

# THE McAULEY

PART OF THE MERCY COMMUNITY

**McAULEY CENTER, INCORPORATED**

## **DISCLOSURE STATEMENT**

**June 30, 2016**

**(For Fiscal Year Ending June 30, 2016)**

(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.

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**Per subsections of Connecticut General Statutes Sec. 17b-522:**

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McAULEY CENTER, INCORPORATED

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**Part A - Descriptive Disclosures**

**INTRODUCTION**

McAuley Center, Incorporated (hereafter referred to as “The McAuley”), a continuing care retirement community sponsored by the Sisters of Mercy of the Americas, Northeast Regional Community (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 office located at 2021 Albany Avenue, West Hartford, Connecticut.

Mercy Community Health, Inc. has a Board of Directors appointed by Trinity Continuing Care Services. Mercy Community Health was founded in 1997 to integrate the facilities and campus activities of Saint Mary Home, Mercyknoll, Mercy Community HomeCare and The McAuley on its campus in West Hartford.

Mercy Community Health was also a member of Catholic Health East, a holding company founded in 1997. Catholic Health East was a multi-institutional Catholic health system co-sponsored by religious communities to strengthen the role and identity of Catholic health ministry. The organization of Mercy Community Health and Catholic Health East 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.

The former parent organization, Catholic Health East, has merged with and into Trinity Health Corporation, an Indiana not-for-profit corporation, on June 30, 2014. The new entity is known as Trinity Health. Trinity Health is sponsored by Catholic Health Ministries, a Public Juridic Person of the Holy Roman Catholic Church. Trinity Health 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 in 21 states.

The consolidation into Trinity Health represents a significant step forward for our two systems. The entity McAuley Center, Incorporated will remain in existence and its parent corporation will still be Mercy Community Health.

**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 DIRECTORS**

The Officers of the Corporation, McAuley Center, Incorporated, shall consist of the Officers and Directors of Mercy Community Health and include the President, the Secretary and the Treasurer (Attachment A).

The Board of Directors of Mercy Community Health shall be appointed by Trinity Continuing Care Services and consist of at least one representative of Trinity Continuing Care Services, members of the local community or members or associates of a Roman Catholic religious congregation who need not reside in the local community.

**3. BUSINESS EXPERIENCE**

The Board of Directors of Mercy Community Health will have diverse backgrounds which reflect the population demographics of the community served including gender, race and ethnicity. 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**

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 Roman Catholic community of religious Sisters, 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 Sponsor. The site is immediately adjacent to Saint Joseph College and Saint Mary Home, with the land for all three institutions comprising 120 plus acres.

The McAuley contains 206 independent living units consisting of studio, one-bedroom and two-bedroom apartments and 22 assisted living units consisting of studio and one-bedroom and two 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 Directors of Mercy Community Health, who will respond in writing. Termination for medical reasons may be appealed in writing by the resident's 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 is required to maintain a reserve fund under an investment management agreement sufficient to cover: (1) the total cost of operations of The McAuley facility for a one month period, excluding interest, depreciation, and amortization and (2) six months of debt service coverage. This requirement had been met in the past with a separate escrow account of almost \$1,000,000 in conjunction with other required debt reserves. Trinity Health had discharged the separately held loans and mortgages and established intercompany loans for these other loans and mortgages thereby eliminating the separate reserves which had been maintained. As of June 30, 2016, the separately maintained escrow account balance fell short of meeting the required amount. This shortfall has subsequently been funded in the escrow reserve account.

**15. FINANCIAL STATEMENTS**

The former parent organization, Catholic Health East, has merged with and into Trinity Health Corporation, an Indiana not for profit corporation on June 30, 2014. The new entity is known as Trinity Health. Trinity Health 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 in 21 states. The consolidation into Trinity Health represents a significant step forward for our two systems.

The entity McAuley Center, Incorporated will remain in existence and its parent corporation will still be Mercy Community Health. Our organizations have elected a year-end of June 30<sup>th</sup> and our first consolidated audit was for the period ended June 30, 2015. Attachment F includes the audited financial statements, which includes the Balance Sheets, Statements of Operations, Statements of Changes in Net Assets, and Statements of Cash Flows for the periods ended June 30, 2015 and June 30, 2016.

**16. NEW FACILITY OR CONSTRUCTION**

Not Applicable.

**17. PRO FORMA STATEMENTS OF OPERATIONS**

The pro forma statements of operations for The McAuley for the next three (3) fiscal years are contained in Attachment G. Operating projections show a continual increase in net income as occupancy rebounds from the recent census decrease and operating costs are closely monitored.



**18. CURRENT RATE SCHEDULES AND OCCUPANCY**

The current rate schedule of the entrance fees and monthly service fees including ancillary fees not included in the monthly service fee for The McAuley is included as Attachments I-1 through I-6.

**19. ENTRANCE FEES/PERIODIC CHARGES**

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.

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

A schedule of the ancillary services not included in the monthly service fee is included as Attachment I-6.

A schedule of the 2016 Occupancy Rates is included as Attachment I-7.

**20. 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

**21. DISCLOSURE STATEMENT COVER PAGE NOTICE**

The McAuley has included on its front cover of the Disclosure Statement in prominent typeface the period covered by the Disclosure Statement and the required notice:

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.

**22. CONSTRUCTION COMPLETED IN STAGES**

Not Applicable.

**23. ESCROW AGENT SWORN STATEMENT**

The McAuley has provided the sworn statement from Peoples United Bank, as escrow agent, that the required funds have been established and maintained and is included as Attachment L.

**OFFICERS OF McAULEY CENTER, INCORPORATED**  
**as of June 30, 2016**

William J. Fiocchetta, President and CEO  
Sister Maureen Reardon, RSM, Ph.D., Secretary and Treasurer

**BOARD OF TRUSTEES OF MERCY COMMUNITY HEALTH, INCORPORATED**

<b><u>Name</u></b>	<b><u>Title ( Trustee unless otherwise noted)</u></b>
Camille Alvarado, DO	
John Capasso ( <i>Ex-officio</i> )	
Patricia Cook, RSM	
William J. Fiocchetta ( <i>Ex-officio</i> )	
Dalia Giedrimiene, MD	
David Harris	
Patrick J. Johnson, Jr.	(Board Vice-Chair)
Susan Keefe, RSM	
Jean McGinty, RSM	
Barbara Mullen, C.S.J.	
Peter Murphy	
Daniel J. O'Connell	
Luis Perez	
Mark D. Walker	(Board Chair)
Richard L. ZuWallack, M.D.	

**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 60<sup>th</sup> 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 (14<sup>th</sup>) 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 (1<sup>st</sup>) 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 (1<sup>st</sup>) 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.

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** \_\_\_\_\_

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## **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.

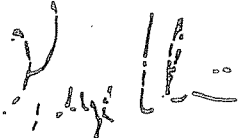
1. The Home agrees to admit McAuley residents for nursing services on a priority basis.
2. Each time that McAuley accepts an application from a prospective resident, McAuley will promptly notify the Home and provide the Home with such information about the resident as the Home may reasonably request.
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

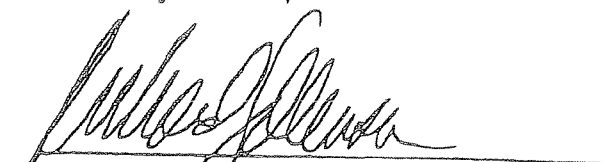
To Escrow Agent:    People's Bank  
                          962 Farmington Avenue  
                          West Hartford, CT 061107-2199  
                          Attn: Renee Vanek

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.

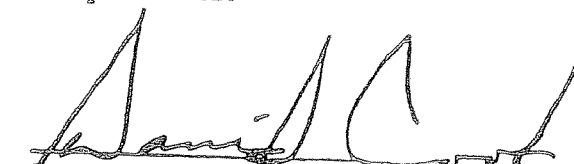
McAuley Center, Inc.



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Richard Johnson  
President and Executive Director

People's Bank



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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

# Trinity Health

Consolidated Financial Statements as of and for the  
Years Ended June 30, 2016 and 2015,  
Supplemental Consolidating Schedules as of and for  
the Year Ended June 30, 2016,  
and Independent Auditors' Reports

# TRINITY HEALTH

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Trinity Health Corporation  
Livonia, Michigan

We have audited the accompanying consolidated financial statements of Trinity Health Corporation and its subsidiaries (the "Corporation"), which comprise the consolidated balance sheets as of June 30, 2016 and 2015, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to 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 audits. We did not audit the consolidated financial statements of Baycare Health System, the Corporation's investment 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 \$2.1 billion and \$1.9 billion as of June 30, 2016, and 2015, respectively, and its equity-method income from Baycare Health System of \$145.0 million and \$168.1 million for the years ended June 30, 2016 and 2015, respectively. The consolidated financial statements of Baycare Health System for the years ended December 31, 2015 and 2014, were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Baycare Health System, is based on the reports 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 reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of June 30, 2016 and 2015, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Deloitte & Touche LLP*

September 21, 2016

# TRINITY HEALTH

## CONSOLIDATED BALANCE SHEETS

JUNE 30, 2016 AND 2015

(In thousands)

ASSETS	2016	2015
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,044,683	\$ 843,210
Investments	3,617,501	3,728,883
Security lending collateral	262,035	266,572
Assets limited or restricted as to use - current portion	314,706	271,567
Patient accounts receivable, net of allowance for doubtful accounts of \$385.2 million and \$349.6 million at June 30, 2016 and 2015, respectively	1,849,736	1,631,417
Estimated receivables from third-party payors	248,179	192,894
Other receivables	336,705	299,667
Inventories	248,092	222,976
Assets held for sale	64,272	189,660
Prepaid expenses and other current assets	212,008	179,966
Total current assets	8,197,917	7,826,812
ASSETS LIMITED OR RESTRICTED AS TO USE - noncurrent portion:		
Held by trustees under bond indenture agreements	4,881	1,622
Self-insurance, benefit plans and other	780,102	738,846
By Board	2,959,641	3,098,445
By donors	409,493	298,332
Total assets limited or restricted as to use - noncurrent portion	4,154,117	4,137,245
PROPERTY AND EQUIPMENT - Net	7,676,734	6,773,283
INVESTMENTS IN UNCONSOLIDATED AFFILIATES	2,681,778	2,370,799
GOODWILL	304,845	293,696
OTHER ASSETS	363,480	373,484
TOTAL ASSETS	\$ 23,378,871	\$ 21,775,319

<b>LIABILITIES AND NET ASSETS</b>	<b>2016</b>	<b>2015</b>
<b>CURRENT LIABILITIES:</b>		
Commercial paper	\$ 145,958	\$ 99,990
Short-term borrowings	1,067,730	1,098,710
Current portion of long-term debt	106,345	106,226
Accounts payable	987,225	759,187
Accrued expenses	374,213	249,718
Salaries, wages and related liabilities	861,757	714,599
Current portion of self-insurance reserves	255,552	215,011
Payable under security lending agreements	262,035	266,572
Liabilities held for sale	67,453	256,088
Estimated payables to third-party payors	374,014	372,076
Total current liabilities	4,502,282	4,138,177
LONG-TERM DEBT - Net of current portion	5,132,377	4,382,456
SELF-INSURANCE RESERVES - Net of current portion	933,362	878,588
ACCRUED PENSION AND RETIREE HEALTH COSTS	1,857,639	971,153
OTHER LONG-TERM LIABILITIES	705,998	609,039
Total liabilities	13,131,658	10,979,413
<b>NET ASSETS:</b>		
Unrestricted net assets	9,576,379	10,274,277
Noncontrolling ownership interest in subsidiaries	186,595	150,994
Total unrestricted net assets	9,762,974	10,425,271
Temporarily restricted net assets	326,651	275,666
Permanently restricted net assets	157,588	94,969
Total net assets	10,247,213	10,795,906
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 23,378,871</b>	<b>\$ 21,775,319</b>

The accompanying notes are an integral part of the consolidated financial statements.



# TRINITY HEALTH

## CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS YEARS ENDED JUNE 30, 2016 AND 2015 (In thousands)

	<u>2016</u>	<u>2015</u>
UNRESTRICTED REVENUE:		
Patient service revenue, net of contractual and other allowances	\$ 14,718,528	\$ 12,843,346
Provision for bad debts	(489,558)	(358,820)
Net patient service revenue less provision for bad debts	14,228,970	12,484,526
Premium and capitation revenue	869,030	790,948
Net assets released from restrictions	36,352	24,476
Other revenue	1,204,695	1,038,200
Total unrestricted revenue	<u>16,339,047</u>	<u>14,338,150</u>
EXPENSES:		
Salaries and wages	7,056,453	6,093,539
Employee benefits	1,457,253	1,211,902
Contract labor	205,916	117,471
Total labor expenses	<u>8,719,622</u>	<u>7,422,912</u>
Supplies	2,676,637	2,293,317
Purchased services	1,889,460	1,601,894
Depreciation and amortization	835,213	740,321
Occupancy	698,198	592,182
Medical claims	414,648	362,848
Interest	195,829	163,060
Other	758,103	691,576
Total expenses	<u>16,187,710</u>	<u>13,868,110</u>
OPERATING INCOME BEFORE OTHER ITEMS	151,337	470,040
Premium revenue adjustment	(65,335)	-
Asset impairment charges	(39,623)	(23,402)
Pension curtailment gain	-	11,054
OPERATING INCOME	<u>46,379</u>	<u>457,692</u>
NONOPERATING ITEMS:		
Investment (losses) earnings	(199,326)	106,553
Equity in earnings of unconsolidated affiliates	162,075	182,907
Change in market value and cash payments of interest rate swaps	(94,783)	(10,223)
Loss from early extinguishment of debt	(43,056)	(96,924)
Gain on controlling interest related to acquisition of Siouxland Surgery Center, LLP ("Siouxland")	-	40,317
Inherent contributions related to acquisitions	133,355	-
Inherent contributions related to acquisitions - unconsolidated organizations	87,170	-
Other, including income taxes	(2,011)	(8,692)
Total nonoperating items	<u>43,424</u>	<u>213,938</u>
EXCESS OF REVENUE OVER EXPENSES	89,803	671,630
EXCESS OF REVENUE OVER EXPENSES ATTRIBUTABLE TO NONCONTROLLING INTEREST	(48,460)	(34,836)
EXCESS OF REVENUE OVER EXPENSES, net of noncontrolling interest	<u>\$ 41,343</u>	<u>\$ 636,794</u>

	<u>2016</u>	<u>2015</u>
<b>UNRESTRICTED NET ASSETS:</b>		
Unrestricted net asset attributable to Trinity Health:		
Excess of revenue over expenses	\$ 41,343	\$ 636,794
Net assets released from restrictions for capital acquisitions	28,031	49,080
Net change in retirement plan related items - consolidated organizations	(838,812)	(440,493)
Net change in retirement plan related items - unconsolidated organizations	8,544	(40,463)
Other	12,396	(256)
(Decrease) increase in unrestricted net assets before discontinued operations	<u>(748,498)</u>	<u>204,662</u>
Discontinued operations:		
Loss from operations	(56,165)	(47,638)
Gain (loss) on disposals and settlement of debt	106,765	(7,750)
(Decrease) increase in unrestricted net assets attributable to Trinity Health	<u>(697,898)</u>	<u>149,274</u>
Unrestricted net asset attributable to noncontrolling interests:		
Excess of revenue over expenses attributable to noncontrolling interests	48,460	34,836
Noncontrolling interest related to acquisitions	29,272	99,008
Dividends	(42,133)	(21,048)
Other	(45)	(135)
Increase in unrestricted net assets attributable to noncontrolling interest before discontinued operations	<u>35,554</u>	<u>112,661</u>
Discontinued operations attributable to noncontrolling interests:		
Income from operations	47	243
Increase in unrestricted net assets attributable to noncontrolling interest	<u>35,601</u>	<u>112,904</u>
<b>TEMPORARILY RESTRICTED NET ASSETS:</b>		
Contributions	84,422	60,249
Net investment (loss) gain	(9,165)	2,072
Net assets released from restrictions	(64,383)	(73,556)
Acquisitions	38,669	-
Other	1,442	(6,405)
Increase (decrease) in temporarily restricted net assets	<u>50,985</u>	<u>(17,640)</u>
<b>PERMANENTLY RESTRICTED NET ASSETS:</b>		
Contributions for endowment funds	3,763	3,215
Net investment gain	1,361	1,665
Acquisitions	56,411	-
Other	1,084	3,026
Increase in permanently restricted net assets	<u>62,619</u>	<u>7,906</u>
(DECREASE) INCREASE IN NET ASSETS	(548,693)	252,444
NET ASSETS - BEGINNING OF YEAR	<u>10,795,906</u>	<u>10,543,462</u>
NET ASSETS - END OF YEAR	<u>\$ 10,247,213</u>	<u>\$ 10,795,906</u>

The accompanying notes are an integral part of the consolidated financial statements.

