

ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR PERMIT

RECEIVED

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

JUL 01 2010

This Section must be completed for all projects.

HEALTH FACILITIES &
SERVICES REVIEW BOARD

Facility/Project Identification

Facility Name: Mercy Circle			
Street Address: 10000 S. Central Park Avenue			
City and Zip Code: Chicago 60655			
County: Cook	Health Service Area	6	Health Planning Area: C

Applicant /Co-Applicant Identification

[Provide for each co-applicant [refer to Part 1130.220].

Exact Legal Name: Sisters of Mercy of the Americas West Midwest Community, Inc.	
Address: 7262 Mercy Road, Omaha, NE 68124	
Name of Registered Agent: Illinois Corporation C	
Name of Chief Executive Officer:	
CEO Address: 7262 Mercy Road, Omaha, NE 68124	
Telephone Number: 402-393-8225	

Type of Ownership of Applicant/Co-Applicant

<input checked="" type="checkbox"/> Non-profit Corporation	<input type="checkbox"/> Partnership	
<input type="checkbox"/> For-profit Corporation	<input type="checkbox"/> Governmental	
<input type="checkbox"/> Limited Liability Company	<input type="checkbox"/> Sole Proprietorship	<input type="checkbox"/> Other

- o Corporations and limited liability companies must provide an Illinois certificate of good standing.
- o Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner.

APPEND DOCUMENTATION AS ATTACHMENT-1 IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Primary Contact

[Person to receive all correspondence or inquiries during the review period]

Name: Lori McLaughlin
Title: Principal
Company Name: Westshore, LLC
Address: 833 W. Lincoln Highway, Suite 410W, Schererville, IN 46375
Telephone Number: 219-227-6075
E-mail Address: lmclaughlin@westshorellc.com
Fax Number: 800-557-9176

Additional Contact

[Person who is also authorized to discuss the application for permit]

Name: Ira Rogal
Title:
Company Name: Shea, Paige & Rogal, Inc.
Address: 547 S. LaGrange Road, LaGrange, IL 60525
Telephone Number: 708-482-4820
E-mail Address: iar4@aol.com
Fax Number: 708-482-1091

**ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR PERMIT**

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

This Section must be completed for all projects.

Facility/Project Identification

Facility Name: Mercy Circle			
Street Address: 10000 South Central Park Avenue			
City and Zip Code: Chicago 60655			
County: Cook	Health Service Area	6	Health Planning Area: C

Applicant /Co-Applicant Identification

[Provide for each co-applicant [refer to Part 1130.220].

Exact Legal Name: Mercy Circle			
Address: 10000 South Central Park Avenue			
Name of Registered Agent: MICHAEL R CONNELLY			
Name of Chief Executive Officer: Sister Norita Cooney			
CEO Address: 7262 Mercy Road, Omaha NE 68124			
Telephone Number: 402-393-8225			

Type of Ownership of Applicant/Co-Applicant

<input checked="" type="checkbox"/> Non-profit Corporation	<input type="checkbox"/> Partnership
<input type="checkbox"/> For-profit Corporation	<input type="checkbox"/> Governmental
<input type="checkbox"/> Limited Liability Company	<input type="checkbox"/> Sole Proprietorship
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- o Corporations and limited liability companies must provide an **Illinois certificate of good standing**.
- o Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner.

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Address: 547 South LaGrange Road, LaGrange, IL 60525
Telephone Number: 708-482-4820
E-mail Address: iar4@aol.com
Fax Number: 708-482-1091

Post Permit Contact

[Person to receive all correspondence subsequent to permit issuance-THIS PERSON MUST BE EMPLOYED BY THE LICENSED HEALTH CARE FACILITY AS DEFINED AT 20 ILCS 3960

Name: Lori McLaughlin
Title: Principal
Company Name: Westshore, LLC
Address: 833 W. Lincoln Highway, Suite 410W, Schererville, IN 46375
Telephone Number: : 219-227-6075
E-mail Address: lmclaughlin@westshorellc.com
Fax Number: 800-557-9176

Site Ownership

[Provide this information for each applicable site]

Exact Legal Name of Site Owner: Sisters of Mercy of the Americas West Midwest Community, Inc.
Address of Site Owner: 7262 Mercy Road, Omaha, NE 68124
Street Address or Legal Description of Site: Proof of ownership or control of the site is to be provided as Attachment 2. Examples of proof of ownership are property tax statement, tax assessor's documentation, deed, notarized statement of the corporation attesting to ownership, an option to lease, a letter of intent to lease or a lease.
APPEND DOCUMENTATION AS ATTACHMENT-2, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Operating Identity/Licensee

[Provide this information for each applicable facility, and insert after this page.]

Exact Legal Name: Mercy Circle								
Address: 10000 S. Central Park Ave., Chicago, IL 60655								
<table><tr><td><input checked="" type="checkbox"/> Non-profit Corporation</td><td><input type="checkbox"/> Partnership</td></tr><tr><td><input type="checkbox"/> For-profit Corporation</td><td><input type="checkbox"/> Governmental</td></tr><tr><td><input type="checkbox"/> Limited Liability Company</td><td><input type="checkbox"/> Sole Proprietorship <input type="checkbox"/></td></tr><tr><td><input type="checkbox"/> Other</td><td></td></tr></table>	<input checked="" type="checkbox"/> Non-profit Corporation	<input type="checkbox"/> Partnership	<input type="checkbox"/> For-profit Corporation	<input type="checkbox"/> Governmental	<input type="checkbox"/> Limited Liability Company	<input type="checkbox"/> Sole Proprietorship <input type="checkbox"/>	<input type="checkbox"/> Other	
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<input type="checkbox"/> For-profit Corporation	<input type="checkbox"/> Governmental							
<input type="checkbox"/> Limited Liability Company	<input type="checkbox"/> Sole Proprietorship <input type="checkbox"/>							
<input type="checkbox"/> Other								
<ul style="list-style-type: none">o Corporations and limited liability companies must provide an Illinois Certificate of Good Standing.o Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner.o Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.								
APPEND DOCUMENTATION AS ATTACHMENT-3, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.								

