

THE McAULEY

PART OF THE MERCY COMMUNITY†

McAULEY CENTER, INCORPORATED

DISCLOSURE STATEMENT

June 30, 2014

(For Fiscal Year Ending December 31, 2013)

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

Mercy Community Health is also a member of Catholic Health East, a holding company founded in 1997. Catholic Health East is 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.

We are in the process of merging our parent organization, Catholic Health East, with and into Trinity Health Corporation, an Indiana not for profit corporation effective on or about June 30, 2014. At this time it is anticipated that Trinity will be renamed at a later point in time.

The consolidation of our two entities has been ongoing for over a year now and this 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 TRUSTEES

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

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

3. **BUSINESS EXPERIENCE**

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

4. **JUDICIAL PROCEEDINGS**

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

5. **AFFILIATION - TAX EXEMPT STATUS**

The Sponsor, a 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, Mercyknoll and Saint Mary Home, with the land for all four institutions comprising 125 plus acres.

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

7. **BENEFITS - THE RESIDENCY AGREEMENT**

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

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

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

8. **INTEREST ON DEPOSITS**

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

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

9. **TERMINATION OF CONTRACT**

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

The resident may appeal termination of the Residency Agreement for non-medical reasons by writing to the Executive Director and Chairperson of the Board of Trustees of Mercy Community Health, who will respond in writing. Termination for medical reasons may be appealed in writing by the 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 maintains a reserve fund investment management agreement with People's Bank sufficient to cover: (1) the total cost of operations of The McAuley facility for a one month period, excluding interest, depreciation, and amortization. (Attachment E)

15. **FINANCIAL STATEMENTS**

We are in the process of merging our parent organization, Catholic Health East, with and into Trinity Health Corporation, an Indiana not for profit corporation effective on or about June 30, 2014. At this time it is anticipated that Trinity will be renamed at a later point in time. The consolidation of our two entities has been ongoing for over a year now and this 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 30th and therefore have not audited the December 31, 2013 period. Our next consolidated audit will be for the period ended June 30, 2014. As soon as that is completed the filing will be updated accordingly. We have included the last audited financial statements include Balance Sheets, Statements of Operations, Statements of Changes in Net Deficit, and Statements of Cash Flows for the period ended December 31, 2012 year and the previous calendar year. Included with the audited financial statements for Catholic Health East are the unaudited year end results for Mercy Community Health and its subsidiaries as of December 31, 2013. Management is also including the unaudited and internally prepared consolidated statements of CHE Trinity Inc. as of December 31, 2013 for comparison. (Attachment F)

16. **PRO FORMA STATEMENTS OF OPERATIONS**

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

17. **ENTRANCE FEES/PERIODIC CHARGES**

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

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

18. **PREPAID OBLIGATIONS-ACTUARIAL VALUE**

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

19. **DEPARTMENT OF SOCIAL SERVICES FILINGS**

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

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

ATTACHMENT A

OFFICERS OF McAULEY CENTER, INCORPORATED

as of December 31, 2013

William J. Fiocchetta, President
Sister Maureen Reardon, Vice-President
Steven D. Beaulieu, Secretary and Treasurer

BOARD OF TRUSTEES OF MERCY COMMUNITY HEALTH, INCORPORATED

Name

Title (Trustee unless otherwise noted)

Jill Adams	
Frederic W. Baker II	
Patricia Cook, RSM	
Angelo DeFazio, RPH	
Eileen Dooling, RSM	
Margaret Farley, RSM	
Dr. Dalia Giedrimiene	
David Harris	(Board Chair)
Patrick J. Johnson, Jr.	
Susan Keefe, RSM	
Joseph L. King	
Mark D. Walker	(Board Vice Chair)
Richard L. ZuWallack, M.D.	
William J. Fiocchetta	
Barbara Mullen, C.S.J.	
Jean McGinty, RSM	
Peter Murphy	

RESIDENCY AGREEMENTS

(See Separate Documents)

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



PRE-RESIDENCY AGREEMENT

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

PRE-RESIDENCY AGREEMENT

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

PREAMBLE

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

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

I. APPLICATION PROCESS

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

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

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

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

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

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

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

II. ADMISSION PROCESS

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

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

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

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

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

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

III. OCCUPANCY PROCESS

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

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

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

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

IV. TERMINATION OF AGREEMENT

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

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

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

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

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

V. MISCELLANEOUS

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

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

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

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

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

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

E. No amendment of this Agreement will be valid unless

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

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

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

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

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

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

PROSPECTIVE RESIDENT(S):

THE PROVIDER:

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

(Signature)

By: _____
Its: Executive Director

(Printed Name)

(Signature)

(Printed Name)

APARTMENT TYPE SELECTION

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

Apartment Type Preferred

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



RESIDENCY AGREEMENT

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

THE MCAULEY
RESIDENCY AGREEMENT

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

PREAMBLE

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

I. BASIC AGREEMENT

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

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

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

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

II. ACCOMMODATIONS AT THE COMMUNITY

A. Alterations

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

B. Access

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

C. Property Protection and Insurance

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

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

D. Moving Expenses

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

III. FINANCIAL ARRANGEMENTS

A. Contract Type

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

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

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

OR

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

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

B. Entrance Fee

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

C. Monthly Service Fees

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

D. Adjustments

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

E. Additional Fees

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

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

E. Monthly Statement

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

G. Transfers

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

H. Surviving Resident

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

I. Personal Obligations

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

J. Health Insurance

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

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

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

K. Financial Requirements for Residency

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

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

IV. GENERAL SERVICES

A. Services Included in Monthly Service Fee

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

1. Services:

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

2. Amenities:

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

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

3. Dietary Services:

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

4. Housekeeping and Laundry Services:

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

5. Transportation Services:

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

6. 24-Hour Services:

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

7. Social and Recreational Activities

8. Building and grounds maintenance and custodial service:

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

9. Health Promotion and Care Management Services:

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

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

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

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

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

C. Skilled Nursing Services

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

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

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

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

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

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

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

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

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

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

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

D. Hospitals and Other Health Care Services

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

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

E. Private Duty Care

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

V. TERMINATION OF AGREEMENT

A. Termination by Resident

1. Prior to Occupancy

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

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

2. After Occupancy

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

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

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

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

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

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

B. Termination by Us

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

1. Termination Prior to Occupancy Date

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

2. Termination Subsequent to Occupancy for Non-Medical Reasons

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

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

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

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

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

3. Termination Subsequent to Occupancy for Medical Reasons

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

4. Entrance Fee

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

VI. SPECIAL OCCUPANCY CIRCUMSTANCES

A. Death of a Resident

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

B. Separation

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

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

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

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

C. Resident Marriage

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

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

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

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

D. Special Resident Occupancy

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

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

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

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

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

E. Guests

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

VII. TRANSFER TO A DIFFERENT APARTMENT

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

VIII. REFUND OF ENTRANCE FEE

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

A. Prior to the Occupancy Date

1. Apartment Not Available

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

2. Death, Illness, Injury or Incapacity of Resident

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

3. Termination Within Thirty Days of Execution of this Agreement

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

4. Failure to Occupy Apartment for Any Other Reason

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

B. Subsequent to the Occupancy Date – Standard Refund Plan

_____ **Standard Refund Plan**

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

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

C. Subsequent to the Occupancy Date – Zero Refund Plan

_____ Zero Refund Plan

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

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

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

D. Refund Payment

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

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

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

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

IX. EXTENDED ABSENCE

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

X. VACATING APARTMENT

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

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

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

XI. MISCELLANEOUS

A. Fees Not Held in Trust

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

B. Subordination

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

C. Property Rights

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

D. Arrangements for Conservatorship

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

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

E. Rules and Regulations

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

F. Smoking

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

G. Compliance with Laws and Regulations

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

H. Grievance Procedure

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

I. Accuracy of Information

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

J. Notices

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

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

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

K. Waiver

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

L. Assignment

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

M. Entire Agreement

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

N. Interpretation of Agreement

No amendment of this Agreement will be valid unless

executed in writing by both you and us.

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

O. Counterparts

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

RESIDENT(S):

THE PROVIDER:

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

(Signature)

By: _____
Its: Executive Director

(Printed Name)

(Signature)

(Printed Name)

Summary of Key Information Contained in this Residency Agreement

Resident Name(s):

Contract Type: __ Standard Refund Plan__ Zero Refund Plan

Occupancy Date: _____

Unit Number: _____ Unit Type: _____

Entrance Fee Amount: _____

Monthly Service Fee: First Person _____ Second Person _____

EXHIBIT 1

FEE SCHEDULE SEPTEMBER 2007

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

HEALTH CARE SERVICES

Provided by Mercy Community Home Care

Nurse Services:

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

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

Aide Services:

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

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

Other Staff:

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

EXHIBIT 1

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

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

DINING SERVICES PROGRAM

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

ENVIRONMENTAL SERVICES DEPARTMENT

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

EXHIBIT 1

Labor is available in 15 minute increments.

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

Maintenance \$30.00 per hour

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

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

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

The prices for the following items include installation.

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

EXHIBIT 1

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

The following items are available and are priced upon request.

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

MISCELLANEOUS ITEMS

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

EXHIBIT 1

TRANSPORTATION

Transportation Fee Schedule

Pricing schedule for transportation not covered by your Monthly Fee.

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

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

Subscription Series: \$ 6.00 per person

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

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

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

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

EXHIBIT 2

INTERNAL TRANSFER GUIDELINES

I. Policy Statement

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

II. Internal Transfer Procedure

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

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

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

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

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

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

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

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

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

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

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

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



RESIDENCY AGREEMENT

FOR

ASSISTED LIVING

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

THE MCAULEY

ASSISTED LIVING RESIDENCY AGREEMENT

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

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

PREAMBLE

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

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

ARTICLE I

ACCOMMODATIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE II

FINANCIAL ARRANGEMENTS

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

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

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

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

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

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

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

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

1. **Single Occupancy.**

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

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

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

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

G. Refunds.

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

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

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

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

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

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

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

ARTICLE III

YOUR RIGHTS AND OBLIGATIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE IV

THE McAULEY'S RIGHTS AND OBLIGATIONS

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

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

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

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

ARTICLE V

GENERAL CONDITIONS

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

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

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

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

ARTICLE VI

TERM AND TERMINATION

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

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

B. Termination by Resident.

1. Termination Prior to the Occupancy Date

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

2. Termination On or After the Occupancy Date

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

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

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

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

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

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

D. Termination by Reason of Death.

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

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

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

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

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

H. Vacating Apartment and Removal of Personal Property.

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

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

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

ARTICLE VII

MISCELLANEOUS

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

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

C. Notices.

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

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

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

Designated Representative: _____

_____.

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

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

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

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

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

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

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

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

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

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

WITNESS

The McAuley Center, Inc.

By _____
Its Authorized Representative

Date _____

WITNESS

RESIDENT

Name(printed): _____

Date _____

DESIGNATED REPRESENTATIVE

Name(printed): _____

Relationship to Resident: _____

Date _____

WITNESS

RESIDENT

Name(printed): _____

Date _____

DESIGNATED REPRESENTATIVE

Name(printed): _____

Relationship to Resident: _____

Date _____

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

Witness

Guarantor

Date

EXHIBIT 1

YOUR APARTMENT AND YOUR FEES

Names(s) of Resident(s): _____

Apartment # _____ Occupancy Date: _____

Rental Fee:* \$ _____

(prorated daily rate: \$ _____)

Second Rental
Fee: (If Applicable) \$ _____

(prorated daily rate: \$ _____)

TOTAL RENTAL FEE:
(AS OF OCCUPANCY DATE) _____

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

EXHIBIT 2

AGREEMENT FOR THE PROVISION OF ASSISTED LIVING SERVICES

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

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

PREAMBLE

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

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

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

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

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

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

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

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

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

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

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

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

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

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

_____.

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

_____.

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

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

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

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

WITNESS

Mercy Community HomeCare

By _____

Its Authorized Representative

Date _____

WITNESS

RESIDENT

Name(printed): _____

Date _____

WITNESS

DESIGNATED REPRESENTATIVE

Name(printed): _____

Relationship to Resident: _____

Date _____

WITNESS

RESIDENT

Name(printed): _____

Date _____

WITNESS

DESIGNATED REPRESENTATIVE

Name(printed): _____

Relationship to Resident: _____

Date _____

WITNESS

DESIGNATED REPRESENTATIVE

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

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

Witness

Guarantor

Date

SCHEDULE A

Mercy Community HomeCare Assisted Living Services Agency

SCHEDULE OF CHARGES FOR ADDITIONAL SERVICES

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

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

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

EXHIBIT 3

FEE SCHEDULE SEPTEMBER 2007

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

HEALTH CARE SERVICES

Provided by Mercy Community Home Care

Nurse Services:

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

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

Aide Services:

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

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

Other Staff:

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

EXHIBIT 3

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

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

DINING SERVICES PROGRAM

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

ENVIRONMENTAL SERVICES DEPARTMENT

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

EXHIBIT 3

Labor is available in 15 minute increments.

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

Maintenance \$30.00 per hour

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

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

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

The prices for the following items include installation.

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

EXHIBIT 3

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

The following items are available and are priced upon request.

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

MISCELLANEOUS ITEMS

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

EXHIBIT 3

TRANSPORTATION

Transportation Fee Schedule

Pricing schedule for transportation not covered by your Monthly Fee.

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

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

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

Subscription Series: \$ 6.00 per person

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

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

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

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

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

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



RESIDENCY AGREEMENT

WITHOUT LONG TERM CARE COVERAGE

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

THE McAULEY
RESIDENCY AGREEMENT

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

PREAMBLE

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

I. BASIC AGREEMENT

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

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

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

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

II. ACCOMMODATIONS AT THE COMMUNITY

A. Alterations

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

B. Access

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

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

C. Property Protection and Insurance

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

D. Moving Expenses

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

III. FINANCIAL ARRANGEMENTS

A. Contract Type

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

B. Entrance Fee

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

C. Monthly Rental Fees

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

D. Adjustments

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

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

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

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

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

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

ARTICLE IV

THE McAULEY'S RIGHTS AND OBLIGATIONS

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

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

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

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

ARTICLE V

GENERAL CONDITIONS

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

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

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

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

ARTICLE VI

TERM AND TERMINATION

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

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

B. Termination by Resident.

1. Termination Prior to the Occupancy Date

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

2. Termination On or After the Occupancy Date

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

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

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

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

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

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

D. Termination by Reason of Death.

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

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

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

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

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

H. Vacating Apartment and Removal of Personal Property.

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

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

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

ARTICLE VII

MISCELLANEOUS

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

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

C. Notices.

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

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

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

Designated Representative: _____

_____.

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

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

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

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

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

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

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

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

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

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

WITNESS

The McAuley Center, Inc.

By _____
Its Authorized Representative

Date _____

WITNESS

RESIDENT

Name(printed): _____

Date _____

DESIGNATED REPRESENTATIVE

Name(printed): _____

Relationship to Resident: _____

Date _____

WITNESS

RESIDENT

Name(printed): _____

Date _____

DESIGNATED REPRESENTATIVE

Name(printed): _____

Relationship to Resident: _____

Date _____

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

Witness

Guarantor

Date

EXHIBIT 1

YOUR APARTMENT AND YOUR FEES

Names(s) of Resident(s): _____

Apartment # _____ Occupancy Date: _____

Rental Fee:* \$ _____

(prorated daily rate: \$ _____)

Second Rental
Fee: (If Applicable) \$ _____

(prorated daily rate: \$ _____)

TOTAL RENTAL FEE:
(AS OF OCCUPANCY DATE) _____

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

EXHIBIT 2

AGREEMENT FOR THE PROVISION OF ASSISTED LIVING SERVICES

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

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

PREAMBLE

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

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

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

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

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

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

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

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

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

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

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

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

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

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

_____.

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

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

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

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

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

WITNESS

Mercy Community HomeCare
By _____
Its Authorized Representative
Date _____

WITNESS

RESIDENT

Name(printed): _____
Date _____

WITNESS

DESIGNATED REPRESENTATIVE

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

WITNESS

RESIDENT

Name(printed): _____
Date _____

WITNESS

DESIGNATED REPRESENTATIVE

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

WITNESS

DESIGNATED REPRESENTATIVE

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

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

Witness

Guarantor

Date

SCHEDULE A

Mercy Community HomeCare Assisted Living Services Agency

SCHEDULE OF CHARGES FOR ADDITIONAL SERVICES

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

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

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

EXHIBIT 3

FEE SCHEDULE SEPTEMBER 2007

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

HEALTH CARE SERVICES

Provided by Mercy Community Home Care

Nurse Services:

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

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

Aide Services:

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

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

Other Staff:

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

EXHIBIT 3

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

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

DINING SERVICES PROGRAM

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

ENVIRONMENTAL SERVICES DEPARTMENT

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

EXHIBIT 3

Labor is available in 15 minute increments.

Laundry Service/Private Laundry Service (in addition to the service included in your Monthly Fee)	\$ 7.00 per load
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Maintenance	\$30.00 per hour
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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 (in addition to the service included in your Monthly Fee)	\$ 7.00 per load
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Maintenance	\$30.00 per hour
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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
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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



ATTACHMENT C

March 9, 1987

Mr. Gordon Andrew
Administrator
Saint Mary Home
291 Steele Road
West Hartford, CT 06117

Dear Gordon:

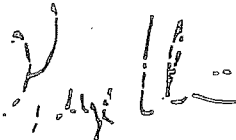
This will confirm the arrangements that have been agreed upon between Saint Mary Home ("Home") and McAuley Center Incorporated ("McAuley") for the admission of McAuley residents to the Home.

1. The Home agrees to admit McAuley residents for nursing services on a priority basis.
2. Each time that McAuley accepts an application from a prospective resident, McAuley will promptly notify the Home and provide the Home with such information about the resident as the Home may reasonably request.
3. The Home shall place the resident's name on the Home's waiting list and the resident will be deemed to have applied for admission to the Home concurrently with the resident's application to McAuley.
4. The resident's name shall remain on the waiting list during the time that he or she is a resident of McAuley and shall move toward the top of the waiting list in the normal course of events.
5. Despite the fact that the resident's name may be at the top of the waiting list, the resident shall not be admitted to the Home unless such admission is requested by McAuley.
6. Upon McAuley's request, a resident will be admitted to the Home in accordance with usual admission procedures and in the order of his or her priority on the waiting list.
7. McAuley agrees to arrange for transportation of its residents to and from the Home.

Mr. Gordon Andrew
March 9, 1987
Page Two

8. McAuley will be billed directly on a monthly basis by the Home for the following services provided to McAuley residents:
- (a) Nursing services, at the current private pay per diem rate.
 - (b) Physical therapy services, at the current private pay rate.
 - (c) Occupational therapy services, at the rate charged by the Home's outside consultant.
9. McAuley will pay the Home directly for all billed services within 15 days of receipt of the monthly statement.