# TRINITY HEALTH

## CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2016 AND 2015

(In thousands)

	<u>2016</u>	<u>2015</u>
OPERATING ACTIVITIES:		
(Decrease) increase in net assets	\$ (548,693)	\$ 252,444
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	835,213	740,321
Provision for bad debts	489,558	358,820
Asset impairment charges	39,623	23,402
Inherent contributions in acquisitions	(133,355)	-
Inherent contributions in acquisitions - unconsolidated organizations	(87,170)	-
Gain on acquisition of a controlling interest in Siouxland	-	(40,317)
Loss on extinguishment of debt	43,056	96,924
Change in net unrealized and realized gains on investments	267,459	(65,367)
Change in market values of interest rate swaps	72,950	(6,838)
Undistributed equity in earnings of unconsolidated affiliates	(184,225)	(154,177)
Deferred retirement items - consolidated organizations	838,812	440,493
Deferred retirement items - unconsolidated organizations	(8,544)	40,463
Noncash items including net (gains) losses on disposal - discontinued operations	(88,595)	50,546
Increase in noncontrolling interest related to acquisitions	(29,272)	(99,008)
Restricted contributions and investment income received	(22,148)	(29,372)
Restricted net assets acquired	(95,080)	-
Other adjustments	(3,282)	3,371
Changes in:		
Patient accounts receivable	(525,800)	(510,294)
Other assets	2,430	(116,596)
Accounts payable and accrued expenses	199,364	83,043
Estimated receivables from third-party payors	(46,375)	(37,367)
Estimated payables to third-party payors	10,809	48,530
Self-insurance reserves and other liabilities	(5,107)	14,894
Accrued pension and retiree health costs	(159,797)	(189,317)
Net cash provided by (used) in operating activities of discontinued operations	15,142	(21,121)
Total adjustments	<u>1,425,666</u>	<u>631,033</u>
Net cash provided by operating activities	<u>876,973</u>	<u>883,477</u>

	<u>2016</u>	<u>2015</u>
INVESTING ACTIVITIES:		
Purchases of investments	(3,373,316)	(15,035,339)
Proceeds from sales of investments	3,471,276	14,397,910
Purchases of property and equipment	(977,362)	(920,597)
Proceeds from disposal of property and equipment	19,784	4,607
Net cash acquired from (used in) acquisitions	100,807	(17,583)
Proceeds from the sale of divestitures	37,487	51,692
Change in investments in unconsolidated affiliates	(9,659)	5,261
Loans made to affiliates, net of repayments	(34,100)	-
Decrease in assets limited as to use	6,766	9,109
Net cash provided by (used in) investing activities of discontinued operations	1,311	(537)
Net cash used in investing activities	<u>(757,006)</u>	<u>(1,505,477)</u>
FINANCING ACTIVITIES:		
Proceeds from issuance of debt	982,400	1,504,384
Repayments of debt	(924,445)	(819,672)
Net change in commercial paper	45,968	(139,971)
Increase in financing costs and other	(45,136)	(5,085)
Proceeds from restricted contributions and restricted investment income	22,148	29,372
Net cash provided by (used in) financing activities of discontinued operations	571	(4,097)
Net cash provided by financing activities	<u>81,506</u>	<u>564,931</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	201,473	(57,069)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>843,210</u>	<u>900,279</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,044,683</u>	<u>\$ 843,210</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest (net of amounts capitalized)	\$ 198,809	\$ 165,386
New capital lease obligations for buildings and equipment	4,459	6,098
Accruals for purchases of property and equipment and other long-term assets	157,984	112,598
Unsettled investment trades, purchases	135,619	71,745
Unsettled investment trades, sales	74,631	76,676
(Increase) in security lending collateral	(4,537)	(78,689)
Increase in payable under security lending agreements	4,537	78,689

The accompanying notes are an integral part of the consolidated financial statements.

# TRINITY HEALTH

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

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### 1. ORGANIZATION AND MISSION

Trinity Health Corporation and its subsidiaries (“Trinity Health” or the “Corporation”), an Indiana nonprofit corporation headquartered in Livonia, Michigan, controls one of the largest health care systems in the United States. It is the result of the consolidation of Catholic health systems over the last 16 years.

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 21 states. The operations are organized into Regional Health Ministries, National Health Ministries, and Mission Health Ministries (“Health Ministries”). The mission statement for the Corporation is as follows:

*We, Trinity Health, 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 co-pays 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*, 2015 Edition.

The quantifiable costs of the Corporation's community benefit ministry for the years ended June 30 are as follows (in thousands):

	<u>2016</u>	<u>2015</u>
<b>Ministry for the poor and underserved:</b>		
Charity care at cost	\$ 187,310	\$ 190,723
Unpaid cost of Medicaid and other public programs	446,393	380,673
Programs for the poor and the underserved:		
Community health services	30,200	27,596
Subsidized health services	47,948	48,767
Financial contributions	16,493	12,409
Community building activities	1,480	1,886
Community benefit operations	4,380	2,827
Total programs for the poor and underserved	<u>100,501</u>	<u>93,485</u>
Ministry for the poor and underserved	<u>734,204</u>	<u>664,881</u>
 <b>Ministry for the broader community:</b>		
Community health services	15,396	12,928
Health professions education	132,845	101,048
Subsidized health services	46,398	42,040
Research	3,321	3,672
Financial contributions	29,404	29,403
Community building activities	1,764	1,615
Community benefit operations	3,983	3,199
Ministry for the broader community	<u>233,111</u>	<u>193,905</u>
Community benefit ministry	<u>\$ 967,315</u>	<u>\$ 858,786</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 years ended June 30, 2016 and 2015, the Corporation reported bad debt at cost (determined using a cost-to-charge ratio applied to the provision for bad debts) of \$157.2 million and \$116.4 million, respectively.

**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 health care 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 carried out to improve community health and well-being, for which no patient bill exists. These services are not expected to be financially self-supporting. 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, which is generalizable and shared with the public.

**Financial contributions** are made by the Corporation on behalf of the poor and underserved to community agencies and restricted to support community benefit activities. These amounts include special system-wide funds used to improve community health and well-being 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 programs that address the root causes of health problems and focus on policy, systems and environmental changes. Examples include the costs of programs that improve the physical environment, promote economic development, enhance other community support systems, advocacy for community health improvement, 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 equity share of income or losses from investments in unconsolidated affiliates is recorded in other revenue if the unconsolidated affiliate is operational and projected to make routine and regular cash distributions; otherwise, the equity share of income or losses from investments in unconsolidated affiliates is recorded in nonoperating items in the consolidated statements of operations and changes in net assets. All material intercompany transactions and account balances have been eliminated in consolidation.

The consolidated financial statements for the years ended June 30, 2016 and 2015, present the operations of Mercy Suburban Hospital and East Norriton Physician Services (“Mercy Suburban”), St. Joseph Mercy Port Huron (“Port Huron”), and Saint Michael’s Medical Center (“St. Michael’s”) as discontinued operations. Saint James Mercy Hospital (“SMJH”), Hornell, New York, and Mercy Health Partners, North (“North”), located in Cadillac, Michigan, and Grayling, Michigan were divested in fiscal year 2015 and the operations of these entities are reflected as discontinued operations for the fiscal year ended June 30, 2015. The consolidated statements of cash flows include impacts of cash flows related to these entities. Notes to these consolidated financial statements exclude these entities.

**Use of Estimates** – The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) 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; premium revenue; 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 statements 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, unrealized gains and losses, and equity earnings. Investment earnings on assets held by trustees under bond indenture agreements, assets designated by the Corporation’s board of directors (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 statements 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 in the consolidated balance sheets 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 sheets and is up to 105% of the market value of securities loaned. As of June 30, 2016 and 2015, the Corporation had securities loaned of \$272.6 million and \$280.1 million, respectively, and received collateral (cash and noncash) totaling \$277.7 million and \$286.4 million, respectively, relating to the securities loaned. The fees received for these transactions are recorded in investment income in the consolidated statements of operations and changes in net assets. In addition, certain pension plans participate in securities lending programs with the Northern Trust Company, the plans’ agent.

**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 statements 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 statements 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 assets as assets held for sale in the consolidated balance sheets 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 two 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 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 assets.

***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.

The following table provides information on changes in the carrying amount of goodwill, which is included in the accompanying consolidated financial statements of the Corporation as of June 30 (in thousands):

	<u>2016</u>	<u>2015</u>
As of July 1:		
Goodwill	\$ 303,921	\$ 161,651
Accumulated impairment loss	<u>(10,225)</u>	<u>(7,878)</u>
Total	293,696	153,773
Goodwill acquired during the year	11,149	142,270
Impairment loss	<u>-</u>	<u>(2,347)</u>
Total	<u>\$ 304,845</u>	<u>\$ 293,696</u>
As of June 30:		
Goodwill	\$ 315,070	\$ 303,921
Accumulated impairment loss	<u>(10,225)</u>	<u>(10,225)</u>
Total	<u>\$ 304,845</u>	<u>\$ 293,696</u>

**Other Assets** – Other assets includes long-term notes receivable, reinsurance recovery receivables, definite and indefinite-lived intangible assets other than goodwill, prepaid pension and retiree health costs. The net balances of definite-lived intangible assets include noncompete agreements, physician guarantees and other definite-lived intangible assets with finite lives amortized using the straight-line method over their estimated useful lives, which generally range from two to 10 years. 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 Health Ministries 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 Health Ministries 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 the Health Ministries 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 Health Ministries 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 sheets.

Certain of the Corporation’s Health Ministries 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 Health Ministries 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 Health Ministry is obligated to provide services to health plan enrollees under capitation contracts. Capitation receivables are included in other receivables in the consolidated balance sheets.

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 sheets. 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 statements of operations and changes in net assets.

***Excess of Revenue Over Expenses*** – The consolidated statements 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 June 30, 2016, the Corporation adopted Accounting Standards Update ("ASU") No. 2015-03, "*Simplifying the Presentation of Debt Issuance Costs.*" This guidance requires debt issuance costs to be presented as a direct deduction from the related debt rather than as an asset. The adoption of this guidance resulted in a \$32.6 million reduction to total assets and total liabilities as previously reported in the June 30, 2015 consolidated balance sheet as retrospective application is required. As of June 30, 2016, \$34.8 million of debt issuance costs are included in long-term debt.

On July 1, 2015, the Corporation adopted ASU No. 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 additional disclosures about discontinued operations as well as disposal transactions that do not meet the discontinued operations criteria on a prospective basis. The adoption of this guidance had no impact on the Corporation's consolidated financial statements.

### ***Forthcoming Accounting Pronouncements –***

In August 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-15, "*Classification of Certain Cash Receipts and Cash Payments.*" This guidance adds or clarifies guidance on the classification of certain cash receipts and payments in the consolidated statements of cash flows. This guidance is effective for the Corporation beginning July 1, 2019. The Corporation is still evaluating the impact this guidance may have on its consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-14, "*Presentation of Financial Statements of Not-For-Profit Entities.*" This guidance simplifies and improves how not-for-profit entities classify net assets as well as the information presented in financial statements and notes about liquidity, financial performance and cash flows. This guidance is effective for the Corporation beginning July 1, 2018. The Corporation is still evaluating the impact this guidance may have on its consolidated financial statements.

In May 2016, the FASB issued ASU No. 2016-12, "*Revenue From Contracts with Customers: Narrow-Scope Improvements and Practical Expedients,*" which amends certain aspects of the FASB's revenue standard ASU 2014-09, "*Revenue From Contracts with Customers*". In March 2016, the FASB issued ASU No. 2016-08, "*Revenue From Contracts With Customers: Principal Versus Agent Considerations (Reporting Revenue Gross Versus Net).*" This guidance amends the principal versus agent implementation guidance and illustrations in the FASB's revenue standard, ASU No. 2014-09. In July 2015, the FASB issued ASU No. 2015-14, "*Revenue From Contracts With Customers (Topic 606): Deferral of the Effective Date,*" which defers the effective date of the FASB's revenue standard, ASU 2014-09, by one year for all entities and permits early adoption on a limited basis. In May 2014, the FASB issued ASU No. 2014-09. This guidance outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. After the deferral of the effective date, this guidance is effective for the Corporation beginning July 1, 2018. The Corporation is still evaluating the impact this guidance may have on its consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-07, "*Investments – Equity Method and Joint Ventures: Simplifying the Transition to the Equity Method of Accounting.*" This guidance eliminates the requirement to retrospectively apply the equity method to an investment that subsequently qualifies for such accounting as a result of an increase in the level of ownership interest or degree of influence. This guidance is effective for the Corporation beginning July 1, 2016. The Corporation does not expect this guidance to have a material impact on its consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-06, "*Derivatives & Hedging: Contingent Put & Call Options in Debt Instruments.*" This guidance clarifies that in assessing whether an embedded contingent put or call option is clearly and closely related to the debt host, an entity is required to perform only the four-step sequence in Accounting Standards Codification 815-15-25-42. This guidance is effective for the Corporation beginning July 1, 2018. The Corporation is still evaluating the impact this guidance may have on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, "*Leases.*" This guidance introduces a lessee model that brings substantially all leases on the consolidated balance sheet. This guidance is effective for the Corporation beginning July 1, 2019. Retrospective application is required. The Corporation is still evaluating the impact this guidance may have on its consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, "*Recognition and Measurement of Financial Assets and Financial Liabilities.*" This guidance revises accounting related to (1) the classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. It also amends certain disclosure requirements associated with the fair value of financial instruments. This guidance is effective for the Corporation beginning July 1, 2019. The Corporation is still evaluating the impact this guidance may have on its consolidated financial statements.

In September 2015, the FASB issued ASU No. 2015-16, "*Simplifying the Accounting for Measurement-Period Adjustments.*" This guidance requires an acquirer in a business combination to recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The effect on earnings of changes in depreciation or amortization, or other income effects (if any) as a result of change to the provisional amounts, calculated as if the accounting had been completed as of the acquisition date, must be recorded in the reporting period in which the adjustment amounts are determined rather than retrospectively. Also, the acquirer must present separately on the face of the income statement, or disclose in the notes, the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. This guidance is effective for the Corporation beginning July 1, 2017. The Corporation does not expect this guidance to have a material impact on its consolidated financial statements.

In July 2015, the FASB issued ASU No. 2015-11, "*Simplifying the Measurement of Inventory.*" This guidance requires entities to measure most inventories at the lower of cost or net realizable value. This guidance is effective for the Corporation beginning July 1, 2017. The Corporation does not expect this guidance to have a material impact on its consolidated financial statements.

In May 2015, the FASB issued ASU No. 2015-09, "*Disclosures About Short-Duration Contracts.*" This guidance expands the disclosures that an insurance entity must provide about its short-duration insurance contracts. This guidance is effective for the Corporation beginning July 1, 2017. The Corporation does not expect this guidance to have a material impact on its consolidated financial statements.

In February 2015, the FASB issued ASU No. 2015-02, "*Amendments to the Consolidation Analysis.*" This guidance significantly changes the consolidation analysis required under GAAP. This guidance is effective for the Corporation beginning July 1, 2017. The Corporation does not expect this guidance to have a material impact on its consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, "*Disclosure of Uncertainties About an Entity's Ability to Continue as a Going Concern,*" which provides guidance on determining when and how reporting entities must disclose going-concern uncertainties in their financial statements. This guidance is effective for the Corporation beginning July 1, 2017. The Corporation does not expect this guidance to have an impact on its consolidated financial statements.

### 3. INVESTMENTS IN UNCONSOLIDATED AFFILIATES, BUSINESS ACQUISITIONS, DIVESTITURES, AND DISCONTINUED OPERATIONS

**Investments in Unconsolidated Affiliates** – The Corporation and certain of its Health Ministries have investments in entities that are recorded under the cost and equity methods of accounting. As of June 30, 2016 and 2015, the Corporation maintained investments in unconsolidated affiliates with ownership interests ranging from 0.4% to 51% and 3% to 51%, respectively. The Corporation’s share of equity earnings from entities accounted for under the equity method was \$213.9 million and \$179.8 million for the years ended June 30, 2016 and 2015, respectively, of which \$51.8 million and \$(3.1) million, respectively, is included in other revenue and \$162.1 million and \$182.9 million, respectively, is included in nonoperating items in the consolidated statements 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 and 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 21 voting members of the board of directors of BayCare; therefore, the Corporation accounts for BayCare under the equity method of accounting. As of June 30, 2016 and 2015, the Corporation’s investment in BayCare totaled \$2,079 million and \$1,934.2 million, respectively.

**Gateway Health Plan** – The Corporation has a 50% 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 (a wholly owned subsidiary of the Corporation), each owning 1%. In addition to the general partners, there are two limited partners, Highmark Inc. and Mercy Health Plan, each owning 49%. As of June 30, 2016 and 2015, the Corporation’s investment in GHP totaled \$147.6 million and \$135.7 million, respectively.

**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 health care 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. The Corporation, 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. As of June 30, 2016 and 2015, the Corporation’s investment in CHS totaled \$73.3 million and \$51.7 million, respectively.

