive Director

People's Bank



David Cook
Vice President-Trust Administration

Investment Management Agreement

Between: The McAuley Center Inc., and
People's Bank

people's bank

Gentlemen:

I hereby request that you open and maintain an Investment Management Account in my name. You will follow my instructions as indicated below and in the Account Information and Special Instructions. I also appoint you my Agent to receive, hold, and manage the funds, securities and other property which I have delivered, or may from time to time deliver, to you to be included in my Account. Your duties and authority as my Agent are subject to the terms of this Agreement.

I HAVE INITIALED THE PARAGRAPH BELOW WHICH APPLIES TO MY ACCOUNT.

(a) You will act as my Agent with respect to my Account with the power and authority, in your sole discretion, to hold, invest, reinvest and otherwise change the securities and other property in my Account.

(b) You will act as my Agent with respect to my Account with the power and authority upon my instructions or consent to hold, invest, reinvest and otherwise change the securities or other property in my Account. Without my prior authorization or consent you will not make any sale, purchase or change of a security for my Account other than the investment of cash. You may, however, take such action without my consent if (i) you have informed me of your recommendation for such transaction, but you have not received any appropriate response from me within three (3) business days, and (ii) in your judgement the transaction is necessary to prevent or reduce a substantial loss to my Account. With respect to subscription rights, warrants and fractional shares, you are authorized to take such action as you may deem to be in my best interests, with or without consulting me as you may determine.

YOUR ADDITIONAL POWERS AS AGENT. As my agent you:

- may exercise all applicable voting rights in person or by proxy with respect to any securities in my Account;
- may exercise or sell any rights or options relating to any securities in my Account;
- may register securities in your name as my Agent, without disclosing your capacity as my Agent, or in the name of a nominee, but at all times the securities and other property will be shown on your books as my property;
- will collect interest, dividends, distributions and other income earned on the securities and other property in my Account;
- will collect upon maturity, redemption, exchange or other disposition, the principal amounts or securities which may be receivable, and you may act as my Agent to redeem or collect United States Treasury or Savings Bonds;
- may sell and purchase securities for my Account through one or more securities brokers or dealers that you may select.

INVESTMENT OBJECTIVES. I will discuss my investment objectives with you. In return, you will appraise and review, at reasonable intervals, the nature, appropriateness, character, and value of the securities and other property in my Account. From time to time you may suggest purchases and sales of securities for my Account in accordance with my investment objectives.

REPORTS AND INFORMATION. You will send me periodic statements describing all transactions in my Account and a current valuation of the securities and cash in my Account. You will attempt to use information only from sources you consider reliable. You make no guarantee, however, as to the accuracy of that information, and you will not be held liable for any error of fact or judgement so long as you act in good faith.

WITHDRAWAL OF ASSETS. Any or all of the securities and other property in my Account may be withdrawn by me upon the delivery to you of my written instructions to that effect. Such securities and other property will be made available as soon as practicable after you receive instructions. If you determine that the securities and other property remaining in my Account no longer require your services, you may treat the withdrawal as a termination of my Account.

MODIFICATION AND TERMINATION OF AGREEMENT

- **Amendment.** This Agreement may be amended or expanded at any time by a written instrument signed by both you and me.
- **Termination.** This Agreement will terminate automatically upon my death (or upon my survivors death if this is a joint account). If my Account is in the name of a corporation, partnership or other entity, this Agreement will terminate automatically upon dissolution, liquidation or termination of such entity. Otherwise, this Agreement will continue in effect until terminated by either one of us by written notice of termination. As soon as practicable after termination, you will make the property remaining in my Account available after payments of your fees and costs.

LIMITS OF YOUR LIABILITY. I agree that you will not be liable for any losses or reduction in value of the securities and other property in my Account or for any loss resulting from any act or failure to act, except in circumstances in which it is proven that you acted in bad faith or intentionally violated an express provision of this Agreement. Also, you will not be liable for the act or failure to act by a broker, custodian, agent, or nominee employed by you, so long as you exercised good faith and reasonable care in their selection.

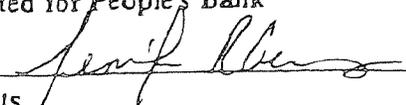
TAX INFORMATION. You will provide me with the annual statement of the income earned in my Account classified for tax purposes, and a schedule of securities sold, matured or otherwise disposed of listing the proceeds or appropriate values. You will not be responsible for preparing and filing tax returns or paying taxes on income and transactions in my Account unless I have given you written instructions to do so. I understand that there is an additional fee for preparing my tax returns if I elect to have you do so.

YOUR FEES. You will receive fees for your services in accordance with your schedule of fees in effect from time to time. You will be reimbursed for all costs and expenses including brokerage fees that you incur in connection with the management of my Account. I authorize you to charge your fees and expenses against the income and/or principal of my Account.

JOINT ACCOUNT. If my Account is in the name of two or more persons, you will consider it a joint account and:

- you may rely on the instructions of any one of the persons named on the Account;
- Any one of such persons may withdraw securities and other property from the Account; and
- It will be considered a survivorship form of account. This means that if one of the people named in the Account dies, the other person(s) named on the Account will become the sole owner(s) of the securities and other property in the Account.

Accepted for People's Bank

By: 

Its

Date: 5/7/98

Very truly yours,



05/07/98

ACCOUNT INFORMATION AND SPECIAL INSTRUCTIONS

Client: The McAuley Inc

Federal Tax Identification Number

Address: 275 Steele Rd.

Date of Birth

West Hartford, CT 06117

Place of Birth

Citizen of

Telephone Numbers: Home _____ Work 236-6300 check preference

All communications for the Account will be sent to the client at the above address.

Income collected in the Account will be disposed of as follows:

Monthly Quarterly Other Reinvest

By deposit to People's Bank. Account # _____

By check sent to Client at the above address.

Beginning date: _____
Month Day

Reinvested

Statements of activity in the Account will be sent to Client on the following schedule:

Monthly

People's, upon lawful request, and without further consent from Client:

_____ is not authorized to disclose the identity of Client to the issuer of any securities held in the Account.

_____ is authorized to disclose the identity of Client to the issuer of any securities held in the Account.

Other Special Instructions: _____

Signature: _____

Date: _____

THE MCAULEY



1 December 1999

Mr. James Thayer
Vice President and Trust Officer
People's Bank
One Financial Plaza
Hartford, CT 06103-2613

Dear Mr. Thayer:

I am writing to you on behalf of McAuley Center, Inc. for whom your banking association serves as the Escrow Agent and Investment Agent for our Entrance Fee Deposit Escrow Fund and our Reserve Fund Investment Fund respectively.

The purpose of this correspondence is to provide formal notification to People's Bank that, effective 30 November 1999, McAuley Center, Inc. and Classic Residence by Hyatt have terminated their management agreement with respect to the continuing care retirement community formerly known as The McAuley, A Classic Residence by Hyatt. Effective this date, 1 December 1999, the continuing care retirement community will be known as The McAuley. Mercy Community Health will now provide management services to The McAuley.

I would further request that your records be changed to direct all notices as follows:

McAuley Center, Inc.
275 Steele Road
West Hartford, CT 06117
Attn: Executive Director

If you have any questions, please do not hesitate to contact me. I look forward to continuing the business relationship that The McAuley and People's Bank have enjoyed over the years.

If I can be of any further assistance, please do not hesitate to contact me. I can be reached at 920-6346.

Sincerely,


Stephen T. Surprenant
Executive Director

a member of Mercy Community Health, a continuum of care ministry of Catholic Health East and the Sisters of Mercy of the Americas

275 Steele Road, West Hartford, Connecticut 06117

Telephone (860) 920-6300



Facsimile (860) 232-4077



www.themcauleyct.com

CHE Trinity Inc.

Supplemental Condensed Consolidating Schedules
as of and for the Year Ended June 30, 2014, and
Independent Auditors' Report on Supplementary
Information

CHE TRINITY INC.

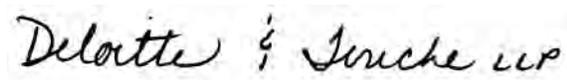
TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION	1
SUPPLEMENTAL CONDENSED CONSOLIDATING SCHEDULES AS OF AND FOR THE YEAR ENDED JUNE 30, 2014:	
Sisters of Providence Health System, Inc., Springfield	263
Mercy Health System of SEPA, Philadelphia	465
Lourdes Health System, Camden	667
St. Mary's Health Care System, Inc., Athens	869
Mercy Community Health, Inc., West Hartford	10611
Pittsburgh Mercy Health System, Inc., Pittsburgh	12613

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors of
CHE Trinity Inc.
Livonia, Michigan

We have audited the consolidated financial statements of CHE Trinity Inc. and its subsidiaries (the "Corporation") as of and for the year ended June 30, 2014, and have issued our report thereon dated October 3, 2014, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. We have not performed any procedures with respect to the audited consolidated financial statements subsequent to October 3, 2014. The supplemental condensed consolidating schedules as listed in the table of contents (the "Schedules") are presented for the purposes of additional analysis and are not a required part of the consolidated financial statements. These Schedules are the responsibility of the Corporation's management and were derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such Schedules have been subjected to the auditing procedures applied in our audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental condensed consolidating schedules are fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.



March 19, 2015

MERCY COMMUNITY HEALTH, INC., WEST HARTFORD

Supplemental Condensed Consolidating Balance Sheets - Information

As of June 30, 2014

(In thousands)

	Saint Mary Home, Inc.	The McAuley Center	MCH - Corporate Office	Mercyknoll, Inc.	Mercy Community Home Care, Inc.	Mercy Community Health, Inc., West Hartford
ASSETS						
CURRENT ASSETS:						
Cash, cash equivalents and investments	\$ 6,206	\$ 2,638	\$ (2,410)	\$ (3,864)	\$ (858)	\$ 1,712
Assets limited as to use - current portion	575	-	167	-	-	742
Patient and other receivables, net	2,898	107	-	-	-	3,005
Other current assets	<u>311</u>	<u>178</u>	<u>33</u>	<u>541</u>	<u>-</u>	<u>1,063</u>
Total current assets	9,990	2,923	(2,210)	(3,323)	(858)	6,522
ASSETS LIMITED OR RESTRICTED AS TO USE -						
Noncurrent portion:						
Held by trustees	226	950	-	-	-	1,176
By Board	-	-	130	-	-	130
By donors	<u>265</u>	<u>12</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>277</u>
Total assets limited or restricted as to use - noncurrent portion	491	962	130	-	-	1,583
PROPERTY AND EQUIPMENT, Net	10,089	16,455	882	-	-	27,426
OTHER ASSETS	<u>(2,224)</u>	<u>(1,689)</u>	<u>4,511</u>	<u>(179)</u>	<u>(382)</u>	<u>37</u>
TOTAL ASSETS	<u>\$18,346</u>	<u>\$ 18,651</u>	<u>\$ 3,313</u>	<u>\$ (3,502)</u>	<u>\$ (1,240)</u>	<u>\$ 35,568</u>
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
CURRENT LIABILITIES	\$ 3,610	\$ 4,043	\$ 425	\$ 72	\$ 1	\$ 8,151
LONG-TERM DEBT, Noncurrent portion	10,641	11,912	4,212	882	221	27,868
OTHER LIABILITIES	436	16,131	184	-	-	16,751
NET ASSETS:						
Unrestricted	3,292	(13,481)	(1,735)	(4,456)	(1,462)	(17,842)
Restricted	<u>367</u>	<u>46</u>	<u>227</u>	<u>-</u>	<u>-</u>	<u>640</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$18,346</u>	<u>\$ 18,651</u>	<u>\$ 3,313</u>	<u>\$ (3,502)</u>	<u>\$ (1,240)</u>	<u>\$ 35,568</u>

MERCY COMMUNITY HEALTH, INC., WEST HARTFORD

**Supplemental Condensed Consolidating Statements of Operations and Changes in Net Assets - Information
For The Year Ended June 30, 2014
(In thousands)**

	Saint Mary Home, Inc.	The McAuley Center	Corporate Office	Mercyknoll, Inc.	Mercy Community Home Care, Inc.	Eliminations	Mercy Community Health, Inc., West Hartford
Unrestricted revenue:							
Net patient service revenue less provision for bad debts	\$30,531	\$ -	\$ -	\$ -	\$ -	\$ (1,937)	\$ 28,594
Other	<u>1,889</u>	<u>12,135</u>	<u>3,825</u>	<u>-</u>	<u>-</u>	<u>(3,649)</u>	<u>14,200</u>
Total unrestricted revenue	32,420	12,135	3,825	-	-	(5,586)	42,794
Expenses:							
Labor costs	19,281	3,592	1,916	-	-	-	24,789
Purchased services	5,894	3,322	1,313	-	-	(5,586)	4,943
Depreciation, amortization and interest	1,453	1,727	167	-	-	-	3,347
Other	<u>4,288</u>	<u>2,737</u>	<u>429</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,454</u>
Total expenses	<u>30,916</u>	<u>11,378</u>	<u>3,825</u>	<u>-</u>	<u>-</u>	<u>(5,586)</u>	<u>40,533</u>
OPERATING INCOME (LOSS) BEFORE OTHER ITEMS	1,504	757	-	-	-	-	2,261
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OPERATING INCOME (LOSS)	1,504	757	-	-	-	-	2,261
NONOPERATING ITEMS:							
Investment income and interest rate swaps	59	32	(21)	-	-	-	70
Loss from early extinguishment of debt	-	-	-	-	-	-	-
Other	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>
Total nonoperating items	60	32	(21)	-	-	-	71
EXCESS OF REVENUE OVER EXPENSES	1,564	789	(21)	-	-	-	2,332
LESS EXCESS OF REVENUE OVER EXPENSES ATTRIBUTABLE TO NONCONTROLLING INTEREST	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUE OVER EXPENSES - Net of noncontrolling interest	<u>\$ 1,564</u>	<u>\$ 789</u>	<u>\$ (21)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,332</u>
CHANGES IN NET ASSETS:							
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	\$ 1,292	\$ 418	\$ (80)	\$ -	\$ -	\$ -	\$ 1,630
INCREASE (DECREASE) IN RESTRICTED NET ASSETS	<u>85</u>	<u>(27)</u>	<u>131</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>189</u>
INCREASE (DECREASE) IN NET ASSETS	1,377	391	51	-	-	-	1,819
NET ASSETS, Beginning of year	<u>2,283</u>	<u>(13,826)</u>	<u>(1,560)</u>	<u>(4,456)</u>	<u>(1,462)</u>	<u>-</u>	<u>(19,021)</u>
NET ASSETS, End of year	<u>\$ 3,660</u>	<u>\$(13,435)</u>	<u>\$(1,509)</u>	<u>\$(4,456)</u>	<u>\$(1,462)</u>	<u>\$ -</u>	<u>\$(17,202)</u>

CHE Trinity Inc.

Consolidated Financial Statements as of and for the
Year Ended June 30, 2014, Supplemental
Consolidating Schedules as of and for the Year Ended
June 30, 2014, and Independent Auditors' Reports

[This page is intentionally left blank.]

CHE TRINITY INC.

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1-2
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014:	
Balance Sheet	3-4
Statement of Operations and Changes in Net Assets	5-6
Statement of Cash Flows	7-8
Notes to Consolidated Financial Statements	9-45
INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL CONSOLIDATING SCHEDULES	46
SUPPLEMENTAL CONSOLIDATING SCHEDULES FOR THE YEAR ENDED JUNE 30, 2014:	
Condensed Consolidating Balance Sheet – Information	47-55
Condensed Consolidating Statement of Operations and Changes in Net Assets – Information	56-66

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
CHE Trinity Inc.
Livonia, Michigan

We have audited the accompanying consolidated financial statements of CHE Trinity Inc. and its subsidiaries (the "Corporation"), which comprise the consolidated balance sheet as of June 30, 2014, and the related consolidated statement of operations and changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

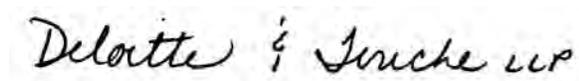
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the consolidated financial statements of Baycare Health System, the Corporation's investment in which is accounted for by the use of the equity method. The accompanying consolidated financial statements of the Corporation include its investment in the net assets of Baycare Health System of \$1,770,927 as of June 30, 2014, respectively, and its equity method income from Baycare Health System of \$288,196 for the year then ended. The consolidated financial statements of Baycare Health System for the year ended December 31, 2013, were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Baycare Health System, is based on the report of the other auditors and the procedures that we considered necessary in the circumstances with respect to the inclusion of the Corporation's equity investment and equity method income in the accompanying consolidated financial statements taking into consideration the differences in fiscal years.