Sincerely,



George Hession
McAuley Center Incorporated

Accepted by:


Gordon C. Andrew

March 19, 1987
(date)

ENTRANCE FEE DEPOSIT
ESCROW AGREEMENT

THIS AGREEMENT, made and entered into this 12th day of May, 1996 by and between McAULEY CENTER, INC. ("The McAuley"), and People's Bank (the "Escrow Agent"), a banking association with an office at 962 Farmington Avenue, West Hartford, CT.

WITNESSETH:

WHEREAS, McAuley Center, Inc. operates a continuing care retirement community know as The McAuley, A Classic Residence by Hyatt, in West Hartford, CT; and

WHEREAS, prospective residents of The McAuley are required to pay an Entrance Fee prior to occupying a living unit at the facility, and are required to pay as a deposit (the "Deposits") a portion of the Entrance Fee as a part of the application process; and

WHEREAS, The McAuley has agreed to place all of the Deposits in an escrow account with the Escrow Agent;

NOW, THEREFORE, in consideration of the terms and conditions contained herein, the parties agree as follows:

1. Escrow Agent. The McAuley appoints People's Bank as the Escrow Agent for the purposes set forth in this Agreement and the Escrow Agent accepts such appointment
2. Deposit of Escrow Funds.
 - a. The McAuley shall deposit all Deposits with the Escrow Agent within seventy-two (72) hours of their receipt by The McAuley from a prospective resident (the "Resident").
 - b. The Escrow Agent shall hold the Escrow Funds in interest bearing accounts as determined by The McAuley. All interest will inure to the benefit of The McAuley.
 - c. The Escrow Agent shall account for each Deposit made on behalf of the Resident.
3. Disbursement of Funds. The Escrow Agent shall disburse funds held in escrow as requested by The McAuley upon delivery by The McAuley to the Escrow Agent of a certificate signed by a duly authorized officer of The McAuley certifying to any one of the following conditions:

- a. The living unit to which the Escrow Funds that are requested (the "Requested Funds") apply is, or will be shortly, occupied by the Resident.
- b. The Resident who has paid the Requested Funds has rescinded his/her agreement with The McAuley.
- c. The Resident who has paid the Requested Funds has died.
- d. The McAuley has declined to accept the application of the Resident who has paid the Requested Funds.

4. Provisions as to Escrow Agent.

- a. The Escrow Agent shall have no liability to any party on account of any investment of funds in accordance with this Agreement.
- b. The Escrow Agent shall be protected in acting upon any written notice, statement, certificate, waiver, consent or other instrument or document which the Escrow Agent believes to be genuine.
- c. It is understood and agreed that the duties of the Escrow Agent under this Agreement are ministerial in nature and that the Escrow Agent shall not be liable for any error of judgement, or for any act done or step taken or omitted in good faith, or for anything which the Escrow Agent may do or refrain from doing in connection with the Agreement, except that the Escrow Agent shall be liable for its own gross negligence or willful misconduct.
- d. The Escrow Agent may consult with and obtain advice from legal counsel in the event of any dispute or question as to the construction of any of the provisions of this Agreement and the Escrow Agent shall incur no liability.
- e. If at any time the Escrow Agent shall be in doubt as to the party or parties entitled to receive any or all of the Requested Funds, the Escrow Agent may apply to a court for a determination of the party or parties entitled to receive the same, and the Escrow Agent shall incur no liability therefore.
- f. The McAuley shall indemnify and hold harmless the Escrow Agent from and against all claims, losses, damages, costs, or attorneys' fees arising out of or in connection with the Escrow Agent's acceptance of, or performance of, its duties and obligations under this Agreement other than as a result of willful misconduct or gross negligence on the part of the Escrow Agent.
- g. The Escrow Agent may resign at any time by giving written notice thereof to The McAuley. Such resignation shall become effective upon the appointment by The McAuley of a successor corporate Escrow Agent and the delivery of the Deposits

to such successor Escrow Agent. Any successor Escrow Agent shall have all the rights and obligations of the Escrow Agent named herein.

5. Notices. All notices given pursuant to this Agreement shall be in writing and shall be mailed by certified mail, postage prepaid and shall be deemed given on the date mailed. The addresses to which such notice shall be sent are as set forth below, unless a different address is specified in writing by either party after the date hereof:

To The McAuley: McAuley Center, Inc.
 275 Steele Road
 West Hartford, CT 06117
 Attn: Director of Accounting


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

The Escrow Agent's telephone number is: (860) 232-0071.

6. Disputes. Any dispute whatsoever relating to the interpretation, validity or performance of this Agreement, or any dispute arising out of this Agreement which cannot be resolved after fifteen (15) days' written notice by the parties to such dispute, shall be settled by arbitration in the City of Hartford, CT, in accordance with the rules then prevailing of the American Arbitration Association, and judgement upon the award rendered by the arbitrators may be entered in any court of competent jurisdiction. The cost of any arbitration proceeding under this Paragraph shall be shared equally by the parties thereto.
7. Escrow Agent Fees. The Escrow Agent hereby agrees to act as such in accordance with the terms hereof. ~~The Escrow Agent's fees and expenses shall be paid by The McAuley utilizing interest earned by the escrowed funds.~~
8. Governing Law. This Agreement shall be governed, construed and administered in accordance with the laws of the State of Connecticut.
9. Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective legal representatives, successors and assigns.
10. Amendments. This Agreement may only be modified by a written amendment signed by both McAuley Center, Inc. and Escrow Agent, provided that no amendments shall be made without the prior notification by The McAuley to the Commissioner of the Department on Aging, and prior to approval by the Commissioner of the proposed changes.


IN WITNESS WHEREOF, the parties have executed this Agreement, on the day and year first above written.

McAuley Center, Inc.



Richard Johnson
President and Executive Director

People's Bank



David Cook
Vice President-Trust Administration

Investment Management Agreement

Between: The McAuley Center Inc., and
People's Bank

people's bank

Gentlemen:

I hereby request that you open and maintain an Investment Management Account in my name. You will follow my instructions as indicated below and in the Account Information and Special Instructions. I also appoint you my Agent to receive, hold, and manage the funds, securities and other property which I have delivered, or may from time to time deliver, to you to be included in my Account. Your duties and authority as my Agent are subject to the terms of this Agreement.

I HAVE INITIALED THE PARAGRAPH BELOW WHICH APPLIES TO MY ACCOUNT.

(a) You will act as my Agent with respect to my Account with the power and authority, in your sole discretion, to hold, invest, reinvest and otherwise change the securities and other property in my Account.

(b) You will act as my Agent with respect to my Account with the power and authority upon my instructions or consent to hold, invest, reinvest and otherwise change the securities or other property in my Account. Without my prior authorization or consent you will not make any sale, purchase or change of a security for my Account other than the investment of cash. You may, however, take such action without my consent if (i) you have informed me of your recommendation for such transaction, but you have not received any appropriate response from me within three (3) business days, and (ii) in your judgement the transaction is necessary to prevent or reduce a substantial loss to my Account. With respect to subscription rights, warrants and fractional shares, you are authorized to take such action as you may deem to be in my best interests, with or without consulting me as you may determine.

YOUR ADDITIONAL POWERS AS AGENT. As my agent you:

- may exercise all applicable voting rights in person or by proxy with respect to any securities in my Account;
- may exercise or sell any rights or options relating to any securities in my Account;
- may register securities in your name as my Agent, without disclosing your capacity as my Agent, or in the name of a nominee, but at all times the securities and other property will be shown on your books as my property;
- will collect interest, dividends, distributions and other income earned on the securities and other property in my Account;
- will collect upon maturity, redemption, exchange or other disposition, the principal amounts or securities which may be receivable, and you may act as my Agent to redeem or collect United States Treasury or Savings Bonds;
- may sell and purchase securities for my Account through one or more securities brokers or dealers that you may select.

INVESTMENT OBJECTIVES. I will discuss my investment objectives with you. In return, you will appraise and review, at reasonable intervals, the nature, appropriateness, character, and value of the securities and other property in my Account. From time to time you may suggest purchases and sales of securities for my Account in accordance with my investment objectives.

REPORTS AND INFORMATION. You will send me periodic statements describing all transactions in my Account and a current valuation of the securities and cash in my Account. You will attempt to use information only from sources you consider reliable. You make no guarantee, however, as to the accuracy of that information, and you will not be held liable for any error of fact or judgement so long as you act in good faith.

WITHDRAWAL OF ASSETS. Any or all of the securities and other property in my Account may be withdrawn by me upon the delivery to you of my written instructions to that effect. Such securities and other property will be made available as soon as practicable after you receive instructions. If you determine that the securities and other property remaining in my Account no longer require your services, you may treat the withdrawal as a termination of my Account.

MODIFICATION AND TERMINATION OF AGREEMENT

- **Amendment.** This Agreement may be amended or expanded at any time by a written instrument signed by both you and me.
- **Termination.** This Agreement will terminate automatically upon my death (or upon my survivors death if this is a joint account). If my Account is in the name of a corporation, partnership or other entity, this Agreement will terminate automatically upon dissolution, liquidation or termination of such entity. Otherwise, this Agreement will continue in effect until terminated by either one of us by written notice of termination. As soon as practicable after termination, you will make the property remaining in my Account available after payments of your fees and costs.

LIMITS OF YOUR LIABILITY. I agree that you will not be liable for any losses or reduction in value of the securities and other property in my Account or for any loss resulting from any act or failure to act, except in circumstances in which it is proven that you acted in bad faith or intentionally violated an express provision of this Agreement. Also, you will not be liable for the act or failure to act by a broker, custodian, agent, or nominee employed by you, so long as you exercised good faith and reasonable care in their selection.

TAX INFORMATION. You will provide me with the annual statement of the income earned in my Account classified for tax purposes, and a schedule of securities sold, matured or otherwise disposed of listing the proceeds or appropriate values. You will not be responsible for preparing and filing tax returns or paying taxes on income and transactions in my Account unless I have given you written instructions to do so. I understand that there is an additional fee for preparing my tax returns if I elect to have you do so.

YOUR FEES. You will receive fees for your services in accordance with your schedule of fees in effect from time to time. You will be reimbursed for all costs and expenses including brokerage fees that you incur in connection with the management of my Account. I authorize you to charge your fees and expenses against the income and/or principal of my Account.

JOINT ACCOUNT. If my Account is in the name of two or more persons, you will consider it a joint account and:

- you may rely on the instructions of any one of the persons named on the Account;
- Any one of such persons may withdraw securities and other property from the Account; and
- It will be considered a survivorship form of account. This means that if one of the people named in the Account dies, the other person(s) named on the Account will become the sole owner(s) of the securities and other property in the Account.

Accepted for People's Bank

By: 
Its _____

Date: 5/7/98

Very truly yours,



05/07/98

ACCOUNT INFORMATION AND SPECIAL INSTRUCTIONS

Client: The McAuley Inc

Federal Tax Identification Number

Address: 275 Steele Rd.

Date of Birth

West Hartford, CT 06117

Place of Birth

Citizen of

Telephone Numbers: Home _____ Work 236-6300 check preference

All communications for the Account will be sent to the client at the above address.

Income collected in the Account will be disposed of as follows:

Monthly Quarterly Other Reinvest

By deposit to People's Bank. Account # _____

By check sent to Client at the above address.

Beginning date: _____
Month Day

Reinvested

Statements of activity in the Account will be sent to Client on the following schedule:

Monthly

People's, upon lawful request, and without further consent from Client:

_____ is not authorized to disclose the identity of Client to the issuer of any securities held in the Account.

_____ is authorized to disclose the identity of Client to the issuer of any securities held in the Account.

Other Special Instructions: _____

Signature: _____

Date: _____

THE MCAULEY



1 December 1999

Mr. James Thayer
Vice President and Trust Officer
People's Bank
One Financial Plaza
Hartford, CT 06103-2613

Dear Mr. Thayer:

I am writing to you on behalf of McAuley Center, Inc. for whom your banking association serves as the Escrow Agent and Investment Agent for our Entrance Fee Deposit Escrow Fund and our Reserve Fund Investment Fund respectively.

The purpose of this correspondence is to provide formal notification to People's Bank that, effective 30 November 1999, McAuley Center, Inc. and Classic Residence by Hyatt have terminated their management agreement with respect to the continuing care retirement community formerly known as The McAuley, A Classic Residence by Hyatt. Effective this date, 1 December 1999, the continuing care retirement community will be known as The McAuley. Mercy Community Health will now provide management services to The McAuley.


I would further request that your records be changed to direct all notices as follows:

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

If you have any questions, please do not hesitate to contact me. I look forward to continuing the business relationship that The McAuley and People's Bank have enjoyed over the years.

If I can be of any further assistance, please do not hesitate to contact me. I can be reached at 920-6346.

Sincerely,


Stephen T. Surprenant
Executive Director

a member of Mercy Community Health, a continuum of care ministry of Catholic Health East and the Sisters of Mercy of the Americas

275 Steele Road, West Hartford, Connecticut 06117

Telephone (860) 920-6300

Facsimile (860) 232-4077

www.themcauleyct.com

June 29, 2013

Dear Prospective Resident:

You will please find attached to this letter a copy of the Catholic Health East Consolidated Financial Statements December 31, 2012 and 2011. These audited financial statements are shared with you to assist you in your decision to choose The McAuley as your retirement community.

As you will note on page 6 of these Consolidated Financial Statements, Mercy Community Health as a Regional Health Corporation is a component part of Catholic Health East. As part of the December 31, 2009 year-end audit, Catholic Health East made the decision to consolidate the operating results of all of the component Regional Health Corporations into one set of Consolidated Financial Statements. Not only was this a cost-saving measure for the entire organization, it also provides for a more consistent presentation of financial results across all 19 Regional Health Corporations.

Following the Consolidated Financial Statements, you will find attached three (3) pages of financial information which pertains exclusively to Mercy Community Health. These documents were assembled by Mercy Community Health management and were provided to the auditors by us. Although these statements directly tie back to the Consolidated Financial Statements of Catholic Health East, the Mercy Community Health statements have not been audited in and of themselves.

If you have any questions, I would be most happy to answer them for you. I can be reached by telephone at (860) 570-8304 or via electronic mail at sbeaulieu@mchct.org.

Sincerely,



Steven D. Beaulieu, FHFMA, CPA
Senior Vice President &
Chief Financial Officer

Catholic Health East
Consolidated Financial Statements
December 31, 2012 and 2011

Catholic Health East
Index
December 31, 2012 and 2011

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Report of Independent Auditors

To the Board of Directors
Catholic Health East

We have audited the accompanying consolidated financial statements of Catholic Health East and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2012 and 2011, and the related consolidated statements of operations, of changes in net assets and of cash flows for the years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We did not audit the financial statements of certain consolidated entities which statements reflect net assets of \$59,001,000 and \$77,471,000 as of December 31, 2012 and 2011, respectively, and excess of revenues over expenses of \$21,530,000 and \$12,508,000 for the years then ended. In addition, we did not audit the financial statements of certain unconsolidated entities which are represented in the following consolidated financial statements for 2012 and 2011 as investments in unconsolidated organizations of \$1,575,944,000 and \$1,275,608,000 as of December 31, 2012 and 2011, respectively, and equity in earnings of unconsolidated organizations of \$161,808,000 and \$146,038,000 for the years then ended. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for these entities, is based solely on the reports of the other auditors. 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 our 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, we consider internal control relevant to the Company'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 Company'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 other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company at December 31, 2012 and 2011, the results of their operations and their cash flow for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The social accountability information and the consolidating information are presented for purposes of additional analysis and are not required parts of the consolidated financial statements. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations and cash flows of the individual entities; accordingly, we do not express an opinion on the financial position and results of operations of the individual entities. The social accountability information and the consolidating information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. The social accountability information and consolidating information have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the social accountability information and consolidating information are fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

PricewaterhouseCoopers LLP

April 30, 2013

Catholic Health East
Consolidated Balance Sheets
Years Ended December 31, 2012 and 2011

(in thousands of dollars)

	2012	2011
Assets		
Current assets		
Cash and cash equivalents	\$368,351	\$576,447
Investments	154,115	130,636
Marketable securities whose use is limited	18,106	10,218
Patient accounts receivable, net of estimated uncollectibles of \$319,035 and \$297,799 for 2012 and 2011, respectively	426,227	410,575
Collateral received on securities pledged	67,972	130,364
Other accounts receivable	118,744	106,512
Prepaid expenses and inventories	104,604	102,134
Assets held for sale	69,159	84,299
Total current assets	<u>1,327,278</u>	<u>1,551,185</u>
Marketable securities and investments whose use is limited		
Board-designated funds	300,328	340,757
Trustee-held funds	82,743	174,153
Donor-restricted funds	111,545	126,342
Investments	598,431	429,975
Total marketable securities and investments whose use is limited	<u>1,093,047</u>	<u>1,071,227</u>
Property and equipment, net	1,879,120	1,774,277
Equity investments in managed funds	334,721	246,270
Investments in unconsolidated organizations	1,616,988	1,450,068
Assets held for sale	267,203	389,174
Goodwill	32,852	10,470
Other assets	206,282	189,695
Total assets	<u>\$6,757,491</u>	<u>\$6,682,366</u>
Liabilities and Net Assets		
Current liabilities		
Current portion of long-term debt and capital lease obligations	\$97,365	\$60,422
Portion of variable rate demand obligations classified as current	29,325	10,492
Accounts payable and accrued expenses	453,969	433,708
Collateral due broker on securities pledged	67,972	130,364
Estimated third party payor settlements, net	102,096	104,453
Other	152,659	164,851
Liabilities held for sale	101,105	115,605
Total current liabilities	<u>1,004,491</u>	<u>1,019,895</u>
Long-term debt, net	1,151,590	1,223,524
Other liabilities	149,397	139,869
Pension liabilities	417,481	438,537
Insurance liabilities, net of current portion	284,966	299,960
Other liabilities related to assets held for sale	318,811	326,593
Deferred revenue from entrance fees	91,059	92,085
Total liabilities	<u>3,417,795</u>	<u>3,540,463</u>
Net assets		
Unrestricted	3,146,859	2,954,583
Temporarily restricted	143,010	140,614
Permanently restricted	49,827	46,706
Total net assets	<u>3,339,696</u>	<u>3,141,903</u>
Total liabilities and net assets	<u>\$6,757,491</u>	<u>\$6,682,366</u>

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

Catholic Health East
Consolidated Statements of Operations
Years Ended December 31, 2012 and 2011

(in thousands of dollars)