Organizational Relationships

Provide (for each co-applicant) an organizational chart containing the name and relationship of any person or entity who is related (as defined in Part 1130.140). If the related person or entity is participating in the development or funding of the project, describe the interest and the amount and type of any financial contribution.

APPEND DOCUMENTATION AS ATTACHMENT-4, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Flood Plain Requirements

[Refer to application instructions.]

Provide documentation that the project complies with the requirements of Illinois Executive Order #2005-5 pertaining to construction activities in special flood hazard areas. As part of the flood plain requirements please provide a map of the proposed project location showing any identified floodplain areas. Floodplain maps can be printed at www.FEMA.gov or www.illinoisfloodmaps.org. **This map must be in a readable format.** In addition please provide a statement attesting that the project complies with the requirements of Illinois Executive Order #2005-5 (<http://www.hfsrb.illinois.gov>).

APPEND DOCUMENTATION AS ATTACHMENT -5, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Historic Resources Preservation Act Requirements

[Refer to application instructions.]

Provide documentation regarding compliance with the requirements of the Historic Resources Preservation Act.

APPEND DOCUMENTATION AS ATTACHMENT-6, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

DESCRIPTION OF PROJECT

1. Project Classification

[Check those applicable - refer to Part 1110.40 and Part 1120.20(b)]

<p>Part 1110 Classification:</p> <p><input checked="" type="checkbox"/> Substantive</p> <p><input type="checkbox"/> Non-substantive</p>	<p>Part 1120 Applicability or Classification: [Check one only.]</p> <p><input type="checkbox"/> Part 1120 Not Applicable</p> <p><input type="checkbox"/> Category A Project</p> <p><input checked="" type="checkbox"/> Category B Project</p> <p><input type="checkbox"/> DHS or DVA Project</p>
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2. Narrative Description

Provide in the space below, a brief narrative description of the project. Explain **WHAT** is to be done in **State Board defined terms**, **NOT WHY** it is being done. If the project site does NOT have a street address, include a legal description of the site. Include the rationale regarding the project's classification as substantive or non-substantive.

Mercy Circle is a continuing care retirement community which consists of approximately 54 independent living apartments, 44 assisted living apartments, 24 assisted living memory support apartments and 24 skilled nursing beds. The community will be located at 10000 South Central Park Avenue, Chicago, Illinois. This is a substantive project because it is not an emergency review or a project which meets the non-substantive review project types.

Project Costs and Sources of Funds

Complete the following table listing all costs (refer to Part 1120.110) associated with the project. When a project or any component of a project is to be accomplished by lease, donation, gift, or other means, the fair market or dollar value (refer to Part 1130.140) of the component must be included in the estimated project cost. If the project contains non-reviewable components that are not related to the provision of health care, complete the second column of the table below. Note, the use and sources of funds must equal.

Project Costs and Sources of Funds			
USE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Preplanning Costs	\$10,967	\$67,162	\$78,130
Site Survey and Soil Investigation	\$3,650	\$22,350	\$26,000
Site Preparation	\$292,410	\$1,790,663	\$2,083,073
Off Site Work	\$126,337	\$773,663	\$900,000
New Construction Contracts	\$4,007,106	\$24,538,707	\$28,545,813
Modernization Contracts	\$0	\$0	\$0
Contingencies	\$400,155	\$2,647,914	\$3,048,069
Architectural/Engineering Fees	\$248,561	\$1,522,139	\$1,770,700
Consulting and Other Fees	\$256,651	\$1,571,676	\$1,828,327
Movable or Other Equipment (not in construction contracts)	\$513,199	\$1,219,662	\$1,732,861
Bond Issuance Expense (project related)	\$100,445	\$615,105	\$715,550
Net Interest Expense During Construction (project related)	\$207,032	\$1,267,821	\$1,474,853
Fair Market Value of Leased Space or Equipment	\$0	\$0	\$0
Other Costs to be Capitalized	\$535,757	\$3,280,867	\$3,816,624
Acquisition of Building or Other Property (excluding land)	\$0	\$0	\$0
Leases (fair market value - property)	\$731,351	\$4,478,649	\$5,210,000
TOTAL USES OF FUNDS	\$7,433,621	\$43,796,378	\$51,230,000
SOURCE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Cash and Securities	\$2,928,608	\$17,071,392	\$20,000,000
Pledges	\$0	\$0	\$0
Gifts and Bequests	\$0	\$0	\$0
Bond Issuance (project related)	\$3,773,663	\$22,246,337	\$26,020,000
Mortgages	\$0	\$0	\$0
Leases (fair market value)	\$731,351	\$4,478,649	\$5,210,000
Governmental Appropriations	\$0	\$0	\$0
Grants	\$0	\$0	\$0
Other Funds and Sources	\$0	\$0	\$0
TOTAL SOURCES OF FUNDS	\$7,433,622	\$43,796,378	\$51,230,000
NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT-7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.			