We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the consolidated financial statements 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 Corporation'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 consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CHE Trinity Inc. and its subsidiaries as of June 30, 2014, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

October 3, 2014

CHE TRINITY INC.

CONSOLIDATED BALANCE SHEET

JUNE 30, 2014

(In thousands)

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$	901,282
Investments		3,231,318
Security lending collateral		187,882
Assets limited or restricted as to use - current portion		274,202
Patient accounts receivable, net of allowance for doubtful accounts of \$545.3 million		1,475,579
Estimated receivables from third-party payors		155,527
Other receivables		269,110
Inventories		206,226
Assets held for sale		207,989
Prepaid expenses and other current assets		140,359
Total current assets		<u>7,049,474</u>

ASSETS LIMITED OR RESTRICTED AS TO USE - Noncurrent portion:

Held by trustees under bond indenture agreements		53,652
Self-insurance, benefit plans and other		672,537
By Board		2,891,790
By donors		308,572
Total assets limited or restricted as to use - noncurrent portion		<u>3,926,551</u>

PROPERTY AND EQUIPMENT - Net 6,592,913

INVESTMENTS IN UNCONSOLIDATED AFFILIATES 2,257,555

GOODWILL 153,773

OTHER ASSETS 452,923

TOTAL ASSETS \$ 20,433,189

LIABILITIES AND NET ASSETS**CURRENT LIABILITIES:**

Commercial paper	\$	239,961
Short-term borrowings		1,123,620
Current portion of long-term debt		96,038
Accounts payable		685,748
Accrued expenses		275,960
Salaries, wages and related liabilities		656,467
Current portion of self-insurance reserves		197,040
Payable under security lending agreements		187,882
Liabilities held for sale		257,991
Estimated payables to third-party payors		323,546
Total current liabilities		<u>4,044,253</u>

LONG-TERM DEBT - Net of current portion 3,619,237

SELF-INSURANCE RESERVES - Net of current portion 920,799

ACCRUED PENSION AND RETIREE HEALTH COSTS 727,873

OTHER LONG-TERM LIABILITIES 577,565

Total liabilities 9,889,727

NET ASSETS:

Unrestricted net assets	10,125,003
Noncontrolling ownership interest in subsidiaries	<u>38,090</u>
Total unrestricted net assets	10,163,093
Temporarily restricted net assets	293,306
Permanently restricted net assets	<u>87,063</u>
Total net assets	<u>10,543,462</u>

TOTAL LIABILITIES AND NET ASSETS \$ 20,433,189

The accompanying notes are an integral part of the consolidated financial statements.

CHE TRINITY INC.

CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS YEAR ENDED JUNE 30, 2014 (In thousands)

UNRESTRICTED REVENUE:	
Patient service revenue, net of contractual and other allowances	\$ 12,395,306
Provision for bad debts	<u>(620,011)</u>
Net patient service revenue less provision for bad debts	11,775,295
Capitation and premium revenue	689,053
Net assets released from restrictions	28,366
Other revenue	<u>1,093,765</u>
Total unrestricted revenue	<u>13,586,479</u>
EXPENSES:	
Salaries and wages	5,870,246
Employee benefits	1,202,093
Contract labor	<u>102,504</u>
Total labor expenses	7,174,843
Supplies	2,153,313
Purchased services	1,494,036
Depreciation and amortization	707,707
Occupancy	581,579
Medical claims	284,449
Interest	159,228
Other	<u>649,186</u>
Total expenses	<u>13,204,341</u>
OPERATING INCOME BEFORE OTHER ITEMS	382,138
Pension curtailment gain	149,734
Pension settlement loss	(195,987)
Asset impairment charges	(91,279)
Restructuring costs	(45,720)
Consolidation costs	(42,856)
Litigation accrual	<u>(36,448)</u>
OPERATING INCOME	119,582
NONOPERATING ITEMS:	
Investment income	609,010
Equity in earnings of unconsolidated affiliates	265,815
Change in market value and cash payments of interest rate swaps	(25,514)
Other, including income taxes	<u>(17,488)</u>
Total nonoperating items	<u>831,823</u>
EXCESS OF REVENUE OVER EXPENSES	951,405
EXCESS OF REVENUE OVER EXPENSES ATTRIBUTABLE TO NONCONTROLLING INTEREST	<u>(14,135)</u>
EXCESS OF REVENUE OVER EXPENSES, net of noncontrolling interest	<u>\$ 937,270</u>

	<u>Controlling Interest</u>	<u>Noncontrolling Interest</u>	<u>Total</u>
UNRESTRICTED NET ASSETS:			
Excess of revenue over expenses	\$ 937,270	\$ 14,135	\$ 951,405
Net assets released from restrictions for capital acquisitions	25,739	-	25,739
Net change in retirement plan related items - consolidated organizations	28,402	-	28,402
Net change in retirement plan related items - unconsolidated organizations	44,219	-	44,219
Other	13,934	(7,079)	6,855
Increase in unrestricted net assets before discontinued operations	1,049,564	7,056	1,056,620
Discontinued operations			
Loss from operations	(39,199)	-	(39,199)
Losses on substitutions of membership interests	(85,883)	-	(85,883)
Increase in unrestricted net assets	<u>924,482</u>	<u>7,056</u>	<u>931,538</u>
TEMPORARILY RESTRICTED NET ASSETS:			
Contributions	68,354	-	68,354
Net investment gain	15,757	-	15,757
Net assets released from restrictions	(54,105)	-	(54,105)
Other	(6,354)	-	(6,354)
Increase in temporarily restricted net assets	<u>23,652</u>	<u>-</u>	<u>23,652</u>
PERMANENTLY RESTRICTED NET ASSETS:			
Contributions for endowment funds	3,621	-	3,621
Net investment gain	2,858	-	2,858
Other	(12,094)	-	(12,094)
Increase in permanently restricted net assets	<u>(5,615)</u>	<u>-</u>	<u>(5,615)</u>
INCREASE IN NET ASSETS	942,519	7,056	949,575
NET ASSETS - July 1, 2013	<u>9,562,853</u>	<u>31,034</u>	<u>9,593,887</u>
NET ASSETS - June 30, 2014	<u>\$ 10,505,372</u>	<u>\$ 38,090</u>	<u>\$ 10,543,462</u>

The accompanying notes are an integral part of the consolidated financial statements.

CHE TRINITY INC.

CONSOLIDATED STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2014

(In thousands)

OPERATING ACTIVITIES:

Increase in net assets	\$	949,575
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization		707,707
Provision for bad debts		620,011
Asset impairment charges		91,279
Asset impairment charge and other non-cash items - discontinued operations		37,022
Restructuring costs		30,892
Litigation accrual		36,448
Losses on substitutions of membership interests		85,883
Equity in earnings of unconsolidated affiliates		(320,639)
Deferred retirement items - consolidated organizations		(28,402)
Deferred retirement items - unconsolidated organizations		(44,219)
Change in net unrealized and realized gains on investments		(571,787)
Change in market values of interest rate swaps		13,359
Restricted contributions and investment income received		(26,510)
Other adjustments		11,657
Changes in:		
Patient accounts receivable		(691,299)
Other assets		(59,010)
Accounts payable and accrued expenses		(30,734)
Estimated receivables from third-party payors		13,258
Estimated payables to third-party payors		(69,534)
Self-insurance reserves		73,341
Accrued pension and retiree health costs		(28,990)
Other liabilities		(600)
Net cash provided by operating activities of discontinued operations		<u>(24,155)</u>
Total adjustments		<u>(175,022)</u>
Net cash provided by operating activities		<u>774,553</u>

INVESTING ACTIVITIES:	
Purchases of investments	(3,107,406)
Proceeds from sales of investments	3,056,208
Purchases of property and equipment	(1,013,473)
Proceeds from disposal of property and equipment	14,047
Acquisitions	(3,768)
Dividends received from unconsolidated affiliates	39,551
Increase in assets limited as to use and other changes	(18,290)
Net cash used in investing activities of discontinued operations	(12,961)
Net cash used in investing activities	<u>(1,046,092)</u>
FINANCING ACTIVITIES:	
Proceeds from issuance of debt	664,194
Repayments of debt	(379,241)
Net decrease in commercial paper	(128,961)
Increase in financing costs and other	(3,655)
Proceeds from restricted contributions and restricted investment income	26,510
Net cash used in investing activities of discontinued operations	(4,395)
Net cash provided by financing activities	<u>174,452</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(97,087)
CASH AND CASH EQUIVALENTS - Beginning of year	<u>998,369</u>
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 901,282</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:	
Cash paid for interest (net of amounts capitalized)	\$ 155,268
New capital lease obligations for buildings and equipment	4,388
Accruals for purchases of property and equipment and other long-term assets	92,001
Unsettled investment trades, purchases	120,562
Unsettled investment trades, sales	135,756
Decrease in security lending collateral	34,299
Decrease in payable under security lending agreements	(34,299)

The accompanying notes are an integral part of the consolidated financial statements.

CHE TRINITY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

1. ORGANIZATION AND MISSION

Effective May 1, 2013, CHE Trinity Inc. (the “Corporation”) became the sole member of Catholic Health East, a Pennsylvania nonprofit corporation (“CHE”), and Trinity Health Corporation, an Indiana nonprofit corporation (“Trinity Health”) creating a unified Catholic national health system that enhances the mission of service to people and communities across the United States. This transaction was accounted for as a merger and thus the Corporation’s balance sheet was recorded at its historical basis under the carryover method. Transition and integration are ongoing with the Corporation incurring \$42.9 million of expenses for the year ended June 30, 2014, as a result of the transaction, which are included in consolidation costs in the statement of operations and changes in net assets.

The Corporation has adopted a fiscal year end of June 30. Effective July 1, 2013, CHE changed its fiscal year end from December 31 to June 30 in order to align CHE’s year end with the Corporation. These statements reflect the adoption of a June 30 fiscal year end.

The Corporation is sponsored by Catholic Health Ministries, a Public Juridic Person of the Holy Roman Catholic Church. The Corporation operates a comprehensive integrated network of health services including inpatient and outpatient services, physician services, managed care coverage, home health care, long-term care, assisted living care, and rehabilitation services located in 20 states. The operations are organized into Regional Health Ministries (“RHMs”). The mission statement for the Corporation is as follows:

We, CHE Trinity Inc., serve together in the spirit of the Gospel as a compassionate and transforming healing presence within our communities.

Community Benefit Ministry – Consistent with its mission, the Corporation provides medical care to all patients regardless of their ability to pay. In addition, the Corporation provides services intended to benefit the poor and underserved, including those persons who cannot afford health insurance or other payments such as copays and deductibles because of inadequate resources and/or are uninsured or underinsured, and to improve the health status of the communities in which it operates. The following summary has been prepared in accordance with the Catholic Health Association of the United States’, *A Guide for Planning and Reporting Community Benefit*, 2013 Edition.

The quantifiable costs of the Corporation's community benefit ministry for the year ended June 30, 2014 are as follows (in thousands):

Ministry for the poor and underserved:	
Charity care at cost	\$ 242,064
Unpaid cost of Medicaid and other public programs	325,575
Programs for the poor and the underserved:	
Community health services	21,345
Subsidized health services	46,962
Financial contributions	9,707
Community building activities	1,221
Community benefit operations	2,880
Total programs for the poor and underserved	<u>82,115</u>
Ministry for the poor and underserved	<u>649,754</u>
Ministry for the broader community:	
Community health services	13,914
Health professions education	102,401
Subsidized health services	43,543
Research	4,407
Financial contributions	28,301
Community building activities	2,306
Community benefit operations	2,491
Ministry for the broader community	<u>197,363</u>
Community benefit ministry	<u>\$ 847,117</u>

The Corporation provides a significant amount of uncompensated care to its uninsured and underinsured patients, which is reported as bad debt at cost and not included in the amounts reported above. During the year ended June 30, 2014, the Corporation reported bad debt at cost (determined using a cost-to-charge ratio applied to the provision for bad debts) of \$196.1 million.

Ministry for the poor and underserved represents the financial commitment to seek out and serve those who need help the most, especially the poor, the uninsured and the indigent. This is done with the conviction that healthcare is a basic human right.

Ministry for the broader community represents the cost of services provided for the general benefit of the communities in which the Corporation operates. Many programs are targeted toward populations that may be poor, but also include those areas that may need special health services and support. These programs are not intended to be financially self-supporting.

Charity care at cost represents the cost of services provided to patients who cannot afford health care services due to inadequate resources and/or are uninsured or underinsured. A patient is classified as a charity patient in accordance with the Corporation's established policies as further described in Note 4. The cost of charity care is calculated using a cost-to-charge ratio methodology.

Unpaid cost of Medicaid and other public programs represents the cost (determined using a cost-to-charge ratio) of providing services to beneficiaries of public programs, including state Medicaid and indigent care programs, in excess of governmental and managed care contract payments.

Community health services are activities and services for which no patient bill exists. These services are not expected to be financially self-supporting, although some may be supported by outside grants or funding. Some examples include community health education, free immunization services, free or low cost prescription medications, and rural and urban outreach programs. The Corporation actively collaborates with community groups and agencies to assist those in need in providing such services.

Health professions education includes the unreimbursed cost of training health professionals such as medical residents, nursing students, technicians and students in allied health professions.

Subsidized health services are net costs for billed services that are subsidized by the Corporation. These include services offered despite a financial loss because they are needed in the community and either other providers are unwilling to provide the services or the services would otherwise not be available in sufficient amount. Examples of services include free-standing community clinics, hospice care, mobile units and behavioral health services.

Research includes unreimbursed clinical and community health research and studies on health care delivery.

Financial contributions are made by the Corporation on behalf of the poor and underserved to community agencies. These amounts include special system-wide funds used for charitable activities as well as resources contributed directly to programs, organizations, and foundations for efforts on behalf of the poor and underserved. Amounts included here also represent certain in-kind donations.

Community building activities include the costs of programs that improve the physical environment, promote economic development, enhance other community support systems, develop leadership skills training, and build community coalitions.

Community benefit operations include costs associated with dedicated staff, community health needs and/or asset assessments, and other costs associated with community benefit strategy and operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation – The consolidated financial statements include the accounts of the Corporation and all wholly owned, majority-owned, and controlled organizations. Investments where the Corporation holds less than 20% of the ownership interest are accounted for using the cost method. All other investments that are not controlled by the Corporation are accounted for using the equity method of accounting. The Corporation has included its equity share of income or losses from investments in unconsolidated affiliates in other revenue and in nonoperating equity gains in unconsolidated affiliates in the consolidated statement of operations and changes in net assets. All material intercompany transactions and account balances have been eliminated in consolidation.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the Corporation to make assumptions, estimates and judgments that affect the amounts reported in the consolidated financial statements, including the notes thereto, and related disclosures of commitments and contingencies, if any. The Corporation considers critical accounting policies to be those that require more significant judgments and estimates in the preparation of its consolidated financial statements, including the following: recognition of net patient service revenue, which includes contractual allowances, provisions for bad debts and charity care; recorded values of investments, derivatives, and goodwill; reserves for losses and expenses related to health care professional and general liabilities; and risks and assumptions

for measurement of pension and retiree medical liabilities. Management relies on historical experience and other assumptions believed to be reasonable in making its judgments and estimates. Actual results could differ materially from those estimates.

Cash and Cash Equivalents – For purposes of the consolidated statement of cash flows, cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less.

Investments – Investments, inclusive of assets limited or restricted as to use, include marketable debt and equity securities. Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value and are classified as trading securities. Investments also include investments in commingled funds, hedge funds and other investments structured as limited liability corporations or partnerships. Commingled funds and hedge funds that hold securities directly are stated at the fair value of the underlying securities, as determined by the administrator, based on readily determinable market values or based on net asset value, which is calculated using the most recent fund financial statements. Limited liability corporations and partnerships are accounted for under the equity method.