	2012	2011
Unrestricted revenue, gains and other support		
Net patient service revenue, net of bad debt expense of \$234,952 and \$225,812 for 2012 and 2011, respectively	\$3,877,621	\$3,355,034
Other operating revenue, gains and other support	<u>357,420</u>	<u>291,078</u>
Total unrestricted revenue, gains and other support	<u>4,235,041</u>	<u>3,646,112</u>
Expenses		
Salaries, wages and benefits	2,298,084	1,954,805
Medical supplies	560,708	510,213
Purchased services, professional fees and other expenses	966,244	846,914
Depreciation and amortization	190,360	159,045
Interest	44,102	39,635
Insurance	<u>57,066</u>	<u>45,451</u>
Total expenses	<u>4,116,564</u>	<u>3,556,063</u>
Operating income before losses from St. Joseph's Health System	118,477	90,049
Losses from Saint Joseph's Health System	<u>-</u>	<u>(31,249)</u>
Operating income (including losses from St. Joseph's Health System)	118,477	58,800
Non-operating gains (losses)		
Investment returns, net	97,873	9,099
Equity in gains in earnings of unconsolidated organizations	135,405	90,258
Impairment losses	-	(4,571)
Gain on sale of assets	27,931	100,707
Unrestricted contribution income - St. Peter's Health Partners	-	322,947
Other non-operating losses	-	(474)
Loss on extinguishment of debt	(2,908)	(539)
Change in fair value of interest rate swaps	<u>6,424</u>	<u>(1,232)</u>
Total non-operating gains	<u>264,725</u>	<u>516,195</u>
Excess of revenue over expenses	<u>\$383,202</u>	<u>\$574,995</u>

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

Catholic Health East
Consolidated Statements of Changes in Net Assets
Years Ended December 31, 2012 and 2011

(in thousands of dollars)

	2012	2011
Unrestricted net assets		
Excess of revenue over expenses	\$383,202	\$574,995
Change in unrealized gains (losses) on available-for-sale securities	3,553	(3,638)
Decrease in pension liability adjustment - consolidated organizations	(15,219)	(143,002)
Decrease in pension liability adjustment - unconsolidated organizations	(8,875)	(30,485)
Net assets released from restriction for capital expenditures	10,418	35,478
Other changes	<u>(9,032)</u>	<u>12,077</u>
Increase in unrestricted net assets before discontinued operations	364,047	445,425
Loss from discontinued operations	<u>(171,771)</u>	<u>(74,880)</u>
Increase in unrestricted net assets	<u>192,276</u>	<u>370,545</u>
Temporarily restricted net assets		
Contributions	22,078	24,838
Investment income	1,272	685
Change in unrealized gains (losses) on investments	4,800	(648)
Net assets released from restrictions	(25,000)	(42,720)
Temporarily restricted contribution income - St. Peter's Health Partners	-	33,202
Other changes	<u>(754)</u>	<u>(6,547)</u>
Increase in temporarily restricted net assets	<u>2,396</u>	<u>8,810</u>
Permanently restricted net assets		
Contributions	670	75
Change in realized and unrealized gains on investments	1,248	147
Permanently restricted contribution income - St. Peter's Health Partners	-	18,670
Other changes	<u>1,203</u>	<u>(656)</u>
Increase in permanently restricted net assets	<u>3,121</u>	<u>18,236</u>
Increase in net assets	197,793	397,591
Net assets		
Beginning of year	<u>3,141,903</u>	<u>2,744,312</u>
End of year	<u><u>\$3,339,696</u></u>	<u><u>\$3,141,903</u></u>

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

Catholic Health East
Consolidated Statements of Cash Flows
Years Ended December 31, 2012 and 2011

(in thousands of dollars)

	2012	2011
Cash flows from operating activities		
Increase in net assets	\$197,793	\$397,591
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Loss from discontinued operations	171,771	74,880
Pension adjustment, including unconsolidated organizations	24,094	173,487
Loss on extinguishment of debt	2,908	539
Contribution income from contributed assets - St. Peter's Health Partners	-	(374,819)
Depreciation and amortization	190,360	159,045
Amortization of deferred entrance fees	(5,912)	(6,309)
Net realized gains on investments	(16,745)	(32,497)
Net unrealized (gains) losses on investments	(70,113)	23,379
Equity in earnings of unconsolidated organizations	(183,469)	(158,028)
Provision for bad debts	234,952	225,812
(Increase) decrease in market value of interest rate swaps	(6,424)	1,232
Restricted contributions and investment income received	(24,020)	(25,098)
Gain on sale of assets	(27,931)	(100,707)
Return on investment in health plan equity interests	7,674	34,643
Entrance fees received, net of refunds	4,886	1,635
Change in certain assets and liabilities		
Accounts receivable	(250,604)	(203,814)
Other receivables	(12,231)	47,776
Prepaid expenses, inventories and other assets	(19,057)	(69,866)
Assets held for sale	32,110	(25,475)
Accounts payable, accrued expenses and other current liabilities	20,261	(17,232)
Third party payables	(2,357)	20,430
Insurance and other liabilities	(33,516)	25,508
Pension liability	(36,275)	(33,439)
Net cash used in operating activities of discontinued operations	(66,771)	(83,109)
Net cash provided by operating activities	<u>131,384</u>	<u>55,564</u>
Cash flows from investing activities		
Additions to property and equipment	(382,619)	(193,905)
Cash contributed to St. Joseph's / Emory Healthcare Joint Operating Agreement	-	(57,117)
Cash received from St. Peter's Health Partners transaction	-	123,441
Proceeds from sale of health plan equity interests	-	194,000
Proceeds from sale of assets - Mercy Miami and Mercy Medical	-	144,000
Physician practice and surgery center acquisitions, net of cash	(22,382)	(10,438)
Posted collateral on interest rate swaps	-	(753)
Decrease (increase) in collateral received on securities pledged	62,392	(95,260)
(Purchases) sales of investments, managed funds and marketable securities whose use is limited, net	(54,780)	111,999
Proceeds from sale of assets	40,524	-
Net cash provided by (used in) investing activities of discontinued operations	87,374	(1,934)
Net cash (used in) provided by investing activities	<u>(269,491)</u>	<u>214,033</u>
Cash flows from financing activities		
Proceeds from restricted contributions and investment income received	24,020	25,098
Proceeds from issuance of long-term debt	201,450	51,045
Change in variable rate demand obligations classified as current	18,833	(12,186)
Repayments of long-term debt	(245,651)	(166,953)
(Decrease) increase in payable under collateral received on securities pledged	(62,392)	95,260
Net cash (used in) provided by financing activities of discontinued operations	(6,249)	3,884
Net cash used in financing activities	<u>(69,989)</u>	<u>(3,852)</u>
(Decrease) increase in cash and cash equivalents	(208,096)	265,745
Cash and cash equivalents		
Beginning of year	576,447	310,702
End of year	<u>\$368,351</u>	<u>\$576,447</u>
Supplemental disclosures of cash flow information		
Interest paid	\$46,683	\$44,127
Non-cash transaction	\$5,556	\$8,777

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

Catholic Health East
Notes to the Consolidated Financial Statements
December 31, 2012 and 2011

1. Organization and Mission Basis of Presentation

Catholic Health East (“CHE”, the “System”, or the “Company”) was incorporated as a Pennsylvania nonprofit corporation on October 1, 1997. CHE is a catholic, multi-facility health system sponsored by seven religious congregations and Hope Ministries. Each sponsoring congregation appoints a representative to the Sponsors Council which maintains certain reserve powers, including the election of the CHE Board of Directors. CHE serves to carry out the health care ministries of the sponsoring congregations. The mission of CHE is to be a community of persons committed to being a transforming, healing presence within the communities it serves.

The consolidated financial statements of CHE include activities of its Regional Health Corporations (“RHCs”) and related component corporations all of which are wholly or majority owned. These RHCs are located throughout eleven states and the healthcare activities provided by these RHCs include, but are not limited to, general acute care hospitals, long-term care facilities, skilled nursing facilities, behavioral health, residential facilities for the elderly, physician services, home health, outpatient surgery, and other services. A list of the name and location of each RHC is provided below.

Mercy Health System of Maine Portland, Maine	Sisters of Providence Health System, Inc. Springfield, Massachusetts
Mercy Community Health, Inc. West Hartford, Connecticut	St. Peter’s Health Partners Albany, New York
St. James Mercy Health System, Inc. Hornell, New York	St. Francis Medical Center Trenton, New Jersey
Saint Michael’s Medical Center Newark, New Jersey	Lourdes Health System Camden, New Jersey
St. Mary Medical Center Langhorne, Pennsylvania	Pittsburgh Mercy Health System, Inc. Pittsburgh, Pennsylvania
Mercy Health System of Southeastern Pennsylvania Conshohocken, Pennsylvania	Saint Joseph of the Pines, Inc. Southern Pines, North Carolina
St. Francis Hospital and Affiliates Wilmington, Delaware	Saint Joseph’s Health System, Inc. Atlanta, Georgia
St. Mary’s Health Care System, Inc. Athens, Georgia	Mercy Hospital, Inc. Miami, Florida
Mercy Medical Corporation Daphne, Alabama	Holy Cross Hospital, Inc. Fort Lauderdale, Florida

Catholic Health East

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Catholic Health East and certain affiliated nonprofit corporations are generally exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

CHE and its RHCs also participate in various joint ventures and partnerships, commonly referred to as joint operating agreements. These arrangements enable CHE to provide healthcare services to the broader community through involvement in larger healthcare organizations or systems.

2. Summary of Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements of CHE include the financial information of the RHCs and component corporations, the System's wholly owned captive insurance company, various philanthropic foundations of which the System maintains control, and various other organizations or corporations. All significant inter-company balances and transactions have been eliminated.

Use of Estimates

The preparation of these consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management 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. Management considers critical accounting policies to be those that require more significant judgments and estimates in the preparation of the consolidated financial statements including, but not limited to, recognition of net patient service revenue, which includes contractual allowances and provisions for bad debt; estimates for healthcare professional and general liabilities; determination of fair values of certain financial instruments; and assumptions for measurement of pension liabilities. Management relies on historical experience and other assumptions believed to be reasonable relative to the circumstances in making judgments and estimates. Actual results could differ materially from these estimates.

Cash and Cash Equivalents

Cash and cash equivalents include liquid investments with a maturity of three months or less. The carrying value of cash and cash equivalents approximates fair value.

Investments and Investment Income

Investments in marketable equities with readily determinable fair market values and all investments in debt securities are measured at fair value in the consolidated balance sheets. Equity investments in managed funds, private partnerships, and other investments are accounted for under the equity method, which approximates fair value. Realized gains and losses on investments, unrealized gains and losses on trading securities, interest income (net of investment-related expenses), and dividends are included in investment returns, net, as part of non-operating gains and (losses) in the excess of revenue over expenses. Investment income restricted by donors or law is reported as an increase in temporarily or permanently restricted net assets.

Catholic Health East

Notes to the Consolidated Financial Statements

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The System's investments and marketable securities whose use is limited are invested and managed through the CHE Consolidated Investment Program (the "CIP Program"), and some investments are locally managed by the RHCs. Included in these investments are investments in managed funds, private partnerships, and other investments. The income (loss) from these managed funds is included in investment returns, net, in the accompanying consolidated statement of operations and change in net assets.

The System classifies all unrestricted investments as trading securities.

Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with these securities and the level of uncertainty related to changes in their value, it is at least reasonably possible that changes in risks in the near term could materially affect account balances and the amounts reported in the consolidated balance sheets and statements of operations and change in net assets.

Marketable Securities and Investments Whose Use Is Limited

Marketable securities and investments whose use is limited primarily include marketable securities and investments designated by governance for future capital improvements and other purposes, in accordance with agreements with outside parties, by trustees under bond indenture agreements, self-insurance arrangements, and by donor restrictions.

Derivative Financial Instruments

The System recognizes all derivative instruments in the balance sheets at fair value. The change in the fair value of derivatives is recognized as a component of excess of revenues over expenses in the consolidated statements of operations for the years ended December 31, 2012 and 2011.

Inventories

Inventory is valued at the lower of cost (first-in, first-out) or market, net of reserves for obsolescence.

Assets Held for Sale

CHE has classified certain long-lived assets as assets held for sale in the consolidated balance sheets when the assets have met applicable criteria for this classification. CHE has classified \$336,362,000 and \$473,473,000 as held for sale at December 31, 2012 and 2011, respectively. The Company has also classified \$419,916,000 and \$442,198,000 at December 31, 2012 and 2011, respectively, as liabilities related to assets held for sale.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is expensed over the estimated useful life of each class of depreciable assets and is computed using the straight-line method based on the following estimated useful lives:

Building and Improvements	5-40 years
Leasehold improvements	3-20 years
Equipment	3-20 years

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Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in the depreciation and amortization in the consolidated financial statements. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of constructing those assets. Repair and maintenance costs are expensed as incurred. When property, plant and equipment are retired, sold or otherwise disposed of, the asset's carrying amount and related accumulated depreciation are removed from the accounts and any gain or loss is included in operations.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, and are excluded from 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. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Goodwill

CHE records as goodwill the excess of purchase price over the fair value of the identifiable net assets acquired. The Company's goodwill and other intangible assets with indefinite lives are not amortized; rather, they are tested for impairment, at least annually, through a process which first evaluates any triggering event associate with an impairment, and, second, an actual measurement of the impairment, if necessitated. The Company recorded goodwill additions of \$22,382,000 in 2012 related to acquisitions of physician practices and an ambulatory surgery center. The Company did not record any impairment to goodwill in 2011 or 2012.

Long-Lived Assets

CHE evaluates the carrying value of its long-lived assets for impairment when impairment indicators are identified. In the event that the carrying value of a long-lived asset is not supported by the fair value, the System will recognize an impairment loss for the difference. Fair value is based on the exchange price that would be received for an asset or paid to transfer a liability. In 2012, the System recorded an impairment loss of long-lived assets of \$105,000,000 related to Saint Michael's Medical Center. These assets are classified as held for sale as of December 31, 2012 and the impairment loss is included in losses from discontinued operations in the statement of operations and changes in net assets. The System recognized impairment losses of \$4,571,000 for the year ended December 31, 2011.

Investments in Unconsolidated Organizations

Investments in unconsolidated organizations represent CHE investments in joint operating agreements, joint ventures, or partnerships. The equity method is used to account for these investments.

Deferred Revenue from Advance Fees

Certain RHCs operate residential facilities for the elderly. Fees paid by residents upon entering into continuing care contracts, net of the portion that is refundable to the resident, are recorded as deferred revenue and amortized to income using the straight-line method over the estimated remaining life expectancy of the resident.

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Accrued Paid Time Off

CHE records a liability for amounts due to employees for future absences which are attributable to services performed in the current and prior periods.

Deferred Debt Issuance Costs

Deferred debt issuance costs included in other assets at December 31, 2012 and 2011, totaling \$14,222,000 and \$18,240,000, respectively, are amortized using the straight-line method over the life of the related debt, which approximates the effective interest method.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the System 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.

Net Patient Service Revenue

Third-party payors (Medicare, Medicaid, and commercial insurance payors) provide payments to the hospitals at amounts different from their established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounts from established charges, and per diem payments. Net patient service revenue is the estimated amount to be realized for services rendered, including estimated retroactive adjustments. 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.

Allowance for Doubtful Accounts

The System records an allowance for doubtful accounts for estimated losses resulting from non-payment for services from patients or payers. Management routinely evaluates patient account collection history in determining the sufficiency of the allowance for doubtful accounts and provision for bad debts. The allowance for doubtful accounts for those patients with third-party insurance is determined based on contractual agreements with payers. The provision for bad debts for uninsured patients is based on historical collection experience. Accounts receivable are written off against the allowance for doubtful accounts when management determines that recovery is unlikely and collection efforts cease.

Charity Care

CHE provides services to all patients regardless of ability to pay. In accordance with the System'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 System's guidelines for charity care are not reflected in the accompanying consolidated financial statements. The costs (direct and indirect) associated with these services for charity care provided by the System approximate \$435,914,000 and \$339,190,000 in 2012 and 2011, respectively. These amounts do not include bad debt expense totaling \$234,952,000 and \$225,812,000 in 2012 and 2011, respectively, which is reflected separately in the consolidated statements of operations. The costs and provisions for bad debts do not include amounts classified as discontinued operations. Charity care data for services provided is based on the cost of patient care services with costs being determined by application of the standard cost-to-charge ratio.

Other Operating Revenue

Other revenue is derived from services other than the provision of health care services or coverage to patients or residents. This revenue consists primarily of federal and state grants, unrestricted contributions, incentive payments received for meeting Federal and State Electronic Health Record meaningful use requirements, rental income, income from health plan operations, support services,

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parking garages, gift shop income, cafeteria income, maintenance fee income, foundation investment income, and other miscellaneous income.

Non-Operating Gains (Losses)

Non-operating gains (losses) consist primarily of investment returns, which include investment income, dividends, net unrealized gains (losses) on trading securities, and realized gains and losses on trading securities; equity in earnings of unconsolidated organizations; restructuring expenses and impairment losses; losses on extinguishment of debt; contribution income for contributed assets; gains on the sale of assets; and the change in the fair value of interest rate swaps.

Excess of Revenue over Expenses

The statements of operations include the excess of revenue over expenses. Changes in unrestricted net assets which are excluded from excess of revenue over expenses include unrealized gains and losses on available for sale investments of unconsolidated organizations; permanent transfers of assets to and from affiliates for other than goods and services, pension adjustments, the cumulative effect of change in accounting principle, discontinued operations, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

Donor-Restricted Gifts

Unconditional promises to give cash and other assets 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 as unrestricted net assets and reported in the statement of operations 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 financial statements.

Income Taxes

Catholic Health East and certain affiliated nonprofit corporations are generally exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Accounting guidance for income taxes clarifies the accounting for uncertainty of income tax positions. This guidance defines the threshold for recognizing tax return positions in the financial statements as "more likely than not" that the position is sustainable, based on its technical merits. The guidance also provides guidance on the measurement, classification and disclosure of tax return positions in the financial statements. There was no impact from this guidance on CHE's consolidated financial statements during the years ended December 31, 2012 and 2011.

Adoption of Accounting Pronouncements

On January 1, 2012, the Company adopted FASB issued ASU 2011-07, *Presentation and Disclosure of Patient Service Revenue, the Provision for Bad Debts, and Allowance for Doubtful Accounts*. This guidance requires the Company to modify the presentation of its consolidated statement of operations and changes in net assets by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue. Additionally, the guidance requires enhanced disclosure about the Company's policies for recognizing revenue and assessing bad debts, patient service revenue (net of

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contractual allowances and discounts), and qualitative and quantitative information about changes in the allowance for doubtful accounts.

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-04, *Fair Value Measurement-Topic 820: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards*, to provide a consistent definition of fair value and ensure that the fair value measurement and disclosure requirements are similar between U.S. GAAP and International Financial Reporting Standards. ASU 2011-04 changes certain fair value measurement principles and enhances disclosure requirements, particularly for Level 3 fair value measurements. ASU 2011-04 was effective during the fiscal year ended December 31, 2012 and is applied prospectively. The adoption of ASU 2011-04 did not have a material effect on CHE's financial statements.

On January 1, 2011, the Company adopted FASB issued ASU 2010-24, *Presentation of Insurance Claims and Related Insurance Recoveries*, which prohibits the offsetting of conditional or unconditional liabilities with anticipated insurance recoveries from third parties. The adoption of this guidance did not have a significant impact on the consolidated financial statements.