**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. As of June 30, 2016 and 2015, the Corporation’s investment in EH/SJHS totaled \$82.3 million and \$72.5 million, respectively.

**Mercy Health Network** – The Corporation has a 50% interest in Mercy Health Network (“MHN”), a nonstock basis membership corporation with Catholic Health Initiatives (“CHI”) holding the remaining 50% interest. Effective March 1, 2016, the Corporation and CHI amended and restated their existing MHN joint operating agreement (“JOA”) that governs certain of their legacy operations in Iowa to strengthen MHN’s management responsibilities over the Iowa Operations, to jointly acquire health care operations in Iowa and contiguous markets, and to provide for greater financial, governance, and clinical integration. The JOA provides for the Corporation and CHI to maintain ownership of their respective assets in Iowa while agreeing to operate the Corporations Iowa hospitals in collaboration with CHI’s Mercy Hospital Medical Center, Des Moines, Iowa, as one organization with common governance and

management. MHN has developed a regional health care network that provides for a collaborative effort in the areas of community health care development, enhanced access to health services for the poor and sharing of other common goals. Under the JOA, the Corporation and CHI equally share adjusted operating cash flow from Iowa operations commencing in July 2016.

On May 1, 2016, MHN became the sole member of Wheaton Franciscan Services, Inc. (“WFSI”). WFSI operates three hospitals in Iowa located in Waterloo (Covenant Medical Center), Cedar Falls (Sartori Memorial Hospital) and Oelwein (Mercy Hospital of Franciscan Sisters). WFSI will be consolidated into MHN’s financial statements. As a result of this transaction, MHN recognized an inherent contribution in their consolidated statements of operations and changes in net assets, of which, the Corporation’s share is \$87.2 million. As of June 30, 2016, the Corporation’s investment in MHN totaled \$91.0 million.

Condensed consolidated balance sheets of BayCare, GHP, CHS, EH/SJHS and MHN as of June 30 are as follows (in thousands):

	<b>2016</b>				
	<b>Baycare</b>	<b>GHP</b>	<b>CHS</b>	<b>EH/SJHS</b>	<b>MHN</b>
Total assets	\$ 6,378,411	\$ 984,457	\$ 1,105,078	\$ 452,892	\$ 240,151
Total liabilities	\$ 2,068,541	\$ 689,217	\$ 884,839	\$ 283,450	\$ 53,768
	<b>2015</b>				
	<b>Baycare</b>	<b>GHP</b>	<b>CHS</b>	<b>EH/SJHS</b>	<b>MHN</b>
Total assets	\$ 5,810,907	\$ 832,004	\$ 1,084,263	\$ 448,082	\$ 14,502
Total liabilities	\$ 1,781,550	\$ 560,609	\$ 923,740	\$ 292,955	\$ 4,115

Condensed consolidated statements of operations of BayCare, GHP, CHS, EH/SJHS and MHN for the years ended June 30 are as follows (in thousands):

	<b>2016</b>				
	<b>Baycare</b>	<b>GHP</b>	<b>CHS</b>	<b>EH/SJHS</b>	<b>MHN</b>
Revenue, net	\$ 3,236,962	\$ 2,347,557	\$ 1,076,954	\$ 506,107	\$ 71,664
Excess of revenue over expenses	\$ 287,766	\$ 32,497	\$ 29,131	\$ 18,846	\$ 176,908
	<b>2015</b>				
	<b>Baycare</b>	<b>GHP</b>	<b>CHS</b>	<b>EH/SJHS</b>	<b>MHN</b>
Revenue, net	\$ 2,898,550	\$ 2,005,540	\$ 977,555	\$ 478,177	\$ 14,726
Excess (deficiency) of revenue over expenses	\$ 336,011	\$ (76,960)	\$ 30,833	\$ 1,165	\$ 28

The following amounts have been recognized in the accompanying consolidated statements of operations and changes in net assets related to the investments in BayCare, GHP, CHS, EH/SJHS and MHN for the years ended June 30 (in thousands):

	<b>2016</b>				
	<b>Baycare</b>	<b>GHP</b>	<b>CHS</b>	<b>EH/SJHS</b>	<b>MHN</b>
Other revenue	\$ -	\$ 16,695	\$ -	\$ -	\$ 1,200
Equity in earnings of unconsolidated organizations	145,034	-	9,701	9,511	-
Inherent contribution	-	-	-	-	87,170
Other changes in unrestricted net assets	(391)	7,505	11,558	51	2,649
<b>Total</b>	<b>\$ 144,643</b>	<b>\$ 24,200</b>	<b>\$ 21,259</b>	<b>\$ 9,562</b>	<b>\$ 91,019</b>

	<b>2015</b>				
	<b>Baycare</b>	<b>GHP</b>	<b>CHS</b>	<b>EH/SJHS</b>	<b>MHN</b>
Other revenue	\$ -	\$ (38,480)	\$ -	\$ -	\$ -
Equity in earnings of unconsolidated organizations	172,361	-	9,635	377	-
Other changes in unrestricted net assets	(9,654)	(8,492)	(25,982)	36,130	-
<b>Total</b>	<b>\$ 162,707</b>	<b>\$ (46,972)</b>	<b>\$ (16,347)</b>	<b>\$ 36,507</b>	<b>\$ -</b>

The unaudited summarized financial position and results of operations for the entities accounted for under the equity method excluding BayCare, GHP, CHS, EH/SJHS and MHN as of and for the years ended June 30 are as follows (in thousands):

	<b>2016</b>					
	<b>Medical Office Buildings</b>	<b>Outpatient and Diagnostic Services</b>	<b>Ambulatory Surgery Centers</b>	<b>Physician Hospital Organizations</b>	<b>Other Investees</b>	<b>Total</b>
Total assets	\$ 87,351	\$ 174,519	\$ 60,695	\$ 14,454	\$ 521,628	\$ 858,647
Total liabilities	\$ 63,605	\$ 78,936	\$ 22,640	\$ 12,482	\$ 228,791	\$ 406,454
Net assets	\$ 23,746	\$ 95,583	\$ 38,055	\$ 1,972	\$ 292,838	\$ 452,194
Revenue, net	\$ 17,943	\$ 246,410	\$ 91,053	\$ 20,938	\$ 1,288,857	\$ 1,665,201
Excess (deficiency) of revenue over expenses	\$ 7,036	\$ 24,449	\$ 25,702	\$ (1,987)	\$ 7,015	\$ 62,215

	<b>2015</b>					
	<b>Medical Office Buildings</b>	<b>Outpatient and Diagnostic Services</b>	<b>Ambulatory Surgery Centers</b>	<b>Physician Hospital Organizations</b>	<b>Other Investees</b>	<b>Total</b>
Total assets	\$ 88,670	\$ 145,832	\$ 41,681	\$ 33,589	\$ 492,431	\$ 802,203
Total liabilities	\$ 68,634	\$ 56,137	\$ 22,633	\$ 27,053	\$ 234,938	\$ 409,395
Net assets	\$ 20,036	\$ 89,694	\$ 19,047	\$ 6,537	\$ 257,493	\$ 392,807
Revenue, net	\$ 17,956	\$ 179,947	\$ 77,285	\$ 39,119	\$ 1,149,781	\$ 1,464,088
Excess (deficiency) of revenue over expenses	\$ 4,120	\$ 23,850	\$ 21,480	\$ (455)	\$ 39,008	\$ 88,003



### *Acquisitions:*

***Saint Francis Care (“SFC”)*** – On October 1, 2015, the Corporation became the sole corporate member of SFC, a Connecticut non-stock corporation. On November 17, 2015, Saint Francis Care, Inc. changed its name to Trinity Health-New England, Inc. SFC is the sole member of Saint Francis Hospital and Medical Center (“SFHMC”), a Connecticut nonstock corporation that operates a hospital in Hartford, Connecticut, and is also the sole member of Mount Sinai Rehabilitation Hospital, a Connecticut nonstock corporation, that operates a rehabilitation facility. As a result, the Corporation recognized an inherent contribution of \$70.9 million in the consolidated statements of operations and changes in net assets. The Corporation is still in the process of assessing the economic characteristics of certain assets acquired and liabilities assumed. The Corporation expects to substantially complete this assessment during the period ended September 30, 2016, and may adjust the amounts recorded as of October 1, 2015, to reflect revised evaluations. Summarized consolidated balance sheet information for SFC at October 1, 2015, is shown below (in thousands):

Cash, cash equivalents, and investments	\$ 135,568	Current portion of long-term debt	\$ 7,298
Patient accounts receivable, net	75,415	Accounts payable and accrued expenses	98,922
Other receivables	10,159	Other current liabilities	17,381
Inventories	9,701	Long-term debt	244,154
Other current assets	16,418	Accrued pension and retiree health costs	197,562
Property and equipment	411,067	Other long-term liabilities	106,717
Assets limited or restricted as to use -		Total liabilities acquired	<u>672,034</u>
noncurrent portion	145,992		
Other assets	18,069	Unrestricted net assets	70,996
Total assets acquired	<u>\$ 822,389</u>	Temporarily restricted net assets	26,180
		Permanently restricted net assets	53,179
		Total net assets	<u>\$ 150,355</u>

As part of the transaction, an investment of \$275 million in capital has been committed over a five-year period by the Corporation. As disclosed in Note 6, the transaction included the extinguishment of bonds. In addition, as disclosed in Note 11, on October 1, 2015, the Corporation novated an interest rate swap from SFC that increased other long-term liabilities in the consolidated balance sheets by \$44.0 million.

For the year ended June 30, 2016, SFC reported revenue of \$727.9 million and excess of revenue over expenses of \$2.4 million in the consolidated statements of operations. These amounts represent nine months of SFC activity since being acquired by the Corporation and are inclusive of six months of Johnson Memorial Medical Center, Inc. activity as noted below.

***Johnson Memorial Medical Center, Inc. (“Johnson”)*** – On January 1, 2016, SFC acquired the assets of Johnson, a non-profit, non-stock holding company located in Stafford Springs, Connecticut. Johnson, through its subsidiaries, provides health care services throughout the Hartford and Tolland Connecticut counties. For the six-month period ended June 30, 2016, Johnson reported revenue of \$32.2 million and deficiency of revenue over expenses of \$3.3 million in the consolidated statements of operations. As a result of the acquisition, the Corporation recognized an inherent contribution of \$4.0 million in the consolidated statements of operations and changes in net assets. The Corporation is still in the process of assessing the economic characteristics of certain assets acquired and liabilities assumed. The Corporation expects to substantially complete this assessment during the period ending December 31, 2016, and may adjust the amounts recorded as of January 1, 2016, to reflect revised evaluations.

Summarized consolidated balance sheet information for Johnson at January 1, 2016, is shown below (in thousands):

Patient accounts receivable, net	\$ 9,330	Current portion of long-term debt	\$ 801
Other receivables	777	Accounts payable and accrued expenses	11,765
Inventories	1,577	Other current liabilities	2,682
Other current assets	1,585	Long-term debt	22,749
Property and equipment	25,908	Other long-term liabilities	141
Other assets	3,472	Total liabilities acquired	<u>38,138</u>
Total assets acquired	<u>\$ 42,649</u>		
		Unrestricted net assets	3,971
		Temporarily restricted net assets	540
		Total net assets	<u>\$ 4,511</u>

***Saint Joseph's Hospital Health Center ("SJHHC")*** – On July 1, 2015, the Corporation became the sole corporate member of SJHHC, a regional health care system located in Syracuse, New York, as part of a member substitution. As a result, the Corporation recognized an inherent contribution of \$58.3 million in the consolidated statement of operations and changes in net assets. Summarized consolidated balance sheet information for SJHHC at July 1, 2015, is shown below (in thousands):

Cash, cash equivalents, and investments	\$ 104,827	Current portion of long-term debt	\$ 20,723
Patient accounts receivable, net	98,584	Accounts payable and accrued expenses	113,513
Assets limited or restricted as to use, current portion	16,057	Long-term debt	321,459
Other current assets	25,684	Accrued pension and retiree health costs	19,176
Property and equipment	316,294	Other long-term liabilities	40,074
Assets limited or restricted as to use, noncurrent portion	34,759	Total liabilities acquired	<u>514,945</u>
Other assets	23,003	Unrestricted net assets	60,460
Total assets acquired	<u>\$ 619,208</u>	Unrestricted noncontrolling interest	28,623
		Total unrestricted net assets	89,083
		Temporarily restricted net assets	11,948
		Permanently restricted net assets	3,232
		Total net assets	<u>\$ 104,263</u>

As part of the transaction, an investment of \$60 million in capital has been committed over a four-year period by the Corporation. This amount may be increased to \$90 million if certain operating thresholds are met. As disclosed in Note 6, the transaction included the extinguishment of bonds. For the year ended June 30, 2016, SJHHC reported revenue of \$663.8 million and deficiency of revenue over expenses of \$13.1 million in the consolidated statements of operations.

**Consolidation of Siouxland Surgery Center, LLP (“Siouxland”)** – Effective July 1, 2014, a 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 venture. Mercy/USP then entered into a securities purchase agreement with SSC Physician Investors, LLC (“Physician Investors”), whereby Mercy contributed 30.9% of their preexisting 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 on its preexisting ownership interest in nonoperating items in the consolidated statements of operations and changes in net assets in July 2014 and recognized goodwill of \$136.3 million in the consolidated balance sheets. Siouxland operates a surgical specialty hospital and medical facility in Dakota Dunes, South Dakota.

Summarized consolidated opening balance sheet information for Mercy/USP is shown below and includes the acquisition of \$13.2 million of long-term debt, including the current portion (in thousands):

Cash	\$ 1,778	Current portion of long-term debt	\$ 1,031
Patient accounts receivable	9,949	Accounts payable and accrued expenses	7,180
Other current assets	3,301	Salary, wages, and related liabilities	2,154
Property and equipment	24,313	Long-term debt, net of current portion	<u>12,154</u>
Goodwill	136,251	Total liabilities acquired	<u>\$ 22,519</u>
Other assets	<u>318</u>		
Total assets acquired	<u>\$ 175,910</u>	Unrestricted net assets	\$ 54,383
		Unrestricted noncontrolling interest	<u>99,008</u>
		Total net assets	<u>\$ 153,391</u>

The operating results for Siouxland for the years ended June 30, 2016 and 2015, include revenue of \$82.0 million and \$74.0 million and excess of revenue over expenses, prior to the adjustment for noncontrolling interest, of \$36.8 million and \$29.2 million, respectively.

**Divestitures:**

The consolidated financial statements for all periods present the operations of the following entities as discontinued operations as the transactions were in process prior to the adoption of ASU No. 2014-8 “Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity”.

**Saint Michael’s Medical Center (“St. Michael’s”)** – On August 10, 2015, St. Michael’s and certain of its affiliates voluntarily filed for reorganization under Chapter 11 of the Bankruptcy Code. Pursuant to the provisions of the Bankruptcy Code, the transaction with Prime Healthcare Services (“Prime”) was subject to an “auction sale” process. By order of November 12, 2015, the Bankruptcy Court approved Prime as the successful bidder for the hospital resulting in a first amended and restated asset purchase agreement between the parties. Effective May 1, 2016, the Corporation sold substantially all of the health care operations and assets of St. Michael’s to Prime, a hospital system based in Ontario, California, and recorded a loss on disposal of \$35.7 million in discontinued operations in the consolidated statements of operations and changes in net assets. The Corporation has provided a debtor-in-possession revolving loan facility to St. Michael’s of up to \$15 million with availability restricted to achievement of certain milestones in the bankruptcy process. St. Michael’s continues to operate their remaining businesses as debtor in possession under the jurisdiction of the Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Court. St. Michael’s prepetition liabilities retained by the Corporation remain subject to settlement under the Bankruptcy Code.

As part of a court order to settle St. Michael’s outstanding debt and accrued interest, the Corporation paid \$55.8 million in July 2016 to settle \$233.4 million of St. Michael’s debt, resulting in a \$177.6 million gain in discontinued operations in the consolidated statement of operations and changes in net assets.

***Mercy Suburban Hospital and East Norriton Physician Services (“Mercy Suburban”)*** – Effective February 1, 2016, the Corporation sold substantially all of the health care operations and assets of Mercy Suburban to Prime. The impact of the disposal recorded in discontinued operations in the consolidated statements of operations and changes in net assets at the effective date was immaterial to the Corporation. As disclosed in Note 6, the transaction resulted in the defeasance of bonds.

***St. Joseph Mercy Port Huron (“Port Huron”)*** – Effective September 1, 2015, the Corporation sold substantially all of the Corporation’s health care operations located in Port Huron, Michigan, to Prime. As a result of the sale, a loss on disposal of \$10.2 million was recorded in the consolidated statement of operations and changes in net assets. As disclosed in Note 6, the transaction resulted in the defeasance of bonds.

***Saint James Mercy Hospital, Hornell, NY (“SJMh”)*** – Effective May 1, 2015, the Corporation spun-off substantially all of the operations of SJMH to form an independent entity. As a result of the spin-off, a loss on disposal of \$4.9 million and an asset impairment charge of \$12.7 million was recorded in unrestricted net assets.