Investment Earnings – Investment earnings include interest, dividends, realized gains and losses on investments, holding gains and losses, and equity earnings. Investment earnings on assets held by trustees under bond indenture agreements, assets designated by the Board for debt redemption, assets held for borrowings under the intercompany loan program, assets held by grant-making foundations and assets deposited in trust funds by a captive insurance company for self-insurance purposes in accordance with industry practices are included in other revenue in the consolidated statement of operations and changes in net assets. Investment earnings from all other investments and board designated funds are included in nonoperating investment income unless the income or loss is restricted by donor or law.

Derivative Financial Instruments – The Corporation periodically utilizes various financial instruments (e.g., options and swaps) to hedge interest rates, equity downside risk and other exposures. The Corporation's policies prohibit trading in derivative financial instruments on a speculative basis. The Corporation recognizes all derivative instruments on the consolidated balance sheet at fair value.

Securities Lending – The Corporation participates in securities lending transactions whereby a portion of its investments are loaned, through its agent, to various parties in return for cash and securities from the parties as collateral for the securities loaned. Each business day the Corporation, through its agent, and the borrower determine the market value of the collateral and the borrowed securities. If on any business day the market value of the collateral is less than the required value, additional collateral is obtained as appropriate. The amount of cash collateral received under securities lending is reported as an asset and a corresponding payable in the consolidated balance sheet and is up to 105% of the market value of securities loaned. At June 30, 2014, the Corporation had securities loaned of \$207.1 million, and received collateral (cash and noncash) totaling \$212.7 million, relating to the securities loaned. The fees received for these transactions are recorded in investment income on the consolidated statement of operations and changes in net assets.

Assets Limited as to Use – Assets set aside by the Board for future capital improvements, future funding of retirement programs and insurance claims, retirement of debt, held for borrowings under the intercompany loan program, and other purposes over which the Board retains control and may at its discretion subsequently use for other purposes, assets held by trustees under bond indenture and certain other agreements, and self-insurance trust and benefit plan arrangements are included in assets limited as to use.

Donor-Restricted Gifts – Unconditional promises to give cash and other assets to the Corporation are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the consolidated statement of operations and changes in net assets.

Inventories – Inventories are stated at the lower of cost or market. The cost of inventories is determined principally by the weighted average cost method.

Assets and Liabilities Held for Sale – The Corporation has classified certain long-lived assets as assets held for sale in the consolidated balance sheet when the assets have met applicable criteria for this classification. The Corporation has also classified as held for sale those liabilities related to assets held for sale.

Property and Equipment – Property and equipment, including internal-use software, are recorded at cost, if purchased, or at fair value at the date of donation, if donated. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using either the straight-line or an accelerated method and includes capital lease and internal-use software amortization. The useful lives of these assets range from 2 to 50 years. Interest costs incurred during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support and are excluded from the excess of revenue over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

Goodwill – Goodwill represents the future economic benefits arising from assets acquired in a business combination that are not individually identified and separately recognized.

Asset Impairments –

Property and Equipment – The Corporation evaluates long-lived assets for possible impairment annually or whenever events or changes in circumstances indicate that the carrying amount of the asset, or related group of assets, may not be recoverable from estimated future undiscounted cash flows. If the estimated future undiscounted cash flows are less than the carrying value of the assets, the impairment recognized is calculated as the carrying value of the long-lived assets in excess of the fair value of the assets. The fair value of the assets is estimated based on appraisals, established market values of comparable assets or internal estimates of future net cash flows expected to result from the use and ultimate disposition of the asset.

Goodwill – Goodwill is tested for impairment on an annual basis or when an event or change in circumstance indicates the value of a reporting unit may have changed. Testing is conducted at the reporting unit level. If the carrying amount of the reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. Estimates

of fair value are based on appraisals, established market prices for comparable assets or internal estimates of future net cash flows and presume stable, improving or, in some cases, declining results at our hospitals, depending on their circumstances.

As of July 1, 2013, the consolidated balance sheet included goodwill of \$151.6 million. Additional goodwill of \$2.2 million was recorded during the year ended June 30, 2014 related to acquisitions.

Other Assets – Other assets includes long-term notes receivable, reinsurance recovery receivables, definite and indefinite-lived intangible assets, deferred financing costs, and prepaid pension and retiree health costs. The majority of the net balances of definite-lived intangible assets include noncompete agreements and physician guarantees with finite lives amortized using the straight-line method over their estimated useful lives, which generally range from 5 to 22 years and 2 to 12 years, respectively. Indefinite-lived intangible assets primarily include trade names.

Short-Term Borrowings – Short-term borrowings include puttable variable rate demand bonds supported by self liquidity or liquidity facilities considered short-term in nature.

Other Long-Term Liabilities – Other long-term liabilities include deferred compensation, asset retirement obligations, interest rate swaps and deferred revenue from entrance fees. Deferred revenue from entrance fees are fees paid by residents of facilities for the elderly upon entering into continuing care contracts (net of the portion that is refundable to the resident) which are recorded as deferred revenue and amortized to income using the straight-line method over the estimated remaining life expectancy of the resident.

Temporarily and Permanently Restricted Net Assets – Temporarily restricted net assets are those whose use by the Corporation has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Corporation in perpetuity.

Patient Accounts Receivable, Estimated Receivables from and Payables to Third-Party Payors and Net Patient Service Revenue – The Corporation has agreements with third-party payors that provide for payments to the Corporation's RHMs at amounts different from established rates. Patient accounts receivable and net patient service revenue are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. Estimated retroactive adjustments under reimbursement agreements with third-party payors and other changes in estimates are included in net patient service revenue and estimated receivables from and payables to third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined. Estimated receivables from third-party payors include amounts receivable from Medicare and state Medicaid meaningful use programs.

Self-Insured Employee Health Benefits – The Corporation administers self-insured employee health benefit plans for employees. The majority of the Corporation's employees participate in the programs. The provisions of the plans permit employees and their dependents to elect to receive medical care at either the Corporation's RHMs or other health care providers. Gross patient service revenue has been reduced by an allowance for self-insured employee health benefits which represents revenue attributable to medical services provided by the Corporation to its employees and dependents in such years.

Allowance for Doubtful Accounts – The Corporation recognizes a significant amount of patient service revenue at the time the services are rendered even though the Corporation does not assess the patient's ability to pay at that time. As a result, the provision for bad debts is presented as a deduction from patient service revenue (net of contractual provisions and discounts). For uninsured and underinsured patients that do not qualify for charity care, the Corporation establishes an allowance to reduce the

carrying value of such receivables to their estimated net realizable value. This allowance is established based on the aging of accounts receivable and the historical collection experience by RHM and for each type of payor. A significant portion of the Corporation's provision for doubtful accounts relates to self-pay patients, as well as co-payments and deductibles owed to the Corporation by patients with insurance.

Premium and Capitation Revenue – The Corporation has certain RHMs that arrange for the delivery of health care services to enrollees through various contracts with providers and common provider entities. Enrollee contracts are negotiated on a yearly basis. Premiums are due monthly and are recognized as revenue during the period in which the Corporation is obligated to provide services to enrollees. Premiums received prior to the period of coverage are recorded as deferred revenue and included in accrued expenses in the consolidated balance sheet.

Certain of the Corporation's RHMs have entered into capitation arrangements whereby they accept the risk for the provision of certain health care services to health plan members. Under these agreements, the Corporation's RHMs are financially responsible for services provided to the health plan members by other institutional health care providers. Capitation revenue is recognized during the period for which the RHM is obligated to provide services to health plan enrollees under capitation contracts. Capitation receivables are included in other receivables in the consolidated balance sheet.

Reserves for incurred but not reported claims have been established to cover the unpaid costs of health care services covered under the premium and capitation arrangements. The premium and capitation arrangement reserves are classified with accrued expenses in the consolidated balance sheet. The liability is estimated based on actuarial studies, historical reporting, and payment trends. Subsequent actual claim experience will differ from the estimated liability due to variances in estimated and actual utilization of health care services, the amount of charges, and other factors. As settlements are made and estimates are revised, the differences are reflected in current operations.

Income Taxes – The Corporation and substantially all of its subsidiaries have been recognized as tax-exempt pursuant to Section 501(a) of the Internal Revenue Code. The Corporation also has taxable subsidiaries, which are included in the consolidated financial statements. Certain of the taxable subsidiaries have entered into tax sharing agreements and file consolidated federal income tax returns with other corporate taxable subsidiaries. The Corporation includes penalties and interest, if any, with its provision for income taxes in other nonoperating items in the consolidated statement of operations and changes in net assets.

Excess of Revenue Over Expenses – The consolidated statement of operations and changes in net assets includes excess of revenue over expenses. Changes in unrestricted net assets, which are excluded from excess of revenue over expenses, consistent with industry practice, include the effective portion of the change in market value of derivatives that meet hedge accounting requirements, permanent transfers of assets to and from affiliates for other than goods and services, contributions of long-lived assets received or gifted (including assets acquired using contributions, which by donor restriction were to be used for the purposes of acquiring such assets), net change in retirement plan related items, discontinued operations, extraordinary items and cumulative effects of changes in accounting principles.

Adopted Accounting Pronouncements –

On July 1, 2013, the Corporation adopted Accounting Standard Update (“ASU”) 2011-11, “*Disclosures About Offsetting Assets and Liabilities*.” This guidance contains new disclosure requirements regarding the nature of an entity's rights of setoff and related arrangements associated with its financial instruments and derivative instruments. The adoption of this guidance had no impact on the Corporation's consolidated financial statements.

On July 1, 2013, the Corporation adopted ASU 2012-02, “*Intangibles Goodwill and Other (Topic 350): Testing Indefinite-lived Intangible Assets for Impairment.*” This guidance provides entities the option of first assessing qualitative factors about the likelihood that an indefinite-lived intangible asset is impaired to determine whether further impairment assessment is necessary. It also enhances the consistency of the impairment testing guidance among long-lived asset categories by permitting entities to assess qualitative factors to determine whether it is necessary to calculate the asset’s fair value when testing an indefinite-lived intangible asset for impairment. The adoption of this guidance had no impact on the Corporation’s consolidated financial statements.

On July 1, 2013, the Corporation adopted ASU 2012-05, “*Statement of Cash Flows (Topic 230): Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows.*” This guidance provides clarification on how entities classify cash receipts arising from the sale of certain donated financial assets in the statement of cash flows. The adoption of this guidance had no impact on the Corporation’s consolidated statement of cash flows.

On July 1, 2013, the Financial Accounting Standards Board (“FASB”) issued ASU 2013-01, “*Clarifying the Scope of Disclosures About Offsetting Assets and Liabilities.*” This guidance provides clarification on the scope of the offsetting disclosure requirements in ASU 2011-11. The adoption of this guidance did not have a material impact on the Corporation’s consolidated financial statements.

Forthcoming Accounting Pronouncements –

In February 2013, the FASB issued ASU 2013-04, “*Obligations Resulting From Joint and Several Liability Arrangements for Which the Total Amount of the Obligation is Fixed at the Reporting Date,*” which requires entities to measure obligations within the scope of this guidance at the reporting date. This guidance is effective for the Corporation beginning July 1, 2014. The Corporation has not yet evaluated the impact this guidance may have on its consolidated financial statements.

In July 2013, the FASB issued ASU 2013-11, “*Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists.*” This guidance requires entities to present an unrecognized tax benefit, or a portion of an unrecognized tax benefit, in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit, with some exceptions. This guidance is effective for the Corporation beginning July 1, 2014. The Corporation does not expect this guidance to have an impact on its consolidated financial statements.

In April 2014, the FASB issued ASU 2014-08, “*Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity.*” This guidance amends the definition of a discontinued operation and requires entities to provide additional disclosures about discontinued operations as well as disposal transactions that do not meet the discontinued operations criteria. This guidance is effective for the Corporation beginning July 1, 2015, with early adoption permitted. The Corporation has not yet evaluated the impact this guidance may have on its consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, “*Revenue From Contracts With Customers.*” This guidance outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. This guidance is effective for the Corporation beginning July 1, 2017. The Corporation has not yet evaluated the impact this guidance may have on its consolidated financial statements.

3. INVESTMENTS IN UNCONSOLIDATED AFFILIATES AND DISCONTINUED OPERATIONS

Investments in Unconsolidated Affiliates – The Corporation and certain of its RHM’s have investments in entities that are recorded under the cost and equity methods of accounting. At June 30, 2014, the Corporation maintained investments in unconsolidated affiliates with ownership interests ranging from 0.7% to 51.0%. The Corporation’s share of equity earnings from entities accounted for under the equity method was \$320.6 million for the year ended June 30, 2014, of which \$54.8 million is included in other revenue and \$265.8 million is included in nonoperating items in the consolidated statement of operations and changes in net assets. The most significant of these investments include the following:

BayCare Health System – The Corporation has a 50.4% interest in BayCare Health System Inc. and Affiliates (“BayCare”), a Florida not-for-profit corporation exempt from state and federal income taxes. BayCare was formed in 1997 pursuant to a Joint Operating Agreement (“JOA”) among the not-for-profit, tax-exempt members of the CHE BayCare Participants, Morton Plant Mease Health Care, Inc., and South Florida Baptist Hospital, Inc. (collectively, the “Members”). BayCare consists of three community health alliances located in the Tampa Bay area of Florida including St. Joseph’s-Baptist Healthcare Hospital, St. Anthony’s Health Care, and Morton Plant Mease Health Care. The Corporation has the right to appoint nine of the twenty-one voting members of the Board of Directors of BayCare, therefore the Corporation accounts for BayCare under the equity method of accounting. At June 30, 2014, the Corporation’s investment in BayCare totaled \$1,770.9 million.

Gateway Health Plan – The Corporation has a 50.0% interest in Gateway Health Plan, L.P. and Subsidiaries (“GHP”), a Pennsylvania limited partnership. GHP has two general partners, Highmark Ventures Inc. formerly known as Alliance Ventures, Inc., and Mercy Health Plan, each owning 1%. In addition to the general partners, there are two limited partners, Highmark Inc. and Mercy Health Plan, each owning 49%. At June 30, 2014, the Corporation’s investment in GHP totaled \$178.9 million.

Catholic Health System, Inc. – The Corporation has a one-third interest in Catholic Health System, Inc. and Subsidiaries (“CHS”). CHS, formed in 1998, is a not-for-profit integrated delivery healthcare system in western New York jointly sponsored by the Sisters of Mercy, Ascension Health System, the Franciscan Sisters of St. Joseph, and the Diocese of Buffalo. CHE, Ascension Health System, and the Diocese of Buffalo are the corporate members of CHS. CHS operates several organizations, the largest of which are four acute care hospitals located in Buffalo, New York: Mercy Hospital of Buffalo, Kenmore Mercy Hospital, Sisters of Charity Hospital, and St. Joseph Hospital. At June 30, 2014, the Corporation’s investment in CHS totaled \$68.0 million.

Emory Healthcare/St. Joseph’s Health System – The Corporation has a 49% interest in Emory Healthcare/St. Joseph’s Health System (“EH/SJHS”). EH/SJHS operates several organizations, including two acute care hospitals, St. Joseph’s Hospital of Atlanta and John’s Creek Hospital. At June 30, 2014, the Corporation’s investment in EH/SJHS totaled \$60.3 million.