On January 1, 2011, the Company adopted FASB issued ASU 2010-23, *Measuring Charity Care for Disclosure*, that requires health care entities to use cost as the measurement basis for charity care disclosures and defines cost as the direct and indirect costs of providing charity care. The accompanying notes to the consolidated financial statements reflect the amended disclosure requirements. The cost of caring for charity care patients is disclosed in the social accountability supplemental schedule. The cost of charity care provided to patients is disclosed in the supplementary financial information schedule that accompanies these financial statements. This guidance amended disclosure requirements only; therefore, there was no impact to the Company's consolidated financial statements upon adoption.

Reclassifications

Certain amounts have been reclassified in the prior year's financial statements to conform to the classifications used in the current year.

3. Net Patient Service Revenue

Net patient service revenue from the Medicare and Medicaid programs, exclusive of managed care, accounted for approximately 34.3% and 10.7%, respectively, of total net patient service revenues in 2012, and 29.0% and 9.6%, respectively of total net patient service revenue in 2011. Compliance with laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Management believes that adequate provision has been made for adjustments that may result from reviews by third-party payors. Estimated net settlements related to Medicare and Medicaid, collectively, of \$70,327,000 and \$65,225,000 in 2012 and 2011, respectively, are included as a component of current liabilities in the accompanying consolidated balance sheets. The amounts recorded for these estimated settlements approximate their fair value.

Net patient service revenue includes approximately \$15,922,000 and \$4,170,000 in 2012 and 2011, respectively, related to favorable changes in estimates for prior year cost report reopenings, appeals, and tentative and final cost reports, of which some are still subject to audit, additional reopening, and/or appeals.

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The Company recognizes patient service revenue associated with services provided to patients who have third-party insurance based on contractual agreements with payers. For uninsured patients who do not qualify for charity care, the Company recognizes revenue based on a self pay discount policy. The Company records a provision for bad debts based on historical collection experience. The following summarizes net patient service revenue for the years ended December 31:

	2012		2011	
	Gross Charges	Deductions	Gross Charges	Deductions
Medicare	\$5,618,273	\$4,310,978	\$5,007,959	\$3,908,977
Medicaid	1,335,423	911,835	1,365,156	1,027,660
Managed care and other	7,108,836	4,946,267	6,441,040	4,483,612
Uninsured	811,709	592,588	674,909	487,969
	<u>\$14,874,241</u>	<u>10,761,668</u>	<u>\$13,489,064</u>	<u>9,908,218</u>
Provision for bad debts		234,952		225,812
Net patient service revenue		<u>\$3,877,621</u>		<u>\$3,355,034</u>

4. Marketable Securities and Investments Whose Use Is Limited and Equity Investments in Managed Funds

The composition of investments at December 31 is as follows:

	2012	2011
<i>(in thousands of dollars)</i>		
Reported at fair value		
Cash and cash equivalents	\$262,904	\$357,333
Marketable equity securities	552,529	452,084
Marketable debt securities	449,835	402,664
	<u>1,265,268</u>	<u>1,212,081</u>
Reported under the equity method		
Managed funds	334,721	246,270
	<u>\$1,599,989</u>	<u>\$1,458,351</u>

A portion of CHE's long-term investment assets are held in the CIP Program. The CIP Program is structured under a Program Participation Agreement (the "Agreement") between each participant RHC and CHE. All investments in the CIP Program are professionally managed under the administration of CHE.

Participants' investments held in the CIP Program are assigned a weighted value for the period of time the funds are invested in the CIP Program. Investment income from the CIP Program, including interest income, dividends, and realized gains and losses on sales of securities, and unrealized gains and losses are distributed to participants based on their weighted value of investment.

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The underlying fair value of investments in the CIP Program, which are traded on national exchanges (except for managed funds), is based on the final reported sales price on the last business day of the year. The fair value of investments traded in over-the-counter markets is based on the average of the last recorded bid and asked prices.

CHE participates in a securities lending program wherein some investments are loaned on an overnight basis to various brokers. CHE receives lending fees and earns interest and dividends on the loaned securities. These securities are returnable on demand and are collateralized by cash deposits and U.S. Treasury Obligations. Collateral received is at 100% of the fair value of the securities on loan. CHE is indemnified against borrower default by the financial institution acting as lending agent. At December 31, 2012 and 2011, securities with a fair market value of \$67,972,000 and \$130,634,000, respectively, were loaned under securities lending agreements.

Investment returns, net, is comprised of the following for the years ended December 31:

(in thousands of dollars)

	2012	2011
Unrestricted net assets		
Investment returns, net		
Interest and dividends	\$12,568	\$15,518
Net realized gains	15,192	16,960
Net unrealized gains (losses) on investments - trading securities	<u>70,113</u>	<u>(23,379)</u>
	<u>\$97,873</u>	<u>\$9,099</u>
Net change in unrealized gains on available for sale securities (held by unconsolidated organizations)	<u>\$3,553</u>	<u>(\$3,638)</u>
Temporarily restricted net assets		
Other changes in temporarily restricted net assets		
Investment income		
Interest and dividends	\$967	\$631
Net realized gains on investments	305	54
	<u>\$1,272</u>	<u>\$685</u>
Net unrealized gains (losses) on investments	<u>\$4,800</u>	<u>(\$648)</u>
Permanently restricted net assets		
Other changes in permanently restricted net assets		
Net realized and unrealized gains on investments	<u>\$1,248</u>	<u>\$147</u>

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The following managed fund investments are recorded under the equity method of accounting, which approximates the net asset value per share of the investments as of December 31:

<i>(in thousands of dollars)</i>	2012			
	<u>Recorded Value</u>	<u>Unfunded Commitments</u>	<u>Commitment Term</u>	<u>Redemption Terms</u>
Fund of Hedge Funds	\$283,502	\$0	n/a	Quarterly, semiannually, or anniversary date
Real Estate	22,767	\$5,042	2-10 years	Redemption permitted upon expiration of commitment term
Private Equity	28,452	\$14,109	3-15 years	Redemption permitted upon expiration of commitment term
Total	<u>\$334,721</u>			

<i>(in thousands of dollars)</i>	2011			
	<u>Recorded Value</u>	<u>Unfunded Commitments</u>	<u>Commitment Term</u>	<u>Redemption Terms</u>
Fund of Hedge Funds	\$200,307	\$0	n/a	Quarterly, semiannually, or anniversary date
Real Estate	18,544	\$6,987	3-11 years	Redemption permitted upon expiration of commitment term
Private Equity	27,419	\$12,363	4-12 years	Redemption permitted upon expiration of commitment term
Total	<u>\$246,270</u>			

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5. Fair Value Measurements

The System adheres to applicable accounting guidance for fair value measurements. This guidance defines fair value, establishes a framework for measuring fair value under accounting principles generally accepted in the United States of America and requires certain disclosures about fair value measurements. Fair value is defined under the guidance as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

As a basis for considering assumptions, the guidance establishes a hierarchical framework for measuring fair value (the fair value hierarchy) as follows:

Level 1: Quoted prices in active markets for identical assets.

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar instruments; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Financial instruments measured at fair value are based on one or more of the three valuation techniques noted in the fair value guidance. The three valuation techniques are as follows:

Market approach: Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

Cost approach: Amount that would be required to replace the service capacity of an asset (i.e., replacement cost).

Income approach: Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques and option-pricing models).

The System measures its interest rate swaps at fair market value on a recurring basis. The fair market value of the interest rate swaps is determined based on financial models that consider current and future market interest rates and adjustments for non-performance risk.

Catholic Health East
Notes to the Consolidated Financial Statements
December 31, 2012 and 2011

Financial instruments at fair value at December 31, 2012 and 2011 are as follows:

(in thousands of dollars)

	2012				<u>Valuation Technique</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	
Consolidated investment program:					
Cash and cash equivalents (1)	\$44,984	\$33,440	\$ -	\$78,424	Market
Marketable equity securities (2)	323,521	146,147	-	469,668	Market
Marketable debt securities (3)	54,830	171,183	-	226,013	Market
Total consolidated investment program	<u>423,335</u>	<u>350,770</u>	<u>-</u>	<u>774,105</u>	
Locally invested:					
Cash and cash equivalents (1)	184,480	-	-	184,480	Market
Marketable equity securities (2)	69,564	13,297	-	82,861	Market
Marketable debt securities (3,4)	30,395	188,467	4,960	223,822	Market
Total locally invested	<u>284,439</u>	<u>201,764</u>	<u>4,960</u>	<u>491,163</u>	
Total marketable securities and investments whose use is limited at fair value	<u>\$707,774</u>	<u>\$552,534</u>	<u>\$4,960</u>	<u>1,265,268</u>	
Managed funds				<u>334,721</u>	
Total marketable securities and investments whose use is limited and managed funds				<u>\$1,599,989</u>	
Derivative financial instruments					
Interest rate swaps - asset (5)	<u>\$ -</u>	<u>\$1,552</u>	<u>\$ -</u>		Market

	2011				<u>Valuation Technique</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	
Consolidated investment program:					
Cash and cash equivalents (1)	\$63,099	\$63,579	\$ -	\$126,678	Market
Marketable equity securities (2)	292,688	3,425	-	296,113	Market
Marketable debt securities (3)	44,668	109,280	-	153,948	Market
Total consolidated investment program	<u>400,455</u>	<u>176,284</u>	<u>-</u>	<u>576,739</u>	
Locally invested:					
Cash and cash equivalents (1)	230,655	-	-	230,655	Market
Marketable equity securities (2)	143,137	12,834	-	155,971	Market
Marketable debt securities (3,4)	88,524	155,597	4,595	248,716	Market
Total locally invested	<u>462,316</u>	<u>168,431</u>	<u>4,595</u>	<u>635,342</u>	
Total marketable securities and investments whose use is limited at fair value	<u>\$862,771</u>	<u>\$344,715</u>	<u>\$4,595</u>	<u>1,212,081</u>	
Managed funds				<u>246,270</u>	
Total marketable securities and investments whose use is limited and managed funds				<u>\$1,458,351</u>	
Derivative financial instruments					
Interest rate swaps - liability (5)	<u>\$ -</u>	<u>(\$4,872)</u>	<u>\$ -</u>		Market

There were no transfers between fair value levels for the years ended December 31, 2012 and 2011.

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- (1) **Cash & cash equivalents** - The fair value of cash and cash equivalents, consisting primarily of cash and money market funds, is classified as Level 1, as these financial instruments are highly liquid. The fair value of certificates of deposit and commercial paper are classified as Level 2 Cash and Cash Equivalents because their valuations are based on multiple sources of information, including quoted prices from active and non-active markets, and amortized costs which approximates fair value.
- (2) **Marketable equity securities** – Equity securities include both domestic equity and international equity asset classes. Investments in certain equity securities represent investments in commingled funds consisting primarily of equity securities. These investments are classified as Level 2 because although they are traded in an active market for daily closing prices measured primarily on a NAV basis, their closing prices are not published or available on active exchanges. At December 31, 2012 and 2011, notice periods are generally three (3) business days, according to provisions of the respective investment agreements. Investments in other equity (common and preferred) securities that are not considered commingled funds are measured at fair value using quoted market prices on active exchanges. They are classified as Level 1 as they are traded in an active market for which daily closing stock prices are readily available.
- (3) **Marketable debt securities** – Investments in certain fixed income securities represent investments in registered investment companies consisting primarily of fixed income securities. These investments, as well as investments in U.S. Government securities, are classified as Level 1 because they are traded in an active market for which daily closing prices, measured primarily on a NAV basis, are available. Investments in other fixed income securities that are not considered registered investment companies or U.S. Government securities are comprised primarily of corporate debt instruments and mortgage-backed securities issued by government sponsored agencies. These fixed income securities are classified as Level 2 based on multiple sources of information, which may include quoted market prices from either markets that are not active or are for the same or similar assets in active markets. Investments in certain fixed securities represent investments in commingled funds consisting primarily of fixed securities. These investments are classified as Level 2 because although they are traded in an active market for daily closing prices measured primarily on a NAV basis, their closing prices are not published or available on active exchanges.
- (4) **Perpetual trusts** – Perpetual trusts are assessed a net asset value per share for these alternative investments that has been calculated in accordance with investment company rules, which among other requirements, indicates that the underlying investments be measured at fair value. They are classified as Level 3 because of the nature of the perpetual trust investment and its transparency to the underlying investments within the trust.
- (5) **Interest rate swaps** - The interest rate swap agreements are valued using a pricing service at net present value. These evaluated prices render these instruments Level 2. The volatility in the fair value of the swap agreements change as long-term interest rates change.

Catholic Health East
Notes to the Consolidated Financial Statements
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6. Property and Equipment

The following summarizes property and equipment at December 31:

<i>(in thousands of dollars)</i>	2012	2011
Land and improvements	\$110,573	\$102,496
Buildings and improvements	2,128,451	2,060,368
Equipment	<u>1,596,472</u>	<u>1,459,998</u>
	3,835,496	3,622,862
Less: Accumulated depreciation and amortization	<u>(2,123,726)</u>	<u>(1,972,665)</u>
	1,711,770	1,650,197
Construction in progress	<u>167,350</u>	<u>124,080</u>
	<u><u>\$1,879,120</u></u>	<u><u>\$1,774,277</u></u>

At December 31, 2012 and 2011, approximately \$590,248,000 and \$567,791,000 of property and equipment, net, is pledged as collateral under various loan agreements. Interest cost, net of related interest income, totaling approximately \$1,939,000 and \$3,181,000 was capitalized to construction in progress during 2012 and 2011, respectively.

7. Investments in Unconsolidated Organizations

Catholic Health East has investments in unconsolidated organizations totaling \$1,616,988,000 and \$1,450,068,000 at December 31, 2012 and 2011, respectively. Several significant investments, which are accounted for under the equity method, comprise this balance including, but not limited to, the following:

BayCare Health System

CHE has a fifty percent interest in BayCare Health System Inc. and Affiliates ("BayCare"), a Florida not-for-profit corporation exempt from state and federal income taxes. BayCare was formed in 1997 pursuant to a Joint Operating Agreement ("JOA") among the not-for-profit, tax-exempt members of the Catholic Health East 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 with an aggregate of approximately 2,900 acute care beds. CHE has the right to appoint nine of the twenty-one members of the Board of Directors of BayCare. At December 31, 2012 and 2011, CHE's recorded investment in BayCare totaled \$1,350,732,000 and \$1,138,120,000, excluding wholly owned subsidiaries and other beneficial interests.

Catholic Health System, Inc.

CHE has a one-third interest in Catholic Health System, Inc. and Subsidiaries ("CHS"). CHS, formed in 1998, is a not-for-profit integrated delivery healthcare system in Western New York jointly sponsored by the Sisters of Mercy, Ascension Health System, the Franciscan Sisters of St. Joseph, and the Diocese of Buffalo. CHE, Ascension Health System, and the Diocese of Buffalo are the corporate members of CHS. CHS operates several organizations, the largest of which are four acute care hospitals located in Buffalo, New York, Mercy Hospital of Buffalo, Kenmore Mercy Hospital, Sisters of Charity Hospital, and St. Joseph Hospital. At December 31, 2012 and 2011, CHE's recorded investment in CHS totaled \$12,116,000 and \$12,914,000, respectively.

Catholic Health East
Notes to the Consolidated Financial Statements
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Emory Healthcare/St. Joseph's Health System

On December 31, 2011, CHE entered into a joint operating agreement with Emory Healthcare as described in Note 18, and retains a forty-nine percent equity interest in Emory Healthcare/St. Joseph's Health System ("EH/SJHS"). EH/SJHS operates several organizations, including two acute care hospitals, St. Joseph's Hospital of Atlanta, and John's Creek Hospital. At December 31, 2012 and 2011, CHE's recorded investment in EH/SJHS totaled \$60,519,000 and \$142,175,000, respectively.

Condensed consolidated balance sheets of BayCare, including wholly owned foundations and other beneficial interests, CHS and EH/SJHS as of December 31 are as follows:

(in thousands of dollars)

	Baycare		CHS		EH/SJHS	
	2012	2011	2012	2011	2012	2011
Assets	\$4,750,607	\$4,014,123	\$778,333	\$682,748	\$446,739	\$639,369
Liabilities	\$1,908,513	\$1,597,252	\$737,110	\$639,128	\$322,692	\$313,233
Net assets	\$2,842,094	\$2,416,871	\$41,223	\$43,620	\$124,047	\$326,136

The following amounts have been recognized in the accompanying consolidated statements of operations and changes in net assets related to the investments in BayCare, CHS and EH/SJHS for the years ended December 31:

(in thousands of dollars)

	Baycare		CHS		EH/SJHS
	2012	2011	2012	2011	2012
Equity in earnings of unconsolidated organizations	\$211,786	\$74,611	\$9,187	\$8,747	(\$84,873)
Net unrealized losses on investments	-	19	-	-	-
Other changes in unrestricted and restricted net assets	825	(7,965)	(9,986)	(20,356)	(4,006)
	<u>\$212,611</u>	<u>\$66,665</u>	<u>(\$799)</u>	<u>(\$11,609)</u>	<u>(\$88,879)</u>

Additionally, certain RHCs have investments in unconsolidated organizations, the most significant of which is an investment in a Medicaid HMO joint venture at Mercy Health System of Southeastern Pennsylvania ("Mercy SEPA"). These investments total \$193,621,000 and \$156,859,000 in 2012 and 2011, respectively. CHE's proportionate share of the income of these investments was \$34,050,000 and \$70,846,000 for the years ended December 31, 2012 and 2011, respectively.

Catholic Health East
Notes to the Consolidated Financial Statements
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8. Long-Term Debt

At December 31, long-term debt consisted of the following:

<i>(in thousands of dollars)</i>	2012	2011
Revenue bonds		
Catholic Health East Health System Revenue Bonds		
Various Fixed Rate Series issued from 1998 to 2012; coupon rates ranging from 2.25% to 7.375%; annual principal payments through 2040	\$870,596	\$912,292
Various Variable Rate Series issued from 1997 to 2008; rates ranging from 0.03% to 0.36%; annual principal payments through 2036	99,955	103,825
Various Variable Rate Series swapped to fixed rating ranging from 1.09% to 1.17%; annual principal payments through 2034	27,660	27,740
Taxable Rate Series issued 1999 with rate of 7.62%; annual principal payments through 2017	3,710	4,415
	<u>1,001,921</u>	<u>1,048,272</u>
Other issues under \$10,000	16,054	16,570
Less amortization and unamortized (discount) premium	13,524	789
Mortgages payable		
JP Morgan/Chase mortgage payable in monthly fixed principal installments of \$56; interest at Libor plus 150 basis points through May 2021	5,681	6,356
Rensselaer County Industrial Development Agency and Albany County Industrial Development Agency, bearing interest at a fixed rate ranging from 4.36% - 5.375%	4,749	10,680
Various HUD insured mortgages (5.56% to 5.64%) payable through January 2027	11,360	11,986
Other mortgages and notes payable under \$5,000, individually	4,365	4,921
Notes payable		
North Ridge VA Center, LTD (5.04%), semi-annual principal payments through 2023	32,320	34,601
Notes payable due at various dates through 2027; various rates	63,098	21,635
Revolving credit agreement, due in 2014	76,450	81,185
Capital lease obligations payable in various monthly amounts	48,758	57,443
Total long-term debt and obligations under capital leases	1,278,280	1,294,438
Less: Current maturities of long term debt	(97,365)	(60,422)
Less: Portion of variable rate demand obligations classified as current	(29,325)	(10,492)
Total long-term debt	<u>\$1,151,590</u>	<u>\$1,223,524</u>

Aggregate maturities of long-term debt and capital lease obligations as of December 31, 2012 are shown below.