***Mercy Health Partners, North (“North”)*** – Effective February 1, 2015, the Corporation sold substantially all of the Corporation’s health care operations located in Cadillac, Michigan; and Grayling, Michigan, to Munson Healthcare. As a result of the sale, a loss on disposal of \$5.1 million was recorded in unrestricted net assets.

Condensed consolidated statements of operations and changes in net assets of St. Michael’s, Mercy Suburban, Port Huron, SJMH, and North for the years ended June 30 are as follows (in thousands):

	<b>2016</b>				
	<b>St. Michael's</b>	<b>Mercy Suburban</b>	<b>Port Huron</b>	<b>SJMh</b>	<b>North</b>
Revenue, net	\$ 148,420	\$ 52,652	\$ 26,864	\$ -	\$ -
Deficiency of revenue over expenses	\$ (38,087)	\$ (10,404)	\$ (1,427)	\$ -	\$ -
	<b>2015</b>				
	<b>St. Michael's</b>	<b>Mercy Suburban</b>	<b>Port Huron</b>	<b>SJMh</b>	<b>North</b>
Revenue, net	\$ 195,677	\$ 104,224	\$ 76,094	\$ 40,108	\$ 112,760
Deficiency of revenue over expenses	\$ (19,614)	\$ (2,598)	\$ (2,468)	\$ (13,136)	\$ (3,916)

#### **4. NET PATIENT SERVICE REVENUE**

A summary of the payment arrangements with major third-party payors is as 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 years ended June 30 are as follows (in thousands):

	<u>2016</u>	<u>2015</u>
Medicare	\$ 5,674,206	\$ 4,924,529
Blue Cross	3,068,119	2,623,777
Medicaid	2,279,151	1,859,985
Uninsured	422,365	366,871
Commercial and Other	<u>3,274,687</u>	<u>3,068,184</u>
Total	<u>\$ 14,718,528</u>	<u>\$ 12,843,346</u>

A summary of net patient service revenue before provision for bad debts for the years ended June 30 is as follows (in thousands):

	<u>2016</u>	<u>2015</u>
<b>Gross charges:</b>		
Acute inpatient	\$ 20,274,353	\$ 17,563,491
Outpatient, nonacute inpatient, and other	<u>23,195,830</u>	<u>20,183,959</u>
Gross patient service revenue	43,470,183	37,747,450
<b>Less:</b>		
Contractual and other allowances	(28,097,663)	(24,180,845)
Charity care charges	<u>(653,992)</u>	<u>(723,259)</u>
Net patient service revenue before provision for bad debts	<u>\$ 14,718,528</u>	<u>\$ 12,843,346</u>

The Affordable Care Act resulted in a reduction in charity care charges during the year ended June 30, 2016, as well as an increase in contractual and other allowances as a result of self-pay patients obtaining insurance coverage under state insurance exchanges or Medicaid programs.

## 5. PROPERTY AND EQUIPMENT

A summary of property and equipment as of June 30 is as follows (in thousands):

	<u>2016</u>	<u>2015</u>
Land	\$ 348,265	\$ 325,846
Buildings and improvements	8,867,512	8,057,499
Equipment	5,899,324	5,486,909
Capital leased assets	<u>179,315</u>	<u>177,290</u>
Total	15,294,416	14,047,544
Accumulated depreciation and amortization	(8,213,922)	(7,764,610)
Construction in progress	<u>596,240</u>	<u>490,349</u>
Property and equipment, net	<u>\$ 7,676,734</u>	<u>\$ 6,773,283</u>

As of June 30, 2016, commitments to purchase property and equipment of approximately \$659 million were outstanding. Significant commitments are primarily for facility expansion at existing campuses and related infrastructures at the following Health Ministries: Mount Carmel Health System in Columbus, Ohio – \$352.0 million; St. Peter’s Health Partners (“St. Peter’s”) in Albany, New York – \$59.6 million; Saint Alphonsus Health System of Oregon, Idaho – \$58.5 million; Saint Joseph Mercy Health System of Southeast Michigan – \$44.3 million; and Mercy Health System of Chicago in Chicago, Illinois – \$31.9 million with the remaining amount due to several smaller projects across the Corporation.

The following table details the Corporation’s committed capital spending in conjunction with recent acquisitions of affiliates:

<u>RHM</u>	<u>Capital Commitment</u>	<u>Commitment Period Ending</u>	<u>Capital Spending through June 30, 2016</u>
Mercy Health System of Chicago	\$140 million over 5 years, \$150 million if performance metrics are achieved	June 30, 2017	\$94 million
Loyola University Health System	\$300 million over 7 years, \$400 million if performance metrics are achieved	June 30, 2018	\$290 million
SJHHC	\$60 million over 4 years, \$90 million if performance metrics are achieved	June 30, 2019	\$18 million
SFC	\$275 million over 5 years if performance metrics are achieved	June 30, 2020	\$27 million

During the year ended June 30, 2016, the Corporation recorded impairment charges of \$39.6 million in the consolidated statements of operations and changes in net assets related to St. Peter’s, Albany, New York. Material adverse trends in the most recent estimates of future undiscounted cash flows of certain St. Peter’s hospitals indicated that the carrying value of the long-lived assets were not recoverable from estimate future cash flows. Fair value was determined using a third-party valuation.

During the year ended June 30, 2015, the Corporation recorded total impairment charges of \$36.1 million, of which \$12.7 million is included in discontinued operations, loss from operations, in the consolidated statements of operations and changes in net assets. These impairments relate primarily to facilities that the Corporation significantly underutilized. Impairments were recorded at the following locations as fair value estimates were lower than carrying value: St. Francis, Trenton, New Jersey – \$19.1 million; SJMH, Hornell, New York – \$12.7 million; and Saint Joseph Mercy Health System, in Southeast Michigan – \$4.3 million.

## 6. LONG-TERM DEBT AND OTHER FINANCING ARRANGEMENTS

A summary of short-term borrowings and long-term debt as of June 30 is as follows (in thousands):

	<u>2016</u>	<u>2015</u>
<b>Short-term borrowings:</b>		
Variable rate demand bonds with contractual maturities through 2048. Interest payable monthly at rates ranging from 0.01% to 0.6% during 2016 and 0.01% to 0.67% during 2015	\$ 1,067,730	\$ 1,098,710
<b>Long-term debt:</b>		
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 2016 and 2015	\$ 3,540,345	\$ 3,163,765
Variable rate term bonds, payable at various dates through 2051. Interest rate ranges from 0.4% to 1.25% during 2016 and 0.22% to 1.01% during 2015	815,950	560,466
Taxable revenue bonds:		
Fixed rate term, payable in 2046. Interest rate of 4.13% during 2016 and 2015	350,000	350,000
Variable rate term bonds, payable at various dates through 2048. Interest rate ranges from 0.88% to 0.91% during 2016	54,680	-
Notes payable to banks. Interest payable at rates ranging from 1.4% to 3.4%, fixed and variable, payable in varying monthly installments through 2035	36,606	39,976
Capital lease obligations (excluding imputed interest of \$47.1 million at June 30, 2016 and \$44.6 million at June 30, 2015)	129,157	126,975
Mortgage obligations. Interest payable at rates ranging from 4.0% to 6.25% during 2016 and 4.1% to 11.0% during 2015	91,363	97,427
Other	40,540	32,680
Total long-term debt	5,058,641	4,371,289
Less current portion, net of current discounts	(106,345)	(106,226)
Unamortized debt issuance costs	(34,776)	(32,599)
Unamortized premiums, net	214,857	149,992
Long-term debt, net of current portion	<u>\$ 5,132,377</u>	<u>\$ 4,382,456</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:		
2017	\$ 27,890	\$ 108,825
2018	29,300	103,481
2019	28,200	102,126
2020	36,000	99,527
2021	33,425	101,825
Thereafter	912,915	4,542,857
Total	<u>\$ 1,067,730</u>	<u>\$ 5,058,641</u>

A summary of interest costs on borrowed funds primarily under the revenue bond indentures during the year ended June 30 is as follows (in thousands):

	<u>2016</u>	<u>2015</u>
Interest costs incurred	\$ 200,625	\$ 171,222
Less capitalized interest	<u>(4,796)</u>	<u>(8,162)</u>
Interest expense included in operations	<u>\$ 195,829</u>	<u>\$ 163,060</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 obligated group established thereunder (the "Obligated Group", which currently consists of the Corporation). Proceeds from tax-exempt bonds and refunding bonds are to be used to finance the construction, acquisition and equipping of capital improvements. Proceeds from taxable bonds are to be used to finance corporate purposes. Certain Ministries 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 (or may become) 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 currently is the Obligated Group agent of an obligated group created under that certain master trust indenture dated as of January 1, 2008, among St. Peter's Hospital of the City of Albany; St Peter's Health Partners; Memorial Hospital, Albany, New York.; Samaritan Hospital of Troy, New York; Seton Health System, Inc.; Sunnyview Hospital and Rehabilitation Center; the Capital Region Geriatric Center, Inc.; and Manufacturers and Traders Trust Company, as the master trustee. In addition, St. Joseph's Hospital Health Center, acquired on July 1, 2015, is not a designated affiliate and is not part of the Credit Group.

Pursuant to the ARMI, the Obligated Group agent has caused the designated affiliates representing, when combined with the Obligated Group members, at least 85% of the consolidated net revenues of the Credit Group to grant to the master trustee security interests in their pledged property which security interests secure all obligations issued under the master trust indenture. 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 historical 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, 2016 and 2015 that has not been secured under the ARMI is generally collateralized by certain property and equipment.

Mercy Health System of Chicago ("MHSC") has a \$60.4 million mortgage loan outstanding at June 30, 2016, that is insured by the US Department of Housing and Urban Development ("HUD"). MHSC's payment obligations under the two mortgage notes evidencing this loan are guaranteed by the Corporation. 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. MHSC and the Corporation provided covenants to HUD not to interfere in the performance of MHSC's obligations under the HUD-insured loan documents. MHSC is not a Designated Affiliate and is not part of the Credit Group.



**Commercial Paper** – The Corporation’s commercial paper program is authorized for borrowings up to \$600 million. As of June 30, 2016 and 2015, the total amount of commercial paper outstanding was \$146 million and \$100 million, respectively. 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 years ended June 30, 2016 and 2015, ranged from 0.09% to 0.50% and 0.07% to 0.16%, respectively.

**Liquidity Facilities** – In July 2015, the Corporation amended and restated the Trinity Health credit agreements (collectively, the “Credit Agreements”) previously entered into between the Corporation and US 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 and totaled \$931 million as of June 30, 2016. Amounts drawn under the Credit Agreements can only be used to support the Corporation’s obligation to pay the purchase price of bonds that 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, \$325 million expires in July 2017, \$321 million expires in July 2018, and \$285 million expires in July 2019. The Credit Agreements are secured by obligations under the master trust indenture. As of June 30, 2016 and 2015, there were no amounts outstanding on these credit agreements. In addition, in July 2015, the Corporation renewed a three-year general purpose credit facility of \$200 million. As of June 30, 2016 and 2015, there were no amounts outstanding under this credit facility.

**Standby Letters of Credit** – The Corporation entered into various standby letters of credit totaling approximately \$9.9 million and \$8.2 million as of June 30, 2016 and 2015, respectively. These standby letters of credit are renewed annually and are available to the Corporation as necessary under its insurance programs and for unemployment liabilities. The Corporation also maintained a general purpose facility of \$45 million, of which \$42 million is related to letters of credit. In July 2015, this general purpose facility was terminated and all letters of credit were merged into the same program. There were no draws on the general purpose facility or letters of credit during the years ended June 30, 2016 and 2015.

**Transactions** – The acquisitions of SJHHC and SFC, as described in Note 3, resulted in the assumption of debt of \$342.2 million and \$251.5 million, respectively. The majority of this debt was retired or defeased using proceeds from the issuance of \$372 million of commercial paper and a \$190 million draw on a general purpose credit facility, both of which were later replenished with proceeds from the issuance of long-term debt in January and February 2016 as described below. In addition, the acquisition of Johnson, as described in Note 3, resulted in the assumption of debt of \$23.3 million, the majority of which was subsequently redeemed.

As the result of the divestiture of Port Huron on September 1, 2015, described in Note 3, the Corporation defeased approximately \$31.9 million of bonds through the funding of various escrow accounts on November 5, 2015. In addition, the Corporation redeemed approximately \$12.2 million of bonds on November 25, 2015.

On November 24, 2015, the Corporation issued \$55.0 million of commercial paper that was used to redeem \$53.3 million in outstanding revenue bonds. On January 15, 2016, the Corporation issued \$63 million of commercial paper to finance the construction, acquisition and equipping of capital improvements.

During January 2016, the Credit Group issued \$555.6 million par value in tax-exempt fixed-rate hospital revenue bonds at a premium of \$76.7 million under the ARMI. During February 2016, the Credit Group issued \$263.8 million par value in tax-exempt variable-rate private placement bonds and \$54.7 million par value in taxable variable-rate private placement bonds. Proceeds from these issuances were used to retire \$600 million of then-outstanding taxable commercial paper obligations, paydown \$152.1 million of the then-outstanding line of credit draw, extinguish the remaining \$43.9 million of debt assumed with the acquisition of SJHHC and pay related transaction costs and to defease \$25.5 million of tax-exempt bonds. The remaining

proceeds 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.

In February 2016, the Corporation issued \$100 million of commercial paper for general corporate purposes and \$21 million to pay down the remaining outstanding line of credit draw.

As the result of the divestiture of Mercy Suburban described in Note 3, the Corporation defeased approximately \$25 million of bonds through the funding of various escrow accounts on April 27, 2016.

## **7. PROFESSIONAL AND GENERAL LIABILITY PROGRAMS**

The Corporation operates a wholly owned insurance company, Trinity Assurance, Ltd. (“TAL”). Effective July 1, 2015, TAL’s name was changed from Venzke Insurance Company, Ltd. TAL qualifies as a captive insurance company and provides certain insurance coverage to the Corporation’s Ministries 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 commercial insurers.

Effective October 1, 2015, TAL policies include the facilities and individuals that were previously insured with Saint Francis Indemnity Company, LLC (“SFICL”), a captive insurance company domiciled in the State of Vermont, whose sole member is SFHMC. Policies issued and reinsurance purchased by SFICL prior to October 1, 2015 will remain in effect. SFICL did not, nor does it intend to, write or renew any insurance business after September 30, 2015. SFICL was merged into TAL on May 1, 2016 at which time all losses previous to October 1, 2015 for SFICL were assumed by TAL.

The Corporation’s current self-insurance program includes \$20 million per occurrence for the primary layers of professional and general liability, as well as \$10 million per occurrence for hospital government liability, \$5 million per occurrence for miscellaneous errors and omission liability, and \$1 million per occurrence for management liability (directors’ and officers’ and employment practices), network security and privacy liability and certain other coverages. In addition, through TAL and its various commercial reinsurers, the Corporation maintains integrated excess liability coverage of \$100 million in aggregate for the period July 1, 2014, through July 1, 2016. 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 values per occurrence 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%. 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. The changes to the estimated self-insurance reserves were determined based upon the annual independent actuarial analyses.

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, 2016, 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 the legal 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 Ministries 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, 2016 and 2015, the assets under these plans totaled \$171.3 million and \$160.5 million and liabilities totaled \$183.7 million and \$170.0 million, respectively, which are included in self-insurance, benefit plans and other assets and other long-term liabilities in the consolidated balance sheets.

***Defined Contribution Benefits*** – The Corporation sponsors defined contribution pension plans covering substantially all of its employees. These programs are funded by employee voluntary contributions, subject to legal limitations. Effective January 1, 2015, employer contributions to these plans include nonelective contributions of 3% of eligible compensation, and varying levels of matching contributions based on employee service. The employees direct their voluntary contributions and employer contributions among a variety of investment options. The Corporation suspended the majority of employer-matching contributions for the Trinity Health 403(b) Retirement Savings Plan for the six months ended December 2014. Contribution expense under the plans totaled \$296.0 million and \$172.3 million for the years ended June 30, 2016 and 2015, respectively.

***Noncontributory Defined Benefit Pension Plans (“Pension Plans”)*** – The Corporation maintains qualified, noncontributory defined benefit pension plans under which benefit accruals are frozen for the majority of employees. Certain nonqualified, supplemental plan arrangements also provide retirement benefits to specified groups of participants.

Certain plans are 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 (“IRS”) and are not governed by ERISA. Effective June 2014, the Trinity Health Pension Plan was amended to freeze all future benefit accruals as of December 31, 2014. The Corporation’s adopted funding policy for the majority of its qualified church plans, which is reviewed annually, is to fund the current normal cost or service cost based on the accumulated benefit obligations and amortization of any under or over funding. The remaining church plan has historically funded amounts equal to annual pension expense.

***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 Postretirement Plans cover certain hourly and salaried employees who retire from certain Ministries. Medical benefits for these retirees are subject to deductibles and copayment 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.