Condensed consolidated balance sheets of BayCare, GHP, CHS and EH/SJHS as of June 30, 2014 are as follows (in thousands):

	<u>Baycare</u>	<u>GHP</u>	<u>CHS</u>	<u>EH/SJHS</u>
Total assets	\$5,390,589	\$643,593	\$872,106	\$430,434
Total liabilities	\$1,676,157	\$285,835	\$662,733	\$289,101

Condensed consolidated statements of operations of BayCare, GHP, CHS and EH/SJHS for the year ended June 30, 2014 are as follows (in thousands):

	<u>Baycare</u>	<u>GHP</u>	<u>CHS</u>	<u>EH/SJHS</u>
Revenue, net	\$2,591,325	\$1,849,055	\$939,581	\$368,190
Excess (deficiency) of revenue over expenses	\$576,392	\$32,377	\$42,821	(\$33,832)

The following amounts have been recognized in the accompanying consolidated statement of operations and changes in net assets related to the investments in BayCare, GHP, CHS and EH/SJHS for the year ended June 30, 2014 (in thousands):

	<u>Baycare</u>	<u>GHP</u>	<u>CHS</u>	<u>EH/SJHS</u>
Other revenue	\$ -	\$ 15,996	\$ -	\$ -
Equity in earnings of unconsolidated organizations	288,196	-	14,260	(26,446)
Other changes in unrestricted net assets	9,282	(3,948)	36,781	(7,382)
Changes in restricted net assets	462	-	-	-
	<u>\$ 297,940</u>	<u>\$ 12,048</u>	<u>\$ 51,041</u>	<u>\$ (33,828)</u>

The unaudited summarized financial position and results of operations for the entities accounted for under the equity method excluding BayCare, GHP, CHS and EH/SJHS as of and for the period ended June 30, 2014 are as follows (in thousands):

	<u>Medical Office Buildings</u>	<u>Outpatient and Diagnostic Services</u>	<u>Ambulatory Surgery Centers</u>	<u>Physician Hospital Organizations</u>	<u>Other Investees</u>	<u>Total</u>
Total assets	\$ 87,931	\$ 106,813	\$ 72,113	\$ 26,845	\$ 512,647	\$ 806,349
Total liabilities	\$ 69,872	\$ 38,732	\$ 42,502	\$ 21,609	\$ 280,263	\$ 452,978
Net assets	\$ 18,059	\$ 68,081	\$ 29,611	\$ 5,236	\$ 232,384	\$ 353,371
Revenue, net	\$ 18,103	\$ 145,907	\$ 134,207	\$ 35,474	\$ 682,900	\$ 1,016,591
Excess of revenue over expenses	\$ 3,454	\$ 16,245	\$ 40,508	\$ (421)	\$ 20,080	\$ 79,866

Discontinued Operations –

The Corporation has several entities that met the criteria for being presented as discontinued operations for the year ended June 30, 2014, the most significant of which include the following:

Mercy Health System of Maine (“Mercy Maine”) – Effective October 1, 2013, membership of Mercy Maine was assumed by Eastern Maine Health System (“EMHS”) via a membership substitution. Substantially all assets and liabilities transferred to EMHS on that date. As a result of the transfer, a loss on membership transfer of \$80.7 million was recorded in unrestricted net assets. The consolidated financial statements present the operations of Mercy Maine as a discontinued operation. For the year ended June 30, 2014, the Corporation reported revenue of \$55.5 million and loss on operations of \$0.4 million in discontinued operations in the consolidated statement of operations and changes in net assets.

Saint Michael's Medical Center – On February 8, 2013, Saint Michael's Medical Center entered into an asset purchase agreement under which the hospital would be acquired by Prime Healthcare Services. The majority of assets and liabilities of Saint Michael's Medical Center have been classified as held for sale on the consolidated balance sheet. The transaction is pending subject to approval by the state of New Jersey. The consolidated financial statements present the operations of Saint Michael's Medical Center as a discontinued operation. For the year ended June 30, 2014, the Corporation reported revenue of \$194.2 million and losses on operations of \$15.0 million in discontinued operations in the consolidated statement of operations and changes in net assets. As of June 30, 2014, assets held for sale of \$127.9 million and liabilities held for sale of \$257.9 million and consisted of (in thousands):

Patient accounts receivable	\$ 21,475	Current portion of long-term debt	\$ 4,490
Other current assets	9,418	Accounts payable & accrued expenses	17,085
Property and equipment	81,465	Other current liabilities	8,546
Other assets	<u>15,559</u>	Long-term debt, net of current portion	<u>227,799</u>
Total assets	<u>\$ 127,917</u>	Total liabilities	<u>\$ 257,920</u>

Saint James Mercy Hospital ("SJM") – During December 2013, the Board of Directors of SJMH approved a plan to undergo a visioning plan and to transfer the majority of the operations of SJMH. Certain assets and liabilities of SJMH have been classified as held for sale on the consolidated balance sheet. The consolidated financial statements present the operations of SJMH as a discontinued operation. For the year ended June 30, 2014, the Corporation reported revenue of \$40.3 million and loss on operations of \$6.2 million in discontinued operations in the consolidated statement of operations and changes in net assets. As of June 30, 2014, assets held for sale were \$12.1 million. The majority of assets held for sale consist of property and equipment.

Mercy Health Partners, North ("North") – On May 8, 2014, the Corporation entered into a non-binding letter of intent with Munson Health under which substantially all of the healthcare operations located in Cadillac, Michigan and Grayling, Michigan would be acquired by Munson Healthcare. Discussions are subject to a definitive agreement. The letter of intent will remain in effect until the execution of a definitive agreement or the letter of intent is terminated by either party. Certain assets and liabilities of North have been classified as held for sale on the consolidated balance sheet. The consolidated financial statements present the hospital operations of North as a discontinued operation. For the year ended June 30, 2014, the Corporation reported revenue of \$150.2 million and loss on operations of \$13.4 million impairment, which includes a \$13.0 million asset impairment, in discontinued operations in the consolidated statement of operations and changes in net assets. As of June 30, 2014, assets held for sale of \$44.7 million consisted of (in thousands):

Inventories	\$ 3,369
Assets limited or restricted as to use	2,313
Property and equipment	36,710
Investments in unconsolidated affiliates	<u>2,314</u>
Total assets	<u>\$ 44,706</u>

4. NET PATIENT SERVICE REVENUE

A summary of the payment arrangements with major third-party payors follows:

Medicare – Acute inpatient and outpatient services rendered to Medicare program beneficiaries are paid primarily at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Certain items are reimbursed at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediaries.

Medicaid – Reimbursement for services rendered to Medicaid program beneficiaries includes prospectively determined rates per discharge, per diem payments, discounts from established charges, fee schedules, and cost reimbursement methodologies with certain limitations. Cost reimbursable items are reimbursed at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicaid fiscal intermediaries.

Other – Reimbursement for services to certain patients is received from commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for reimbursement includes prospectively determined rates per discharge, per diem payments, and discounts from established charges.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

Charity Care – The Corporation provides services to all patients regardless of ability to pay. In accordance with the Corporation's policy, a patient is classified as a charity patient based on income eligibility criteria as established by the Federal Poverty Guidelines. Charges for services to patients who meet the Corporation's guidelines for charity care are not reflected in the accompanying consolidated financial statements.

Patient service revenues, net of contractual and other allowances (but before the provision for bad debts), recognized during the year ended June 30, 2014 is as follows (in thousands):

Medicare	\$	4,690,876
Blue Cross		2,538,707
Medicaid		1,609,374
Uninsured		489,355
Commercial and Other		<u>3,066,994</u>
Total	\$	<u>12,395,306</u>

A summary of net patient service revenue before provision for bad debts for the year ended June 30, 2014 is as follows (in thousands):

Gross charges:	
Acute inpatient	\$ 17,030,436
Outpatient, nonacute inpatient, and other	19,025,984
Gross patient service revenue	<u>36,056,420</u>
Less:	
Contractual and other allowances	(22,695,773)
Charity care charges	<u>(965,341)</u>
Net patient service revenue before provision for bad debts	<u>\$ 12,395,306</u>

5. PROPERTY AND EQUIPMENT

A summary of property and equipment at June 30, 2014 is as follows (in thousands):

Land	\$ 318,368
Buildings and improvements	7,655,128
Equipment	5,190,900
Capital leased assets	<u>192,754</u>
Total	13,357,150
Accumulated depreciation	(7,324,759)
Construction in progress	<u>560,522</u>
Property and equipment, net	<u>\$ 6,592,913</u>

At June 30, 2014, commitments to purchase property and equipment of approximately \$424 million were outstanding. Significant commitments are primarily for facility expansion at existing campuses and related infrastructures at the following RHMs: Holy Cross Hospital in Silver Spring, Maryland - \$153 million; Mercy Health System of Chicago (“MHSC”) in Chicago, Illinois - \$56 million; and Loyola University Health System (“LUHS”) in Chicago, Illinois - \$53 million. Costs of these projects are expected to be financed by proceeds from bond issuances, available funds, future operations of the hospitals and contributions.

As part of the acquisition of LUHS that occurred in fiscal year 2012, the Corporation has committed to spend at least \$300 million on capital projects for LUHS through fiscal year ending June 30, 2018. This amount may be increased to \$400 million if certain operating thresholds are met. Through June 30, 2014, approximately \$154 million of capital expenditures have been accrued on capital projects for LUHS. In addition, as part of the acquisition of MHSC that occurred in fiscal year 2012, the Corporation has committed to spend at least \$140 million for capital, information systems and equipment needs to support the operations of MHSC through the fiscal year ending June 30, 2017. This amount may be increased to \$150 million if certain operating thresholds are met. Through June 30, 2014, approximately \$65 million of capital expenditures have been accrued on such MHSC projects.

During the year ended June 30, 2014, the Corporation recorded total impairment charges of \$91 million included in asset impairment charges in the consolidated statement of operations and changes in net assets. Material adverse trends in the most recent estimates of future undiscounted cash flows of certain hospitals indicated that the carrying value of the long-lived assets was not recoverable from the estimated future cash flows. The Corporation believes the most significant factors contributing to the

continuing adverse financial trends include reductions in volumes of insured patients and shifts in payor mix. Fair value was determined using a third party valuation. Impairments were recorded at the following locations because fair value estimates were lower than carrying value: Mercy Suburban Hospital, Pennsylvania – \$32.7 million; Mount Carmel West, Columbus, Ohio – \$19.2 million; St. Francis, Wilmington, Delaware – \$15.5 million; St. Francis, Trenton, New Jersey – \$5.9 million; and other Southeast Michigan locations – \$17.2 million.

6. LONG-TERM DEBT AND OTHER FINANCING ARRANGEMENTS

A summary of short-term borrowings and long-term debt at June 30, 2014 is as follows (in thousands):

Short-term borrowings:	
Variable rate demand bonds with contractual maturities through 2048. Interest payable monthly at rates ranging from 0.02% to 0.19% during 2014	<u>\$ 1,123,620</u>
Long-term debt:	
Tax-exempt revenue bonds and refunding bonds:	
Fixed rate term and serial bonds, payable at various dates through 2048. Interest rate ranges from 2.0% to 7.62% during 2014	\$ 2,922,513
Variable rate term bonds, payable at various dates through 2048. Interest rate ranges from 0.48% to 4.1% during 2014	465,410
Notes payable to banks. Interest payable at rates ranging from 0.03% to 6.7%, fixed and variable, payable in varying monthly installments through 2032	11,675
Capital lease obligations (excluding imputed interest of \$64.6 million at June 30, 2014)	132,985
Mortgage obligations. Interest payable at rates ranging from 1.0% to 11.0% during 2014	111,161
Other	<u>35,299</u>
Total long-term debt	3,679,043
Less current portion, net of current discounts	(96,038)
Unamortized premiums, net	<u>36,232</u>
Long-term debt, net of current portion	<u>\$ 3,619,237</u>

Contractually obligated principal repayments on short-term borrowings and long-term debt are as follows (in thousands):

	<u>Short-Term Borrowings</u>	<u>Long-Term Debt</u>
Years ending June 30:		
2015	\$ 24,910	\$ 96,038
2016	26,215	102,434
2017	27,890	93,778
2018	30,200	95,081
2019	29,400	104,007
Thereafter	<u>985,005</u>	<u>3,187,705</u>
Total	<u>\$ 1,123,620</u>	<u>\$ 3,679,043</u>

A summary of interest costs on borrowed funds primarily under the revenue bond indentures during the year ended June 30, 2014 is as follows (in thousands):

Interest costs incurred	\$ 174,203
Less capitalized interest	<u>(14,975)</u>
Interest expense included in operations	<u>\$ 159,228</u>

Obligated Group and Other Requirements – The Corporation has debt outstanding under a Master Trust Indenture dated October 3, 2013, as amended and supplemented, the Amended and Restated Master Indenture (“ARMI”). The ARMI permits the Corporation to issue obligations to finance certain activities. Obligations issued under the ARMI are joint and several obligations of the Corporation, CHE and Trinity Health (the “Obligated Group”). Proceeds from tax-exempt bonds and refunding bonds are to be used to finance the construction, acquisition and equipping of capital improvements. Certain RHMs of the Corporation constitute designated affiliates and the Corporation covenants to cause each designated affiliate to pay, loan or otherwise transfer to the Obligated Group such amounts necessary to pay the amounts due on all obligations issued under the ARMI. The Obligated Group and the designated affiliates are referred to as the Credit Group.

The Credit Group does not include certain Affiliates that borrow on their own or are members of a separate New York obligated group, but which are included in the Corporation’s consolidated financial statements. St. Peter’s Hospital of the City of Albany (“St. Peter’s”) currently is a member and the Obligated Group Agent of an obligated group created under that certain Master Trust Indenture dated as of January 1, 2008, between St. Peter’s and Manufacturers and Traders Trust Company, as Master Trustee. St. Peter’s received approval from the New York State Department of Health to permit the entry into that obligated group of additional entities within St. Peter’s Health Care Services, Northeast Health, Inc. and Seton Health System, Inc.

The Obligated Group agrees in the ARMI to cause Designated Affiliates to grant to the Master Trustee security interests in their Pledged Property in order to secure all Obligations issued under the Master Indenture. The Designated Affiliates when combined with the current Members of the Obligated Group represent no less than 85% of the consolidated net revenues of the Credit Group. The aggregate amount of obligations outstanding using the ARMI (other than obligations that have been advance refunded) were \$4,264 million at June 30, 2014.

There are several conditions and covenants required by the ARMI with which the Corporation must comply, including covenants that require the Corporation to maintain a minimum debt service coverage and limitations on liens or security interests in property, except for certain permitted encumbrances, affecting the property of the Corporation or any material designated affiliate (a designated affiliate whose total revenues for the most recent fiscal year exceed 5% of the combined total revenues of the Corporation for the most recent fiscal year). Long-term debt outstanding as of June 30, 2014, excluding amounts issued under the ARMI, is generally collateralized by certain property and equipment.

MHSC has obtained a mortgage loan in the amount of approximately \$66 million that is insured by the U.S. Department of Housing and Urban Development (“HUD”) under the Federal Housing Administration’s Section 242 Hospital Mortgage Insurance Program. Final closing of this HUD-insured loan occurred on June 30, 2014, at which time the remaining proceeds of this loan were disbursed to MHSC. At June 30, 2014, the unpaid principal balance of this loan was \$63.1 million. The loan collateral includes MHSC’s main hospital campus, two MHSC satellite facilities and personal property (including deposit accounts) of both MHSC and its affiliate Mercy Foundation, Inc. MHSC’s payment obligations under the two mortgage notes evidencing this loan are guaranteed by Trinity Health. The

mortgage loan agreements with HUD contain various covenants including: those relating to limitations on incurring additional debt; transactions with affiliates; transferring or disposing of designated property; use of funds and other assets of the mortgaged property; financial performance; required reserves; insurance coverage; timely submission of specified financial reports; and restrictions on prepayment of the mortgage loan. Mercy Health System of Chicago and Trinity Health provided covenants to HUD not to interfere in the performance of MHSC's obligations under the HUD-insured loan documents.

The Corporation issued \$627 million in tax-exempt variable rate hospital revenue bonds (the "Series 2013 Bonds") and remarketed \$89 million in CHE tax-exempt, variable rate hospital revenue bonds under the ARMI. Proceeds were used to retire \$44 million of CHE's then outstanding fixed rate hospital revenue bonds, \$120 million of CHE's then outstanding variable rate hospital revenue bonds and \$269 million of Trinity Health's then outstanding taxable commercial paper obligations. The remaining proceeds of the Series 2013 Bonds will be used to finance, refinance and reimburse a portion of the costs of acquisition, construction, renovation and equipping of health facilities, and to pay related costs of issuance. These transactions resulted in a loss from extinguishment of debt of \$1.6 million recorded in other nonoperating items in the consolidated statement of operations and changes in net assets.