Related Project Costs

Provide the following information, as applicable, with respect to any land related to the project that will be or has been acquired during the last two calendar years:

Land acquisition is related to project Yes No
 Purchase Price: \$ _____ DONATED/LEASED
 Fair Market Value: \$ 731,351

The project involves the establishment of a new facility or a new category of service
 Yes No

If yes, provide the dollar amount of all **non-capitalized** operating start-up costs (including operating deficits) through the first full fiscal year when the project achieves or exceeds the target utilization specified in Part 1100.

Estimated start-up costs and operating deficit cost is \$ 252,674.

Project Status and Completion Schedules

Indicate the stage of the project's architectural drawings:

None or not applicable Preliminary
 Schematics Final Working

Anticipated project completion date (refer to Part 1130.140): December 31, 2012

Indicate the following with respect to project expenditures or to obligation (refer to Part 1130.140):

Purchase orders, leases or contracts pertaining to the project have been executed. Project obligation is contingent upon permit issuance. Provide a copy of the contingent "certification of obligation" document, highlighting any language related to CON Contingencies
 Project obligation will occur after permit issuance.

APPEND DOCUMENTATION AS ATTACHMENT-8, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

State Agency Submittals

Are the following submittals up to date as applicable:

Cancer Registry
 APORS
 All formal document requests such as IDPH Questionnaires and Annual Bed Reports been submitted
 All reports regarding outstanding permits

Failure to be up to date with these requirements will result in the application for permit being deemed incomplete.

Cost Space Requirements

Provide in the following format, the department/area **DGSF** or the building/area **BGSF** and cost. The type of gross square footage either **DGSF** or **BGSF** must be identified. The sum of the department costs **MUST** equal the total estimated project costs. Indicate if any space is being reallocated for a different purpose. Include outside wall measurements plus the department's or area's portion of the surrounding circulation space. **Explain the use of any vacated space.**

Dept. / Area	Cost	Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
		Existing	Proposed	New Const.	Modernized	As Is	Vacated Space
REVIEWABLE							
Medical Surgical							
Intensive Care							
Diagnostic Radiology							
MRI							
Total Clinical SNF	7,433,621		23,303	23,303			
NON REVIEWABLE							
Administrative							
Parking							
Gift Shop							
Total Non-clinical	43,796,378		142,702	142,702			
TOTAL	51,229,999		166,005	166,005			

APPEND DOCUMENTATION AS ATTACHMENT-9, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Clinical is DGSF

Non-Clinical is BGSF

Facility Bed Capacity and Utilization

Complete the following chart, as applicable. Complete a separate chart for each facility that is a part of the project and insert following this page. Provide the existing bed capacity and utilization data for the latest Calendar Year for which the data are available. Include observation days in the patient day totals for each bed service. Any bed capacity discrepancy from the Inventory will result in the application being deemed incomplete.

FACILITY NAME: MERCY CIRCLE		CITY: CHICAGO			
REPORTING PERIOD DATES:		From:	to:		
Category of Service	Authorized Beds	Admissions	Patient Days	Bed Changes	Proposed Beds
Medical/Surgical					
Obstetrics					
Pediatrics					
Intensive Care					
Comprehensive Physical Rehabilitation					
Acute/Chronic Mental Illness					
Neonatal Intensive Care					
General Long Term Care	-0-				24
Specialized Long Term Care					
Long Term Acute Care					
Other ((identify))					
TOTALS:	-0-				24

CERTIFICATION

The application must be signed by the authorized representative(s) of the applicant entity. The authorized representative(s) are:

- o in the case of a corporation, any two of its officers or members of its Board of Directors;
- o in the case of a limited liability company, any two of its managers or members (or the sole manger or member when two or more managers or members do not exist);
- o in the case of a partnership, two of its general partners (or the sole general partner, when two or more general partners do not exist);
- o in the case of estates and trusts, two of its beneficiaries (or the sole beneficiary when two or more beneficiaries do not exist); and
- o in the case of a sole proprietor, the individual that is the proprietor.

This Application for Permit is filed on the behalf of Mercy Circle in accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file this application for permit on behalf of the applicant entity. The undersigned further certifies that the data and information provided herein, and appended hereto, are complete and correct to the best of his or her knowledge and belief. The undersigned also certifies that the permit application fee required for this application is sent herewith or will be paid upon request.

Judith Cannon
SIGNATURE
Judith Cannon
PRINTED NAME
Secretary, Mercy Circle
PRINTED TITLE


Sr. Sheila Megley
SIGNATURE
Sr. Sheila Megley
PRINTED NAME
Treasurer, Mercy Circle
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 18th day of June, 2010

Notarization:
Subscribed and sworn to before me
this 18th day of June, 2010

Steven R Knight
Signature of Notary

Steven R Knight
Signature of Notary

Seal 

Seal 

*Insert EXACT legal name of the applicant

CERTIFICATION

The application must be signed by the authorized representative(s) of the applicant entity. The authorized representative(s) are:

- o in the case of a corporation, any two of its officers or members of its Board of Directors;
- o in the case of a limited liability company, any two of its managers or members (or the sole manger or member when two or more managers or members do not exist);
- o in the case of a partnership, two of its general partners (or the sole general partner, when two or more general partners do not exist);
- o in the case of estates and trusts, two of its beneficiaries (or the sole beneficiary when two or more beneficiaries do not exist); and
- o in the case of a sole proprietor, the individual that is the proprietor.