***Plan Acquisitions*** – As discussed in Note 3, the Corporation acquired SJHHC on July 1, 2015, and SFC on October 1, 2015, including all related benefit plans. SJHHC maintains one qualified, noncontributory defined benefit pension plan that provides retirement benefits for substantially all full-time employees. Benefit accruals were frozen and the plan was closed to new participants in April 2014. The plan is subject to the provisions of ERISA. In addition, SJHHC provides other postretirement benefits (primarily health benefits) to an eligible group of employees. The postretirement plan was closed to new participants in 2000, and is unfunded. SFC maintains two qualified, noncontributory defined benefit plans that provide benefits for substantially all full-time employees. One of the plans is subject to ERISA, and one of the plans has Church Plan status. Both plans were frozen and closed to new participants in September 2006. SFC also provides other postretirement benefits, primarily health benefits, to an eligible group of employees. The postretirement plan is closed to new 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 Plans and Postretirement Plans for the years ended June 30 (in thousands):

	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>Pension Plans</u>		<u>Postretirement Plans</u>	
<b>Change in Benefit Obligation:</b>				
Benefit obligation, beginning of year	\$ 6,553,044	\$ 6,228,019	\$ 110,004	\$ 108,518
Service cost	2,058	71,182	420	478
Interest cost	335,564	297,711	6,121	4,879
Amendments / plan change	(112,790)	1,327	-	-
Actuarial loss	746,309	238,729	5,924	1,099
Benefits paid	(328,328)	(277,849)	(6,571)	(5,073)
Medicare Part D reimbursement	-	-	63	103
Curtailments	(783)	(6,075)	-	-
Plan acquisitions	520,270	-	26,294	-
Benefit obligation, end of year	<u>7,715,344</u>	<u>6,553,044</u>	<u>142,255</u>	<u>110,004</u>
<b>Change in Plan Assets:</b>				
Fair value of plan assets, beginning of year	5,599,192	5,524,841	97,092	96,109
Actual return on plan assets	168,312	166,464	4,184	4,916
Employer contributions	137,098	185,736	2,735	1,140
Benefits paid	(328,328)	(277,849)	(6,571)	(5,073)
Plan acquisitions	329,910	-	-	-
Fair value of plan assets, end of year	<u>5,906,184</u>	<u>5,599,192</u>	<u>97,440</u>	<u>97,092</u>
Unfunded amount recognized June 30	<u>\$(1,809,160)</u>	<u>\$ (953,852)</u>	<u>\$ (44,815)</u>	<u>\$ (12,912)</u>
Recognized in other long-term assets	\$ -	\$ -	\$ 3,664	\$ 4,389
Recognized in accrued pension and retiree health costs	\$(1,809,160)	\$ (953,852)	\$ (48,479)	\$ (17,301)

Certain plans were amended during 2016 to allow for participants active on or after January 1, 2016, to take their benefit as a lump sum when they terminate employment or retire. These amendments resulted in a decrease in accumulated plan benefits of \$113 million. Actuarial losses during 2016 are primarily related to changes in discount rates used to measure plan liabilities.

Mortality assumptions for participants in the Corporation's pension and postretirement plans incorporate future mortality improvements from tables published by the Society of Actuaries ("SOA"). During 2014, the SOA issued new mortality and mortality improvement tables that raise life expectancies and thereby indicate the amount of estimated aggregate benefit payments to participants of the plans is increasing. The Corporation incorporated a modified version of the SOA mortality and mortality improvement tables into the measurement of the plans' benefit obligations. This change resulted in an increase in the pension plan's benefit obligations of \$257.1 million and an increase in the postretirement plans' benefit obligations of \$7.5 million as of June 30, 2015. These losses were partially offset by actuarial gains related to changes in the discount rates used to measure the plans' liabilities as of June 30, 2015.

The accumulated benefit obligation and fair value of plan assets for the qualified defined benefit pension plans for the years ended June 30 are as follows (in thousands):

	<u>2016</u>	<u>2015</u>
	<u>Pension Plans</u>	
Accumulated benefit obligation	\$ 7,704,254	\$ 6,537,321
Fair value of plan assets	<u>5,906,184</u>	<u>5,599,192</u>
Funded status	<u>\$(1,798,070)</u>	<u>\$ (938,129)</u>

Components of net periodic benefit cost for the years ended June 30 consisted of the following (in thousands):

	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<b>Pension Plans</b>		<b>Postretirement Plans</b>	
Service cost	\$ 2,058	\$ 71,182	\$ 420	\$ 478
Interest cost	335,564	297,711	6,121	4,879
Expected return on assets	(403,283)	(382,930)	(7,052)	(6,984)
Amortization of prior service credit	(4,568)	(5,877)	(564)	(564)
Recognized net actuarial loss (gain)	42,791	31,319	(159)	(261)
Net periodic benefit cost (income) before curtailments	\$ (27,438)	\$ 11,405	\$ (1,234)	\$ (2,452)
Curtailment/settlement loss (gain)	390	(11,054)	-	-
Net periodic benefit cost (income)	<u>\$ (27,048)</u>	<u>\$ 351</u>	<u>\$ (1,234)</u>	<u>\$ (2,452)</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):

	<b>Pension Plans</b>		
	<b>Net</b>	<b>Prior</b>	<b>Total</b>
	<b>Loss (Gain)</b>	<b>Service Credit</b>	
Balance at July 1, 2014	\$ 1,761,070	\$ (194,499)	\$ 1,566,571
Curtailments	(155,811)	160,788	4,977
Reclassified into net periodic benefit cost	(31,319)	5,877	(25,442)
Arising during the year	455,643	1,328	456,971
Balance at June 30, 2015	<u>\$ 2,029,583</u>	<u>\$ (26,506)</u>	<u>\$ 2,003,077</u>
Curtailments/settlements	(1,173)	-	(1,173)
Reclassified into net periodic benefit cost	(42,791)	4,568	(38,223)
Arising during the year	981,482	(112,789)	868,693
Balance at June 30, 2016	<u>\$ 2,967,101</u>	<u>\$ (134,727)</u>	<u>\$ 2,832,374</u>

	<b>Postretirement Plans</b>			<b>All Plans</b>
	<b>Net</b>	<b>Prior</b>	<b>Total</b>	<b>Grand</b>
	<b>Loss (Gain)</b>	<b>Service Credit</b>		<b>Total</b>
Balance at July 1, 2014	\$ (6,075)	\$ (4,396)	\$ (10,471)	\$ 1,556,100
Curtailments	-	-	-	4,977
Reclassified into net periodic benefit cost	261	564	825	(24,617)
Arising during the year	3,162	-	3,162	460,133
Balance at June 30, 2015	<u>\$ (2,652)</u>	<u>\$ (3,832)</u>	<u>\$ (6,484)</u>	<u>\$ 1,996,593</u>
Curtailments	-	-	-	(1,173)
Reclassified into net periodic benefit cost	159	564	723	(37,500)
Arising during the year	8,792	-	8,792	877,485
Balance at June 30, 2016	<u>\$ 6,299</u>	<u>\$ (3,268)</u>	<u>\$ 3,031</u>	<u>\$ 2,835,405</u>

The following are estimated amounts to be amortized from unrestricted net assets into net periodic benefit cost during the year ended June 30, 2017 (in thousands):

	<b>Pension Plans</b>	<b>Postretirement Plans</b>
Amortization of prior service credit	\$ (9,057)	\$ (562)
Recognized net actuarial loss	87,217	(11)
Total	<u>\$ 78,160</u>	<u>\$ (573)</u>

Assumptions used to determine benefit obligations and net periodic benefit cost as of and for the years ended June 30 were as follows:

	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<b>Pension Plans</b>		<b>Postretirement Plans</b>	
<b>Benefit Obligations:</b>				
Discount rate	3.75% - 4.35%	4.50% - 5.15%	3.40% - 4.10%	4.10% - 4.80%
Rate of compensation increase graduated to 4% by 2017	2.50%	3.00%	N/A	N/A
<b>Net Periodic Benefit Cost:</b>				
Discount rate	4.50% - 5.15%	4.60% - 5.20%	4.10% - 4.80%	4.00% - 4.75%
Expected long-term return on plan assets	7.00%	7.00%	7.50%	7.50%
Rate of compensation increase	2.50%	3.00%	N/A	N/A

Approximately 73% and 93% of the Corporation's pension plan liabilities were measured using a 4.10% and 4.95% discount rate as of June 30, 2016 and 2015, respectively.

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 as follows:

	<u>2016</u>	<u>2015</u>
Medical and drugs, pre-age 65	6.9%	7.2%
Medical and drugs, post-age 65	6.9%	7.2%
Ultimate trend rate	5.0%	5.0%
Year rate reaches the ultimate rate	2023	2023

A one-percentage point change in assumed health care cost trend rates would have the following effects as of June 30 (in thousands):

	<u>One-Percentage- Point Increase</u>	<u>One-Percentage- Point Decrease</u>
Effect on postretirement benefit obligation	\$ 4,050	\$ (3,424)
Effect on total of service cost and interest cost components	\$ 203	\$ (171)

The Corporation's investment allocations as of June 30 by investment category are as follows:

	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>Pension Plans</u>		<u>Postretirement Plans</u>	
<b>Investment Category:</b>				
Cash and cash equivalents	2%	3%	1%	1%
Marketable securities:				
U.S. and non-U.S equity securities	6%	7%	-	-
Equity mutual funds	5%	7%	-	-
Debt securities	35%	34%	25%	29%
Other investments:				
Commingled funds	27%	19%	74%	70%
Hedge funds	20%	24%	-	-
Private equity funds	5%	6%	-	-
Total	<u>100%</u>	<u>100%</u>	<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 US and non-US 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 as of June 30, 2016, was global and traditional equity securities 42%; long/short equity 10%; fixed-income obligations 30%; hedge funds 11%; alternative debt 5%; and cash 2%.

The following tables summarize the Pension Plans' and Postretirement Plans' assets measured at fair value as of June 30 (in thousands). See Note 10 for definitions of Level 1, Level 2, and Level 3 of the fair value hierarchy.

	<b>2016</b>			
	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	<b>Total Fair Value</b>
<b>Pension Plans:</b>				
Cash and cash equivalents	\$ 138,056	\$ 1,522	\$ -	\$ 139,578
Equity securities	369,431	309	-	369,740
Debt securities				
Government and government agency obligations	-	687,292	-	687,292
Corporate bonds	-	1,253,192	-	1,253,192
Asset backed securities	-	75,871	-	75,871
Exchange traded/mutual funds				
Equity funds	294,113	-	-	294,113
Fixed income funds	74,315	-	-	74,315
Private equity	-	-	5,405	5,405
Other	(28,410)	-	-	(28,410)
Subtotal	<u>847,505</u>	<u>2,018,186</u>	<u>5,405</u>	<u>2,871,096</u>
<b>Investments measured at net asset value:</b>				
Commingled funds				
Equity funds				1,530,706
Fixed income funds				61,906
Hedge funds				1,134,007
Private equity				308,469
Total assets				<u>\$ 5,906,184</u>
<b>Postretirement Plans:</b>				
Exchange traded/mutual funds				
Short term investment funds	\$ 1,178	\$ -	\$ -	\$ 1,178
Fixed income funds	24,724	-	-	24,724
Other	145	-	-	145
Subtotal	<u>26,047</u>	<u>-</u>	<u>-</u>	<u>26,047</u>
<b>Investment measured at net asset value:</b>				
Equity commingled fund				71,393
Total assets				<u>\$ 97,440</u>



	2015			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
<b>Pension Plans:</b>				
Cash and cash equivalents	\$ 183,877	\$ 1,774	\$ -	\$ 185,651
Equity securities	395,812	245	-	396,057
Debt securities				
Government and government agency obligations	-	592,587	-	592,587
Corporate bonds	-	1,215,556	-	1,215,556
Asset backed securities	-	81,561	-	81,561
Exchange traded/mutual funds				
Equity funds	404,082	338	-	404,420
Fixed income funds	15,625	-	-	15,625
Private equity	-	-	7,568	7,568
Other	(42,400)	-	-	(42,400)
Subtotal	<u>956,996</u>	<u>1,892,061</u>	<u>7,568</u>	<u>2,856,625</u>
<b>Investments measured at net asset value:</b>				
Commingled funds				
Equity funds				970,386
Fixed income funds				56,508
Hedge funds				1,410,511
Private equity				305,142
Other				20
Total assets				<u>\$ 5,599,192</u>
<b>Postretirement Plans:</b>				
Exchange traded/mutual funds				
Short term investment funds	\$ 915	\$ -	\$ -	\$ 915
Fixed income funds	27,560	-	-	27,560
Other	1,968	-	-	1,968
Subtotal	<u>30,443</u>	<u>-</u>	<u>-</u>	<u>30,443</u>
<b>Investment measured at net asset value:</b>				
Equity commingled fund				66,649
Total assets				<u>\$ 97,092</u>

Unfunded capital commitments related to private equity investments totaled \$70.2 million and \$95.5 million as of June 30, 2016 and 2015, respectively.

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 Level 1 and Level 2 during the years ended June 30, 2016 and 2015.

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 two private equity funds that invest primarily in Europe, both directly and on the secondary market. These funds are valued based on competitive bid evaluation.

**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 approximates the carrying amounts. 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 Plans’ assets for the years ended June 30 (in thousands):

	<u>Asset Backed Securities</u>	<u>Private Equity</u>	<u>Total</u>
Balance at July 1, 2014	\$ 2,467	\$ 9,683	\$ 12,150
Realized gain	-	751	751
Unrealized loss	-	(870)	(870)
Settlements	-	(1,996)	(1,996)
Transfers out to Level 2	(2,467)	-	(2,467)
Balance at June 30, 2015	\$ -	\$ 7,568	\$ 7,568
Realized gain	-	610	610
Unrealized loss	-	(780)	(780)
Settlements	-	(1,993)	(1,993)
Balance at June 30, 2016	<u>\$ -</u>	<u>\$ 5,405</u>	<u>\$ 5,405</u>

Transfers out of Level 3 into Level 2 in 2015 for asset-backed securities were made as a result of the availability of observable market pricing data for those securities as of June 30, 2015.

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 \$211.6 million to its Pension Plans and \$3.3 million to its Postretirement Plans during the year ended June 30, 2017, under the Corporation’s stated funding policies.

**Expected Benefit Payments** – The Corporation expects to pay the following for pension benefits for the year ending June 30, 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>
<b>Years ending June 30:</b>			
2017	\$ 455,542	\$ 9,389	\$ 76
2018	440,561	9,531	73
2019	449,222	9,630	69
2020	454,669	9,706	65
2021	457,055	9,768	61
Years 2022 - 2026	2,288,853	46,663	232

## 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 \$227 million and \$207 million for the years ended June 30, 2016 and 2015, respectively.

The following is a schedule of future minimum lease payments under operating leases as of June 30, 2016, that have initial or remaining lease terms in excess of one year (in thousands):

<b>Years ending June 30:</b>	
2017	\$ 171,287
2018	142,171
2019	121,168
2020	101,447
2021	87,161
Thereafter	<u>219,516</u>
Total	<u>\$ 842,750</u>

**Litigation and Settlements** – The Corporation, as successor to Catholic Health East (“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 certificates (the “Bonds”) issued for the benefit of a hospital acquired by CHE. The Bonds were defeased in 1998 at the time of CHE’s acquisition of the hospital. The Corporation does not currently control the hospital. Plaintiffs alleged that CHE breached the indenture relating to the Bonds and violated the covenant of good faith and fair dealing in the exercise of its optional redemption rights for the Bonds in connection with the CHE’s tender offer for the Bonds. The Corporation has reached an agreement of settlement with the named plaintiffs. The matter will be dismissed upon completion of documentation of the settlement. The Corporation does not believe that the settlement will have a material adverse effect on the financial condition of the Corporation.

In June 2013, the Corporation received notices from the IRS that each of the three series initially at issue in the Emmet & Co., Inc. case was under separate examination and requested certain information. Closing agreements with respect to all of the bond issues have been fully executed and implemented and the IRS examination of each of those bond issues is closed. The resolution of these matters will not have a material adverse effect on the financial condition of the Corporation.

On March 29, 2013, CHE was notified that it is a defendant in a lawsuit filed in the US District Court for the Eastern District of Pennsylvania that challenges the church plan status of the CHE Employee Pension Plan. This is similar to other purported class action cases that have been brought against religiously affiliated health care systems or providers. On July 17, 2014, Trinity Health Corporation was notified that it is a defendant in a lawsuit filed in the US District Court for the District of Maryland that challenges the church plan status of the Trinity Health Pension Plan. In response thereto, the Corporation filed a partial motion to dismiss the complaint, which was granted on February 23, 2015. In August 2015, the parties commenced a mediation process to explore opportunities for the settlement of both cases. A final settlement agreement covering both litigations was executed on April 26, 2016. A hearing on a motion for preliminary approval of the settlement is scheduled for October 7, 2016. Final approval remains subject to class notification and further judicial approval. The terms of the final settlement, if approved, will not have a material adverse effect on the financial condition of the Corporation.