<i>(in thousands of dollars)</i>	
2013	\$126,690
2014	60,337
2015	56,405
2016	55,705
2017	128,195
Thereafter	837,424
Unamortized discount and imputed interest	13,524
	<u>\$1,278,280</u>

Catholic Health East

Notes to the Consolidated Financial Statements

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The fair value of the System's long term debt is based on quoted market prices or estimates using discounted cash flow analyses, based on the participating facility's incremental borrowing rates for similar types of borrowing arrangements (Level 2). The fair value of the System's long-term debt at December 31, 2012 and 2011 was \$1,279,868,000 and \$1,343,421,000, respectively, compared to the carrying value of \$1,244,868,000 and \$1,214,421,000, respectively. This excludes capital leases and mortgage notes.

On June 1, 2012 CHE issued \$147,640,000 of Series 2012A Hospital Revenue Bonds through the Delaware County Authority (Pennsylvania) Health System, the City of Tampa, Florida Health, and North Carolina Medical Care Commission Health System. The bonds were issued as fixed rate bonds with interest rates ranging from 4.0% to 5.25%. The proceeds of this issue were used to refund and redeem certain of the outstanding Series 1998A Revenue Bonds issued previously and to pay the costs of issuance. As part of this transaction, CHE recorded a loss on extinguishment of debt totaling \$2,908,000.

On December 31, 2011, CHE transferred the outstanding debt of St. Joseph's Hospital, including the Series 2007A Revenue Bonds of \$9,900,000, the Series 2009 Revenue Bonds of \$68,970,000, and the Series 2010 Revenue Bonds of \$40,135,000 to the St. Joseph's/Emory Healthcare Joint Operating Agreement described in Note 18. Subsequent to the transfer date, the debt is guaranteed by Emory University and is no longer an obligation of the CHE Obligated Group.

On June 1, 2011, CHE repaid the outstanding debt of Mercy Hospital, Miami, including the Series 1998 Hospital Revenue Bonds of \$10,000,000, the Series 2002 Hospital Revenue Bonds of \$35,000,000, the Series 2003C Hospital Revenue Bonds of \$14,000,000, the Series 2008 Hospital Revenue Bonds of \$31,900,000, and the Series 2009 Hospital Revenue Bonds of \$29,300,000. The debt was repaid with proceeds from the sale of certain entities of Mercy Hospital, Miami to HCA as described in Note 18.

On February 3, 2011, St. Peter's Health Care Services issued \$34,200,000 of Series 2011 Hospital Revenue Bonds through the City of Albany Capital Resource Corporation. The bonds were issued as fixed rate bonds with interest rates ranging from 3.0% to 6.25%. The proceeds of this issue were used for St. Peter's Hospital Master Facilities Plan building and equipment projects, to fund a debt service reserve fund, to pay capitalized interest, and to pay the costs of issuance.

Certain CHE constituent corporations are members of the CHE Obligated Group. Under the Amended and Restated Master Trust Indenture dated January 1, 1998 and amended and restated as of September 30, 2006, Obligated Group members provide a revenue pledge and are joint and severally liable on all obligations outstanding under the Master Indenture. Additionally, the Obligated Group has agreed to comply with certain covenants including the repayment of principal and interest, notification regarding admission or withdrawal of members of the Obligated Group, to deliver financial statements and other related information by specified due dates, to maintain insurance, and to maintain a long-term debt service coverage of at least 1.10 to 1.00.

Pursuant to loan agreements between CHE and various RHCs, promissory notes have been executed by each RHC in amounts equal to the amount of proceeds necessary to defease previously existing debt and provide for capital projects.

In prior years, CHE advance refunded certain of its bonds which are no longer reflected in the consolidated financial statements since CHE has legally satisfied its obligation through defeasance. Funds are held in an irrevocable escrow with a trustee and are expected to be sufficient to satisfy the obligations.

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CHE maintains a revolving credit loan facility which is structured through a consortium with five banks and extends through November 30, 2017. The credit facility totals \$300,000,000 with an option to increase the credit facility to \$350,000,000. At December 31, 2012 and 2011, approximately \$32,812,000 and \$43,697,000, respectively, of the total credit facility was obligated for standby letters of credit. Additionally, approximately \$101,300,000 and \$106,035,000 at December 31, 2012 and 2011, respectively, had been borrowed against the total credit facility. Borrowings under this agreement may be repaid at any time and are payable upon termination of the agreement. These borrowings were used to finance various capital projects at several of the RHCs. Use of the credit facility for standby letters of credit is limited to \$100,000,000 of the total credit facility.

Certain of the System's variable rate demand bonds are supported by irrevocable letters of credit with expiration dates in 2013 and 2014. CHE is the guarantor for these letters of credit. The letters of credit and dates of expiration are as follows:

<u>RHC</u>	<u>Associated Bond Issue</u>	<u>Expiration</u>
Mercy Medical Corporation	Series 1997	11/1/2013
St. Mary Medical Center	Series 1997	11/1/2013
Holy Cross Hospital	Series 1997	11/1/2013
Holy Cross Hospital	Series 2000	12/31/2014
St. Francis Medical Center	Series 2003	12/31/2014
St. Joseph of the Pines, Inc.	Series 2008	4/23/2014

Blended Cost of Debt Program

CHE maintains a Blended Cost of Debt Program (the "Debt Program") to provide a uniform cost of debt for participating RHCs and to mitigate the interest rate risk of an RHC.

Under the Debt Program, all debt costs, excluding taxable debt, capitalized leases, and short-term borrowing, are blended. The calculation of the blended costs incorporates bond interest, both fixed and variable, debt-related fees, such as letters of credit, credit enhancement, remarketing, auction, as well as periodic rating agency, bond trustee, master trustee and issuing authority fees, net swap payments/receipts and put/guaranty receipts, along with other miscellaneous fees related to tax-exempt debt issued by CHE and its affiliates.

Participants in the Debt Program make periodic payments to CHE. Each participant's periodic payment is based on their respective percentage of total indebtedness included in the Debt Program. Principal payments are not blended. Participants make their scheduled principal payments to CHE in the month they are due.

9. Derivative Financial Instruments

CHE has entered into derivative transactions for the purpose of reducing interest rate volatility and to reduce interest expense. CHE has entered into fixed-to-floating interest rate swaps, total return swaps, basis swaps, and fixed-payor swaps.

At December 31, 2012 and 2011, fourteen *basis swap* transactions were outstanding in the CHE Debt Program with notional amounts totaling \$717,000,000 and maturity dates ranging from February 2023 to December 2028. In the basis swap transactions, CHE receives a floating taxable rate and pays a floating tax-exempt rate. CHE has elected not to designate these interest rate swap agreements as hedges for financial reporting purposes.

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At December 31, 2012 and 2011, four and six *fixed-to-floating interest rate swap* agreements, respectively, were outstanding in the CHE Debt Program. The fixed-to-floating swaps had notional amounts totaling \$95,000,000 and \$150,000,000 at December 31, 2012 and 2011, respectively, and maturity dates ranging from March 2014 to April 2017. These fixed-to-floating interest rate swap agreements effectively convert a portion of the System's fixed rate debt to a floating rate basis and are not designated as hedges for financial reporting purposes.

At December 31, 2012 and 2011, four *fixed-payor interest rate swap* agreements, were outstanding in the CHE Debt Program. The fixed-payor swaps had notional amounts totaling \$27,700,000 and maturity dates ranging from November 2032 to November 2034. Under these interest rate swap agreements CHE pays a fixed rate and receives a variable rate. Additionally, the cash flows from these interest rate swap agreements equal the rates on the bonds and therefore effectively convert the debt to a fixed rate. The notional amount of these interest rate swap agreements declines in relation to the annual principal payments on the hedged debt. CHE has elected not to designate these interest rate swap agreements as hedges for financial reporting purposes.

At December 31, 2012 and 2011, five and seven *total return swap* agreements, respectively, were outstanding in the CHE Debt Program. The total return swaps had notional amounts totaling \$85,525,000 and \$104,300,000 at December 31, 2012 and 2011, respectively, and maturity dates ranging from June 2013 to May 2014. Under these swap agreements, CHE receives a fixed rate on the amount corresponding to the par amount of the outstanding bonds, and pays the Securities Industry and Financial Markets Association ("SIFMA") index. CHE has elected not to designate these interest rate swap agreements as hedges for financial reporting purposes.

At December 31, 2012, three *fixed-to-floating interest rate swaps* were outstanding outside the CHE Debt Program with notional amounts totaling \$47,180,000 and maturity dates ranging from November 2013 to August 2033. These fixed-to-floating swaps were not outstanding as of December 31, 2011. In accordance with certain of these swap agreements a collateral account may be required as security for the swap.

The fair value of derivative instruments at December 31 is as follows:

	2012		2011	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
<i>(in thousands of dollars)</i>				
Interest rate contracts				
Basis	Other assets	\$5,938	Other liabilities	(\$6,344)
Fixed-to-floating	Other assets	\$1,314	Other assets	\$2,291
Fixed-payor	Other liabilities	(\$7,115)	Other liabilities	(\$6,231)
Total return	Other assets	\$7,130	Other assets	\$10,525
Fixed-to-floating, non CHE	Other liabilities	(\$5,715)	Other liabilities	(\$5,113)
		<u>\$1,552</u>		<u>(\$4,872)</u>

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The effects of derivative instruments on the consolidated statements of operations and changes in net assets for 2012 and 2011 are as follows:

(in thousands of dollars)

	Location of Gain (Loss) Recognized in Statement of Operations	Amount of Gain (Loss) Recognized in Statement of Operations	
		2012	2011
Interest rate contracts			
Basis	Change in fair value of interest rate swaps	\$12,282	(\$9,984)
Fixed-to-floating	Change in fair value of interest rate swaps	(977)	1,058
Fixed-payor	Change in fair value of interest rate swaps	(884)	(2,777)
Total return	Change in fair value of interest rate swaps	(3,397)	10,526
Fixed-to-floating, non CHE	Change in fair value of interest rate swaps	(600)	(55)
Total		<u>\$6,424</u>	<u>(\$1,232)</u>

Certain of CHE's derivative instruments contain credit-risk-related provisions that require CHE and its counterparties to post collateral in varying amounts based on respective credit ratings. If CHE's debt were to fall below investment grade, the counterparties to the derivative instruments would require CHE to post collateral only if the aggregate position of all derivative instruments is negative. Based on CHE's current credit rating, the System was not required to post collateral as of December 31, 2012 or 2011. Locally held derivative instruments (non-CHE) required posted collateral at December 31, 2012 and 2011 in the amount of \$474,000 and \$753,000, respectively.

10. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the System 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 at December 31 are available for the following purposes:

(in thousands of dollars)

	2012	2011
Temporarily restricted net assets		
Education and research	\$5,746	\$5,397
Building and equipment	28,180	27,406
Patient care	14,916	16,480
Cancer Center/research	7,431	6,110
Other	86,737	85,221
	<u>\$143,010</u>	<u>\$140,614</u>

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Permanently restricted net assets at December 31 are restricted as follows:

<i>(in thousands of dollars)</i>	2012	2011
Permanently restricted net assets		
Investments to be held in perpetuity, the income from which is expendable to support health care services (reported as operating income)	\$37,897	\$36,272
Endowments requiring income to be added to the original gift	2,426	2,282
Other	<u>9,504</u>	<u>8,152</u>
	<u>\$49,827</u>	<u>\$46,706</u>

The System classifies the portions of donor-restricted endowment funds of perpetual duration as permanently restricted net assets. Permanently restricted net assets of the System are comprised of a) the original value of gifts donated to the System through a permanent endowment, b) the original value of subsequent gifts to the System through a permanent endowment, and c) accumulations to the permanent endowment in accordance with applicable donor gift instruments. Any portions of donor-restricted endowment funds that are not classified as permanently restricted are appropriated in accordance with donor intent.

The System considers the following factors in determining if donor-restricted endowment funds are accumulated or appropriated:

- 1) the duration and preservation of the fund
- 2) the purposes of the System's donor-restricted endowment funds
- 3) general economic conditions
- 4) effect of possible inflation or deflation
- 5) the expected total investment return and appreciation of investments
- 6) other resources of the System
- 7) investment policies of the System

The System's permanently restricted net assets consist of individual endowment accounts. Unless otherwise directed by the donor, gifts received for endowments are invested in accordance with the System's investment policy. Unless otherwise directed by the donor, the System annually appropriates a certain percentage of each endowment fund, which is then available for spending in accordance with the donor's intent. In order to preserve the real value of a donor's gift and to sustain funding consistent with donor intent, the annual appropriation rate is set to strike a reasonable balance between long-term objectives of preserving and growing each endowment fund for the future and providing stable, annual appropriations.

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The composition of endowment fund net assets, by type of fund, at December 31, 2012 and 2011 are as follows:

(in thousands of dollars)

	2012		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Donor-restricted endowment funds	\$ -	\$82,466	\$49,827
Board-designated endowment funds	17,864	445	-
Total endowment funds	<u>\$17,864</u>	<u>\$82,911</u>	<u>\$49,827</u>

	2011		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Donor-restricted endowment funds	\$0	\$82,089	\$46,706
Board-designated endowment funds	17,635	809	-
Total endowment funds	<u>\$17,635</u>	<u>\$82,898</u>	<u>\$46,706</u>

Changes in the composition of endowment fund net assets as of December 31, 2012 and 2011 are as follows:

(in thousands of dollars)

	2012		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Endowment fund net assets, beginning of year	\$17,635	\$82,898	\$46,706
Investment return:			
Realized investment income	31	425	755
Unrealized investment gains	183	4,825	518
Net appreciation	-	741	(25)
Total investment return	214	5,991	1,248
Other changes in endowment funds	15	(5,978)	1,873
Endowment fund net assets, end of year	<u>\$17,864</u>	<u>\$82,911</u>	<u>\$49,827</u>

	2011		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Endowment fund net assets, beginning of year	\$17,517	\$67,810	\$27,972
Investment return:			
Realized investment income	202	364	945
Unrealized investment losses	(94)	(480)	(768)
Net appreciation	-	341	(32)
Total investment return	108	225	145
Other changes in endowment funds	10	14,863	18,589
Endowment fund net assets, end of year	<u>\$17,635</u>	<u>\$82,898</u>	<u>\$46,706</u>

Catholic Health East
Notes to the Consolidated Financial Statements
December 31, 2012 and 2011

11. Insurance

Professional and general liability risk is insured through Stella Maris Insurance Company, Ltd. a wholly owned, captive insurance company, commercial insurance and reinsurance companies, and self-insured programs. Excess insurance over self-insured amounts and coverage provided by the captive has been purchased from the commercial insurance and reinsurance markets. The excess professional liability coverage is provided on a claims-made basis. There are known claims and incidents that may result in the assertion of additional claims, as well as claims from unknown incidents that may be asserted arising from services provided to patients. CHE has employed independent actuaries to estimate the ultimate costs, if any, of the settlement of such claims. Accrued malpractice losses have been discounted at a rate of 4.0% at December 31, 2012 and 2011, and in management's opinion provide an adequate reserve for loss contingencies.

CHE maintains a large deductible program for workers' compensation. Losses from asserted claims and from unasserted claims identified under CHE's incident reporting systems are accrued based on estimates that incorporate CHE's experience, relevant trends, and other factors. CHE has employed independent actuaries to estimate the ultimate costs, if any, of the settlement of such claims. Accrued workers' compensation losses have been discounted at a rate of 4.0% at December 31, 2012 and 2011, and in management's opinion provide an adequate reserve for loss contingencies.

Total amounts accrued under these programs as current liabilities approximate \$19,642,000 and \$18,901,000 at December 31, 2012 and 2011, respectively. Total amounts accrued under these programs as long-term liabilities approximate \$284,966,000 and \$299,960,000 at December 31, 2012 and 2011, respectively.

Bank-administered trust and other accounts have been established for the purpose of segregating assets. These trusts are funded based on actuarial estimates and can only be used for payment of malpractice losses, related expenses, and administrative costs of the trusts. Assets of the trusts are included in marketable securities whose use is limited.

The total amount charged to expense under these self-insured programs was \$57,066,000 and \$45,451,000 in 2012 and 2011, respectively.

Catholic Health East
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12. Pension Plans

The System maintains non-contributory defined benefit pension plans that vary from one RHC to another, collectively, "the Plan." CHE has amended substantially all defined benefit pension plans to freeze service accruals.

The following table sets forth the change in benefit obligation and the change in fair value of plan assets based on the measurement date, and the amounts recognized in the consolidated financial statements at December 31:

<i>(in thousands of dollars)</i>	2012	2011
Changes in benefit obligation:		
Benefit obligation, beginning of year	\$1,261,197	\$1,031,184
Service cost	6,654	10,178
Interest cost	54,091	52,707
Actuarial loss	75,548	130,724
Benefits paid	(57,493)	(35,654)
Plan amendments	-	(28,278)
Plan mergers & divestitures	(1,647)	116,849
Curtailment	(3,285)	-
Other	-	(16,513)
Benefit obligation, end of year	<u>\$1,335,065</u>	<u>\$1,261,197</u>
Accumulated benefit obligation, end of year	\$1,316,982	\$1,227,766
Change in plan assets:		
Fair value of plan assets, beginning of year	\$822,660	\$740,648
Actual return on plan assets	91,941	567
Employer contributions	60,476	48,027
Benefits paid	(57,493)	(35,654)
Asset transfers	-	69,072
Fair value of plan assets, end of year	<u>\$917,584</u>	<u>\$822,660</u>
Funded status		
Fair value of plan assets	\$917,584	\$822,660
Projected benefit obligation	(1,335,065)	(1,261,197)
Funded status	<u>(417,481)</u>	<u>(438,537)</u>
Amount recognized, end of year	<u>(\$417,481)</u>	<u>(\$438,537)</u>
 Amounts recognized in unrestricted net assets		
Net actuarial gain	\$46,014	\$184,392
Amortization of actuarial loss	(13,573)	(9,039)
Prior service cost	4,606	(1,218)
Current year prior service cost	-	(44,790)
Curtailment charge	(3,090)	-
Plan mergers	-	22,894
Total	<u><u>\$33,957</u></u>	<u><u>\$152,239</u></u>

Catholic Health East
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The following table sets for the components of net periodic benefit cost for the applicable plan(s) at December 31:

<i>(in thousands of dollars)</i>	2012	2011
Components of net periodic benefit cost:		
Service cost	\$6,654	\$10,178
Interest cost	54,091	52,707
Expected return on plan assets	(62,408)	(61,061)
Amortization of prior service costs	(4,606)	1,218
Amortization of actuarial loss	13,573	9,039
Other adjustments	(195)	-
Net periodic benefit cost	<u><u>\$7,109</u></u>	<u><u>\$12,081</u></u>

The net actuarial loss that will be amortized from unrestricted net assets in the net periodic benefit cost in 2013 is \$14,194,000.