This Application for Permit is filed on the behalf of Sisters of Mercy of the Americas West Midwest Community, Inc in accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file this application for permit on behalf of the applicant entity. The undersigned further certifies that the data and information provided herein, and appended hereto, are complete and correct to the best of his or her knowledge and belief. The undersigned also certifies that the permit application fee required for this application is sent herewith or will be paid upon request.

Sisters of Mercy of the Americas West Midwest Community, Inc

S. Sheila Megley
SIGNATURE

SR. Sheila Megley
PRINTED NAME

TREASURER
PRINTED TITLE

Sisters of Mercy of the Americas West Midwest Community, Inc.

Judith Cannon
SIGNATURE

Judith Cannon
PRINTED NAME

Secretary
PRINTED TITLE

Sisters of Mercy of the Americas West Midwest Community, Inc.

Notarization:
Subscribed and sworn to before me
this 18th day of June 2010

Notarization:
Subscribed and sworn to before me
this 18th day of June 2010

Steven R Knight
Signature of Notary

Steven R Knight
Signature of Notary

Seal



*Insert EXACT legal name of the applicant

SECTION III – BACKGROUND, PURPOSE OF THE PROJECT, AND ALTERNATIVES - INFORMATION REQUIREMENTS

This Section is applicable to all projects except those that are solely for discontinuation with no project costs.

Criterion 1110.230 – Background, Purpose of the Project, and Alternatives

READ THE REVIEW CRITERION and provide the following required information:

BACKGROUND OF APPLICANT

1. A listing of all health care facilities owned or operated by the applicant, including licensing, and certification if applicable.
2. A certified listing of any adverse action taken against any facility owned and/or operated by the applicant during the three years prior to the filing of the application.
3. Authorization permitting HFSRB and DPH access to any documents necessary to verify the information submitted, including, but not limited to: official records of DPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. **Failure to provide such authorization shall constitute an abandonment or withdrawal of the application without any further action by HFSRB.**
4. If, during a given calendar year, an applicant submits more than one application for permit, the documentation provided with the prior applications may be utilized to fulfill the information requirements of this criterion. In such instances, the applicant shall attest the information has been previously provided, cite the project number of the prior application, and certify that no changes have occurred regarding the information that has been previously provided. The applicant is able to submit amendments to previously submitted information, as needed, to update and/or clarify data.

APPEND DOCUMENTATION AS ATTACHMENT-11, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. EACH ITEM (1-4) MUST BE IDENTIFIED IN ATTACHMENT 11.

PURPOSE OF PROJECT

1. Document that the project will provide health services that improve the health care or well-being of the market area population to be served.
2. Define the planning area or market area, or other, per the applicant's definition.
3. Identify the existing problems or issues that need to be addressed, as applicable and appropriate for the project. [See 1110.230(b) for examples of documentation.]
4. Cite the sources of the information provided as documentation.
5. Detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being.
6. Provide goals with quantified and measurable objectives, with specific timeframes that relate to achieving the stated goals **as appropriate.**

For projects involving modernization, describe the conditions being upgraded if any. For facility projects, include statements of age and condition and regulatory citations if any. For equipment being replaced, include repair and maintenance records.

NOTE: Information regarding the "Purpose of the Project" will be included in the State Agency Report.

APPEND DOCUMENTATION AS ATTACHMENT-12, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. EACH ITEM (1-6) MUST BE IDENTIFIED IN ATTACHMENT 12.

ALTERNATIVES

- 1) Identify **ALL** of the alternatives to the proposed project:

Alternative options **must** include:

- A) Proposing a project of greater or lesser scope and cost;
 - B) Pursuing a joint venture or similar arrangement with one or more providers or entities to meet all or a portion of the project's intended purposes; developing alternative settings to meet all or a portion of the project's intended purposes;
 - C) Utilizing other health care resources that are available to serve all or a portion of the population proposed to be served by the project; and
 - D) Provide the reasons why the chosen alternative was selected.
- 2) Documentation shall consist of a comparison of the project to alternative options. The comparison shall address issues of total costs, patient access, quality and financial benefits in both the short term (within one to three years after project completion) and long term. This may vary by project or situation. **FOR EVERY ALTERNATIVE IDENTIFIED THE TOTAL PROJECT COST AND THE REASONS WHY THE ALTERNATIVE WAS REJECTED MUST BE PROVIDED.**
- 3) The applicant shall provide empirical evidence, including quantified outcome data that verifies improved quality of care, as available.

APPEND DOCUMENTATION AS ATTACHMENT-13, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

SECTION IV - PROJECT SCOPE, UTILIZATION, AND UNFINISHED/SHELL SPACE

Criterion 1110.234 - Project Scope, Utilization, and Unfinished/Shell Space

READ THE REVIEW CRITERION and provide the following information:

SIZE OF PROJECT:

1. Document that the amount of physical space proposed for the proposed project is necessary and not excessive. **This must be a narrative.**
2. If the gross square footage exceeds the BGSF/DGSF standards in Appendix B, justify the discrepancy by documenting one of the following::
 - a. Additional space is needed due to the scope of services provided, justified by clinical or operational needs, as supported by published data or studies;
 - b. The existing facility's physical configuration has constraints or impediments and requires an architectural design that results in a size exceeding the standards of Appendix B;
 - c. The project involves the conversion of existing space that results in excess square footage.

Provide a narrative for any discrepancies from the State Standard. A table must be provided in the following format with Attachment 14.

SIZE OF PROJECT				
DEPARTMENT/SERVICE	PROPOSED BGSF/DGSF	STATE STANDARD	DIFFERENCE	MET STANDARD?