On July 21, 2015, Saint Francis Hospital and Medical Center in Hartford, Connecticut, was notified that it was a defendant in a similar class action lawsuit filed in the US Court for the District of Connecticut challenging the church plan status of its employee pension plan. Saint Francis Hospital and Medical Center became a subsidiary of the Corporation on October 1, 2015. Although a motion to dismiss the complaint was filed, a mediation process has resulted in a settlement term sheet being executed on February 18, 2016. A final settlement agreement has been executed and has received preliminary judicial approval. Final approval of the settlement remains subject to class notification and further judicial approval. The terms of the final settlement, if approved, will not have a material adverse effect on the financial condition of the Corporation.

The Corporation is involved in other litigation and regulatory investigations arising in the ordinary course of doing business. After consultation with legal counsel, management expects that these matters will be resolved without material adverse effect on the Corporation's future consolidated financial position or results of operations.

***Premium Revenue Adjustment*** – For the year ended June 30, 2016, the Corporation recorded a \$65.3 million liability for the estimated impact of identified data submission errors, ranging over a six-year period, related to Medigold, the Corporation's Medicare Advantage plans in Ohio. The impact of these errors has been determined to not be material to any of the prior-period consolidated financial statements. The Corporation currently is working to resolve this matter.

***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 and government reimbursement for patient services, fraud and abuse, and requirements for tax exemption for tax-exempt organizations. 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 Ministries periodically receive notices from governmental agencies requesting information regarding billing, payment, or other reimbursement matters or notices of the initiation of government investigations. The health care 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 sheets include cash, cash equivalents, security-lending collateral, equity securities, debt securities, mutual funds, commingled funds, hedge funds, and derivatives. Defined benefit retirement plan assets are measured at fair value on an annual basis (see Note 8 for further details). 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 the market participants would use, including a consideration of nonperformance 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 nonactive markets (few transactions, limited information, noncurrent 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 also has certain investments that are classified as Level 3. These investments are primarily valued using competitive bid evaluations or cost if it approximates fair value.

The Corporation maintains policies and procedures to value instruments using the best and most relevant data available. The Corporation has not adjusted 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 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, the Corporation believes 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.

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 sheets 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 sheets. Included in this category is 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.

**Security Lending Collateral** – The security lending collateral is invested in a Northern Trust sponsored commingled collateral fund, which is composed 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 instruments 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.

**Exchange-Traded/Mutual Funds** – Exchange-traded funds are valued at the closing price reported on the applicable exchange on which the fund is traded or estimated using quoted market prices for similar securities. 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.

**Hedge Funds** – Hedge funds utilize either a direct or a “fund-of-funds” approach resulting in diversified multistrategy, multimanager investments. Underlying investments in these funds may include equity securities, debt securities, commodities, currencies and derivatives. These funds are valued at net asset value, which is calculated using the most recent fund financial statements.

The Corporation classifies its equity and debt securities, mutual funds, commingled funds, and hedge funds as trading securities. The amount of holding (losses) gains included in the excess of revenue over expenses related to securities still held as of June 30, 2016 and 2015, were \$(170.5) million and \$222.0 million, respectively.

**Equity-Method Investments** – Certain other investments are accounted for 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 multistrategy, multimanager 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, equity securities, debt 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. Because of the inherent uncertainty of valuations, values may differ materially from the values that would have been used had a ready market existed. Unfunded capital commitments related to equity-method investments totaled \$249.3 million and \$232.1 million as of June 30, 2016 and 2015, respectively.

**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 tables present information about the fair value of the Corporation's financial instruments measured at fair value on a recurring basis and recorded as of June 30 (in thousands):

	<b>2016</b>			
	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	<b>Total Fair Value</b>
<b>Assets:</b>				
Cash and cash equivalents	\$ 1,600,092	\$ 48,603	\$ -	\$ 1,648,695
Security lending collateral	-	262,035	-	262,035
Equity securities	1,484,897	1,814	5,468	1,492,179
Debt securities:				
Government and government agency obligations	-	674,012	1,433	675,445
Corporate bonds	-	654,335	617	654,952
Asset backed securities	-	249,606	-	249,606
Bank loans	-	76,087	-	76,087
Other	-	13,143	-	13,143
Exchange traded/mutual funds:				-
Equity funds	545,077	-	-	545,077
Fixed income funds	151,113	-	-	151,113
Real estate investment funds	42,816	-	-	42,816
Other	66,389	-	-	66,389
Interest rate swaps	-	15,832	-	15,832
Subtotal	<u>\$ 3,890,384</u>	<u>\$ 1,995,467</u>	<u>\$ 7,518</u>	<u>\$ 5,893,369</u>
<b>Investments measured at net asset value:</b>				
Commingled funds				1,407,636
Hedge funds				844,464
Equity method investments				1,176,699
Total assets				<u>\$ 9,322,168</u>
<b>Liabilities:</b>				
Interest rate swaps	\$ -	\$ 250,965	\$ -	\$ 250,965

2015

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
<b>Assets:</b>				
Cash and cash equivalents	\$ 1,373,372	\$ 52,477	\$ -	\$ 1,425,849
Security lending collateral		266,571		266,571
Equity securities	1,320,679	1,700	5,997	1,328,376
Debt securities:				
Government and government agency obligations	-	557,472	2,555	560,027
Corporate bonds	-	573,002	1,318	574,320
Asset backed securities	-	210,534	-	210,534
Bank loans	-	64,370	-	64,370
Other	-	14,091	-	14,091
Exchange traded/mutual funds:				-
Equity funds	623,628	-	-	623,628
Fixed income funds	442,865	-	-	442,865
Real estate investment funds	27,235	-	-	27,235
Other	57,319	-	-	57,319
Interest rate swaps	-	52,977	-	52,977
Subtotal	<u>\$ 3,845,098</u>	<u>\$ 1,793,194</u>	<u>\$ 9,870</u>	<u>\$ 5,648,162</u>
<b>Investments measured at net asset value:</b>				
Commingled funds				994,584
Hedge funds				1,243,483
Equity method investments				1,323,988
Total assets				<u>\$ 9,210,217</u>
<b>Liabilities:</b>				
Interest rate swaps	\$ -	\$ 163,553	\$ -	\$ 163,553



The following table reconciles the information about the fair value of the Corporation's financial instruments measured at fair value on a recurring basis presented in the table above to amounts presented in the consolidated balance sheets as of June 30 (in thousands):

	<u>2016</u>	<u>2015</u>
<b>Assets:</b>		
Cash and cash equivalents	\$ 1,044,683	\$ 843,210
Investments	3,617,501	3,728,883
Security lending collateral	262,035	266,572
Assets limited or restricted as to use - current portion	314,706	271,567
Assets limited or restricted as to use - noncurrent portion:		
Held by trustees under bond indenture agreements	4,881	1,622
Self-insurance, benefit plans and other	780,102	738,846
By Board	2,959,641	3,098,445
By donor	409,493	298,332
Interest rate swaps in other long-term assets	15,832	47,870
<b>Less items not recorded at fair value:</b>		
Total unconditional promises to give, net	(57,765)	(48,287)
Reinsurance recovery receivable	<u>(28,941)</u>	<u>(36,843)</u>
Total assets	<u>\$ 9,322,168</u>	<u>\$ 9,210,217</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 Level 1 and Level 2 during the years ended June 30, 2016 and 2015.

The following table summarizes the changes in Level 3 assets for the years ended June 30 (in thousands):

	<u>Equity</u> <u>Securities</u>	<u>Government and</u> <u>Government Agency</u> <u>Obligations</u>	<u>Corporate</u> <u>Bonds</u>	<u>Asset</u> <u>Backed</u> <u>Securities</u>	<u>Total</u>
Balance at July 1, 2014	<u>\$ 972</u>	<u>\$ 1,529</u>	<u>\$ 583</u>	<u>\$ 100</u>	<u>\$ 3,184</u>
Realized gain	-	-	5	-	5
Unrealized loss	(9)	(128)	(56)	-	(193)
Purchases	5,034	1,732	1,085	-	7,851
Settlements	-	-	(299)	-	(299)
Transfers to Level 2	-	(578)	-	(100)	(678)
Balance at June 30, 2015	<u>\$ 5,997</u>	<u>\$ 2,555</u>	<u>\$ 1,318</u>	<u>\$ -</u>	<u>\$ 9,870</u>
Realized (loss) gain	(14)	(56)	24	-	(46)
Unrealized loss	(495)	(81)	(57)	-	(633)
Purchases	-	-	-	-	-
Settlements	(20)	(985)	(915)	-	(1,920)
Transfers from Level 2	-	-	247	-	247
Balance at June 30, 2016	<u>\$ 5,468</u>	<u>\$ 1,433</u>	<u>\$ 617</u>	<u>\$ -</u>	<u>\$ 7,518</u>

**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, 2016 and 2015. The fair value and redemption rules of these investments are as follows as of June 30 (in thousands):

	<b>2016</b>		
	<u>Fair Value</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Commingled funds	\$ 1,407,636	Daily and semi-monthly	0 - 2 days
Hedge funds	844,464	Monthly, quarterly, semi-annually, bi-annually	15 - 95 days
Total	<u>\$ 2,252,100</u>		

	<b>2015</b>		
	<u>Fair Value</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Commingled funds	\$ 994,584	Daily, semi-monthly, monthly	0 - 60 days
Hedge funds	1,243,483	Monthly, quarterly, semi-annually	15 - 95 days
Total	<u>\$ 2,238,067</u>		

The hedge fund category includes equity long/short hedge funds, multistrategy hedge funds, and relative value hedge funds. Equity long/short hedge funds invest both long and short, primarily in US 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. Multistrategy 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 3.2% and 3.4% of the value of the investments in this category as of June 30, 2016 and 2015, respectively, can only be redeemed biannually subsequent to the initial investment date. Investments representing 42.3% and 17.0% of the investments in this category as of June 30, 2016 and 2015, respectively, 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 US and non-US entities, primarily bonds, notes, bills, debentures, currencies, and interest rate and derivative products.

The composition of investment returns included in the consolidated statements of operations and changes in net assets for the years ended June 30 is as follows (in thousands):

	<u>2016</u>	<u>2015</u>
Dividend, interest income and other	\$ 108,255	\$ 111,691
Realized (loss) gain, net	(76,215)	226,065
Realized equity earnings, other investments	26,072	60,178
Change in net unrealized loss on investments	(217,316)	(238,451)
Total investment return	<u>\$ (159,204)</u>	<u>\$ 159,483</u>
<b>Included in:</b>		
Operating income	\$ 47,926	\$ 49,193
Nonoperating items	(199,326)	106,553
Changes in restricted net assets	(7,804)	3,737
Total investment return	<u>\$ (159,204)</u>	<u>\$ 159,483</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 as of June 30 (in thousands):

	<u>2016</u>	<u>2015</u>
<b>Amounts expected to be collected in:</b>		
Less than one year	\$ 24,343	\$ 25,452
One to five years	35,471	24,454
More than five years	<u>4,644</u>	<u>4,694</u>
	64,458	54,600
Discount to present value of future cash flows	(2,927)	(2,517)
Allowance for uncollectible amounts	<u>(3,766)</u>	<u>(3,796)</u>
Total unconditional promises to give, net	<u>\$ 57,765</u>	<u>\$ 48,287</u>

***Patient Accounts Receivable, Estimated Receivables from Third-Party Payors, and Current Liabilities*** – The carrying amounts reported in the consolidated balance sheets 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. Under the fair value hierarchy, these financial instruments are valued primarily using Level 2 inputs. The fair value of the tax-exempt fixed-rate long-term revenue and refunding bonds was \$4,107 million and \$3,467 million as of June 30, 2016 and 2015, respectively. The related carrying value of the tax-exempt fixed-rate long-term revenue and refunding bonds was \$3,540 million and \$3,164 million as of June 30, 2016 and 2015, respectively. The fair value of the taxable fixed-rate long-term revenue bonds was \$382 million and \$320 million as of June 30, 2016 and 2015, respectively. The related carrying value of the taxable fixed-rate long-term revenue bonds was \$350 million as of June 30, 2016 and 2015, respectively. 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 and a fixed-income investment portfolio. Cash payments on interest rate swaps totaled \$21.3 million and \$17.4 million for the years ended June 30, 2016 and 2015, respectively, 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 years ended June 30 (in thousands):

<b>Derivatives Not Designated as Hedging Instruments</b>	<b>Location of Net Loss Recognized in Excess of Revenue over Expenses or Unrestricted Net Assets</b>	<b>Amount of Net Loss Recognized in Excess of Revenue over Expenses</b>	
		<b>2016</b>	<b>2015</b>
<b>Excess of Revenue over Expenses:</b>			
Interest rate swaps	Change in market value and cash payment on interest rate swaps	\$ (94,783)	\$ (10,223)
Interest rate swaps	Investment (losses) earnings	(5,107)	(749)
		<u>\$ (99,890)</u>	<u>\$ (10,972)</u>

**Balance Sheet Effect of Derivative Instruments** – The following table summarizes the estimated fair value of the Corporation’s derivative financial instruments as of June 30 (in thousands):

<b>Derivatives Not Designated as Hedging Instruments</b>	<b>Consolidated Balance Sheet Location</b>	<b>Fair Value</b>	
		<b>2016</b>	<b>2015</b>
<b>Asset Derivatives:</b>			
Interest rate swaps	Investments	\$ -	\$ 5,107
Interest rate swaps	Other long-term assets	15,832	47,870
	Total asset derivatives	<u>\$ 15,832</u>	<u>\$ 52,977</u>
<b>Liability Derivatives:</b>			
Interest rate swaps	Other long-term liabilities	<u>\$ 250,965</u>	<u>\$ 163,553</u>

As disclosed in Note 3, as part of the acquisition of SFC, on October 1, 2015, the Corporation novated an interest rate swap from SFC that increased other long-term liabilities in the consolidated balance sheets by \$44.0 million.

The counterparties to the interest rate swaps expose the Corporation to credit loss in the event of nonperformance. As of June 30, 2016 and 2015, an adjustment for nonperformance risk reduced derivative assets by \$1.2 million and \$1.6 million and derivative liabilities by \$13.2 million and \$5.3 million, respectively.

## 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 as of June 30 are available for the following purposes (in thousands):

	<u>2016</u>	<u>2015</u>
<b>Temporarily Restricted Net Assets:</b>		
Education and research	\$ 27,197	\$ 19,495
Building and equipment	122,738	91,266
Patient care	48,070	48,390
Cancer center/research	16,956	15,351
Services for elderly care	29,944	32,234
Other	81,746	68,930
Total	<u>\$ 326,651</u>	<u>\$ 275,666</u>
<b>Permanently Restricted Net Assets:</b>		
Hospital operations	\$ 81,850	\$ 27,030
Medical programs	10,316	10,302
Scholarship funds	5,765	4,574
Research funds	11,857	9,916
Community service funds	16,413	14,924
Other	31,387	28,223
Total	<u>\$ 157,588</u>	<u>\$ 94,969</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 as of June 30 (in thousands):

	<b>2016</b>			
	<b>Unrestricted</b>	<b>Temporarily</b>	<b>Permanently</b>	<b>Total</b>
	<b>Net Assets</b>	<b>Restricted</b>	<b>Restricted</b>	
Donor-restricted endowment funds	\$ -	\$ 44,728	\$ 157,588	\$ 202,316
Board-designated endowment funds	76,384	-	-	76,384
<b>Total endowment funds</b>	<b>\$ 76,384</b>	<b>\$ 44,728</b>	<b>\$ 157,588</b>	<b>\$ 278,700</b>

	<b>2015</b>			
	<b>Unrestricted</b>	<b>Temporarily</b>	<b>Permanently</b>	<b>Total</b>
	<b>Net Assets</b>	<b>Restricted</b>	<b>Restricted</b>	
Donor-restricted endowment funds	\$ -	\$ 35,313	\$ 94,969	\$ 130,282
Board-designated endowment funds	81,674	-	-	81,674
<b>Total endowment funds</b>	<b>\$ 81,674</b>	<b>\$ 35,313</b>	<b>\$ 94,969</b>	<b>\$ 211,956</b>

Changes in endowment net assets for the years ended June 30 include (in thousands):

	<b>Unrestricted</b>	<b>Temporarily</b>	<b>Permanently</b>	<b>Total</b>
	<b>Net Assets</b>	<b>Restricted</b>	<b>Restricted</b>	
Endowment net assets, July 1, 2014	\$ 90,942	\$ 36,340	\$ 87,063	\$ 214,345
<b>Investment return:</b>				
Investment income	4,697	954	2,353	8,004
Change in net realized and unrealized losses	(3,638)	(1,025)	(688)	(5,351)
Total investment return	1,059	(71)	1,665	2,653
Contributions	1,242	3,849	3,215	8,306
Appropriation of endowment assets for expenditures	(407)	(4,897)	-	(5,304)
Termination of board designated endowments	(11,361)	-	-	(11,361)
Transfer to create board designated endowment	500	-	-	500
Other	(301)	92	3,026	2,817
Endowment net assets, June 30, 2015	81,674	35,313	94,969	211,956
<b>Investment return:</b>				
Investment income	590	990	1,509	3,089
Change in net realized and unrealized losses	(6,770)	(2,719)	(148)	(9,637)
Total investment return	(6,180)	(1,729)	1,361	(6,548)
Contributions	1,157	-	3,763	4,920
Appropriation of endowment assets for expenditures	(1,217)	(1,706)	-	(2,923)
Transfer to create board designated endowment	950	-	-	950
Acquisition of SJHHC	-	-	3,232	3,232
Acquisition of SFC	-	12,623	53,179	65,802
Other	-	227	1,084	1,311
Endowment net assets, June 30, 2016	<b>\$ 76,384</b>	<b>\$ 44,728</b>	<b>\$ 157,588</b>	<b>\$ 278,700</b>

The table below describes the restrictions for endowment amounts classified as temporarily restricted net assets and permanently restricted net assets as of June 30 (in thousands):

	<u>2016</u>	<u>2015</u>
<b>Temporarily Restricted Net Assets:</b>		
Term endowment funds	\$ 3,668	\$ 4,313
The portion of perpetual endowment funds subject to a purpose restriction	41,060	31,000
Total endowment funds classified as temporarily restricted net assets	<u>\$ 44,728</u>	<u>\$ 35,313</u>
<b>Permanently Restricted Net Assets:</b>		
Investments for which income is unrestricted	\$ 137,262	\$ 84,868
Investments for which income is temporarily restricted	14,658	4,261
Endowments requiring income to be added to the original gift	5,668	5,840
Total	<u>\$ 157,588</u>	<u>\$ 94,969</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. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 21, 2016, the date the consolidated financial statements were issued. The following subsequent events were noted:

The Corporation acquired the following entities effective July 1, 2016: Riverbend Medical Group Inc., a physician practice in Springfield, Massachusetts; Glacier Hills, Inc., a continuing care retirement community in Ann Arbor, Michigan; and Mount St. Joseph, a senior living community in Waterville, Maine. The impact of these acquisitions was not material to the consolidated financial statements.