The assumptions used to determine the benefit obligation and periodic benefit cost at December 31 are as follows:

	2012	2011
Assumptions used to determine the benefit obligation at December 31:		
Weighted average discount rate	3.55% - 4.05%	4.15% - 5.00%
Weighted average rate of compensation increases	2.50%	3.75% - 4.25%
Weighted average expected long-term rate of return on plan assets	7.50%	7.5% - 8.50%
Assumptions used to determine periodic benefit cost at December 31:		
Weighted average discount rate	4.15% - 4.60%	4.90% - 5.55%
Weighted average rate of compensation increases	3.75% - 4.25%	3.75% - 4.25%
Weighted average expected long-term rate of return on plan assets	7.5% - 8.00%	7.5% - 8.50%

Investment Policy and Asset Allocations – In developing the assumption for the expected rate of return on assets, CHE evaluates historical returns, the level of expected returns on risk-free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested, and the expectations for future returns of each asset class. The expected rate of return for each asset class is then weighted based on the target asset allocation to develop the assumption for the expected long-term rate of return on assets. For plans with frozen service accruals, the investment policy was modified to allow for asset allocation changes over time as the plans become more fully funded in order to de-risk the plans. This strategy utilizes a “glide path” approach, consisting of a series of target asset allocations for various funded ratio levels, reduces exposure to return seeking assets (marketable equity securities and managed funds) and increases exposure to the liability-hedging assets (cash and marketable debt securities) over time. The Company continually evaluates the asset allocation strategy relative to changing market conditions, pension assumptions, and overall funded status of the plans.

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Notes to the Consolidated Financial Statements
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The weighted average asset allocation for the plan at December 31 and the target allocation for calendar year 2012 and 2011, by asset category, are as follows:

Asset category	Target Allocation 2012		Target Allocation 2011	
	From-To	2012	From-To	2011
Cash & marketable debt securities	18.8%-40.0%	21.6 %	18.8%-40.0%	22.5 %
Marketable equity securities & managed funds	60.0%-81.2%	78.4 %	60.0%-81.2%	77.5 %
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

The portfolio is diversified among a mix of assets including large and small cap, domestic and foreign equities, fixed income, managed funds, and cash. Asset mix is targeted to a specific allocation, either intermediate or long-term, that is established by evaluating expected return, standard deviation, and correlation of various assets against the plan's long-term objectives. Asset performance is monitored quarterly and rebalanced if asset classes exceed explicit ranges. The investment policy governs permitted types of investments, and outlines specific benchmarks and performance percentiles. The Investment Subcommittee of the Stewardship Committee of the CHE Board oversees the pension investment program and monitors investment performance. Risk is closely monitored through the evaluation of portfolio holdings and tracking the beta and standard deviation of the portfolio performance.

The following table presents the Plan's financial instruments as of December 31, 2012 measured at fair value on a recurring basis using the fair value hierarchy defined in Note 5. The investments are not included in the marketable securities whose use is limited in the accompanying consolidated balance sheet. These investments are maintained separately in a pension investment program that is controlled by a trustee:

(in thousands of dollars)

	2012				Valuation Technique
	Level 1	Level 2	Level 3	Total	
Pension investment program:					
Cash and cash equivalents	\$109,534	\$8,422	\$ -	\$117,956	Market
Marketable equity securities	260,093	306,215	-	566,308	Market
Marketable debt securities	42,197	107,988	-	150,185	Market
Managed funds	-	17,873	65,262	83,135	Market
Total pension investment program	<u>\$411,824</u>	<u>\$440,498</u>	<u>\$65,262</u>	<u>\$917,584</u>	

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	2011				<u>Valuation Technique</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	
Pension investment program:					
Cash and cash equivalents	\$44,761	\$20,863	\$ -	\$65,624	Market
Marketable equity securities	471,063	36,297	-	507,360	Market
Marketable debt securities	66,446	91,456	-	157,902	Market
Managed funds	-	-	91,774	91,774	Market
Total pension investment program	<u>\$582,270</u>	<u>\$148,616</u>	<u>\$91,774</u>	<u>\$822,660</u>	

The fair value of these investments is offset against the projected benefit obligation of the associated defined benefit plans and the resulting unfunded liability is recorded by the System.

The table below sets forth a summary of changes in the fair value of the Level 3 assets for the Plan for the period from December 31, 2011 to December 31, 2012.

(in thousands of dollars)

	<u>2012</u>	<u>2011</u>
Fair value January 1	\$91,774	\$75,493
Purchases	18,156	-
Realized gains	2,353	441
Unrealized losses	(126)	(2,950)
Other changes	(23,970)	21,479
Sales	<u>(22,925)</u>	<u>(2,689)</u>
Fair value December 31	<u>\$65,262</u>	<u>\$91,774</u>

There were no transfers in or out of levels 1 and 2 for the year ended December 31, 2012.

Contributions – Expected contributions to the defined benefit plans in 2013 are approximately \$52,169,000.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

(in thousands of dollars)

2013	\$52,443
2014	55,254
2015	57,537
2016	62,221
2017	66,049
2018-2021	<u>370,706</u>
	<u>\$664,210</u>

Catholic Health East
Notes to the Consolidated Financial Statements
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13. Concentration of Credit Risk

CHE grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at December 31 was as follows:

	2012	2011
Managed care	31.9 %	31.1 %
Medicare	24.0 %	23.8 %
Medicaid	9.5 %	11.0 %
Self-pay	11.9 %	11.3 %
Other third-party payors	11.9 %	14.4 %
Commercial	10.8 %	8.4 %
	<u>100.0 %</u>	<u>100.0 %</u>

In addition, CHE invests its cash and cash equivalents primarily with banks and financial institutions. These deposits may be in excess of federally insured limits. Management believes that the credit risk related to these deposits is minimal.

14. Commitments and Contingencies

The RHCs are defendants in various lawsuits relating primarily to rendering of health care services. In each instance, management of the respective RHCs is of the opinion that the liability, if any, resulting there from will be covered by insurance or will not have a material adverse impact on the consolidated financial statements of CHE. In addition, certain CHE entities have been contacted by governmental agencies regarding alleged violations of practices for certain services. Management of the respective RHCs has performed, with the advice and assistance of outside legal counsel, an evaluation of billing practices and compliance with related laws and regulations. In the opinion of management, after consultation with outside legal counsel, the ultimate outcome of these matters will not have a material adverse impact on the consolidated financial statements of CHE.

On March 29, 2013, the Company was notified that it is a defendant in a lawsuit which challenges the church plan status of the Company's defined benefit pension plans. The Company believes it will prevail in defense of this matter.

Catholic Health East
Notes to the Consolidated Financial Statements
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15. Leases

The RHCs lease office space and certain equipment under noncancelable operating leases. Rental expense was approximately \$79,885,000 and \$79,211,000 in 2012 and 2011, respectively.

Future minimum lease payments for all noncancelable leases as of December 31, 2012 are as follows:

(in thousands of dollars)

2013	\$52,110
2014	43,479
2015	38,862
2016	33,380
2017	27,339
Thereafter	97,125
	<u>\$292,295</u>

16. Functional Expenses

CHE provides general health care services to residents within their geographic location including acute care, skilled nursing, outpatient care, home healthcare, physician practices, and behavioral services. Expenses related to providing these services at December 31 are as follows:

(in thousands of dollars)

	2012	2011
Health care services	\$3,314,936	\$2,885,340
General and administrative	<u>801,628</u>	<u>670,723</u>
	<u>\$4,116,564</u>	<u>\$3,556,063</u>

17. Assets Held for Sale and Discontinued Operations

On January 14, 2013, Mercy Health System of Maine (Mercy Maine) entered into a definitive agreement with Eastern Maine Health System (EMHS) under which EMHS would assume control over Mercy Maine and its component corporation. As of December 31, 2012 and 2011, Mercy Maine's assets and liabilities have been reclassified as held for sale. The operating results of Mercy Maine are reflected as discontinued operations in the consolidated statements of operations.

On February 8, 2013, Saint Michael's Medical Center entered into an asset purchase agreement (APA) under which the hospital would be acquired by another healthcare organization. Certain assets and liabilities of Saint Michael's Medical Center have been classified as held for sale on the consolidated balance sheets as of December 31, 2012 and 2011. The operating results of Saint Michael's Medical Center are reflected as discontinued operations in the consolidated statements of operations.

Additionally, the Boards of Directors at certain of the Company's RHCs have approved management plans to divest or otherwise exit certain services lines and asset groups. Service lines and asset groups subject to such management plans are collectively referred to as the Disposal Group.

Catholic Health East
Notes to the Consolidated Financial Statements
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Details of the assets held for sale, the related liabilities, and discontinued operations of the Disposal Group at December 31 are provided below:

<i>(in thousands of dollars)</i>	2012	2011
Assets Held for Sale and Related Liabilities		
Current assets	\$69,159	\$84,299
Property, plant, and equipment, net	<u>267,203</u>	<u>389,174</u>
Total assets	<u><u>\$336,362</u></u>	<u><u>\$473,473</u></u>
Current liabilities	\$101,105	\$115,605
Other long-term liabilities	<u>318,811</u>	<u>326,593</u>
Total liabilities	<u><u>\$419,916</u></u>	<u><u>\$442,198</u></u>
Discontinued Operations		
Unrestricted revenues, gains and other support		
Net patient service revenue	\$427,026	\$527,097
Other operating revenue	<u>36,302</u>	<u>51,441</u>
Total revenues	<u>463,328</u>	<u>578,538</u>
Expenses		
Salaries, wages and benefits	256,762	317,447
Medical supplies	70,573	93,816
Purchased services, professional fees, and other expenses	144,847	186,427
Depreciation and amortization	21,529	25,898
Interest	20,529	24,411
Insurance	<u>5,985</u>	<u>8,733</u>
Total expenses	<u>520,225</u>	<u>656,732</u>
Operating loss before impairment	(56,897)	(78,194)
Non-operating losses on sale of assets	(4,481)	(3,254)
Impairment costs and other non-operating charges	<u>(110,393)</u>	<u>6,568</u>
Operating loss	<u><u>(\$171,771)</u></u>	<u><u>(\$74,880)</u></u>

Saint Michael's Medical Center classified tax-exempt revenue bonds as Liabilities related to Assets Held for Sale totaling \$237,705,000 and \$241,700,000 at December 31, 2012 and 2011, respectively. The bonds are issued through and guaranteed by the New Jersey Health Care Facilities Financing Authority as fixed rate bonds with interest rates ranging from 5.0% to 5.5% and annual principal payments through 2038. The bonds are excluded from the CHE Obligated Group.

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Notes to the Consolidated Financial Statements
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Aggregate principal payments are as follows:

(in thousands of dollars)

2013	\$4,435
2014	4,490
2015	4,900
2016	4,950
2017	5,425
Thereafter	213,505
	<u>\$237,705</u>

As a condition to closing of the transaction with the purchaser as described above, the New Jersey Health Care Facilities Financing Authority would agree to provide a release of Saint Michael's obligation on the tax-exempt bonds.

18. Significant Events

Maxis Health System

On February 28, 2012, the Company closed Marian Community Hospital, which provided acute care and behavioral health services in the Carbondale, PA service area. The operations of Marian Community Hospital are classified as discontinued operations in the accompanying consolidated statements of operations and changes in net assets at December 31, 2011.

St. Peter's Health Partners

On October 1, 2011, St. Peter's Health Care Services ("SPHCS"), Northeast Health ("NEH"), and Seton Health ("Seton") contributed their net assets to form St. Peter's Health Partners. In accordance with applicable accounting guidance on not-for-profit mergers and acquisitions, the Company recorded contribution income of \$374,819,000 reflecting the fair value of the contributed assets of NEH and Seton on the transaction date. Of this amount, \$322,947,000 represents unrestricted net assets and is included as a non-operating gain in the accompanying statement of operations and changes in net assets at December 31, 2011. Temporarily restricted net assets and permanently restricted net assets of \$33,201,000 and \$18,671,000, respectively, were recorded as restricted contribution income in the accompanying consolidated statement of changes in net assets.

The 2011 consolidated statement of operations reflects the activity of NEH and Seton from the date of the transaction (October 1, 2011) to December 31, 2011. No consideration was exchanged for the net assets contributed.

Catholic Health East
Notes to the Consolidated Financial Statements
December 31, 2012 and 2011

The fair value of assets, liabilities, and net assets contributed by NEH and Seton at October 1, 2011 were as follows:

<i>(in thousands of dollars)</i>	Total NEH & Seton
Assets	
Cash and cash equivalents	\$123,441
Assets limited as to use and investments	147,858
Patient accounts receivable, net	48,331
Property plant and equipment	307,167
Other assets	63,960
Total assets acquired	<u>\$690,757</u>
Liabilities	
Accounts payable and accrued expenses	\$44,927
Estimated amounts due to third party payers	16,094
Long-term debt	118,449
Accrued pension and post retirement benefits	38,438
Other liabilities	98,030
Total liabilities assumed	<u>315,938</u>
Net Assets	
Unrestricted	322,947
Temporarily restricted	33,201
Permanently restricted	18,671
Total net assets	<u>374,819</u>
Total liabilities and net assets	<u>\$690,757</u>

A summary of the financial results of NEH and Seton included in the consolidated statement of operations and changes in net assets from the period October 1, 2011 through December 31, 2011 is as follows:

<i>(in thousands of dollars)</i>	Total NEH & Seton
Total operating revenues	<u>\$135,025</u>
Total operating expenses	<u>131,417</u>
Operating income	3,608
Non operating gains	<u>4,681</u>
Excess of revenues over expenses	<u>8,289</u>
Net assets released from restriction used for capital purchases	373
Pension adjustment	(6,209)
Other changes	<u>4,291</u>
Increase in unrestricted net assets	<u>\$6,744</u>

Catholic Health East
Notes to the Consolidated Financial Statements
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A summary of the financial results of the Company for the year ended December 31, 2011, as if the transaction had occurred on January 1, 2011 is as follows (unaudited):

<i>(in thousands of dollars)</i>	CHE 2011
Total operating revenues	<u>\$4,048,326</u>
Total operating expenses	<u>3,946,563</u>
Operating income, before losses from St. Joseph's Health System	101,763
Losses from Saint Joseph's Health System	<u>(31,249)</u>
Operating income (including losses from St. Joseph's Health System)	70,514
Non-operating gains	<u>184,983</u>
Excess of revenues over expenses	<u>255,497</u>
Changes in unrestricted net assets	<u>(139,794)</u>
Increase in unrestricted net assets before discontinued operations	115,703
Loss from discontinued operations	<u>(38,527)</u>
Increase in unrestricted net assets	<u>\$77,176</u>

Saint Joseph's Health System

On December 31, 2011, the Company contributed certain assets and liabilities of St. Joseph's Health System to a joint operating company ("JOC") with Emory Healthcare in exchange for a 49% non-controlling ownership interest. The entities contributed to the JOC include St. Joseph's Hospital of Atlanta, Saint Joseph's Real Estate Corporation, Saint Joseph's Service Corporation, The Medical Group of Saint Joseph's, Saint Joseph's Translational Research Institute, and the International College of Robotic Surgery. An equity investment resulting from the transaction is included in investments in unconsolidated organizations in the accompanying consolidated balance sheets and is detailed further in Note 7. The related operating loss of \$31,249,000 at December 31, 2011 was classified separately within operating income on the consolidated statement of operations.

Mercy Health System of Southeastern Pennsylvania

On November 30, 2011, Mercy SEPA Mercy Health System of Southeastern Pennsylvania sold its equity ownership interests in certain Medicaid managed care organizations to Independence Blue Cross and Blue Cross/Blue Shield of Michigan. As consideration for the sale, Mercy Health System received a lump sum cash payment of \$194.0 million and a \$43.0 million pledge to the Mercy Health System Foundation to be paid over a seven (7) year period, which is included in other assets in the accompanying consolidated balance sheet at December 31, 2011. Mercy Health System recognized a gain on sale of \$94.9 million related to this transaction, which is included in the December 31, 2011 statement of operations and changes in net assets.

Catholic Health East

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Mercy Hospital, Miami

On May 1, 2011, the Company sold certain entities of Mercy Hospital, Miami to Hospital Corporation of America ("HCA"). The entities sold included Mercy Hospital, Sister Emmanuel Hospital for Continuing Care, Mercy Medical Development, and Mercy Physician Group. The results of these operations are reflected as discontinued operations in the accompanying statement of operations and changes in net assets at December 31, 2011. Proceeds from the sale were used primarily to satisfy long-term debt obligations of Mercy Hospital, Miami.

19. Subsequent Events

CHE evaluated the impact of subsequent events through April 30, 2013, representing the date at which the consolidated financial statements were issued.

On January 16, 2013, the Company and Trinity Health, an Indiana non-profit corporation, entered into a Consolidation Agreement, subject to regulatory approval and other closing conditions, under which the Company and Trinity Health would consolidate into a new non-profit organization. The transaction is expected to be completed in 2013.

In January 2013, CHE issued \$39.1 million of Series 2012 Hospital Revenue Bonds through Green County (Georgia) Development Authority. The bonds were issued as fixed rate bonds with interest rates ranging from 4.0% to 5.0%. The proceeds of this issue will be used to fund the construction of a replacement facility for Good Samaritan Hospital in Greensboro, Georgia, and to pay the costs of issuance.

In January 2013, CHE issued \$63.6 million of Series 2012B Hospital Revenue Bonds through the Saint Mary Hospital Financing Authority (Pennsylvania). The bonds were issued as variable rate bonds with an average annual interest rate 3.5%. The proceeds of these bonds were used to finance certain qualifying electronic health record expenditures at CHE's System Office, Mercy SEPA, and St. Mary Langhorne, and to pay the costs of issuance.