Commercial Paper – The Corporation's commercial paper program is authorized for borrowings up to \$600 million. At June 30, 2014, the total amount of commercial paper outstanding was \$240 million. Proceeds from this program are to be used for general purposes of the Corporation. The notes are payable from the proceeds of subsequently issued notes and from other funds available to the Corporation, including funds derived from the liquidation of securities held by the Corporation in its investment portfolio. The interest rate charged on borrowings outstanding during the year ended June 30, 2014 ranged from 0.06% to 0.17%.

Liquidity Facilities – In July 2013, the Corporation renewed the Trinity Health credit agreements (collectively, the "Credit Agreements") previously entered into between Trinity Health and U.S. Bank National Association, which acts as an administrative agent for a group of lenders thereunder. The Credit Agreements establish a revolving credit facility for the Corporation, under which that group of lenders agree to lend to the Corporation amounts that may fluctuate from time to time. In October 2013, the Corporation exercised its option to increase by \$200 million the 2013 Credit Agreements from \$731 million to \$931 million. Amounts drawn under the 2013 Credit Agreements can only be used to support the Corporation's obligation to pay the purchase price of bonds which are subject to tender and that have not been successfully remarketed, and the maturing principal of and interest on commercial paper notes. Of the \$931 million available balance, \$150 million expires in July 2014, \$175 million expires in July 2015, \$321 million expires in July 2016 and \$285 million expires in July 2017. The Credit Agreements are secured by Obligations under the Master Indenture. As of June 30, 2014, there were no amounts outstanding on these credit agreements. In July 2014, the Corporation renewed and extended the Credit Agreements for an additional year through an amendment and restatement of the 2013 Credit Agreements.

The Corporation also maintains a CHE general purpose facility of \$300 million, of which \$42 million is related to letters of credit. At the Corporation's direction, this general purpose facility was reduced to \$45 million effective March 14, 2014. As of June 30, 2014, there were no draws on this general purpose credit facility.

In addition, in July 2013, the Corporation renewed a Trinity Health three year general purpose credit facility of \$200 million. As of June 30, 2014, there were no amounts outstanding under this credit facility.

Standby Letters of Credit – The Corporation entered into various standby letters of credit totaling approximately \$17.3 million at June 30, 2014. These standby letters of credit are renewed annually and are available to the Corporation as necessary under its insurance programs and for unemployment liabilities. There were no draws on these letters of credit during the year ended June 30, 2014.

7. PROFESSIONAL AND GENERAL LIABILITY PROGRAMS

The Corporation operates a wholly owned insurance company, Venzke Insurance Company, Ltd. (“Venzke”) that qualifies as a captive insurance company and provides certain insurance coverage to the Corporation’s RHM’s under a centralized program. The Corporation is self-insured for certain levels of general and professional liability, workers’ compensation and certain other claims. The Corporation has limited its liability by purchasing reinsurance and commercial coverage from unrelated third-party insurers.

Effective January 1, 2014, all assets and liabilities of Stella Maris Insurance Company, Ltd. (“Stella Maris”), which qualified as a captive insurance company, merged into Venzke. Policies issued and reinsurance purchased by Stella Maris prior to January 1, 2014 and all losses previous to January 1, 2014 have been assumed by Venzke.

The Corporation’s current self-insurance program includes \$20 million per occurrence for the first layers of professional liability, as well as \$10 million per occurrence for hospital government liability, \$5 million per occurrence for errors and omission liability, and \$1 million per occurrence for directors’ and officers’ liability. Additional layers of professional liability insurance are available with coverage provided through other insurance carriers and various reinsurance arrangements. The total amount available for these subsequent layers is \$100 million in aggregate. The Corporation self-insures \$750,000 per occurrence for workers’ compensation in most states, with commercial insurance providing coverage up to the statutory limits, and self-insures up to \$500,000 in property damage liability with commercial insurance providing coverage up to \$1 billion.

The liability for self-insurance reserves represents estimates of the ultimate net cost of all losses and loss adjustment expenses, which are incurred but unpaid at the consolidated balance sheet date. The reserves are based on the loss and loss adjustment expense factors inherent in the Corporation’s premium structure. Independent consulting actuaries determined these factors from estimates of the Corporation’s expenses and available industry-wide data. The Corporation discounts the reserves to their present value using a discount rate of 3.0%. The reserves include estimates of future trends in claim severity and frequency. Although considerable variability is inherent in such estimates, management believes that the liability for unpaid claims and related adjustment expenses is adequate based on the loss experience of the Corporation. The estimates are continually reviewed and adjusted as necessary.

Claims in excess of certain insurance coverage and the recorded self-insurance liability have been asserted against the Corporation by various claimants. The claims are in various stages of processing, and some may ultimately be brought to trial. There are known incidents occurring through June 30, 2014 that may result in the assertion of additional claims, and other claims may be asserted arising from services provided in the past. While it is possible that settlement of asserted claims and claims that may be asserted in the future could result in liabilities in excess of amounts for which the Corporation has provided, management, based upon the advice of Counsel, believes that the excess liability, if any, should not materially affect the consolidated financial position, operations or cash flows of the Corporation.

8. PENSION AND OTHER BENEFIT PLANS

Deferred Compensation – The Corporation has nonqualified deferred compensation plans at certain RHMs that permit eligible employees to defer a portion of their compensation. The deferred amounts are distributable in cash after retirement or termination of employment. As of June 30, 2014, the assets under these plans totaled \$137.8 million and liabilities totaled \$145.1 million.

Defined Contribution Benefits – The Corporation sponsors defined contribution pension plans covering substantially all of its employees. These programs vary by location and are funded by employee voluntary contributions, subject to legal limitations. Employer contributions to these plans include varying levels of matching and non-elective contributions. The employees direct their voluntary contributions and employer contributions among a variety of investment options. Trinity Health suspended the majority of employer matching contributions for the fiscal year 2014. Contribution expense under the plans totaled \$68.8 million for the year ended June 30, 2014.

Noncontributory Defined Benefit Pension Plans (“Pension Plans”) – Substantially all of the Corporation’s employees participate in qualified, noncontributory defined benefit pension plans. Certain non-qualified, supplemental plan arrangements also provide retirement benefits to specified groups of participants.

CHE maintains several defined benefit pension plans. One of the plans is subject to the provisions of the Employee Retirement Security Act of 1974 (“ERISA”). The remaining plans have Church Plan status as determined by the Internal Revenue Service and are not governed by ERISA. The majority of the CHE qualified defined benefit plans are frozen and participants are no longer accruing benefits in those plans. Funding for the ERISA plan is made in accordance with ERISA requirements. Funding for the Church Plans varies by plan but generally is based on plan liabilities with amortization of any under or over funding, over a seven year period.

Trinity Health maintains three defined benefit pension plans, two of which have frozen benefits and are subject to the provisions of ERISA. The third plan, the Trinity Health Pension Plan, has church plan status. For the majority of plan participants in the Trinity Health Pension Plan, prior to June 30, 2010, benefits were based on years of service and employees’ highest five years of compensation at which time an accrued frozen benefit was calculated for all active participants. As of July 1, 2010, participants accrue benefits based on a cash balance formula, which credits participants annually with a percentage of eligible compensation based on age and years of service, as well as an interest credit based on a benchmark interest rate. A transition adjustment was provided to participants who were vested as of June 30, 2010, whose age and service met certain requirements at that date. The transition adjustment applies to the pension benefit earned through June 30, 2010 and increased compensation under the final average pay formula over a five-year period. Effective June 2014, the Trinity Health Pension Plan was amended to freeze all future benefit accruals as of December 31, 2014. As a result of this amendment, the Trinity Health Pension Plan projected benefit obligation decreased \$49.5 million, and the Corporation recognized a curtailment gain of \$149.7 million in the consolidated statement of operations and changes in net assets. Because this plan has Church Plan status, funding in accordance with ERISA is not required. The Corporation’s adopted funding policy for its qualified plan, which is reviewed annually, is to fund the current normal cost based on the accumulated benefit obligation at the plans’ December 31 year-end, and amortization of any under or over funding over a ten-year period.

Effective December 2013, the majority of the CHE and Trinity Health Plans were amended to implement a voluntary lump sum distribution window. The amendments provided the opportunity for certain eligible participants to elect to receive a full distribution of their pension benefits as a lump sum during the program window period from March 24, 2014 to May 2, 2014. To be eligible a participant

must have terminated employment on or before December 31, 2013. As a result of this program, the Plans' projected benefit obligations decreased \$698.4 million for benefits paid, and the Corporation recognized a settlement loss of \$196 million in the consolidated statement of operations and consolidated statement of operations and changes in net assets.

Postretirement Health Care and Life Insurance Benefits (“Postretirement Plans”) – The Corporation sponsors both funded and unfunded contributory plans to provide health care benefits to certain of its retirees. All of the Postretirement Plans are closed to new participants. The plans cover certain hourly and salaried employees who retire from certain RHMs. Medical benefits for these retirees are subject to deductibles and co-payment provisions. Effective January 1, 2011, the funded plans provide benefits to certain retirees at fixed dollar amounts in Health Reimbursement Account arrangements for Medicare eligible participants.

The following table sets forth the changes in projected benefit obligations, accumulated postretirement obligations, and changes in plan assets and funded status of the plans for both the Pension and Postretirement Plans for the year ended June 30, 2014 (in thousands):

	<u>Pension Plans</u>	<u>Postretirement Plans</u>
Change in Benefit Obligation:		
Benefit obligation, beginning of year	\$ 6,244,763	\$ 107,865
Service cost	149,138	628
Interest cost	331,554	5,297
Actuarial loss (gain)	448,872	(302)
Benefits paid	(198,505)	(5,081)
Medicare Part D reimbursement	-	111
Curtailments	(49,449)	-
Settlements	(698,354)	-
Benefit obligation, end of year	<u>6,228,019</u>	<u>108,518</u>
Change in Plan Assets:		
Fair value of plan assets, beginning of year	5,491,447	84,523
Actual return on plan assets	699,893	15,338
Employer contributions	230,360	1,329
Benefits paid	(198,505)	(5,081)
Settlements	(698,354)	-
Fair value of plan assets, end of year	<u>5,524,841</u>	<u>96,109</u>
Unfunded amount recognized June 30	<u>\$ (703,178)</u>	<u>\$ (12,409)</u>
Recognized in other long-term assets	\$ 8,258	\$ 4,028
Recognized in accrued pension and retiree health costs	\$ (711,436)	\$ (16,437)

Actuarial losses incurred in the pension plans during the year ended June 30, 2014 are primarily related to changes in discount rates used to measure the plans' liabilities.

The accumulated benefit obligation and fair value of plan assets for the qualified defined benefit pension plans for the year ended June 30, 2014 are as follows (in thousands):

	<u>Pension Plans</u>
Accumulated benefit obligation	\$ 6,182,463
Fair value of plan assets	<u>5,524,841</u>
Funded status	<u>\$ (657,622)</u>

Components of net periodic benefit cost for the year ended June 30, 2014 consisted of the following (in thousands):

	<u>Pension Plans</u>	<u>Postretirement Plans</u>
Service cost	\$ 149,138	\$ 627
Interest cost	331,554	5,297
Expected return on assets	(398,683)	(6,008)
Amortization of prior service cost	(27,345)	(5,763)
Recognized net actuarial loss	<u>104,089</u>	<u>(167)</u>
Net periodic benefit cost (income) before curtailments/settlements	\$ 158,753	\$ (6,014)
Curtailment gain	(149,734)	-
Settlement loss	<u>195,987</u>	<u>-</u>
Net periodic benefit cost (income)	<u>\$ 205,006</u>	<u>\$ (6,014)</u>

The amounts in unrestricted net assets, including amounts arising during the year and amounts reclassified into net periodic benefit cost, are as follows (in thousands):

	Pension Plans			All Plans Grand Total
	Net Loss (Gain)	Prior Service Cost	Total	
Balance at July 1, 2013	\$ 1,813,218	\$ (221,844)	\$ 1,591,374	
Curtailments	100,285		100,285	
Settlements	(195,987)		(195,987)	
Reclassified into net periodic benefit cost	(104,089)	27,345	(76,744)	
Arising during the year	147,643	-	147,643	
Balance at June 30, 2014	<u>\$ 1,761,070</u>	<u>\$ (194,499)</u>	<u>\$ 1,566,571</u>	

	Postretirement Plans			All Plans Grand Total
	Net Loss (Gain)	Prior Service Credit	Total	
Balance at July 1, 2013	\$ 3,287	\$ (10,159)	\$ (6,872)	\$ 1,584,502
Curtailments	-	-	-	100,285
Settlements	-	-	-	(195,987)
Reclassified into net periodic benefit cost	167	5,763	5,930	(70,814)
Arising during the year	(9,529)	-	(9,529)	138,114
Balance at June 30, 2014	<u>\$ (6,075)</u>	<u>\$ (4,396)</u>	<u>\$ (10,471)</u>	<u>\$ 1,556,100</u>

The following are estimated amounts to be amortized from unrestricted net assets into net periodic benefit cost during fiscal year 2015 (in thousands):

	Pension Plans	Postretirement Plans
Amortization of prior service credit	\$ (5,877)	\$ (564)
Recognized net actuarial loss (gain)	31,580	(261)
Total	<u>\$ 25,703</u>	<u>\$ (825)</u>

Assumptions used to determine benefit obligations and net periodic benefit cost as of and for the year ended June 30, 2014 were as follows:

	Pension Plans	Postretirement Plans
Benefit Obligations:		
Discount rate	4.60% - 5.20%	4.00% - 4.75%
Rate of compensation increase in 2014		
Graduated to 4% by 2017	2.50%	N/A
Net Periodic Benefit Cost:		
Discount rate	4.95% - 5.70%	4.40% - 5.20%
Expected long-term return on plan assets	7.00% - 7.50%	7.50%
Rate of compensation	3.0%	N/A

Approximately 93% of the Corporation's pension plan liabilities are measured using the 4.90% discount rate at June 30, 2014.

The Corporation utilizes a pension liability driven investment strategy in determining its asset allocation and long-term rate of return for plan assets. This risk management strategy uses a glide path methodology based on funded status to initiate asset allocation changes across the efficient frontier. Efficient frontier analysis models the risk and return trade-offs among asset classes while taking into consideration the correlation among the asset classes. Historical market returns and risks are examined as part of this process, but risk-based adjustments are made to correspond with modern portfolio theory. Long-term historical correlations between asset classes are used, consistent with widely accepted capital markets principles. Current market factors, such as inflation and interest rates, are evaluated before long-term capital market assumptions are determined. The long-term rate of return is established using the efficient frontier analysis approach with proper consideration of asset class diversification and rebalancing. Peer data and historical returns are reviewed to check for reasonableness and appropriateness.

Health Care Cost Trend Rates – Assumed health care cost trend rates have a significant effect on the amounts reported for the postretirement plans. The postretirement benefit obligation includes assumed health care cost trend rates as of June 30, 2014 as follows:

Medical and drugs, pre-age 65	7.5%
Medical and drugs, post-age 65	7.5%
Ultimate trend rate	5.0%
Year rate reaches the ultimate rate	2023

A one-percentage point change in assumed health care cost trend rates would have the following effects at June 30, 2014 (in thousands):

	<u>One-Percentage- Point Increase</u>	<u>One-Percentage- Point Decrease</u>
Effect on postretirement benefit obligation	\$ 3,358	\$ (2,861)
Effect on total of service cost and interest cost components	\$ 209	\$ (176)

The Corporation's investment allocations at June 30, 2014 by investment category are as follows:

Investment Category:	Pension Plans	Postretirement Plans
Cash and cash equivalents	5%	1%
Marketable securities:		
U.S. and non-U.S equity securities	10%	-
Equity mutual funds	7%	-
Debt securities	33%	32%
Other investments:		
Commingled funds	14%	67%
Hedge funds	24%	-
Private equity funds	6%	-
Other	1%	-
Total	<u>100%</u>	<u>100%</u>

The Corporation employs a total return investment approach whereby a mix of equities and fixed income investments are used to maximize the long-term return of plan assets for a prudent level of risk. Risk tolerance is established through careful consideration of plan liabilities, plan funded status, and corporate financial condition. The investment portfolio contains a diversified blend of equity and fixed-income investments. Furthermore, equity investments are diversified across U.S. and non-U.S. stocks, as well as growth, value, and small and large capitalizations. Other investments, such as hedge funds, interest rate swaps, and private equity are used judiciously to enhance long-term returns while improving portfolio diversification. Derivatives may be used to gain market exposure in an efficient and timely manner; however, derivatives may not be used to leverage the portfolio beyond the market value of the underlying investments. Investment risk is measured and monitored on an ongoing basis through quarterly investment portfolio reviews, annual liability measurements, and periodic asset/liability studies. For the majority of the Corporation's pension plan investments, the combined target investment allocation at June 30, 2014 was global and traditional equity securities 30%; long/short equity 10%; fixed income obligations 40%; hedge funds 15%; and alternative debt 5%.