Effective August 1, 2016 the Corporation became, through its Trinity Health-New England subsidiary, the sole corporate member of St. Mary’s Health System (“SMHS”), a regional health care system located in Waterbury, Connecticut, as part of a member substitution. The fair value of identifiable assets acquired and liabilities assumed have not yet been determined as the Corporation is still assessing the economic characteristics of certain assets acquired and liabilities assumed. Thus the opening balance sheet of SMHS at the date of the acquisition is not yet available. The Corporation expects to substantially complete this assessment within 12 months following the acquisition date. SMHS reported \$295.5 million of unrestricted revenue for their fiscal year ended September 30, 2015. Pro forma financial data is not disclosed as SMHS financial data is not readily available.

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## **INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION**

To the Board of Directors of  
Trinity Health Corporation  
Livonia, Michigan

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The additional information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements. This additional information is the responsibility of the Corporation's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in our audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion such information is fairly stated in all material respects in relation to the financial statements as a whole.

*Deloitte & Touche LLP*

September 21, 2016



**TRINITY HEALTH**  
**Supplemental Condensed Consolidating Balance Sheets -**  
**Information**  
**June 30, 2016**  
**(In thousands)**

**Mercy Community Health, Inc., West Hartford**

	MCH- Corporate Office	The McAuley Center, Inc	Saint Mary Home, Inc	Eliminations and Other	Mercy Community Health, Inc., West Hartford
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\$	(12,477)	\$ 7,824	\$ 11,438	\$ -	\$ 6,785
	(20)	263	-	-	243
	6,277	(1,021)	974	-	6,230
	19	129	320	-	468
	(6,201)	7,195	12,732	-	13,726

**ASSETS**

**CURRENT ASSETS:**

Cash, cash equivalents and investments  
 Assets limited as to use - current portion  
 Patient and other receivables, net  
 Other current assets  
 Total current assets

**ASSETS LIMITED OR RESTRICTED AS TO USE -**

Noncurrent portion:  
 Held in trust  
 By Board  
 By donors  
 Total assets limited or restricted as to use - noncurrent portion

	691	15,728	9,514	-	25,933
	405	968	-	-	1,373
\$	(5,105)	\$ 23,891	\$ 22,246	\$ -	\$ 41,032

**PROPERTY AND EQUIPMENT, Net**

**OTHER ASSETS**

**TOTAL ASSETS**

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**  
**LONG-TERM DEBT, Noncurrent portion**  
**OTHER LIABILITIES**

\$	(3,798)	\$ 5,183	\$ 10,039	\$ -	\$ 11,424
	4,129	12,512	10,373	-	27,014
	14	18,895	-	-	18,909

**NET ASSETS:**

Unrestricted  
 Restricted  
 TOTAL LIABILITIES AND NET ASSETS

	(5,697)	(12,660)	1,481	-	(16,876)
	247	(39)	353	-	561
\$	(5,105)	\$ 23,891	\$ 22,246	\$ -	\$ 41,032

**TRINITY HEALTH**  
**Supplemental Condensed Consolidating Statements of Operations**  
**and Changes in Net Assets - Information**  
**June 30, 2016**  
**(In thousands)**

**Mercy Community Health, Inc., West Hartford**

	MCH - Corporate Office	The McAuley Center, Inc	Saint Mary Home, Inc	Eliminations and Other	Mercy Community Health, Inc., West Hartford
<b>Unrestricted revenue:</b>					
Net patient service revenue less provision for bad debts	\$ -	\$ 146	\$ 32,072	\$ (1,993)	\$ 30,225
Other	4,776	11,990	361	(4,539)	12,588
Total unrestricted revenue	4,776	12,136	32,433	(6,532)	42,813
<b>Expenses:</b>					
Labor costs	1,532	3,544	20,344	(2)	25,418
Purchased services	2,381	2,873	6,649	(6,531)	5,372
Depreciation, amortization and interest	449	2,096	1,250	-	3,795
Other	288	3,391	5,334	1	9,014
Total expenses	4,650	11,904	33,577	(6,532)	43,599
OPERATING INCOME (LOSS) BEFORE OTHER ITEMS	126	232	(1,144)	-	(786)
Other	-	-	-	-	-
OPERATING INCOME (LOSS)	126	232	(1,144)	-	(786)
<b>NONOPERATING ITEMS:</b>					
Investment income and interest rate swaps	(57)	(17)	(40)	-	(114)
Loss from early extinguishment of debt	-	-	-	-	-
Other	-	(1)	-	1	-
Total nonoperating items	(57)	(18)	(40)	1	(114)
EXCESS OF REVENUE OVER EXPENSES	69	214	(1,184)	1	(900)
LESS EXCESS OF REVENUE OVER EXPENSES ATTRIBUTABLE TO NONCONTROLLING INTEREST	-	-	-	-	-
EXCESS OF REVENUE OVER EXPENSES - Net of noncontrolling interest	\$ 69	\$ 214	\$ (1,184)	\$ 1	\$ (900)
<b>CHANGES IN NET ASSETS</b>					
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	\$ (5,698)	\$ (12,660)	\$ 1,482	\$ 15,997	\$ (879)
INCREASE (DECREASE) IN RESTRICTED NET ASSETS	5,780	12,880	(2,661)	(15,997)	2
INCREASE (DECREASE) IN NET ASSETS	82	220	(1,179)	-	(877)
NET ASSETS, Beginning of year	(5,532)	(12,919)	3,013	-	(15,438)
NET ASSETS, End of year	\$ (5,450)	\$ (12,699)	\$ 1,834	\$ -	\$ (16,315)

## INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

To the Board of Directors of  
Trinity Health Corporation  
Livonia, Michigan

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The additional information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements. This additional information is the responsibility of the Corporation's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in our audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion such information is fairly stated in all material respects in relation to the financial statements as a whole.

*Deloitte & Touche LLP*

September 23, 2015

**TRINITY HEALTH**

**Supplemental Condensed Consolidating Statements of Operations  
and Changes in Net Assets - Information  
June 30, 2015  
(In thousands)**

**Mercy Community Health, Inc., West Hartford**

	Corporate Office	The McAuley Center	Saint Mary Home, Inc.	Eliminations and Other	Mercy Community Health, Inc., West Hartford
<b>Unrestricted revenue:</b>					
Net patient service revenue less provision for bad debts	\$ -	\$ -	\$ 31,710	\$ (2,169)	\$ 29,541
Other	6,272	12,237	337	(3,884)	14,962
Total unrestricted revenue	6,272	12,237	32,047	(6,053)	44,503
<b>Expenses:</b>					
Labor costs	2,510	3,643	19,929	-	26,082
Purchased services	977	3,464	6,627	(6,053)	5,015
Depreciation, amortization and interest	311	1,806	1,284	-	3,401
Other	342	2,676	4,618	-	7,636
Total expenses	4,140	11,589	32,458	(6,053)	42,134
OPERATING INCOME (LOSS) BEFORE OTHER ITEMS	2,132	648	(411)	-	2,369
Other	-	-	-	-	-
OPERATING INCOME (LOSS)	2,132	648	(411)	-	2,369
<b>NONOPERATING ITEMS:</b>					
Investment income and interest rate swaps	2	(41)	(39)	-	(78)
Loss from early extinguishment of debt	-	-	(258)	-	(258)
Other	-	-	-	-	-
Total nonoperating items	2	(41)	(297)	-	(336)
<b>EXCESS OF REVENUE OVER EXPENSES</b>	2,134	607	(708)	-	2,033
<b>LESS EXCESS OF REVENUE OVER EXPENSES ATTRIBUTABLE TO NONCONTROLLING INTEREST</b>	-	-	-	-	-
<b>EXCESS OF REVENUE OVER EXPENSES - Net of noncontrolling interest</b>	\$ 2,134	\$ 607	\$ (708)	\$ -	\$ 2,033
<b>CHANGES IN NET ASSETS</b>					
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	\$ 1,859	\$ 607	\$ (628)	\$ -	\$ 1,838
INCREASE (DECREASE) IN RESTRICTED NET ASSETS	36	(91)	(19)	-	(74)
INCREASE (DECREASE) IN NET ASSETS	1,895	516	(647)	-	1,764
NET ASSETS, Beginning of year	(7,427)	(13,435)	3,660	-	(17,202)
NET ASSETS, End of year	\$ (5,532)	\$ (12,919)	\$ 3,013	\$ -	\$ (15,438)

**TRINITY HEALTH**

Supplemental Condensed Consolidating Balance Sheets -  
 Information  
 June 30, 2015  
 (In thousands)

**Mercy Community Health, Inc., West Hartford**

	MCH - Corporate Office	The McAuley Center	Saint Mary Home, Inc.	Eliminations and Other	Mercy Community Health, Inc., West Hartford
<b>ASSETS</b>					
<b>CURRENT ASSETS:</b>					
Cash, cash equivalents and investments	\$ (8,174)	\$ 5,531	\$ 6,896	\$ -	\$ 4,253
Assets limited as to use - current portion	-	2	286	-	288
Patient and other receivables, net	100	50	3,808	-	3,958
Other current assets	29	183	403	-	615
Total current assets	(8,045)	5,766	11,393	-	9,114
<b>ASSETS LIMITED OR RESTRICTED AS TO USE -</b>					
Noncurrent portion:					
Held in trust	-	-	-	-	-
By Board	29	-	-	-	29
By donors	-	12	265	-	277
Total assets limited or restricted as to use - noncurrent portion	29	12	265	-	306
<b>PROPERTY AND EQUIPMENT, Net</b>	789	15,829	9,630	-	26,248
<b>OTHER ASSETS</b>	6,574	(1,612)	(4,672)	-	290
<b>TOTAL ASSETS</b>	<u>\$ (653)</u>	<u>\$ 19,995</u>	<u>\$ 16,616</u>	<u>\$ -</u>	<u>\$ 35,958</u>
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT LIABILITIES</b>	\$ 524	\$ 2,867	\$ 2,750	\$ -	\$ 6,141
<b>LONG-TERM DEBT, Noncurrent portion</b>	4,238	12,299	10,564	-	27,101
<b>OTHER LIABILITIES</b>	117	17,748	289	-	18,154
<b>NET ASSETS:</b>					
Unrestricted	(5,795)	(12,874)	2,666	-	(16,003)
Restricted	263	(45)	347	-	565
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ (653)</u>	<u>\$ 19,995</u>	<u>\$ 16,616</u>	<u>\$ -</u>	<u>\$ 35,958</u>

## McAuley Center, Incorporated

**THREE (3) YEAR PROJECTED BALANCE SHEET AND CHANGES IN NET ASSETS**  
**FOR FISCAL YEARS ENDED JUNE 30, 2017 THROUGH 2019**  
(in thousands of dollars)

<u>ASSETS</u>	2017	2018	2019	Comments
Current Assets:				
Cash and Cash Equivalents	\$7,495	\$7,385	\$7,502	2016 Actual plus Gain/Loss
Accounts Receivable, net	-1,052	-1,083	-1,116	3% rate increase
Prepaid Expenses and Other Current Assets	547	547	547	Consistent with 2016 Actual
Total Current Assets	<u>6,990</u>	<u>6,849</u>	<u>6,933</u>	
Assets Whose Use Is Limited - non-current	968	968	968	Consistent with 2016 Actual
Property, Plant and Equipment, net	15,413	15,105	14,803	2% reduction for depreciation less acquisitions
Other Assets	0	0	0	Consistent with 2016 Actual
<b>TOTAL ASSETS</b>	<b><u>\$23,372</u></b>	<b><u>\$22,922</u></b>	<b><u>\$22,704</u></b>	
<u>LIABILITIES AND NET ASSETS</u>				
Current Liabilities:				
Current Maturities of Debt	305	305	305	Consistent with 2016 Actual
Accounts Payable and Accrued Expenses	4,533	4,533	4,533	Consistent with 2016 Actual
Other Accrued Liabilities	345	345	345	Consistent with 2016 Actual
Total Current Liabilities	<u>5,183</u>	<u>5,183</u>	<u>5,183</u>	
Long-term debt, less current portion	12,136	11,772	11,418	3% reduction for principal payments
Other Long-term liabilities	19,081	19,106	19,124	reduction in refundable fees
Total Liabilities	<u>31,217</u>	<u>30,877</u>	<u>30,542</u>	
Net Assets				
Fund Balance (Unrestricted)	(12,989)	(13,099)	(12,982)	
Temporarily Restricted Fund Balance	(51)	(51)	(51)	
Permanently Restricted Net Assets	12	12	12	
Total Fund	<u>(13,028)</u>	<u>(13,138)</u>	<u>(13,021)</u>	
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b><u>\$23,372</u></b>	<b><u>\$22,923</u></b>	<b><u>\$22,704</u></b>	
	\$0	(\$0)	\$0	
<b>CHANGES IN NET ASSETS</b>				
Unrestricted Net Assets				
Beginning Unrestricted Net Assets	(12,660)	(12,989)	(13,099)	
Excess of Revenues over Expenses	(329)	(110)	116	
Total Unrestricted Net Assets	<u>(12,989)</u>	<u>(13,099)</u>	<u>(12,982)</u>	
Temporarily Restricted Net Assets				
Beginning Temporarily Restricted Net Assets	-51	-51	-51	
Ending Temporarily Restricted Net Assets	<u>(51)</u>	<u>(51)</u>	<u>(51)</u>	
Permanently Restricted Net Assets				
Beginning Permanently Restricted Net Assets	12	12	12	
Ending Permanently Restricted Net Assets	<u>12</u>	<u>12</u>	<u>12</u>	
<b>TOTAL NET ASSETS</b>	<b><u>(\$13,028)</u></b>	<b><u>(\$13,138)</u></b>	<b><u>(\$13,021)</u></b>	

## McAuley Center, Incorporated

THREE (3) YEAR PROJECTED STATEMENT OF OPERATIONS  
FOR FISCAL YEARS ENDED JUNE 30, 2017 THROUGH 2019

(in thousands of dollars)

	2017	2018	2019	Comments
REVENUE				
Operating Revenue	12,592	12,970	13,359	3% rate increase - volume even
Total Operating Revenue	12,592	12,970	13,359	
OPERATING EXPENSES				
Salaries and Wages	2,573	2,599	2,625	1% wage increase
Employee Benefits	850	876	902	3% Cost Increase
Professional Fees	4	4	4	2% Cost Increase
Supplies	35	36	36	2% Cost Increase
Purchased Services	4,427	4,516	4,606	2% Cost Increase
Depreciation & Amortization	1,653	1,620	1,588	2% - decrease
Interest	419	411	402	2% - decrease
Other	0	0	0	
Other	2,960	3,019	3,080	2% Cost Increase
Total Operating Expenses	12,921	13,079	13,242	
<b>OPERATING INCOME</b>	<b>-\$329</b>	<b>-\$110</b>	<b>\$116</b>	
Non-Operating Revenue				
Investment Income	0	0	0	
Net Non-Operating Revenue	0	0	0	
<b>INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS</b>	<b>-\$329</b>	<b>-\$110</b>	<b>\$116</b>	