Mercy Community Health, Inc.
Consolidating Balance Sheet
December 31, 2012

(in thousands of dollars)

	Mercy Community Health, Inc.	Saint Mary Home, Inc.	The McAuley Center	Mercyknoll Inc.	Mercy Community Home Care, Inc.	MCH - Corporate Office
Assets						
Current assets						
Marketable securities whose use is limited	\$1,402	\$3,826	\$126	(\$3,570)	(\$837)	\$1,857
Patient accounts receivable, net of estimated uncollectibles of \$1,655	3,106	2,959	147	-	-	-
Other accounts receivable	40	40	-	-	-	-
Prepaid expenses and inventories	624	358	175	-	-	91
Total current assets	5,172	7,183	448	(3,570)	(837)	1,948
Marketable securities and investments whose use is limited						
Trustee-held funds	1,250	187	933	-	-	130
Donor-restricted funds	277	265	12	-	-	-
Total marketable securities and investments whose use is limited	1,527	452	945	-	-	130
Property and equipment, net						
Other assets	26,143	10,271	15,115	151	-	606
Total assets	895	555	613	17	(379)	89
Total assets	\$33,737	\$18,461	\$17,121	(\$3,402)	(\$1,216)	\$2,773
Liabilities and Net Assets						
Current liabilities						
Current portion of long-term debt and capital lease obligations	\$1,056	\$664	\$354	\$27	\$7	\$4
Accounts payable and accrued expenses	7,349	2,449	1,170	8	2	3,720
Estimated third party payor settlements, net	389	389	-	-	-	-
Other	2,417	1,130	1,226	-	-	61
Total current liabilities	11,211	4,632	2,750	35	9	3,785
Long-term debt, net						
Other liabilities	24,612	11,264	11,990	982	237	139
Pension liabilities	1,383	231	803	-	-	349
Insurance liabilities, net of current portion	622	206	400	-	-	16
Deferred revenue from entrance fees	641	385	96	-	-	160
Total liabilities	15,041	(82)	15,123	-	-	-
Total liabilities	53,510	16,636	31,162	1,017	246	4,449
Net assets						
Unrestricted	(20,175)	1,572	(14,108)	(4,419)	(1,462)	(1,758)
Temporarily restricted	125	(12)	55	-	-	82
Permanently restricted	277	265	12	-	-	-
Total net assets	(19,773)	1,825	(14,041)	(4,419)	(1,462)	(1,676)
Total liabilities and net assets	\$33,737	\$18,461	\$17,121	(\$3,402)	(\$1,216)	\$2,773

Mercy Community Health, Inc.
Consolidating Statement of Operations
December 31, 2012

(in thousands of dollars)

	Mercy Community Health, Inc.	Saint Mary Home, Inc.	The McAuley Center	Mercyknoll Inc.	Mercy Community Home Care, Inc.	MCH - Corporate Office
Unrestricted revenue, gains and other support						
Net patient service revenue, net of provision for bad debts of \$308	\$29,442	\$31,445	(\$3)	\$ -	\$ -	(\$2,000)
Other operating revenue, gains and other support	12,117	232	11,715	-	-	170
Total unrestricted revenue, gains and other support	41,559	31,677	11,712	-	-	(1,830)
Expenses						
Salaries, wages and benefits	24,216	19,091	3,415	-	-	1,710
Medical supplies	488	488	-	-	-	-
Purchased services, professional fees and other expenses	11,594	9,258	5,790	58	-	(3,512)
Depreciation and amortization	2,367	878	1,389	1	-	99
Interest	1,239	734	596	45	12	(148)
Insurance	242	140	81	-	-	21
Total operating expenses	40,146	30,589	11,271	104	12	(1,830)
Operating income (loss)	1,413	1,088	441	(104)	(12)	-
Non-operating gains						
Investment returns, net	57	37	27	-	-	(7)
Gain on Sale of Assets	198	197	1	-	-	-
Change in fair value of interest rate swaps	237	-	-	-	-	237
Total non-operating gains	492	234	28	-	-	230
Excess (deficit) of revenues over expenses	\$1,905	\$1,322	\$469	(\$104)	(\$12)	\$230

Mercy Community Health, Inc.
Consolidating Statement of Changes in Net Assets
December 31, 2012

(in thousands of dollars)

	Mercy Community Health, Inc.	Saint Mary Home, Inc.	The McAuley Center	Mercyknoll Inc.	Mercy Community Home Care, Inc.	MCH - Corporate Office
Unrestricted net assets						
(Deficit) excess of revenue over expenses	\$1,905	\$1,322	\$469	(\$104)	(\$12)	\$230
Other changes	413	413	-	-	-	-
Increase (decrease) in unrestricted net assets	2,318	1,735	469	(104)	(12)	230
Temporarily restricted net assets						
Contributions	35	11	3	-	-	21
Investment (loss) income	(1)	(4)	3	-	-	-
Change in unrealized gains on investments	65	40	25	-	-	-
Net assets released from restrictions	(282)	(282)	-	-	-	-
Other changes	(49)	(15)	(32)	-	-	(2)
(Decrease) increase in temporarily restricted net assets	(232)	(250)	(1)	-	-	19
Increase (decrease) in net assets	2,086	1,485	468	(104)	(12)	249
Beginning of year	(21,859)	340	(14,509)	(4,315)	(1,450)	(1,925)
End of year	(\$19,773)	\$1,825	(\$14,041)	(\$4,419)	(\$1,462)	(\$1,676)

User Filter: Consolidated

Projection Years

General Filter: Model - ModelGrp - MCHCT

	2013	2014	2015	2016	2017	2018	2019	2020
Income Statement								
Patient Revenue								
Inpatient Services	\$44,016	\$43,825	\$45,186	\$45,239	\$45,288	\$45,338	\$45,389	\$45,440
Outpatient Services	0	0	0	0	0	0	0	0
Gross Patient Revenue	44,016	43,825	45,186	45,239	45,288	45,338	45,389	45,440
Deductions from Patient Revenue								
Contractual Discounts	14,272	14,633	14,674	14,357	13,986	13,790	13,593	13,419
Provision for Charity	0	0	0	0	0	0	0	0
Bad Debt	285	393	350	388	388	388	388	388
Total Deductions from Revenue	14,557	15,026	15,024	14,745	14,374	14,178	13,981	13,807
Net Patient Revenue	29,459	28,799	30,162	30,494	30,914	31,160	31,408	31,633
Other Operating Revenue	11,921	14,214	14,875	12,907	13,048	13,200	13,361	13,532
Total Operating Revenue	41,380	43,013	45,037	43,401	43,962	44,360	44,769	45,165
Operating Expenses								
Salaries and Wages	18,868	19,023	19,536	19,892	20,103	20,317	20,533	20,751
Employee Benefits	5,489	6,071	6,118	6,228	6,294	6,360	6,427	6,493
Contract Labor	0	0	0	0	0	0	0	0
Professional fees	186	176	197	199	201	203	205	207
Supplies	69	417	425	429	434	438	442	447
Drugs and Pharmaceuticals	510	440	475	489	494	499	504	509
Purchased Services	1,341	4,131	4,450	4,516	4,580	4,657	4,741	4,846
Depreciation & Amortization	2,089	2,178	2,201	2,208	2,155	1,857	1,748	1,710
Interest	1,268	1,220	1,317	1,212	1,148	1,137	1,103	1,097
Other	9,897	6,712	6,778	6,863	6,907	6,973	7,038	7,094
Total Operating Expenses	39,717	40,368	41,497	42,036	42,316	42,441	42,741	43,154
Operating Income	1,663	2,645	3,540	1,365	1,646	1,919	2,028	2,011
Nonoperating Revenue								
Investment Income	0	57	43	220	282	353	424	502
Interest Expense	0	0	0	0	0	0	0	0
Unrestricted Contributions	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0
Net Nonoperating Revenue	0	57	43	220	282	353	424	502
Excess of Revenue over Expenses	1,663	2,702	3,583	1,585	1,928	2,272	2,452	2,513
Other Changes	0	(770)	12	12	12	12	12	12
Increase(Decrease) in Unrestricted Net Assets	\$1,663	\$1,932	\$3,595	\$1,597	\$1,940	\$2,284	\$2,464	\$2,525

User Filter: Consolidated

Projection Years

General Filter: Model - ModelGrp - MCHCT

	2013	2014	2015	2016	2017	2018	2019	2020
Balance Sheet - Assets								
Current Assets								
Cash	\$965	\$3,380	\$6,785	\$7,974	\$9,571	\$11,159	\$12,720	\$15,375
Current Portion Limites as to Use	547	100	100	100	100	100	100	100
Accounts Receivable Net of Reserves	3,364	3,336	3,274	3,354	3,388	3,423	3,450	3,474
Third Party Settlements	0	0	0	0	0	0	0	0
Supply Inventories, at cost	238	240	297	267	269	272	275	278
Prepaid Expenses and Other	<u>351</u>	<u>282</u>	<u>278</u>	<u>287</u>	<u>289</u>	<u>294</u>	<u>296</u>	<u>300</u>
Total Current Assets	5,465	7,338	10,734	11,982	13,617	15,248	16,841	19,527
Assets Limited as to Use								
Trusteed Assets	1,536	1,377	1,377	1,377	1,377	1,377	1,377	1,377
Temporary Restricted Cash	0	0	0	0	0	0	0	0
Permanent Restricted Cash	0	0	0	0	0	0	0	0
Board Designated Investments	<u>0</u>	<u>0</u>	<u>0</u>	<u>151</u>	<u>213</u>	<u>284</u>	<u>355</u>	<u>433</u>
Total Assets Limited as to Use	1,536	1,377	1,377	1,528	1,590	1,661	1,732	1,810
Property, Plant and Equipment								
Cost	70,089	74,547	75,868	77,089	78,210	79,331	80,452	81,573
Accumulated Depreciation	44,549	46,611	48,812	51,020	53,174	55,031	56,779	58,490
Construction in Progress	<u>304</u>	<u>304</u>	<u>304</u>	<u>304</u>	<u>304</u>	<u>304</u>	<u>304</u>	<u>304</u>
Net PP&E	25,844	28,240	27,360	26,373	25,340	24,604	23,977	23,387
Other Assets								
Investment in Subsidiaries	0	0	0	0	0	0	0	0
Unamortized Financing Fees	392	0	0	0	0	0	0	0
Start-up Costs	0	0	0	0	0	0	0	0
Other Long-Term Assets	<u>821</u>	<u>37</u>	<u>33</u>	<u>37</u>	<u>37</u>	<u>37</u>	<u>37</u>	<u>37</u>
Total Other Assets	1,213	37	33	37	37	37	37	37
Total Assets	<u>\$34,058</u>	<u>\$36,992</u>	<u>\$39,504</u>	<u>\$39,920</u>	<u>\$40,584</u>	<u>\$41,550</u>	<u>\$42,587</u>	<u>\$44,761</u>

Balance Sheet - Liabilities and Net Assets

Current Liabilities								
Notes Payable - Line of Credit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Current Maturities of Debt	1,165	878	1,214	1,269	1,329	1,179	657	569
A/P and Accrued Expenses	5,469	2,842	1,986	2,032	2,043	2,070	2,090	2,394
Third Party Settlements	145	145	146	146	147	148	149	150
Other Accrued Liabilities	4,036	3,680	4,310	4,290	4,265	4,240	4,215	4,215
Total Current Liabilities	<u>10,815</u>	<u>7,545</u>	<u>7,656</u>	<u>7,737</u>	<u>7,784</u>	<u>7,637</u>	<u>7,111</u>	<u>7,328</u>
Other Liabilities								
Pension	205	50	100	100	100	100	100	100
Other LT Liabilities	<u>17,391</u>	<u>17,535</u>	<u>17,285</u>	<u>17,285</u>	<u>17,285</u>	<u>17,285</u>	<u>17,035</u>	<u>17,035</u>
Total Other Liabilities	17,596	17,585	17,385	17,385	17,385	17,385	17,135	17,135
Long-Term Debt								
	24,617	28,893	27,892	26,623	25,293	24,115	23,457	22,889
Net Assets								
Fund Balance (Unrestricted)	(19,420)	(17,488)	(13,893)	(12,296)	(10,356)	(8,072)	(5,608)	(3,083)
Temporarily Restricted Fund Balance	173	180	187	194	201	208	215	215
Permanently Restricted Net Assets	<u>277</u>	<u>277</u>	<u>277</u>	<u>277</u>	<u>277</u>	<u>277</u>	<u>277</u>	<u>277</u>
Total Fund	(18,970)	(17,031)	(13,429)	(11,825)	(9,878)	(7,587)	(5,116)	(2,591)
Total Liabilities & Net Assets	<u>\$34,058</u>	<u>\$36,992</u>	<u>\$39,504</u>	<u>\$39,920</u>	<u>\$40,584</u>	<u>\$41,550</u>	<u>\$42,587</u>	<u>\$44,761</u>

User Filter: Consolidated

Projection Years

General Filter: Model - ModelGrp - MCHCT

	2013	2014	2015	2016	2017	2018	2019	2020
Statement of Changes in Net Assets								
Unrestricted Net Assets:								
Beginning Unrestricted Net Assets	(\$19,420)	(\$17,488)	(\$13,893)	(\$12,296)	(\$10,356)	(\$8,072)	(\$5,608)	(\$5,608)
Excess of Revenues over Expenses	2,702	3,583	1,585	1,928	2,272	2,452	2,513	2,513
Change in Net Unrealized Gain/Loss	0	0	0	0	0	0	0	0
Transfers (to) from Affiliates	(730)	0	0	0	0	0	0	0
Restricted Contributions Used for Property Acquisitions	12	12	12	12	12	12	12	12
Extraordinary Gain (Loss)	0	0	0	0	0	0	0	0
Cumulative Effect of a Change in Accounting Principle	(11)	0	0	0	0	0	0	0
Additional Minimum Pension Liability	0	0	0	0	0	0	0	0
Other Unrestricted Activity	(41)	0	0	0	0	0	0	0
Increase (Decrease) in Unrestricted Net Assets	<u>1,932</u>	<u>3,595</u>	<u>1,597</u>	<u>1,940</u>	<u>2,284</u>	<u>2,464</u>	<u>2,464</u>	<u>2,525</u>
Total Unrestricted Net Assets	(17,488)	(13,893)	(12,296)	(10,356)	(8,072)	(5,608)	(3,083)	(3,083)
Temporarily Restricted Net Assets:								
Beginning Temporarily Restricted Net Assets	173	180	187	194	201	208	215	215
Contributions	15	15	15	15	15	15	15	10
Change in Net Unrealized Gain/Loss	4	4	4	4	4	4	4	2
Restricted Investment Income	0	0	0	0	0	0	0	0
Net Assets Released from Restrictions	(12)	(12)	(12)	(12)	(12)	(12)	(12)	(12)
Cumulative Effect of a Change in Accounting Principle	0	0	0	0	0	0	0	0
Other Restricted Activity	0	0	0	0	0	0	0	0
Incr. (Decr.) in Temporarily Restricted Net Assets	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>0</u>
Ending Balance Temporarily Restricted Net Assets	180	187	194	201	208	215	215	215
Permanently Restricted Net Assets:								
Beginning Permanently Restricted Net Assets	277	277	277	277	277	277	277	277
Contributions	0	0	0	0	0	0	0	0
Change in Net Unrealized Gain/Loss	0	0	0	0	0	0	0	0
Restricted Investment Income	0	0	0	0	0	0	0	0
Other Restricted Activity	0	0	0	0	0	0	0	0
Incr. (Decr.) in Permanently Restricted Net Assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Ending Balance Permanently Restricted Net Assets	<u>277</u>	<u>277</u>	<u>277</u>	<u>277</u>	<u>277</u>	<u>277</u>	<u>277</u>	<u>277</u>
Total Net Assets	<u>(\$17,031)</u>	<u>(\$13,429)</u>	<u>(\$11,825)</u>	<u>(\$9,878)</u>	<u>(\$7,587)</u>	<u>(\$5,116)</u>	<u>(\$5,116)</u>	<u>(\$2,591)</u>

User Filter: Consolidated

Projection Years

General Filter: Model - ModelGrp - MCHCT

	2013	2014	2015	2016	2017	2018	2019	2020
Cash Flow Statement								
Sources of Cash:								
Excess of Revenues over Expenses from Operations		\$2,645	\$3,540	\$1,365	\$1,646	\$1,919	\$2,028	\$2,011
Net Nonoperating Income, Excluding Interest Income and Expense		0	0	0	0	0	0	0
Extraordinary Items, Transfers and Other Items Not Affecting Working Capital:		(770)	12	12	12	12	12	12
Depreciation		2,155	2,201	2,208	2,155	1,857	1,748	1,710
Amortization of Financing Costs		23	0	0	0	0	0	0
Other		1,149	(189)	3	7	7	(243)	0
Long Term Debt Proceeds		0	0	0	0	0	0	0
Total Sources of Cash		5,202	5,564	3,588	3,820	3,795	3,545	3,733
Uses of Cash:								
Change in Working Capital, Excluding Current Portion of Debt		2,888	216	33	51	40	36	(274)
Additions to Property, Plant & Equipment, net		\$4,551	\$1,321	\$1,221	\$1,122	\$1,121	\$1,121	\$1,120
Long Term Debt Principal Repayments		(3,989)	665	1,214	1,270	1,328	1,180	656
Total Uses of Cash		3,450	2,202	2,468	2,443	2,489	2,337	1,502
Cash Provided (Used) Prior to Interest Income		1,752	3,362	1,120	1,377	1,306	1,208	2,231
Cash Provided from Interest Income		57	43	220	282	353	424	502
Cash Used by Interest Expense		0	0	0	0	0	0	0
Cash Provided (Used)		1,809	3,405	1,340	1,659	1,659	1,632	2,733
Cash Balance, beginning of period		3,048	4,857	8,262	9,602	11,261	12,920	14,552
Cash Balance, end of period		4,857	8,262	9,602	11,261	12,920	14,552	17,285
Summary of Cash and Investments								
Operating Cash	\$965	\$3,380	\$6,785	\$7,974	\$9,571	\$11,159	\$12,720	\$15,375
Board Designated Assets	0	0	0	151	213	284	355	433
Trusted Assets and Restricted Funds	2,083	1,477	1,477	1,477	1,477	1,477	1,477	1,477
Total	3,048	4,857	8,262	9,602	11,261	12,920	14,552	17,285

User Filter: MODEL.MODEL = 'MCAULEYSR2V2'

General Filter: Model - ModelGrp - MCHCT

Projection Years

	2013	2014	2015	2016	2017	2018	2019	2020
Income Statement								
Patient Revenue								
Inpatient Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Outpatient Services	0	0	0	0	0	0	0	0
Gross Patient Revenue	0	0	0	0	0	0	0	0
Deductions from Patient Revenue								
Contractual Discounts	0	0	0	0	0	0	0	0
Provision for Charity	0	0	0	0	0	0	0	0
Bad Debt	0	0	0	0	0	0	0	0
Total Deductions from Revenue	0	0	0	0	0	0	0	0
Net Patient Revenue	0	0	0	0	0	0	0	0
Other Operating Revenue	11,535	12,175	12,306	12,435	12,574	12,723	12,882	13,050
Total Operating Revenue	11,535	12,175	12,306	12,435	12,574	12,723	12,882	13,050
Operating Expenses								
Salaries and Wages	2,654	2,811	2,823	2,851	2,880	2,909	2,938	2,967
Employee Benefits	727	756	740	781	789	797	805	813
Contract Labor	0	0	0	0	0	0	0	0
Professional fees	0	47	4	4	4	4	4	4
Supplies	0	0	0	0	0	0	0	0
Drugs and Pharmaceuticals	0	0	0	0	0	0	0	0
Purchased Services	2,952	3,138	3,151	3,183	3,214	3,246	3,279	3,312
Depreciation & Amortization	1,056	1,226	1,182	1,171	1,135	1,104	1,079	1,076
Interest	669	524	524	524	524	524	524	524
Other	2,802	3,053	3,062	3,116	3,145	3,175	3,205	3,235
Total Operating Expenses	10,860	11,555	11,486	11,630	11,691	11,759	11,834	11,931
Operating Income	675	620	820	805	883	964	1,048	1,119
Nonoperating Revenue								
Investment Income	0	13	13	198	260	331	402	480
Interest Expense	0	0	0	0	0	0	0	0
Unrestricted Contributions	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0
Net Nonoperating Revenue	0	13	13	198	260	331	402	480
Excess of Revenue over Expenses	675	633	833	1,003	1,143	1,295	1,450	1,599
Other Changes	0	(383)	0	0	0	0	0	0
Increase(Decrease) in Unrestricted Net Assets	\$675	\$250	\$833	\$1,003	\$1,143	\$1,295	\$1,450	\$1,599