APPEND DOCUMENTATION AS **ATTACHMENT-14**, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

PROJECT SERVICES UTILIZATION:

This criterion is applicable only to projects or portions of projects that involve services, functions or equipment for which HFSRB has established utilization standards or occupancy targets in 77 Ill. Adm. Code 1100.

Document that in the second year of operation, the annual utilization of the service or equipment shall meet or exceed the utilization standards specified in 1110.Appendix B. **A narrative of the rationale that supports the projections must be provided.**

A table must be provided in the following format with Attachment 15.

UTILIZATION					
	DEPT./ SERVICE	HISTORICAL UTILIZATION (PATIENT DAYS) (TREATMENTS) ETC.	PROJECTED UTILIZATION	STATE STANDARD	MET STANDARD?
YEAR 1					
YEAR 2					

APPEND DOCUMENTATION AS **ATTACHMENT-15**, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

UNFINISHED OR SHELL SPACE:

Provide the following information:

1. Total gross square footage of the proposed shell space;
2. The anticipated use of the shell space, specifying the proposed GSF to be allocated to each department, area or function;
3. Evidence that the shell space is being constructed due to
 - a. Requirements of governmental or certification agencies; or
 - b. Experienced increases in the historical occupancy or utilization of those areas proposed to occupy the shell space.
4. Provide:
 - a. Historical utilization for the area for the latest five-year period for which data are available; and
 - b. Based upon the average annual percentage increase for that period, projections of future utilization of the area through the anticipated date when the shell space will be placed into operation.

APPEND DOCUMENTATION AS ATTACHMENT-16, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

ASSURANCES:

Submit the following:

1. Verification that the applicant will submit to HFSRB a CON application to develop and utilize the shell space, regardless of the capital thresholds in effect at the time or the categories of service involved.
2. The estimated date by which the subsequent CON application (to develop and utilize the subject shell space) will be submitted; and
3. The anticipated date when the shell space will be completed and placed into operation.

APPEND DOCUMENTATION AS ATTACHMENT-17, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

I. Criterion 1110.1730 - General Long Term Care

1. Applicants proposing to establish, expand and/or modernize General Long Term Care must submit the following information:

Indicate bed capacity changes by Service:
action(s):

Indicate # of beds changed by

Category of Service	# Existing Beds	# Proposed Beds
<input checked="" type="checkbox"/> General Long Term Care	-0-	24

2. READ the applicable review criteria outlined below and submit the required documentation for the criteria:

APPLICABLE REVIEW CRITERIA	Establish	Expand	Modernize	Continuum of Care- Establish or Expand	Defined Population Establish or Expand
1110.1730(b)(1) - Planning Area Need - 77 Ill. Adm. Code 1100 (formula calculation)	X				
1110.1730(b)(2) - Planning Area Need - Service to Planning Area Residents	X	X			
1110.1730(b)(3) - Planning Area Need - Service Demand - Establishment of Category of Service	X				
1110.1730(b)(4) - Planning Area Need - Service Demand - Expansion of Existing Category of Service		X			
1110.1730(b)(5) - Planning Area Need - Service Accessibility	X				
1110.1730(c)(1) - Description of Continuum of Care				X	
1110.1730(c)(2) - Components				X	
1110.1730(c)(3) - Documentation				X	
1110.1730(d)(1) - Description of Defined Population to be Served					X
1110.1730(d)(2) - Documentation of Need					X
1110.1730(d)(3) - Documentation Related to Cited Problems			X		
1110.1730(e)(1) - Unnecessary Duplication of Services	X				
1110.1730(e)(2) - Maldistribution	X				
1110.1730(e)(3) - Impact of Project on Other Area Providers	X				
1110.1730(f)(1) - Deteriorated Facilities			X		
1110.1730(f)(2) & (3) - Documentation			X		

APPLICABLE REVIEW CRITERIA	Establish	Expand	Modernize	Continuum of Care- Establish or Expand	Defined Population Establish or Expand
1110.1730(f)(4) - Utilization			X		
1110.1730(g) - Staffing Availability	X	X		X	X
1110.1730(h) - Facility Size	X	X	X	X	X
1110.1730(i) - Community Related Functions	X		X	X	X
1110.1730(j) - Zoning	X		X	X	X
1110.1730(k) - Assurances	X	X	X	X	X
APPEND DOCUMENTATION AS ATTACHMENT-28, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.					

The following Sections **DO NOT** need to be addressed by the applicants or co-applicants responsible for funding or guaranteeing the funding of the project if the applicant has a bond rating of A- or better from Fitch's or Standard and Poor's rating agencies, or A3 or better from Moody's (the rating shall be affirmed within the latest 18 month period prior to the submittal of the application):

- Section 1120.120 Availability of Funds – Review Criteria
- Section 1120.130 Financial Viability – Review Criteria
- Section 1120.140 Economic Feasibility – Review Criteria, subsection (a)

VIII. - 1120.120 - Availability of Funds

The applicant shall document that financial resources shall be available and be equal to or exceed the estimated total project cost plus any related project costs by providing evidence of sufficient financial resources from the following sources, as applicable: Indicate the dollar amount to be provided from the following sources:

<u>2,928,608</u>	<p>a) Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to:</p> <ol style="list-style-type: none"> 1) the amount of cash and securities available for the project, including the identification of any security, its value and availability of such funds; and 2) interest to be earned on depreciation account funds or to be earned on any asset from the date of applicant's submission through project completion;
_____	<p>b) Pledges – for anticipated pledges, a summary of the anticipated pledges showing anticipated receipts and discounted value, estimated time table of gross receipts and related fundraising expenses, and a discussion of past fundraising experience.</p>
_____	<p>c) Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated time table of receipts;</p>
<u>3,773,663</u>	<p>d) Debt – a statement of the estimated terms and conditions (including the debt time period, variable or permanent interest rates over the debt time period, and the anticipated repayment schedule) for any interim and for the permanent financing proposed to fund the project, including:</p> <ol style="list-style-type: none"> 1) For general obligation bonds, proof of passage of the required referendum or evidence that the governmental unit has the authority to issue the bonds and evidence of the dollar amount of the issue, including any discounting anticipated; 2) For revenue bonds, proof of the feasibility of securing the specified amount and interest rate; 3) For mortgages, a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated, including the anticipated interest rate and any conditions associated with the mortgage, such as, but not limited to, adjustable interest rates, balloon payments, etc.; 4) For any lease, a copy of the lease, including all the terms and conditions, including any purchase options, any capital improvements to the property and provision of capital equipment; 5) For any option to lease, a copy of the option, including all terms and conditions.
_____	<p>e) Governmental Appropriations – a copy of the appropriation Act or ordinance accompanied by a statement of funding availability from an official of the governmental unit. If funds are to be made available from subsequent fiscal years, a copy of a resolution or other action of the governmental unit attesting to this intent;</p>
_____	<p>f) Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt;</p>
<u>731,351</u>	<p>g) All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.</p>
<u>7,443,622</u>	TOTAL FUNDS AVAILABLE

IX. 1120.130 - Financial Viability

All applicants and co-applicants shall be identified, specifying their roles in the project funding or guaranteeing the funding (sole responsibility or shared) and percentage of participation in that funding.

Financial Viability Waiver

The applicant is not required to submit financial viability ratios if:

1. All of the projects capital expenditures are completely funded through internal sources
2. The applicant's current debt financing or projected debt financing is insured or anticipated to be insured by MBIA (Municipal Bond Insurance Association Inc.) or equivalent
3. The applicant provides a third party surety bond or performance bond letter of credit from an A rated guarantor.

See Section 1120.130 Financial Waiver for information to be provided

APPEND DOCUMENTATION AS ATTACHMENT-40, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

The applicant or co-applicant that is responsible for funding or guaranteeing funding of the project shall provide viability ratios for the latest three years for which audited financial statements are available and for the first full fiscal year at target utilization, but no more than two years following project completion. When the applicant's facility does not have facility specific financial statements and the facility is a member of a health care system that has combined or consolidated financial statements, the system's viability ratios shall be provided. If the health care system includes one or more hospitals, the system's viability ratios shall be evaluated for conformance with the applicable hospital standards.

Provide Data for Projects Classified as:	Category A or Category B (Last Three Years)		Category B (Projected)		
Enter Historical and/or Projected Years:	HISTORICAL INFORMATION NOT APPLICABLE. INCLUDED BELOW ARE PROJECTIONS FOR 2014 (FIRST YEAR OF STABILIZATION) AND MOST RECENTLY AVAILABLE INFORMATION FROM THE SISTERS OF MERCY				
	2014 CLINICAL	2014 TOTAL PROJECT	FY 2010 Budgeted Sisters of Mercy West Midwest Community	BENCHMARK	
Current Ratio	6.20	6.20	4.07	1.50 or more	Met
Net Margin Percentage	-23.9%	.5%	4.7%	2.5% or more	Met
Percent Debt to Total Capitalization	57.9%	57.9%	8.7%	80.0% or less	Met
Projected Debt Service Coverage	-1.40	1.56	8.48	1.50 or more	Met
Days Cash on Hand	62.63	168.74	1,213	45.00 or more	Met
Cushion Ratio	2.48	2.34	222.12	3.00 or more	Met

Provide the methodology and worksheets utilized in determining the ratios detailing the calculation and applicable line item amounts from the financial statements. Complete a separate table for each co-applicant and provide worksheets for each.

2. Variance

Applicants not in compliance with any of the viability ratios shall document that another organization, public or private, shall assume the legal responsibility to meet the debt obligations should the applicant default.

APPEND DOCUMENTATION AS ATTACHMENT 41, IN NUMERICAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

X. 1120.140 - Economic Feasibility

This section is applicable to all projects subject to Part 1120.

A. Reasonableness of Financing Arrangements

The applicant shall document the reasonableness of financing arrangements by submitting a notarized statement signed by an authorized representative that attests to one of the following:

- 1) That the total estimated project costs and related costs will be funded in total with cash and equivalents, including investment securities, unrestricted funds, received pledge receipts and funded depreciation; or
- 2) That the total estimated project costs and related costs will be funded in total or in part by borrowing because:
 - A) A portion or all of the cash and equivalents must be retained in the balance sheet asset accounts in order to maintain a current ratio of at least 2.0 times for hospitals and 1.5 times for all other facilities; or
 - B) Borrowing is less costly than the liquidation of existing investments, and the existing investments being retained may be converted to cash or used to retire debt within a 60-day period.

B. Conditions of Debt Financing

This criterion is applicable only to projects that involve debt financing. The applicant shall document that the conditions of debt financing are reasonable by submitting a notarized statement signed by an authorized representative that attests to the following, as applicable:

- 1) That the selected form of debt financing for the project will be at the lowest net cost available;
- 2) That the selected form of debt financing will not be at the lowest net cost available, but is more advantageous due to such terms as prepayment privileges, no required mortgage, access to additional indebtedness, term (years), financing costs and other factors;
- 3) That the project involves (in total or in part) the leasing of equipment or facilities and that the expenses incurred with leasing a facility or equipment are less costly than constructing a new facility or purchasing new equipment.