## McAuley Center, Incorporated

THREE (3) YEAR PROJECTED STATEMENTS OF CASH FLOWS  
FOR FISCAL YEARS ENDED JUNE 30, 2017 THROUGH 2019

(in thousands of dollars)

	2017	2018	2019	Comments
SOURCES OF CASH				
Excess of Revenues over Expenses from Operations	-\$329	-\$110	\$116	
Items Not Affecting Working Capital				
Depreciation	1,653	1,620	1,588	
Other				
<b>Total Sources of Cash</b>	<b>1,324</b>	<b>1,510</b>	<b>1,704</b>	
USES OF CASH				
Change in Working Capital, excluding current portion of debt	232	10	11	
Additions to Plant, Property and Equipment, net	925	1,312	1,285	
Other Assets	4	-32	-32	
Long-term Debt Principal Repayments	305	305	305	
Other Long Term Liabilities	187	25	18	
<b>Total Uses of Cash</b>	<b>1,653</b>	<b>1,620</b>	<b>1,587</b>	
Cash Provided (Used) Prior to Interest Income	-329	-110	117	
Cash Provided From Interest Income	0	0	0	
Cash Provided (Used)	-329	-110	117	
CASH BALANCE, BEGINNING OF PERIOD	7,824	7,495	7,385	
<b>CASH BALANCE, END OF PERIOD</b>	<b>\$7,495</b>	<b>\$7,385</b>	<b>\$7,502</b>	



## McAuley Center, Incorporated

THREE (3) YEAR PROJECTED STATISTICS  
 FOR FISCAL YEARS ENDED JUNE 30, 2017 THROUGH 2019  
 (in thousands of dollars)

	2017	2018	2019	Comments
<b><u>Resident Turnover</u></b>				
Independent Living Turnover	21	21	21	More admits and fewer discharges
Assisted Living Turnover	5	6	7	More admits and fewer discharges
Occupancy	185	195	196	
Resident Turnover Rate	14.1%	13.8%	14.3%	
<b><u>Average Age of Residents</u></b>				
Average Age of Residents	88.5	88.4	88.3	Slight reduction due to younger admits
<b><u>Admissions to Healthcare Facilities</u></b>				
Number of Permanent Transfers to SNF Care	8	8	8	Consistent with 2016
Number of Temporary Transfers to SNF/Rehab Care	41	41	41	Consistent with 2016
Total transfers	49	49	49	
<b><u>Transferred Residents Days of Care</u></b>				
Residents with Permanent Transfer Status at a SNF	14	14	14	Consistent with 2016
Total Days of Care for Transferred Residents	6,546	6,546	6,546	Consistent with 2016
<b><u>Utilization of Healthcare Services</u></b>				
Healthcare Utilization Rate	27.6%	27.6%	27.6%	% of Total Transfers Divided by Capacity

**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:

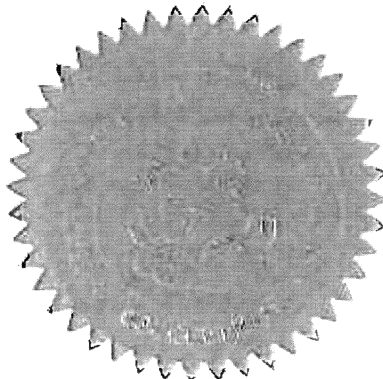
McAuley Center, Inc. of West Hartford, CT, d/b/a McAuley Center, Inc. The is hereby licensed to maintain and operate an Assisted Living Services Agency.

**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, (MRC) 275 Steele Road, West Hartford, CT*

This license expires **June 30, 2017** and may be revoked for cause at any time.

Dated at Hartford, Connecticut, July 1, 2015. **RENEWAL**



*Jewel Mullen MD*

Jewel Mullen, MD, MPH, MPA  
Commissioner

***Schedule of Standard Contract Fees***

<b>APARTMENT TYPE</b>	<b>ENTRANCE FEE <i>FULL LIFECARE – TWO-THIRDS REFUNDABLE</i></b>	<b>MONTHLY SERVICE FEE</b>
Studio 592 sq. ft.	\$170,990	\$2,650
One Bedroom 620 sq. ft. Single Double	\$178,600	\$2,840 \$4,700
One Bedroom Deluxe 818 sq. ft. Single Double	\$254,300	\$3,680 \$5,530
Two Bedroom 1,118 sq. ft. Single Double	\$373,365	\$4,325 \$6,180
Studio + One Bedroom 1,410 sq. ft. Single Double	\$468,600	\$5,450 \$7,300
One Bedroom + One Bedroom 1,636 sq. ft. Single Double	\$541,100	\$6,300 \$8,150
Two Bedroom + One Bedroom 1,936 sq. ft. Single Double	\$638,520	\$7,450 \$9,100

***These rates are effective January 1, 2016.***

***Schedule of Zero Refund Contract Fees***

<b>APARTMENT TYPE</b>	<b>ENTRANCE FEE <i>FULL LIFECARE – NON-REFUNDABLE AFTER 50 MONTHS</i></b>	<b>MONTHLY SERVICE FEE</b>
Studio 592 sq. ft.	\$98,500	\$3,300
One Bedroom 620 sq. ft. Single Double	\$110,250 \$129,850	\$3,600 \$5,400
One Bedroom Deluxe 818 sq. ft. Single Double	\$119,300 \$138,900	\$3,950 \$5,750
Two Bedroom 1,118 sq. ft. Single Double	\$153,300 \$181,500	\$5,000 \$6,700
Studio + One Bedroom 1,410 sq. ft. Single Double	\$206,200	\$5,600 \$7,400
One Bedroom + One Bedroom 1,636 sq. ft. Single Double	\$238,400	\$6,300 \$8,100
Two Bedroom + One Bedroom 1,936 sq. ft. Single Double	\$275,150	\$7,200 \$9,000

*These rates are effective January 1, 2016.*

***Schedule of Alternative Contract Fees***

<b>APARTMENT TYPE</b>	<b>ENTRANCE FEE</b> <i>NO LIFECARE – 80% Refundable 150 days Skilled Nursing</i>	<b>MONTHLY SERVICE FEE</b>
Studio 592 sq. ft.	\$111,000	\$2,460
One Bedroom 620 sq. ft. Single Double	\$116,250	\$2,575 \$3,990
One Bedroom Deluxe 818 sq. ft. Single Double	\$153,390	\$3,400 \$4,815
Two Bedroom 1,118 sq. ft. Single Double	\$173,700	\$4,030 \$5,430
Studio + One Bedroom 1,410 sq. ft. Single Double	\$219,000	\$5,085 \$6,475
One Bedroom + One Bedroom 1,636 sq. ft. Single Double	\$254,200	\$5,885 \$7,300
Two Bedroom + One Bedroom 1,936 sq. ft. Single Double	\$300,800	\$6,900 \$8,200

*These rates are effective January 1, 2016.*

# *Schedule of Fees*

## THE ASSISTED LIVING CENTER AT THE McAULEY

Apartment Style	Monthly Rental Fee
Studio	\$5,305
One Bedroom	\$5,510
One Bedroom Deluxe	\$6,740
Two Bedroom	\$8,570

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, 2016.*

# THE MCAULEY

PART OF THE MERCY COMMUNITY

## APPENDIX B

### ASSISTED LIVING SERVICES FEE SCHEDULE

#### ASSISTANCE MAINTAINING MY INDEPENDENT ENVIRONMENT PROGRAM (AMIE)

**Disclosure of Charges; Effective May 1, 2012**

**AMIE: The Nursing Department will determine your monthly cost based on your Care Plan. Your estimated monthly cost will be shared with you initially, and will be re-evaluated as the Care Plan changes.**

**Independent residents that use homemaking services only will also get a monthly Care Plan.**

**AMIE will bill for nursing services and personal care that exceed the current contracted allowance.**

**Additional services, in both cases, will be billed according to the following schedule:**

Nursing visit; true emergency:	Complimentary
Nursing visit; Wellness Clinic:	Complimentary
Nursing visit in apartment (by request/necessity)	\$9.00
Weekly medication(s) pour by nurse:	\$25.00
Administration of medication(s) by nurse:	\$5.00
Medication reminder; oral medication(s):	\$2.00
Medication reminder; additional medication(s):	\$2.00
Assistance with bathing/shower:	\$12.00
Assistance with dressing :	\$4.00
Assistance with oral care:	\$2.00

# THE MCAULEY

PART OF THE MERCY COMMUNITY

Assistance with shaving:	\$2.00
Assistance with stockings or other single item:	\$2.00
Assistance with miscellaneous personal care (15 minutes):	\$6.00
Complete a.m. care (sponge, dressing, oral care, <i>etc.</i> ):	\$8.00
Complete p.m. care (dressing, assistance to bed, <i>etc.</i> ):	\$6.00
Safety check:	\$2.00
Assistance to the bathroom:	\$4.00
Incontinence care:	\$4.00
Meal /activity reminder; no escort:	\$1.00
Assistance with meal/meal delivery:	\$3.00
Assistance with wheelchair transfer:	\$2.00
Escort to meal/activity/hair appointment:	\$2.00
Escort to outside appointment:	\$48.00
One load of laundry:	\$12.00
Linen change:	\$4.00
Empty trash/tidy:	\$3.00
Make bed:	\$1.00
Minor homemaking task (plants, humidifier, <i>etc.</i> ):	\$1.00



# THE MCAULEY

PART OF THE MERCY COMMUNITY

## APPENDIX D

### DINING SERVICES FEE SCHEDULE

Away Credit for meals missed:	Resident Agreement
Additional resident meal:	\$10.00 per meal
Café <i>a la carte</i> options:	
Sandwich and beverage:	\$5.25
Soup or salad:	\$1.95
Sandwich with soup or salad:	\$7.20
Meal delivery:	\$4.00 per meal
Guest meals:	
Adult:	\$17.50 per meal
Children six to 12:	\$6.50 per meal
Children three and under:	Complimentary

# THE MCAULEY

PART OF THE MERCY COMMUNITY

## APPENDIX F

### TRANSPORTATION FEE SCHEDULE

Pricing schedule for transportation not covered in the Resident Agreement and outside the service area:

Zone I:	\$9.00 per round trip
Zone II:	\$14.00 per round trip
Zone III:	\$18.00 per round trip
Zone IV:	Price to be determined by mile
The McAuley-sponsored trips:	\$9.00 per person, per round trip
Resident-sponsored trips:	Price per person, according to zone
Subscription Series:	\$9.00 per person
Bradley International Airport: (per person)	\$30.00 one-way; during business hours \$45.00 one-way; after business hours
Bus/Train Station: (per person)	\$15.00 one-way; during business hours \$23.00 one-way; after business hours
Medical appointments: (Zone I; after hours)	\$20.00 per person
Add-on medical appointment: (Zone I)	\$9.00 per round trip
(Zone II-IV)	\$9.00 plus zone charge

# THE MCAULEY

PART OF THE MERCY COMMUNITY

## APPENDIX G

### MAINTENANCE FEE SCHEDULE

Service	Cost
Auditorium reservation fee	\$25.00
Balcony carpet	\$300.00
Bathroom cabinets: surface mount	\$110.00 including installation
Blinds/vertical	\$75.00
Computer/printer assistance	\$20.00 per half hour
Cordmate	\$280.00
Door bell: manual	\$35.00 each including installation
Door Bells: wireless chimes	\$45.00 each including installation
Extra housekeeping	\$30.00 per visit
Extra shelving	\$30.00 per shelf
Extra wall cabinet	\$120.00
Full carpet cleaning	\$125.00
Furniture assembly	\$30.00 per hour
Furniture moving	\$30.00 per hour
Grab bar: 18 inch (stainless or white)	\$55.00 including installation
Grab bar: 24 inch (stainless or white)	\$65.00 including installation
Guest apartment charge	\$75.00 per night
Handheld shower unit: without massage	\$40.00
Handheld shower unit: with massage	\$65.00
Ice maker	\$110.00 including installation
Item disposal/removal	\$30.00
Lamp repair	\$20.00 per half hour
Mail charge	\$5.00
Miscellaneous maintenance	\$30.00 per hour

# THE MCAULEY

PART OF THE MERCY COMMUNITY

Mini-blinds:	
Balcony door	\$50.00 each including installation
Dining room window	\$55.00 each including installation
Living room window	\$80.00 each including installation
Bedroom window(s)	\$65.00 each including installation
Parking cones	\$20.00 each; delivered
Private laundry	\$15.00 per load
Replacement key card	Complimentary
Rollaway bed	\$15.00 per night
Spot Carpet Cleaning	\$15.00 per room
Surge protector	\$15.00
Telephone set-up	\$30.00
Tub cut-out	\$400.00

**FACILITY CURRENT OCCUPANCY RATES**

**FOR PERIOD ENDING JUNE 30, 2016**

<b>LEVEL</b>	<b>OCCUPIED UNITS</b>	<b>TOTAL UNITS</b>	<b>OCCUPANCY RATE</b>
<b>Independent Living</b>	<b>163</b>	<b>203</b>	<b>80.3</b>
<b>Assisted Living</b>	<b>19</b>	<b>25</b>	<b>76.0</b>
<b>Total Facility</b>	<b>182</b>	<b>228</b>	<b>79.8</b>

**ENTRANCE FEES/MONTHLY SERVICE FEES FOR FISCAL YEARS  
ENDED December 31, 2012, 2013, 2014 and June 30, 2015 and 2016**

**ENTRANCE FEES - STANDARD RESIDENCY AGREEMENT**

(2/3 Refundable after first year)

	<b>12/31/2012</b>	<b>12/31/2013</b>	<b>12/31/2014</b>	<b>6/30/2015</b>	<b>6/30/2016</b>
<b>Studio</b>	\$161,176	\$166,010	\$170,990	\$170,990	\$170,990
<b>1 Bedroom</b>	\$239,724	\$246,920	\$254,300	\$254,300	\$254,300
<b>1 Bedroom – Double</b>	\$239,724	\$246,920	\$254,300	\$254,300	\$254,300
<b>2 Bedroom</b>	\$351,935	\$362,490	\$373,365	\$373,365	\$373,365
<b>2 Bedroom – Double</b>	\$351,935	\$362,490	\$373,365	\$373,365	\$373,365

**MONTHLY SERVICE FEES - STANDARD RESIDENCY AGREEMENT**

	<b>12/31/2012</b>	<b>12/31/2013</b>	<b>12/31/2014</b>	<b>6/30/2015</b>	<b>6/30/2016</b>
<b>Studio</b>	\$2,423	\$2,500	\$2,575	\$2,575	\$2,650
<b>1 Bedroom</b>	\$3,367	\$3,470	\$3,575	\$3,575	\$3,680
<b>2 Bedroom</b>	\$3,959	\$4,080	\$4,200	\$4,200	\$4,325
<b>2<sup>nd</sup> Person</b>	\$1,705	\$1,750	\$1,800	\$1,800	\$1,850

**MONTHLY RENTAL FEES – ASSISTED LIVING RESIDENCY AGREEMENT**

	<b>12/31/2012</b>	<b>12/31/2013</b>	<b>12/31/2014</b>	<b>6/30/2015</b>	<b>6/30/2016</b>
<b>Studio</b>	\$4,856	\$5,000	\$5,150	\$5,150	\$5,305
<b>1 Bedroom</b>	\$6,164	\$6,350	\$6,540	\$6,540	\$6,740
<b>2 Bedroom</b>	\$7,840	\$8,080	\$8,320	\$8,320	\$8,570
<b>2<sup>nd</sup> Person</b>	\$1,034	\$1,070	\$1,100	\$1,100	\$1,100

**FUTURE SERVICE OBLIGATION**

Mercy Community Health utilized software provided by A.V. Powell & Associates, LLC to perform an actuarial study as of June 30, 2016. 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 June 30, 2016.

Average Age at June 30, 2016:

Total for All Levels: Female 88.5                      Male 88.9                      Total Facility 88.6



James F. Thayer  
Senior Vice President &  
Senior Wealth Management Officer  
Wealth Management

T: 860.280.2881 F: 860.280.2884 E: james.thayer@peoples.com

December 1, 2016

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

Re: McAuley Entrance Fee Escrow Account

Ladies and Gentlemen:

Please let this statement serve as verification that the McAuley Entrance Fee Escrow Account as required by Sections 17b-524 as amended by this act and 17b-525 as amended by this act has been established and continues to be maintained by People's United Bank, N.A.

If you have any questions, please do not hesitate to contact me.

Sincerely yours,

James F. Thayer  
Senior Vice President

Sworn to and Subscribed before me this

1<sup>st</sup> day of December, 2016

  
\_\_\_\_\_  
Notary Public

**LEISL CORDING**  
**NOTARY PUBLIC**  
MY COMMISSION EXPIRES OCT. 31, 2019