User Filter: MODEL.MODEL = MCAULEYSR2V2

Projection Years

General Filter: Model - ModelGrp - MCHCT

	2013	2014	2015	2016	2017	2018	2019	2020
Balance Sheet - Assets								
Current Assets								
Cash	\$1,443	\$2,475	\$2,368	\$3,533	\$4,891	\$6,368	\$7,723	\$9,479
Current Portion Limites as to Use	0	100	100	100	100	100	100	100
Accounts Receivable Net of Reserves	143	145	145	146	148	150	152	154
Third Party Settlements	0	0	0	0	0	0	0	0
Supply Inventories, at cost	59	60	0	0	0	0	0	0
Prepaid Expenses and Other	73	75	76	76	77	78	78	79
Total Current Assets	1,718	2,855	2,689	3,855	5,216	6,696	8,053	9,812
Assets Limited as to Use								
Trusteed Assets	941	941	941	941	941	941	941	941
Temporary Restricted Cash	0	0	0	0	0	0	0	0
Permanent Restricted Cash	0	0	0	0	0	0	0	0
Board Designated Investments	0	0	0	151	213	284	355	433
Total Assets Limited as to Use	941	941	941	1,092	1,154	1,225	1,296	1,374
Property, Plant and Equipment								
Cost	40,151	43,276	43,786	44,296	44,806	45,316	45,826	46,336
Accumulated Depreciation	25,486	26,709	27,891	29,062	30,196	31,300	32,379	33,455
Construction in Progress	141	141	141	141	141	141	141	141
Net PP&E	14,806	16,708	16,036	15,375	14,751	14,157	13,588	13,022
Other Assets								
Investment in Subsidiaries	0	0	0	0	0	0	0	0
Unamortized Financing Fees	204	0	0	0	0	0	0	0
Start-up Costs	0	0	0	0	0	0	0	0
Other Long-Term Assets	(252)	(1,367)	(1,367)	(1,367)	(1,367)	(1,367)	(1,367)	(1,367)
Total Other Assets	(48)	(1,367)	(1,367)	(1,367)	(1,367)	(1,367)	(1,367)	(1,367)
Total Assets	\$17,417	\$19,137	\$18,299	\$18,955	\$19,754	\$20,711	\$21,570	\$22,841
Balance Sheet - Liabilities and Net Assets								
Current Liabilities								
Notes Payable - Line of Credit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Current Maturities of Debt	464	356	356	356	356	356	336	246
A/P and Accrued Expenses	604	1,930	858	860	865	876	884	892
Third Party Settlements	0	0	0	0	0	0	0	0
Other Accrued Liabilities	1,466	1,450	1,450	1,450	1,450	1,450	1,450	1,450
Total Current Liabilities	2,534	3,736	2,664	2,666	2,671	2,682	2,670	2,588
Other Liabilities								
Pension	16	0	0	0	0	0	0	0
Other LT Liabilities	16,283	16,500	16,250	16,250	16,250	16,250	16,000	16,000
Total Other Liabilities	16,299	16,500	16,250	16,250	16,250	16,250	16,000	16,000
Long-Term Debt	12,399	12,459	12,103	11,747	11,391	11,035	10,699	10,453
Net Assets								
Fund Balance (Unrestricted)	(13,887)	(13,637)	(12,804)	(11,801)	(10,658)	(9,363)	(7,913)	(6,314)
Temporarily Restricted Fund Balance	60	67	74	81	88	95	102	102
Permanently Restricted Net Assets	12	12	12	12	12	12	12	12
Total Fund	(13,815)	(13,558)	(12,718)	(11,708)	(10,558)	(9,256)	(7,799)	(6,200)
Total Liabilities & Net Assets	\$17,417	\$19,137	\$18,299	\$18,955	\$19,754	\$20,711	\$21,570	\$22,841

User Filter: MODEL.MODEL = 'MCAULEYSR2V2'

Projection Years

General Filter: Model - ModelGrp - MCHCT

	2013	2014	2015	2016	2017	2018	2019	2020
Statement of Changes in Net Assets								
Unrestricted Net Assets:								
Beginning Unrestricted Net Assets	(\$13,887)	(\$13,637)	(\$12,804)	(\$11,801)	(\$10,658)	(\$9,363)	(\$7,913)	(\$7,913)
Excess of Revenues over Expenses	633	833	1,003	1,143	1,295	1,450	1,599	1,599
Change in Net Unrealized Gain/Loss	0	0	0	0	0	0	0	0
Transfers (to) from Affiliates	(371)	0	0	0	0	0	0	0
Restricted Contributions Used for Property Acquisitions	0	0	0	0	0	0	0	0
Extraordinary Gain (Loss)	0	0	0	0	0	0	0	0
Cumulative Effect of a Change in Accounting Principle	0	0	0	0	0	0	0	0
Additional Minimum Pension Liability	0	0	0	0	0	0	0	0
Other Unrestricted Activity	(12)	0	0	0	0	0	0	0
Increase (Decrease) in Unrestricted Net Assets	250	833	1,003	1,143	1,295	1,450	1,599	1,599
Total Unrestricted Net Assets	(13,637)	(12,804)	(11,801)	(10,658)	(9,363)	(7,913)	(6,314)	(6,314)
Temporarily Restricted Net Assets:								
Beginning Temporarily Restricted Net Assets	60	67	74	81	88	95	102	102
Contributions	5	5	5	5	5	5	5	0
Change in Net Unrealized Gain/Loss	2	2	2	2	2	2	2	0
Restricted Investment Income	0	0	0	0	0	0	0	0
Net Assets Released from Restrictions	0	0	0	0	0	0	0	0
Cumulative Effect of a Change in Accounting Principle	0	0	0	0	0	0	0	0
Other Restricted Activity	0	0	0	0	0	0	0	0
Incr. (Decr.) in Temporarily Restricted Net Assets	7	7	7	7	7	7	7	0
Ending Balance Temporarily Restricted Net Assets	67	74	81	88	95	102	102	102
Permanently Restricted Net Assets:								
Beginning Permanently Restricted Net Assets	12	12	12	12	12	12	12	12
Contributions	0	0	0	0	0	0	0	0
Change in Net Unrealized Gain/Loss	0	0	0	0	0	0	0	0
Restricted Investment Income	0	0	0	0	0	0	0	0
Other Restricted Activity	0	0	0	0	0	0	0	0
Incr. (Decr.) in Permanently Restricted Net Assets	0	0	0	0	0	0	0	0
Ending Balance Permanently Restricted Net Assets	12	12	12	12	12	12	12	12
Total Net Assets	(\$13,558)	(\$12,718)	(\$11,708)	(\$10,558)	(\$9,256)	(\$7,799)	(\$6,200)	(\$6,200)

User Filter: MODEL.MODEL = 'MCAULEYSR2V2'

General Filter: Model - ModelGrp - MCHCT

Projection Years

	2013	2014	2015	2016	2017	2018	2019	2020
Cash Flow Statement								
Sources of Cash:								
Excess of Revenues over Expenses from Operations		\$620	\$820	\$805	\$883	\$964	\$1,048	\$1,119
Net Nonoperating Income, Excluding Interest Income and Expense		0	0	0	0	0	0	0
Extraordinary Items, Transfers and Other Items Not Affecting Working Capital:		(383)	0	0	0	0	0	0
Depreciation		1,226	1,182	1,171	1,135	1,104	1,079	1,076
Amortization of Financing Costs		0	0	0	0	0	0	0
Other		1,527	(243)	7	7	7	(243)	0
Long Term Debt Proceeds		0	0	0	0	0	0	0
Total Sources of Cash		2,990	1,759	1,983	2,025	2,075	1,884	2,195
Uses of Cash:								
Change in Working Capital, Excluding Current Portion of Debt		(1,305)	1,013	(1)	(2)	(8)	(6)	(5)
Additions to Property, Plant & Equipment, net		\$3,128	\$510	\$510	\$511	\$510	\$510	\$510
Long Term Debt Principal Repayments		48	356	356	356	356	356	336
Total Uses of Cash		1,871	1,879	865	865	858	860	841
Cash Provided (Used) Prior to Interest Income		1,119	(120)	1,118	1,160	1,217	1,024	1,354
Cash Provided from Interest Income		13	13	198	260	331	402	480
Cash Used by Interest Expense		0	0	0	0	0	0	0
Cash Provided (Used)		1,132	(107)	1,316	1,420	1,548	1,426	1,834
Cash Balance, beginning of period		2,384	3,516	3,409	4,725	6,145	7,693	9,119
Cash Balance, end of period		\$3,516	\$3,409	\$4,725	\$6,145	\$7,693	\$9,119	\$10,953
Summary of Cash and Investments								
Operating Cash	\$1,443	\$2,475	\$2,368	\$3,533	\$4,891	\$6,368	\$7,723	\$9,479
Board Designated Assets	0	0	0	151	213	284	355	433
Trusteed Assets and Restricted Funds	941	1,041	1,041	1,041	1,041	1,041	1,041	1,041
Total	\$2,384	\$3,516	\$3,409	\$4,725	\$6,145	\$7,693	\$9,119	\$10,953

STATE OF CONNECTICUT

Department of Public Health

LICENSE

License No. 0164

Assisted Living Services Agency

In accordance with the provisions of the General Statutes of Connecticut Section 19a-493:

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

McAuley Center, Inc. The is located at 275 Steele Road, West Hartford, CT 06107, and may provide services to clients residing at:

McAuley Center, Inc. The, 275 Steele Road, West Hartford, CT

This license expires **June 30, 2015** and may be revoked for cause at any time.

Dated at Hartford, Connecticut, July 1, 2013. **RENEWAL**

Beneficial CHOW eff: 6/11/2013.



Jewel Mullen MD

Jewel Mullen, MD, MPH, MPA
Commissioner

Schedule of Standard Contract Fees

APARTMENT TYPE	ENTRANCE FEE <i>FULL LIFECARE – TWO-THIRDS REFUNDABLE</i>	MONTHLY SERVICE FEE
Studio 592 sq. ft.	\$166,010	\$2,500
One Bedroom 620 sq. ft. Single Double	\$173,370	\$2,680 \$4,430
One Bedroom Deluxe 818 sq. ft. Single Double	\$246,920	\$3,470 \$5,220
Two Bedroom 1,118 sq. ft. Single Double	\$362,490	\$4,080 \$5,830
Studio + One Bedroom 1,410 sq. ft. Single Double	\$454,950	\$5,140 \$6,900
One Bedroom + One Bedroom 1,636 sq. ft. Single Double	\$525,350	\$5,970 \$7,720
Two Bedroom + One Bedroom 1,936 sq. ft. Single Double	\$619,920	\$7,060 \$8,820

These rates are effective January 1, 2014.

Schedule of Zero Refund Contract Fees

APARTMENT TYPE	ENTRANCE FEE <i>FULL LIFECARE – NON-REFUNDABLE AFTER 50 MONTHS</i>	MONTHLY SERVICE FEE
Studio 592 sq. ft.	\$95,640	\$3,110
One Bedroom 620 sq. ft. Single Double	\$107,050 \$126,070	\$3,430 \$5,140
One Bedroom Deluxe 818 sq. ft. Single Double	\$115,860 \$134,880	\$3,740 \$5,450
Two Bedroom 1,118 sq. ft. Single Double	\$148,850 \$176,240	\$4,720 \$6,340
Studio + One Bedroom 1,410 sq. ft. Single Double	\$200,200	\$5,340 \$7,050
One Bedroom + One Bedroom 1,636 sq. ft. Single Double	\$231,460	\$5,970 \$7,680
Two Bedroom + One Bedroom 1,936 sq. ft. Single Double	\$266,180	\$6,860 \$8,570

These rates are effective January 1, 2014.

Schedule of Alternative Contract Fees

APARTMENT TYPE	ENTRANCE FEE <i>NO LIFECARE – 95% Refundable 60 days Skilled Nursing</i>	MONTHLY SERVICE FEE
Studio 592 sq. ft.	\$72,547	\$2,067
One Bedroom 620 sq. ft. Single Double	\$74,743	\$2,165 \$2,732
One Bedroom Deluxe 818 sq. ft. Single Double	\$94,541	\$2,857 \$3,424
Two Bedroom 1,118 sq. ft. Single Double	\$125,473	\$3,254 \$3,821
Studio + One Bedroom 1,410 sq. ft. Single Double	\$151,419	\$4,104 \$4,671
One Bedroom + One Bedroom 1,636 sq. ft. Single Double	\$171,501	\$4,761 \$5,328
Two Bedroom + One Bedroom 1,936 sq. ft. Single Double	\$198,157	\$5,634 \$6,201

These rates are effective January 1, 2012.

Schedule of Alternative Contract Fees

APARTMENT TYPE	ENTRANCE FEE <i>NO LIFECARE – 80% Refundable 150 days Skilled Nursing</i>	MONTHLY SERVICE FEE
Studio 592 sq. ft.	\$107,780	\$2,320
One Bedroom 620 sq. ft. Single Double	\$112,870	\$2,430 \$3,760
One Bedroom Deluxe 818 sq. ft. Single Double	\$148,920	\$3,210 \$4,540
Two Bedroom 1,118 sq. ft. Single Double	\$168,640	\$3,800 \$5,120
Studio + One Bedroom 1,410 sq. ft. Single Double	\$212,690	\$4,790 \$6,110
One Bedroom + One Bedroom 1,636 sq. ft. Single Double	\$246,780	\$5,550 \$6,880
Two Bedroom + One Bedroom 1,936 sq. ft. Single Double	\$292,030	\$6,570 \$7,900

These rates are effective January 1, 2014.

Schedule of Fees

THE ASSISTED LIVING CENTER AT THE MCAULEY

<u>Apartment Style</u>	<u>Monthly Rental Fee</u>
Studio	\$5,000
One Bedroom	\$5,200
One Bedroom Deluxe	\$6,350
Two Bedroom	\$8,080

For a second person, add \$1,070 per month.
No entrance fee is required for Assisted Living residents.

Fees are subject to change without notice.

These rates are effective January 1, 2014.

ATTACHMENT J

**ENTRANCE FEES/MONTHLY SERVICE FEES FOR FISCAL YEARS
ENDED Dec. 31, 2006, 2007, 2008, 2009, 2010, 2011, 2012 and 2013**

ENTRANCE FEES - STANDARD RESIDENCY AGREEMENT

(2/3 Refundable after first year)

	2006	2007	2008	2009	2010	2011	2012	2013
Studio	\$109,604	\$109,604	\$155,000	\$158,000	\$159,580	\$159,580	\$161,176	\$166,010
1 Bedroom	\$132,273	\$132,273	\$235,000	\$235,000	\$237,350	\$237,350	\$239,724	\$246,920
1 Bedroom Double	\$158,800	\$158,800	\$235,000	\$235,000	\$237,350	\$237,350	\$239,724	\$246,920
2 Bedroom	\$178,167	\$178,167	\$345,000	\$345,000	\$348,450	\$348,450	\$351,935	\$362,490
2 Bedroom Double	\$216,258	\$216,258	\$345,000	\$345,000	\$348,450	\$348,450	\$351,935	\$362,490

MONTHLY SERVICE FEES - STANDARD RESIDENCY AGREEMENT

	2006	2007	2008	2009	2010	2011	2012	2013
Studio	\$2,507	\$2,569	\$2,050	\$2,101	\$2,196	2,386	2,423	\$2,500
1 Bedroom	\$3,009	\$3,084	\$2,850	\$2,921	\$3,052	3,317	3,367	\$3,470
2 Bedroom	\$3,727	\$3,820	\$3,350	\$3,434	\$3,589	3,900	3,959	\$4,080
2nd Person	\$1,381	\$1,381	\$1,478	\$1,515	\$1,545	1,679	1,705	\$1,750

MONTHLY RENTAL FEES – ASSISTED LIVING RESIDENCY AGREEMENT

	2006	2007	2008	2009	2010	2011	2012	2013
Studio	\$3,728	\$3,858	\$3,993	\$4,113	\$4,339	4,715	4,856	\$5,000
1 Bedroom	\$4,732	\$4,897	\$5,069	\$5,220	\$5,507	5,984	6,164	\$6,350
2 Bedroom	\$6,018	\$6,229	\$6,447	\$6,640	\$7,005	7,612	7,840	\$8,080
2nd Person	\$850	\$880	\$880	\$906	\$924	1,004	1,034	\$1,070

ATTACHMENT K

FUTURE SERVICE OBLIGATION

* * * * *

Mercy Community Health Management utilized software provided by A.V. Powell & Associates, LLC to perform an actuarial study as of December 31, 2013. Based on an actuarially sound basis, using reasonable assumptions for mortality and morbidity, and projections based upon financial data readily available at this time, we have determined that consistent with past years no future service obligation existed as of December 31, 2013.

Average Age at December 31, 2013:

Total for All Levels: Female 88.4

Male 88.7

THE MCAULEY

PART OF THE MERCY COMMUNITY

STATEMENT OF ACKNOWLEDGEMENT

In accordance with Public Act 98-250, Section 23(a), of the Connecticut General Statutes governing Continuing Care Retirement Communities (CCRCs), the Department of Social Services requires, as of July 1, 1998, that all CCRCs provide a conspicuous statement notifying the prospective resident that:

1. A continuing care contract is a financial investment, which may be at risk.
2. The provider's ability to meet its contractual obligations under such contract depends on its financial performance.
3. The prospective resident is advised to consult with an attorney or other professional experienced in matters relating to investments in continuing care facilities before signing a contract for continuing care.
4. The Department of Social Services does not guarantee the security of such investment.

It is understood and agreed that I have received and have had the opportunity to discuss or share with my legal representative this statement before the execution of a contract to provide continuing care or before the transfer of any money to the provider. Although I have executed this Acknowledgement as of the date set forth below, this Acknowledgement does not obligate me to execute a contract or pay money to the provider.

Signature

Date

Legal Representative (optional)

Date

THE MCAULEY

PART OF THE MERCY COMMUNITY

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Signature

Date

Legal Representative (optional)

Date