The following table summarizes the Pension and Postretirement Plans' assets measured at fair value at June 30, 2014 (in thousands). See Note 10 for definitions of Levels 1, 2 and 3 of the fair value hierarchy.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Pension Plans:				
Cash and cash equivalents	\$ 294,057	\$ 602	\$ -	\$ 294,659
Equity securities	551,831	1,897	-	553,728
Debt securities				
Government and government agency obligations	-	538,138	-	538,138
Corporate bonds	-	1,132,025	-	1,132,025
Asset backed securities	-	69,621	2,467	72,088
Mutual funds				
Equity mutual funds	369,515	6,954	-	376,469
Fixed income mutual funds	107,318	-	-	107,318
Commingled funds				
Equity commingled funds	-	716,472	-	716,472
Fixed income commingled funds	-	66,950	-	66,950
Hedge funds	-	671,757	672,245	1,344,002
Private equity	-	-	309,163	309,163
Other	13,803	26	-	13,829
Total pension plans' assets at fair value	<u>\$ 1,336,524</u>	<u>\$ 3,204,442</u>	<u>\$ 983,875</u>	<u>\$ 5,524,841</u>
Postretirement Plans:				
Mutual funds				
Short term investment mutual funds	\$ 1,188	\$ -	\$ -	\$ 1,188
Fixed income mutual fund	30,862	-	-	30,862
Equity commingled fund	-	63,819	-	63,819
Other	240	-	-	240
Total postretirement plans' assets at fair value	<u>\$ 32,290</u>	<u>\$ 63,819</u>	<u>\$ -</u>	<u>\$ 96,109</u>

Unfunded capital commitments related to Level 3 private equity investments totaled \$119.5 million at June 30, 2014.

The Corporation's policy is to recognize transfers between all levels as of the beginning of the reporting period. There were no significant transfers to or from Levels 1 and 2 during the year ended June 30, 2014.

See Note 10 for the Corporation's methods and assumptions to estimate the fair value of equity and debt securities, mutual funds, commingled funds, and hedge funds.

Private Equity – These assets include several private equity funds that invest primarily in the United States, Asia and Europe, both directly and on the secondary market, pursuing distressed opportunities and natural resources, primarily energy. These funds are valued at net asset value, which is calculated using the most recent fund financial statements.

Other – Represents unsettled transactions relating primarily to purchases and sales of plan assets, accrued income, and derivatives. Due to the short maturity of these assets and liabilities, the fair value is equal to the carrying amounts. Concerning derivatives, the Pension Plans are party to certain agreements, which are designed to manage exposures to equities and interest rate risks. These instruments are used for the purpose of hedging changes in the fair value of assets and actuarial present value of accumulated plan benefits that result from interest rate changes, or as an efficient substitute for traditional securities. The fair value of the derivatives is estimated utilizing the terms of the derivative instruments and publicly available market yield curves. The Pension Plans’ investment policies specifically prohibit the use of derivatives for speculative purposes.

The following table summarizes the changes in Level 3 Pension Plan assets for the year ended June 30 (in thousands):

	<u>Asset Backed Securities</u>	<u>Hedge Funds</u>	<u>Private Equity</u>	<u>Total</u>
Balance at July 1, 2013	\$ -	\$ 767,942	\$ 251,228	\$ 1,019,170
Realized gain	-	3,787	9,576	13,363
Unrealized (loss) gain	5	70,891	26,584	97,480
Purchases	2,462	-	78,006	80,468
Sales	-	(126,903)	(44,681)	(171,584)
Settlements	-	35,418	(11,550)	23,868
Transfers out to Level 2	-	(78,890)	-	(78,890)
Balance at June 30, 2014	<u>\$ 2,467</u>	<u>\$ 672,245</u>	<u>\$ 309,163</u>	<u>\$ 983,875</u>

Transfers out of Level 3 into Level 2 were made for direct hedge funds where initial lock-up periods expired during fiscal year 2014.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Corporation believes the valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Expected Contributions – The Corporation expects to contribute \$192.2 million to its Pension Plans and \$1.4 million to its Postretirement Plans during the year ended June 30, 2015 under the Corporation’s stated funding policy.

Expected Benefit Payments – The Corporation expects to pay the following for pension benefits, which reflect expected future service as appropriate, and expected postretirement benefits, before deducting the Medicare Part D subsidy (in thousands):

	<u>Pension Plans</u>	<u>Postretirement Plans</u>	<u>Postretirement Medicare Part D Subsidy</u>
2015	\$ 293,899	\$ 7,475	\$ 97
2016	296,896	7,549	93
2017	315,274	7,696	89
2018	334,068	7,789	83
2019	352,511	7,843	76
Years 2020 - 2024	1,959,666	38,456	296

9. COMMITMENTS AND CONTINGENCIES

Operating Leases – The Corporation leases various land, equipment and facilities under operating leases. Total rental expense, which includes provisions for maintenance in some cases, was \$202 million for the year ended June 30, 2014.

The following is a schedule of future minimum lease payments under operating leases as of June 30, 2014, that have initial or remaining lease terms in excess of one year (in thousands):

Years ending June 30:	
2015	\$ 141,356
2016	113,831
2017	97,093
2018	78,476
2019	61,978
Thereafter	<u>186,425</u>
Total	<u>\$ 679,159</u>

Litigation and Settlements –

Saint Alphonsus Regional Medical Center and its subsidiary Saint Alphonsus Diversified Care, Inc. (together, “Saint Alphonsus”) have been involved in litigation arising out of the withdrawal of Saint Alphonsus from an imaging center partnership. The matter first went to trial in 2007, was appealed and tried a second time in 2011. In the second trial, the jury held against Saint Alphonsus in the amount of \$52 million, which was offset by the value of Saint Alphonsus’ partnership interest, which, together with interest, was approximately \$6.6 million at the time of judgment. Saint Alphonsus appealed the second jury verdict to Idaho Supreme Court. On June 16, 2014, the Idaho Supreme Court affirmed the jury award, which, when combined with attorney fees, costs and interest, is a total judgment of approximately \$56 million. The Corporation recorded management’s estimation for damages of \$20 million in fiscal year 2007. As a result, an additional litigation accrual of \$36 million was recorded in the fiscal year 2014 consolidated statement of operations and statement of changes in net assets. The judgment was paid subsequent to year end.

CHE Trinity, Inc. as successor to CHE is the defendant in a purported class action lawsuit in New York state court brought by Emmet & Co, Inc., and First Manhattan Co, with respect to one series of bonds issued for the benefit of CHE. Plaintiffs allege that CHE breached the Indenture relating to those bonds and violated the covenant of good faith and fair dealing in the exercise of its optional redemption rights for those bonds in connection with CHE's tender offer for those bonds. This lawsuit is similar to an earlier action by the plaintiffs against CHE and Merrill Lynch, Pierce, Fenner & Smith, one of the Corporation's underwriters, that was dismissed in 2013. The present lawsuit was preceded by plaintiff's unsuccessful 2014 request that the Trustee bring an action against CHE on the bonds in question. The Corporation believes that the tender and redemption process was properly conducted. The Corporation's management does not believe that this matter, if decided adversely, would have a material adverse effect on the financial condition of the Corporation. In June 2013, CHE received a notice from the IRS that these transactions were under audit, asking for information. CHE does not believe it has any direct exposure as these bonds are held by Merrill Lynch and is fully cooperating in the investigation.

On March 29, 2013, the CHE was notified that it is a defendant in a lawsuit which challenges the church plan status of the CHE Employee Pension Plan. In response thereto, CHE has filed a motion to dismiss the complaint which is now pending before the United States District Court for the Eastern District of Pennsylvania. At this point, it is not possible to assess the exposure, if any, related to these claims and no amount has been reserved at this time.

The Corporation is involved in other litigation and regulatory investigations arising in the course of doing business. After consultation with legal Counsel, management estimates that these matters will be resolved without material adverse effect on the Corporation's future consolidated financial position or results of operations.

Health Care Regulatory Environment – The health care industry is subject to numerous and complex laws and regulations of federal, state and local governments. These laws and regulations include, but are not limited to, matters such as licensure, accreditation, privacy, government health care program participation requirements, government reimbursement for patient services, and fraud and abuse. Compliance with such laws and regulations is complex and can be subject to future government interpretation as well as regulatory enforcement actions, including fines, penalties and exclusion from government health care programs such as Medicare and Medicaid. The Corporation and its RHM's periodically receive notices from governmental agencies requesting information regarding billing, payment, or other reimbursement matters, or notices of the initiation of government investigations. The healthcare industry in general is experiencing an increase in these activities as federal and state governments increase their enforcement activities and institute new programs designed to identify potential irregularities in reimbursement or quality of patient care. Based on the information received to date, management does not believe the ultimate resolution of these matters will have a material adverse effect on the Corporation's future consolidated financial position or results of operations.

10. FAIR VALUE MEASUREMENTS

The Corporation's consolidated financial statements reflect certain assets and liabilities recorded at fair value. Assets and liabilities measured at fair value on a recurring basis in the Corporation's consolidated balance sheet include: cash; cash equivalents; equity securities; debt securities; mutual funds; commingled funds; hedge funds; securities lending collateral; and derivatives. Defined benefit retirement plan assets are measured at fair value on an annual basis. Liabilities measured at fair value on a recurring basis for disclosure only include debt.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value should be based on assumptions that market participants would use, including a consideration of non-performance risk.

To determine fair value, the Corporation uses various valuation methodologies based on market inputs. For many instruments, pricing inputs are readily observable in the market; the valuation methodology is widely accepted by market participants and involves little to no judgment. For other instruments, pricing inputs are less observable in the marketplace. These inputs can be subjective in nature and involve uncertainties and matters of considerable judgment. The use of different assumptions, judgments and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The Corporation assesses the inputs used to measure fair value using a three level hierarchy based on the extent to which inputs used in measuring fair value are observable in the market. The fair value hierarchy is as follows:

Level 1 – Quoted (unadjusted) prices for identical instruments in active markets

Level 2 – Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar instruments in active markets
- Quoted prices for identical or similar instruments in non-active markets (few transactions, limited information, non-current prices, high variability over time, etc.)
- Inputs other than quoted prices that are observable for the instrument (interest rates, yield curves, volatilities, default rates, etc.)
- Inputs that are derived principally from or corroborated by other observable market data

Level 3 – Unobservable inputs that cannot be corroborated by observable market data

Valuation Methodologies – Exchange-traded securities whose fair value is derived using quoted prices in active markets are classified as Level 1. In instances where quoted market prices are not readily available, fair value is estimated using quoted market prices and/or other market data for the same or comparable instruments and transactions in establishing the prices, discounted cash flow models and other pricing models. These models are primarily industry-standard models that consider various assumptions, including time value and yield curve as well as other relevant economic measures. The inputs to these models depend on the type of security being priced but are typically benchmark yields, credit spreads, prepayment speeds, reported trades and broker-dealer quotes, all with reasonable levels of transparency. Generally, significant changes in any of those inputs in isolation would result in a significantly different fair value measurement. The Corporation classifies these securities as Level 2 within the fair value hierarchy.

The Corporation maintains policies and procedures to value instruments using the best and most relevant data available. The Corporation's Level 3 securities are primarily investments in hedge funds. The fair values of Level 3 investments in these securities are predominately valued using a net asset value per share, which is provided by third-party administrators; however, in some cases they are obtained directly from the investment fund manager. The Corporation did not adjust the prices obtained. Third-party administrators do not provide access to their proprietary valuation models, inputs, and assumptions. Accordingly, the Corporation reviews the independent reports of internal controls for these service providers. In addition, on a quarterly basis, the Corporation performs reviews of investment consultant

industry peer group benchmarking and supporting relevant market data. Finally, all of the fund managers of the Corporation's Level 3 securities have an annual independent audit performed by an accredited accounting firm. The Corporation reviews these audited financials for ongoing validation of pricing used. Based on the information available, we believe that the fair values provided by the third-party administrators and investment fund managers are representative of prices that would be received to sell the assets at June 30, 2014.

In instances where the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Corporation's assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset.

Following is a description of the valuation methodologies the Corporation used for instruments recorded at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy:

Cash and Cash Equivalents – The carrying amounts reported in the consolidated balance sheet approximate their fair value. Certain cash and cash equivalents are included in investments and assets limited or restricted as to use in the consolidated balance sheet.

Commercial Paper – The fair value of commercial paper is based on amortized cost. Commercial paper is designated as Level 2 investments with significant observable inputs including security cost, maturity and credit rating. Commercial paper is classified as either cash and cash equivalents or marketable securities in the consolidated balance sheet depending upon the length to maturity when purchased and are included in cash and cash equivalents or debt securities in the fair value table.

Security Lending Collateral – The security lending collateral is invested in a Northern Trust sponsored commingled collateral fund, which is comprised primarily of short-term securities. The fair value amounts of the commingled collateral fund are determined using the calculated net asset value per share (or its equivalent) for the fund with the underlying investments valued using techniques similar to those used for marketable securities noted below.

Equity Securities – Equity securities are valued at the closing price reported on the applicable exchange on which the security is traded, or are estimated using quoted market prices for similar securities.

Debt Securities – Debt securities are valued using quoted market prices and/or other market data for the same or comparable instruments and transactions in establishing the prices, discounted cash flow models and other pricing models. These models are primarily industry-standard models that consider various assumptions, including time value and yield curve as well as other relevant economic measures.

Mutual Funds – Mutual funds are valued using the net asset value based on the value of the underlying assets owned by the fund, minus liabilities, divided by the number of shares outstanding, and multiplied by the number of shares owned.

Commingled Funds – Commingled funds are developed for investment by institutional investors only and therefore do not require registration with the Securities and Exchange Commission. Commingled funds are recorded at fair value based on either the underlying investments that have a readily determinable market value or based on net asset value, which is calculated using the most recent fund financial statements. Commingled funds are categorized as Level 2 unless they have a redemption restriction greater than 95 days, in which case they are categorized as Level 3.

Hedge Funds – The Corporation invests in various hedge fund strategies. These funds utilize either a direct or a “fund-of-funds” approach resulting in diversified multi-strategy, multi-manager investments. Underlying investments in these funds may include equities, fixed income securities, commodities, currencies and derivatives. These funds are valued at net asset value, which is calculated using the most recent fund financial statements. Hedge funds are categorized as Level 2 unless they have a redemption restriction greater than 95 days, in which case they are categorized as Level 3.

The Corporation classifies its equity and debt securities, mutual funds, commingled funds and hedge funds as trading securities. The amount of holding gains for fiscal year 2014 included in the excess of revenue over expenses related to securities still held at June 30, 2014 were \$471.6 million.

Equity Method Investments – The Corporation accounts for certain other investments using the equity method. These investments are structured as limited liability corporations and partnerships and are designed to produce stable investment returns regardless of market activity. These investments utilize a combination of “fund-of-funds” and direct fund investment strategies resulting in a diversified multi-strategy, multi-manager investments approach. Some of these funds are developed by investment managers specifically for the Corporation’s use and are similar to mutual funds, but are not traded on a public exchange. Underlying investments in these funds may include other funds, equities, fixed income securities, commodities, currencies and derivatives. Audited information is only available annually based on the limited liability corporations, partnerships or funds’ year-end. Management’s estimates of the fair values of these investments are based on information provided by the third-party administrators and fund managers or the general partners. Management obtains and considers the audited financial statements of these investments when evaluating the overall reasonableness of the recorded value. In addition to a review of external information provided, management’s internal procedures include such things as review of returns against benchmarks and discussions with fund managers on performance, changes in personnel or process, along with evaluations of current market conditions for these investments. Investment managers meet with the Corporation’s Investment Subcommittee of the Finance and Stewardship Committee of the Board of Directors on a periodic basis. Because of the inherent uncertainty of valuations, values may differ materially from the values that would have been used had a ready market existed. The balance of these investments at June 30, 2014 was \$1,416 million. Unfunded capital commitments related to equity method investments totaled \$75.9 million at June 30, 2014.