C. Reasonableness of Project and Related Costs

Read the criterion and provide the following:

1. Identify each department or area impacted by the proposed project and provide a cost and square footage allocation for new construction and/or modernization using the following format (insert after this page).

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE											
Department (list below)	A	B	C		D		E	F	G	H	Total Cost (G + H)
	Cost/Square Foot New	Mod.	Gross Sq. Ft. New	Circ.*	Gross Sq. Ft. Mod.	Circ.*	Const. \$ (A x C)	Mod. \$ (B x E)			
Contingency											
TOTALS											

* Include the percentage (%) of space for circulation

D. Projected Operating Costs

The applicant shall provide the projected direct annual operating costs (in current dollars per equivalent patient day or unit of service) for the first full fiscal year at target utilization but no more than two years following project completion. Direct cost means the fully allocated costs of salaries, benefits and supplies for the service.

E. Total Effect of the Project on Capital Costs

The applicant shall provide the total projected annual capital costs (in current dollars per equivalent patient day) for the first full fiscal year at target utilization but no more than two years following project completion.

APPEND DOCUMENTATION AS ATTACHMENT 42, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

XI. Safety Net Impact Statement NOT APPLICABLE

SAFETY NET IMPACT STATEMENT that describes all of the following must be submitted for ALL SUBSTANTIVE AND DISCONTINUATION PROJECTS:

1. The project's material impact, if any, on essential safety net services in the community, to the extent that it is feasible for an applicant to have such knowledge.
2. The project's impact on the ability of another provider or health care system to cross-subsidize safety net services, if reasonably known to the applicant.
3. How the discontinuation of a facility or service might impact the remaining safety net providers in a given community, if reasonably known by the applicant.

Safety Net Impact Statements shall also include all of the following:

1. For the 3 fiscal years prior to the application, a certification describing the amount of charity care provided by the applicant. The amount calculated by hospital applicants shall be in accordance with the reporting requirements for charity care reporting in the Illinois Community Benefits Act. Non-hospital applicants shall report charity care, at cost, in accordance with an appropriate methodology specified by the Board.
2. For the 3 fiscal years prior to the application, a certification of the amount of care provided to Medicaid patients. Hospital and non-hospital applicants shall provide Medicaid information in a manner consistent with the information reported each year to the Illinois Department of Public Health regarding "Inpatients and Outpatients Served by Payor Source" and "Inpatient and Outpatient Net Revenue by Payor Source" as required by the Board under Section 13 of this Act and published in the Annual Hospital Profile.
3. Any information the applicant believes is directly relevant to safety net services, including information regarding teaching, research, and any other service.

A table in the following format must be provided as part of Attachment 43.

Safety Net Information per PA 96-0031			
CHARITY CARE			
Charity (# of patients)	Year	Year	Year
Inpatient			
Outpatient			
Total			
Charity (cost in dollars)	Year	Year	Year
Inpatient			
Outpatient			
Total			
MEDICAID			
Medicaid (# of patients)	Year	Year	Year
Inpatient			
Outpatient			
Total			
Medicaid (revenue)	Year	Year	Year
Inpatient			
Outpatient			
Total			

Medicaid (revenue)			
Inpatient			
Outpatient			
Total			

APPEND DOCUMENTATION AS ATTACHMENT-43, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

XII. Charity Care Information

Charity Care information **MUST** be furnished for ALL projects.

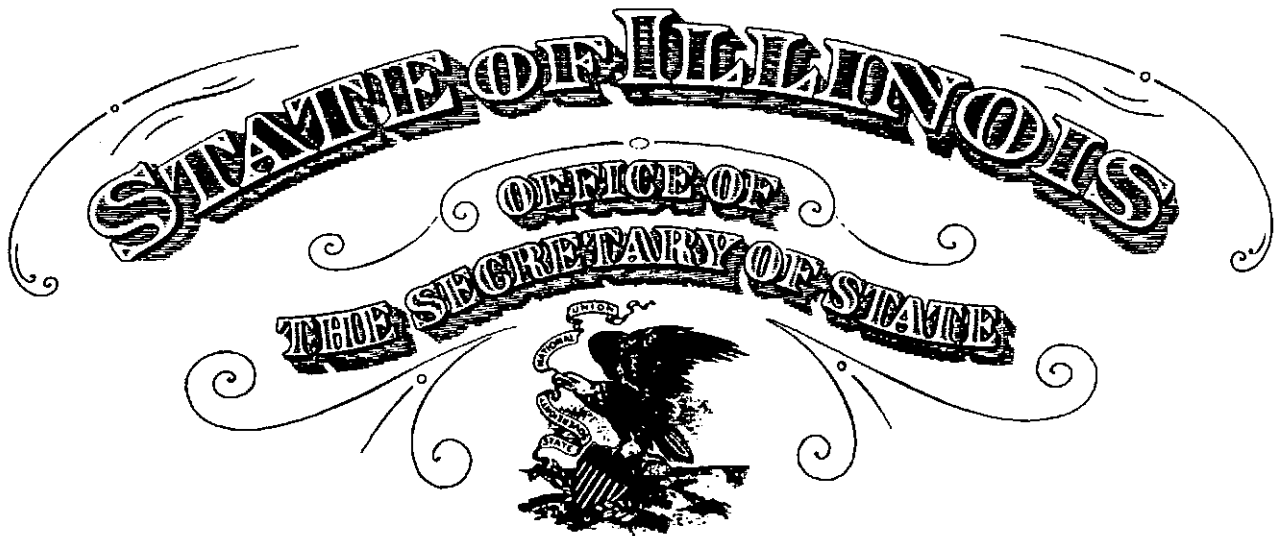
1. All applicants and co-applicants shall indicate the amount of charity care for the latest three **audited** fiscal years, the cost of charity care and the ratio of that charity care cost to net patient revenue.
2. If the applicant owns or operates one or more facilities, the reporting shall be for each individual facility located in Illinois. If charity care costs are reported on a consolidated basis, the applicant shall provide documentation as to the cost of charity care; the ratio of that charity care to the net patient revenue for the consolidated financial statement; the allocation of charity care costs; and the ratio of charity care cost to net patient revenue for the facility under review.
3. If the applicant is not an existing facility, it shall submit the facility's projected patient mix by payer source, anticipated charity care expense and projected ratio of charity care to net patient revenue by the end of its second year of operation.