Cash and cash equivalents, equity and debt securities, mutual funds, commingled funds, hedge funds, and equity method investments totaled \$8,427 million at June 30, 2014.

Interest Rate Swaps – The fair value of the Corporation’s derivatives, which are mainly interest rate swaps, are estimated utilizing the terms of the swaps and publicly available market yield curves along with the Corporation’s nonperformance risk as observed through the credit default swap market and bond market and based on prices for recent trades. These swap agreements are classified as Level 2 within the fair value hierarchy.

The following table presents information about the fair value of the Corporation's financial instruments measured at fair value on a recurring basis and recorded at June 30, 2014 (in thousands):

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets:				
Cash and cash equivalents	\$ 1,585,907	\$ 38,630	\$ -	\$ 1,624,537
Security lending collateral	-	187,882	-	187,882
Equity securities	988,848	5,674	972	995,494
Debt securities:				
Government and government agency obligations	-	445,517	1,529	447,046
Corporate bonds	-	350,744	583	351,327
Asset backed securities	-	81,376	100	81,476
Bank loans	-	64,126	-	64,126
Other	-	10,599	-	10,599
Mutual funds:				
Equity mutual funds	847,924	-	-	847,924
Fixed income mutual funds	596,739	-	-	596,739
Real estate investment funds	10,682	-	-	10,682
Other	16,384	-	-	16,384
Commingled funds	-	774,926	-	774,926
Hedge funds	-	657,781	344,544	1,002,325
Interest rate swaps	-	32,258	-	32,258
Total assets	<u>\$ 4,046,484</u>	<u>\$ 2,649,513</u>	<u>\$ 347,728</u>	<u>\$ 7,043,725</u>
Liabilities:				
Interest rate swaps	<u>\$ -</u>	<u>\$ 148,885</u>	<u>\$ -</u>	<u>\$ 148,885</u>

The Corporation's policy is to recognize transfers between all levels as of the beginning of the reporting period. There were no significant transfers to or from Levels 1 and 2 during the year ended June 30, 2014.

The following table summarizes the changes in Level 3 assets for the year ended June 30, 2014 (in thousands):

	Equity Securities	Government and Government Agency Obligations	Corporate Bonds	Asset Backed Securities	Hedge Funds	Total
Balance at July 1, 2013	\$ 1,449	\$ -	\$ 2,886	\$ -	\$ 376,807	\$ 381,142
Realized gain	-	(2)	(99)	-	2,287	2,186
Unrealized (loss) gain	-	(609)	(96)	-	30,197	29,492
Purchases	-	2,140	1,230	100	14,170	17,640
Settlements	(3)	-	(4,638)	-	(17,243)	(21,884)
Transfers (to) from Level 2	(474)	-	1,300	-	(61,674)	(60,848)
Balance at June 30, 2014	\$ 972	\$ 1,529	\$ 583	\$ 100	\$ 344,544	\$ 347,728

Investments in Entities that Calculate Net Asset Value per Share – The Corporation holds shares or interests in investment companies at year-end, included in commingled funds and hedge funds, where the fair value of the investment held is estimated based on the net asset value per share (or its equivalent) of the investment company. There were no unfunded commitments as of June 30, 2014. The fair value and redemption rules of these investments are as follows as of June 30, 2014 (in thousands):

	Fair Value	Redemption Frequency	Redemption Notice Period
Commingled funds	\$ 774,926	Daily - Monthly	0 - 60 days
Hedge funds	1,002,325	Monthly, quarterly, semi-annually	30 - 95 days
Total	\$ 1,777,251		

The hedge fund category includes equity long/short hedge funds, multi-strategy hedge funds and relative value hedge funds. Equity long/short hedge funds invest both long and short, primarily in U.S. common stocks. Management of the fund has the ability to shift investments from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position. Multi-strategy hedge funds pursue multiple strategies to diversify risks and reduce volatility. Relative value hedge fund's strategy is to exploit structural and technical inefficiencies in the market by investing in financial instruments that are perceived to be inefficiently priced as a result of business, financial or legal uncertainties. Investments representing approximately 6.1% of the value of the investments in this category can only be redeemed bi-annually subsequent to the initial investment date. Investment representing 18.4% of the investments in this category can only be redeemed at the rate of 25% per quarter.

The commingled fund category primarily includes investments in funds that invest in financial instruments of U.S. and non-U.S. entities, primarily bonds, notes, bills, debentures, currencies, and interest rate and derivative products.

The composition of investment returns included in the consolidated statement of operations and changes in net assets for the year ended June 30, 2014 is as follows (in thousands):

Dividend, interest income and other	\$ 130,961
Realized gain, net	196,727
Realized equity gain, other investments	24,528
Change in net unrealized gain on investments	<u>350,532</u>
Total investment return	<u><u>\$ 702,748</u></u>
Included in:	
Operating income	\$ 75,123
Nonoperating items	609,010
Changes in restricted net assets	<u>18,615</u>
Total investment return	<u><u>\$ 702,748</u></u>

In addition to investments, assets restricted as to use include receivables for unconditional promises to give cash and other assets net of allowances for uncollectible promises to give. Unconditional promises to give consist of the following at June 30, 2014 (in thousands):

Amounts expected to be collected in:	
Less than one year	\$ 24,359
One to five years	34,761
More than five years	<u>5,840</u>
	64,960
Discount to present value of future cash flows	(2,819)
Allowance for uncollectible amounts	<u>(6,030)</u>
Total unconditional promises to give, net	<u><u>\$ 56,111</u></u>

Patient Accounts Receivable, Estimated Receivables from Third-Party Payors and Current Liabilities – The carrying amounts reported in the consolidated balance sheet approximate their fair value.

Long-Term Debt – The carrying amounts of the Corporation’s variable rate debt approximate their fair values. The fair value of the Corporation’s fixed rate long-term debt is estimated using discounted cash flow analyses, based on current incremental borrowing rates for similar types of borrowing arrangements. The fair value of the fixed rate long-term revenue and refunding bonds was \$3,195 million at June 30, 2014. Under the fair value hierarchy, these financial instruments are valued primarily using Level 2 inputs. The related carrying value of the fixed rate long-term revenue and refunding bonds was \$2,923 million at June 30, 2014. The fair values of the remaining fixed rate capital leases, notes payable to banks, and mortgage loans are not materially different from their carrying values.

11. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative Financial Instruments – In the normal course of business, the Corporation is exposed to market risks, including the effect of changes in interest rates and equity market volatility. To manage these risks the Corporation enters into various derivative contracts, primarily interest rate swaps. Interest rate swaps are used to manage the effect of interest rate fluctuations.

Management reviews the Corporation's hedging program, derivative position, and overall risk management on a regular basis. The Corporation only enters into transactions it believes will be highly effective at offsetting the underlying risk.

Interest Rate Swaps – The Corporation utilizes interest rate swaps to manage interest rate risk related to the Corporation's variable interest rate debt, variable rate leases and a fixed income investment portfolio. Cash payments on interest rate swaps totaled \$15.6 million for the year ended June 30, 2014 and are included in nonoperating income.

Certain of the Corporation's interest rate swaps contain provisions that give certain counterparties the right to terminate the interest rate swap if a rating is downgraded below specified thresholds. If a ratings downgrade threshold is breached, the counterparties to the derivative instruments could demand immediate termination of the swaps. Such termination could result in a payment from the Corporation or a payment to the Corporation depending on the market value of the interest rate swap.

Effect of Derivative Instruments on Excess of Revenue over Expenses – The following table represents the effect derivative instruments had on the Corporation's financial performance for the year ended June 30, 2014 (in thousands):

<u>Derivatives Not Designated as Hedging Instruments</u>	<u>Location of Net Gain (Loss) Recognized in Excess of Revenue over Expenses or Unrestricted Net Assets</u>	<u>Amount of Net Gain (Loss) Recognized in Excess of Revenue over Expenses</u>
Excess of Revenue over Expenses:		
Interest rate swaps	Change in market value and cash payment on interest rate swaps	\$ (25,514)
Interest rate swaps	Investment income	(593)
		<u>\$ (26,107)</u>

Balance Sheet Effect of Derivative Instruments – The following table summarizes the estimated fair value of the Corporation's derivative financial instruments at June 30, 2014 (in thousands):

<u>Derivatives Not Designated as Hedging Instruments</u>	<u>Consolidated Balance Sheet Location</u>	<u>Fair Value</u>
Asset Derivatives:		
Interest rate swaps	Investments	\$ 5,855
Interest rate swaps	Other assets	26,403
Total asset derivatives		<u>\$ 32,258</u>
Liability Derivatives:		
Interest rate swaps	Other long-term liabilities	<u>\$ 148,885</u>

The counterparties to the interest rate swaps expose the Corporation to credit loss in the event of non-performance. At June 30, 2014, an adjustment for non-performance risk reduced derivative assets by \$1.0 million and derivatives liabilities by \$11.2 million.

12. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets are those whose use by the Corporation has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained in perpetuity. Temporarily restricted net assets and permanently restricted net assets at June 30, 2014 are available for the following purposes (in thousands):

Temporarily Restricted Net Assets:	
Education and research	\$ 20,252
Building and equipment	103,683
Patient care	47,712
Cancer Center/research	14,753
Services for elderly care	33,767
Other	73,139
	<hr/>
Total	<u>\$ 293,306</u>
Permanently Restricted Net Assets:	
Hospital operations	\$ 25,844
Medical programs	7,465
Scholarship funds	5,033
Research funds	9,787
Community service funds	14,211
Other	24,723
	<hr/>
Total	<u>\$ 87,063</u>

The Corporation's endowments consist of funds established for a variety of purposes. Endowments include both donor-restricted endowment funds and funds designated by the Board to function as endowments. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Corporation considers various factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

The Corporation employs a total return investment approach whereby a mix of equities and fixed income investments are used to maximize the long-term return of endowment funds for a prudent level of risk. The Corporation targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints. The Corporation can appropriate each year all available earnings in accordance with donor restrictions. The endowment corpus is to be maintained in perpetuity. Certain donor-restricted endowments require a portion of annual earnings to be maintained in perpetuity along with the corpus. Only amounts exceeding the amounts required to be maintained in perpetuity are expended.

The following table summarizes net asset composition by type of fund at June 30, 2014 (in thousands):

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
Donor-restricted endowment funds	\$ -	\$ 36,340	\$ 87,063	\$ 123,403
Board-designated endowment funds	90,942	-	-	90,942
Total endowment funds	<u>\$ 90,942</u>	<u>\$ 36,340</u>	<u>\$ 87,063</u>	<u>\$ 214,345</u>

Changes in endowment net assets for the year ended June 30, 2014 include (in thousands):

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
Endowment net assets, July 1, 2013	\$ 78,848	\$ 31,598	\$ 92,678	\$ 203,124
Investment return:				
Investment gain	5,522	4,235	1,238	10,995
Change in net realized and unrealized gains	<u>5,200</u>	<u>1,557</u>	<u>1,620</u>	<u>8,377</u>
Total investment return	10,722	5,792	2,858	19,372
Contributions	38	131	3,621	3,790
Transfer to create a board designated endowment	1,161	-	-	1,161
Appropriation of endowment assets for expenditures	(5,601)	(1,606)	-	(7,207)
Other	<u>5,774</u>	<u>425</u>	<u>(12,094)</u>	<u>(5,895)</u>
Endowment net assets, June 30, 2014	<u>\$ 90,942</u>	<u>\$ 36,340</u>	<u>\$ 87,063</u>	<u>\$ 214,345</u>

The table below describes the restrictions for endowment amounts classified as temporarily restricted net assets and permanently restricted net assets as of June 30, 2014 (in thousands):

Temporarily Restricted Net Assets:

Term endowment funds	\$ 4,783
The portion of perpetual endowment funds subject a purpose restriction	<u>31,557</u>
Total endowment funds classified as temporarily restricted net assets	<u>\$ 36,340</u>

Permanently Restricted Net Assets:

Investment to be held in perpetuity, the income from which is expendable to support health care services	\$ 62,912
Endowments requiring income to be added to the original gift	13,939
Other	<u>10,212</u>
Total	<u>\$ 87,063</u>

Funds with Deficiencies – Periodically the fair value of assets associated with the individual donor-restricted endowment funds may fall below the level that the donor requires the Corporation to retain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets. These deficiencies result from unfavorable market fluctuations and/or continued appropriation for certain programs that was deemed prudent by the Corporation.

13. RESTRUCTURING CHARGES

During fiscal year 2014, management authorized and committed the Corporation to undertake a comprehensive performance improvement plan to realign its cost structure. The Corporation had a workforce reduction as part of the plan. As a result of these actions, restructuring charges of \$46 million have been included in the consolidated statement of operations and changes in net assets. The restructuring charges are primarily for severance and termination benefits. As of June 30, 2014, \$15 million in benefits have been paid.

14. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 3, 2014, the date the consolidated financial statements were issued. The following subsequent events were noted:

Merger of Entities – CHE Trinity Inc., CHE and Trinity Health were merged into one legal corporation, with Trinity Health being the surviving legal corporation on July 1, 2014.

Consolidation of Siouxland Surgery Center, LLP (“Siouxland”) – Effective July 1, 2014, a joint venture was created between Mercy Health Services – Iowa, Corp. (“Mercy”) and USP Health Ventures, LLC (“USP”), (collectively, “Mercy/USP”). Mercy owns a controlling interest of 55.71% and USP owns the remaining 44.29% interest of the joint venture. Mercy/USP then entered into a Securities Purchase Agreement with SSC Physician Investors, LLC (“Physician Investors”), whereby Mercy contributed 30.9% of their pre-existing ownership of Siouxland and USP contributed their newly acquired 24.6% ownership of Siouxland, resulting in Mercy/USP owning a controlling interest of 55.54% of Siouxland with the remaining 44.46% interest owned by Physician Investors. As a result of the transaction, Mercy reported a gain of \$40.3 million in the consolidated statement of operations and changes in net assets in July, 2014. Siouxland operates a surgical specialty hospital and medical facility in Dakota Dunes, South Dakota and has operating revenue of \$64 million annually. Summarized consolidated balance sheet information for Mercy/USP as of July 1, 2014 is as follows (in thousands):

Cash	\$ 4,178	Accounts payable and accrued expenses	\$ 9,409
Patient accounts receivable	11,191	Current portion of long-term debt	1,031
Other current assets	3,539	Long-term debt, net of current portion	12,075
Property and equipment	24,133	Total liabilities acquired	<u>\$ 22,515</u>
Goodwill	134,947		
Other assets	799	Unrestricted net assets	\$ 57,265
Total assets acquired	<u>\$ 178,787</u>	Unrestricted noncontrolling interest	99,007
		Total net assets	<u>\$ 156,272</u>

Litigation – On July 17, 2014, Trinity Health Corporation (now CHE Trinity Inc.) was notified that it is a defendant in a lawsuit filed in the United States District Court District of Maryland that challenges the church plan status of the Trinity Health Employee Pension Plan. This is similar to other purported class action cases that have been brought against large Catholic health care systems, including one making similar allegations with respect to the Catholic Health East employee pension plan. This is one of six such challenges filed against Catholic health systems across the country. At this point, it is not possible to assess the exposure, if any, related to these claims and CHE Trinity Inc. has not reserved any amounts at this time related to either the existing challenge with respect to the Catholic Health East employee pension plan or the recently filed lawsuit against Trinity Health Corporation.

* * * *

McAuley Center, Incorporated

**FIVE(5) YEAR PROJECTED BALANCE SHEET AND CHANGES IN NET ASSETS
FOR FISCAL YEARS ENDED DECEMBER 31, 2015 THROUGH 2019**
(in thousands of dollars)

ASSETS					
	2015	2016	2017	2018	2019
Current Assets:					
Cash and Cash Equivalents	\$4,635	\$4,500	\$4,500	\$4,500	\$4,500
Accounts Receivable, net	56	60	60	60	60
Prepaid Expenses and Other Current Assets	179	200	200	200	200
Total Current Assets	4,870	4,760	4,760	4,760	4,760
Assets Whose Use Is Limited - non-current					
Property, Plant and Equipment, net	961	1,000	1,025	1,050	1,075
Other Assets	15,792	15,042	14,292	13,542	12,792
	-1,822	-1,285	-572	-438	-428
TOTAL ASSETS	\$19,801	\$19,517	\$19,505	\$18,914	\$18,199
LIABILITIES AND NET ASSETS					
Current Liabilities:					
Current Maturities of Debt	345	375	425	475	525
Accounts Payable and Accrued Expenses	628	575	593	620	615
Other Accrued Liabilities	1,743	1,500	1,250	1,000	750
Total Current Liabilities	2,716	2,450	2,268	2,095	1,890
Long-term debt, less current portion					
Other Long-term liabilities	12,727	12,382	12,007	11,582	11,107
	17,195	16,750	16,500	15,750	15,000
Total Liabilities	29,922	29,132	28,507	27,332	26,107
Net Assets					
Fund Balance (Unrestricted)	(12,935)	(12,163)	(11,368)	(10,611)	(9,896)
Temporarily Restricted Fund Balance	86	86	86	86	86
Permanently Restricted Net Assets	12	12	12	12	12
Total Fund	(12,837)	(12,065)	(11,270)	(10,513)	(9,798)
TOTAL LIABILITIES & NET ASSETS	\$19,801	\$19,517	\$19,505	\$18,914	\$18,199
CHANGES IN NET ASSETS					
Unrestricted Net Assets					
Beginning Unrestricted Net Assets	(13,481)	(12,935)	(12,163)	(11,368)	(10,611)
Excess of Revenues over Expenses	546	772	795	757	715
Total Unrestricted Net Assets	(12,935)	(12,163)	(11,368)	(10,611)	(9,896)
Temporarily Restricted Net Assets					
Beginning Temporarily Restricted Net Assets	86	86	86	86	86
Ending Temporarily Restricted Net Assets	86	86	86	86	86
Permanently Restricted Net Assets					
Beginning Permanently Restricted Net Assets	12	12	12	12	12
Ending Permanently Restricted Net Assets	12	12	12	12	12
TOTAL NET ASSETS	(\$12,837)	(\$12,065)	(\$11,270)	(\$10,513)	(\$9,798)

THE McAULEY CENTER, INC.

FIVE(5) YEAR PROJECTED STATEMENT OF OPERATIONS
 FOR FISCAL YEARS ENDED DECEMBER 31, 2015 THROUGH 2019
 (in thousands of dollars)

	2015	2016	2017	2018	2019
REVENUE					
Operating Revenue	12,178	12,821	13,206	13,602	14,010
Total Operating Revenue	12,178	12,821	13,206	13,602	14,010
OPERATING EXPENSES					
Salaries and Wages	2,859	2,324	2,371	2,418	2,418
Employee Benefits	766	674	688	701	701
Professional Fees	10	62	62	62	62
Supplies	124	187	192	198	198
Purchased Services	3,408	4,647	4,832	5,026	5,026
Depreciation & Amortization	1,346	1,350	1,350	1,350	1,350
Interest	495	575	550	545	540
Other	0	0	0	0	0
Other	2,621	2,230	2,365	2,545	2,999
Total Operating Expenses	11,629	12,049	12,410	12,845	13,294
OPERATING INCOME	\$549	\$772	\$795	\$757	\$715
Non-Operating Revenue					
Investment Income	-3	0	0	0	0
Net Non-Operating Revenue	-3	0	0	0	0
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	\$546	\$772	\$795	\$757	\$715

THE McAULEY CENTER, INC.

FIVE(5) YEAR PROJECTED STATEMENTS OF CASH FLOWS
FOR FISCAL YEARS ENDED DECEMBER 31, 2015 THROUGH 2019
(in thousands of dollars)

	2015	2016	2017	2018	2019
SOURCES OF CASH					
Excess of Revenues over Expenses from Operations	\$549	\$772	\$795	\$757	\$715
Items Not Affecting Working Capital					
Depreciation	1,346	1,350	1,350	1,350	1,350
Other	-1,000	-1,000	-1,000	-1,000	-1,000
Total Sources of Cash	895	1,122	1,145	1,107	1,065
USES OF CASH					
Change in Working Capital, excluding current portion of debt	-1,559	321	232	223	245
Additions to Plant, Property and Equipment, net	683	600	600	600	600
Other Assets	-133	576	738	159	46
Long-term Debt Principal Repayments	-1,160	315	325	375	425
Other Long Term Liabilities	1,064	-555	-750	-250	-250
Total Uses of Cash	-1,105	1,257	1,145	1,107	1,066
Cash Provided (Used) Prior to Interest Income	2,000	-135	0	0	-1
Cash Provided From Interest Income	-3	0	0	0	0
Cash Provided (Used)	1,997	-135	0	0	-1
CASH BALANCE, BEGINNING OF PERIOD	2,638	4,635	4,500	4,500	4,500
CASH BALANCE, END OF PERIOD	\$4,635	\$4,500	\$4,500	\$4,500	\$4,500

STATE OF CONNECTICUT

Department of Public Health

LICENSE

License No. 0164

Assisted Living Services Agency

In accordance with the provisions of the General Statutes of Connecticut Section 19a-493:

McAuley Center, Inc. of West Hartford, CT, d/b/a McAuley Center, Inc. The is hereby licensed to maintain and operate an Assisted Living Services Agency.

McAuley Center, Inc. The is located at 275 Steele Road, West Hartford, CT 06107, and may provide services to clients residing at:

McAuley Center, Inc. The, 275 Steele Road, West Hartford, CT

This license expires **June 30, 2015** and may be revoked for cause at any time.

Dated at Hartford, Connecticut, July 1, 2013. **RENEWAL**

Beneficial CHOW eff: 6/11/2013.



Jewel Mullen MD

Jewel Mullen, MD, MPH, MPA
Commissioner

Schedule of Alternative Contract Fees

APARTMENT TYPE	ENTRANCE FEE <i>NO LIFECARE – 80% Refundable 150 days Skilled Nursing</i>	MONTHLY SERVICE FEE
Studio 592 sq. ft.	\$111,000	\$2,390
One Bedroom 620 sq. ft. Single Double	\$116,250	\$2,500 \$3,875
One Bedroom Deluxe 818 sq. ft. Single Double	\$153,390	\$3,305 \$4,675
Two Bedroom 1,118 sq. ft. Single Double	\$173,700	\$3,915 \$5,275
Studio + One Bedroom 1,410 sq. ft. Single Double	\$219,000	\$4,935 \$6,290
One Bedroom + One Bedroom 1,636 sq. ft. Single Double	\$254,200	\$5,715 \$7,085
Two Bedroom + One Bedroom 1,936 sq. ft. Single Double	\$300,800	\$6,765 \$8,135

These rates are effective January 1, 2015.

Schedule of Zero Refund Contract Fees

APARTMENT TYPE	ENTRANCE FEE <i>FULL LIFECARE – NON-REFUNDABLE AFTER 50 MONTHS</i>	MONTHLY SERVICE FEE
Studio 592 sq. ft.	\$98,500	\$3,203
One Bedroom 620 sq. ft. Single Double	\$110,250 \$129,850	\$3,533 \$5,294
One Bedroom Deluxe 818 sq. ft. Single Double	\$119,300 \$138,900	\$3,852 \$5,610
Two Bedroom 1,118 sq. ft. Single Double	\$153,300 \$181,500	\$4,860 \$6,530
Studio + One Bedroom 1,410 sq. ft. Single Double	\$206,200	\$5,500 \$7,260
One Bedroom + One Bedroom 1,636 sq. ft. Single Double	\$238,400	\$6,150 \$7,910
Two Bedroom + One Bedroom 1,936 sq. ft. Single Double	\$275,150	\$7,065 \$8,825

These rates are effective January 1, 2015.

Schedule of Standard Contract Fees

APARTMENT TYPE	ENTRANCE FEE <i>FULL LIFECARE – TWO-THIRDS REFUNDABLE</i>	MONTHLY SERVICE FEE
Studio 592 sq. ft.	\$170,990	\$2,575
One Bedroom 620 sq. ft. Single Double	\$178,600	\$2,760 \$4,560
One Bedroom Deluxe 818 sq. ft. Single Double	\$254,300	\$3,575 \$5,375
Two Bedroom 1,118 sq. ft. Single Double	\$373,365	\$4,200 \$6,000
Studio + One Bedroom 1,410 sq. ft. Single Double	\$468,600	\$5,295 \$7,105
One Bedroom + One Bedroom 1,636 sq. ft. Single Double	\$541,100	\$6,150 \$7,950
Two Bedroom + One Bedroom 1,936 sq. ft. Single Double	\$638,520	\$7,270 \$9,085

These rates are effective January 1, 2015.

Schedule of Fees

THE ASSISTED LIVING CENTER AT THE McAULEY

<u>Apartment Style</u>	<u>Monthly Rental Fee</u>
Studio	\$5,150
One Bedroom	\$5,350
One Bedroom Deluxe	\$6,540
Two Bedroom	\$8,320

For a second person, add \$1,100 per month.

No entrance fee is required for Assisted Living residents.

Fees are subject to change without notice.

These rates are effective January 1, 2015.

ATTACHMENT J

<u>ATTACHMENT J</u>								
<u>ENTRANCE FEES/MONTHLY SERVICE FEES FOR FISCAL YEARS</u>								
<u>ENDED Dec. 31, 2007, 2008, 2009, 2010, 2011, 2012, 2013 and 2014</u>								
<u>ENTRANCE FEES - STANDARD RESIDENCY AGREEMENT</u>								
<u>(2/3 Refundable after first year)</u>								
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>Studio</u>	<u>\$109,604</u>	<u>\$155,000</u>	<u>\$158,000</u>	<u>\$159,580</u>	<u>\$159,580</u>	<u>\$161,176</u>	<u>\$166,010</u>	<u>\$170,990</u>
<u>1 Bedroom</u>	<u>\$132,273</u>	<u>\$235,000</u>	<u>\$235,000</u>	<u>\$237,350</u>	<u>\$237,350</u>	<u>\$239,724</u>	<u>\$246,920</u>	<u>\$254,300</u>
<u>1 Bedroom</u>	<u>\$158,800</u>	<u>\$235,000</u>	<u>\$235,000</u>	<u>\$237,350</u>	<u>\$237,350</u>	<u>\$239,724</u>	<u>\$246,920</u>	<u>\$254,300</u>
<u>2 Bedroom</u>	<u>\$178,167</u>	<u>\$345,000</u>	<u>\$345,000</u>	<u>\$348,450</u>	<u>\$348,450</u>	<u>\$351,935</u>	<u>\$362,490</u>	<u>\$373,365</u>
<u>2 Bedroom</u>	<u>\$216,258</u>	<u>\$345,000</u>	<u>\$345,000</u>	<u>\$348,450</u>	<u>\$348,450</u>	<u>\$351,935</u>	<u>\$362,490</u>	<u>\$373,365</u>
<u>MONTHLY SERVICE FEES - STANDARD RESIDENCY AGREEMENT</u>								
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>Studio</u>	<u>\$2,569</u>	<u>\$2,050</u>	<u>\$2,101</u>	<u>\$2,196</u>	<u>\$ 2,386</u>	<u>\$ 2,423</u>	<u>\$ 2,500</u>	<u>\$ 2,575</u>
<u>1 Bedroom</u>	<u>\$3,084</u>	<u>\$2,850</u>	<u>\$2,921</u>	<u>\$3,052</u>	<u>\$ 3,317</u>	<u>\$ 3,367</u>	<u>\$ 3,470</u>	<u>\$ 3,575</u>
<u>2 Bedroom</u>	<u>\$3,820</u>	<u>\$3,350</u>	<u>\$3,434</u>	<u>\$3,589</u>	<u>\$ 3,900</u>	<u>\$ 3,959</u>	<u>\$ 4,080</u>	<u>\$ 4,200</u>
<u>2nd Person</u>	<u>\$1,381</u>	<u>\$1,478</u>	<u>\$1,515</u>	<u>\$1,545</u>	<u>\$ 1,679</u>	<u>\$ 1,705</u>	<u>\$ 1,750</u>	<u>\$ 1,800</u>
<u>MONTHLY RENTAL FEES – ASSISTED LIVING RESIDENCY AGREEMENT</u>								
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>Studio</u>	<u>\$ 3,858</u>	<u>\$ 3,993</u>	<u>\$ 4,113</u>	<u>\$ 4,339</u>	<u>\$ 4,715</u>	<u>\$ 4,856</u>	<u>\$ 5,000</u>	<u>\$ 5,150</u>
<u>1 Bedroom</u>	<u>\$ 4,897</u>	<u>\$ 5,069</u>	<u>\$ 5,220</u>	<u>\$ 5,507</u>	<u>\$ 5,984</u>	<u>\$ 6,164</u>	<u>\$ 6,350</u>	<u>\$ 6,540</u>
<u>2 Bedroom</u>	<u>\$ 6,229</u>	<u>\$ 6,447</u>	<u>\$ 6,640</u>	<u>\$ 7,005</u>	<u>\$ 7,612</u>	<u>\$ 7,840</u>	<u>\$ 8,080</u>	<u>\$ 8,320</u>
<u>2nd Person</u>	<u>\$ 880</u>	<u>\$ 880</u>	<u>\$ 906</u>	<u>\$ 924</u>	<u>\$ 1,004</u>	<u>\$ 1,034</u>	<u>\$ 1,070</u>	<u>\$ 1,100</u>

ATTACHMENT K

FUTURE SERVICE OBLIGATION

* * * * *

Mercy Community Health Management utilized software provided by A.V. Powell & Associates, LLC to perform an actuarial study as of December 31, 2014. Based on an actuarially sound basis, using reasonable assumptions for mortality and morbidity, and projections based upon financial data readily available at this time, we have determined that consistent with past years no future service obligation existed as of December 31, 2014.

Average Age at December 31, 2014:

Total for All Levels: Female 88.9

Male 89.6

THE MCAULEY

PART OF THE MERCY COMMUNITY

STATEMENT OF ACKNOWLEDGEMENT

In accordance with Public Act 98-250, Section 23(a), of the Connecticut General Statutes governing Continuing Care Retirement Communities (CCRCs), the Department of Social Services requires, as of July 1, 1998, that all CCRCs provide a conspicuous statement notifying the prospective resident that:

1. A continuing care contract is a financial investment, which may be at risk.
2. The provider's ability to meet its contractual obligations under such contract depends on its financial performance.
3. The prospective resident is advised to consult with an attorney or other professional experienced in matters relating to investments in continuing care facilities before signing a contract for continuing care.
4. The Department of Social Services does not guarantee the security of such investment.

It is understood and agreed that I have received and have had the opportunity to discuss or share with my legal representative this statement before the execution of a contract to provide continuing care or before the transfer of any money to the provider. Although I have executed this Acknowledgement as of the date set forth below, this Acknowledgement does not obligate me to execute a contract or pay money to the provider.

Signature

Date

Legal Representative (optional)

Date

THE MCAULEY

PART OF THE MERCY COMMUNITY

STATEMENT OF ACKNOWLEDGEMENT

In accordance with Public Act 98-250, Section 23(a), of the Connecticut General Statutes governing Continuing Care Retirement Communities (CCRCs), the Department of Social Services requires, as of July 1, 1998, that all CCRCs provide a conspicuous statement notifying the prospective resident that:

1. A continuing care contract is a financial investment, which may be at risk.
2. The provider's ability to meet its contractual obligations under such contract depends on its financial performance.
3. The prospective resident is advised to consult with an attorney or other professional experienced in matters relating to investments in continuing care facilities before signing a contract for continuing care.
4. The Department of Social Services does not guarantee the security of such investment.

It is understood and agreed that I have received and have had the opportunity to discuss or share with my legal representative this statement before the execution of a contract to provide continuing care or before the transfer of any money to the provider. Although I have executed this Acknowledgement as of the date set forth below, this Acknowledgement does not obligate me to execute a contract or pay money to the provider.

Signature

Date

Legal Representative (optional)

Date