Charity care" means care provided by a health care facility for which the provider does not expect to receive payment from the patient or a third-party payer. (20 ILCS 3960/3) Charity Care must be provided at cost.

A table in the following format must be provided for all facilities as part of Attachment 44.

CHARITY CARE			
	Year	Year	Year
Net Patient Revenue			
Amount of Charity Care (charges)			
Cost of Charity Care			

APPEND DOCUMENTATION AS ATTACHMENT-44, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.



To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that

MERCY CIRCLE, A DOMESTIC CORPORATION, INCORPORATED UNDER THE LAWS OF THIS STATE ON JUNE 27, 2008, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS IN GOOD STANDING AS A DOMESTIC CORPORATION IN THE STATE OF ILLINOIS.



Authentication #: 1015801454

Authenticate at: <http://www.cyberdriveillinois.com>

In Testimony Whereof, I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this 7TH day of JUNE A.D. 2010 .

Jesse White

SECRETARY OF STATE

Attachment 1



To all to whom these Presents Shall Come, Greeting:

I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that

SISTERS OF MERCY OF THE AMERICAS WEST MIDWEST COMMUNITY, INC., INCORPORATED IN MISSOURI AND LICENSED TO CONDUCT AFFAIRS IN THIS STATE ON JUNE 10, 2008, APPEARS TO HAVE COMPLIED WITH ALL THE PROVISIONS OF THE GENERAL NOT FOR PROFIT CORPORATION ACT OF THIS STATE, AND AS OF THIS DATE, IS A FOREIGN CORPORATION IN GOOD STANDING AND AUTHORIZED TO CONDUCT AFFAIRS IN THE STATE OF ILLINOIS.



Authentication #: 1016901674

Authenticate at: <http://www.cyberdriveillinois.com>

In Testimony Whereof, I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this 18TH day of JUNE A.D. 2010 .

Jesse White

SECRETARY OF STATE

Attachment 1

MERCY CIRCLE

LIFE WITH SPIRIT

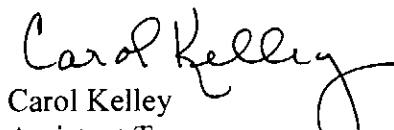
June 3, 2010

Illinois Health Facilities Planning Board
525 West Jefferson Street
Springfield, Illinois 62761

Dear Planning Board Members:

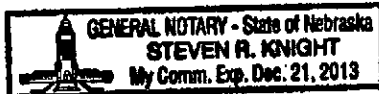
The Sisters of Mercy of the Americas West Midwest Community, Inc. (hereinafter the "Sisters of Mercy") hereby attests that it is the current owner of the land identified by postal address 10000 South Central Park Avenue, Chicago, Illinois 60655. The Sisters of Mercy further attest that the land will be leased to Mercy Circle, Inc. for the development, construction and operation of a continuing care retirement community and such other uses which will be more fully defined within the land lease.

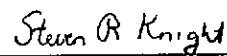
Sincerely,


Carol Kelley
Assistant Treasurer
Sisters of Mercy of the Americas West Midwest Community, Inc.
&
Board of Directors for Mercy Circle

STATE OF Nebraska)
) SS
COUNTY OF Douglas)

The foregoing instrument was acknowledged before me this 3rd day of June, 2010 by Carol Kelley, the Assistant Treasurer of the Sisters of Mercy of the Americas West Midwest Community, Inc., a Missouri nonprofit corporation, on behalf of said corporation and a member of the Board of Directors for Mercy Circle, for the uses and purposes set forth therein.




Notary Public

Mercy Circle Organizational Chart



As the Sponsor of Mercy Circle, the Sisters of Mercy of the Americas West Midwest Community, Inc. is providing approximately \$20 million in equity for the development and construction of Mercy Circle. Such equity is intended to be repaid based upon a payment schedule to be determined at a later date.



TERRA
ENGINEERING LTD.

February 10, 2010

Mr. Dave Fodness
Franciscan Sisters of Chicago
1055 W. 175th Street
Suite 202
Homewood, IL 60430

RE: Mercy Circle Senior Housing Development – Flood Plain Investigation

To whom it may concern:

Pursuant to the above and per the request of Mr. Dave Fodness, I have examined the FEMA Flood Plain map relative to the forthcoming development. Upon review, I further attest that the project is not in a flood plain, and that the location of the proposed project complies with the Flood Plain rule under Illinois Executive Order #2005-5.

Sincerely Submitted,

TERRA ENGINEERING, LTD.

Karen Steingraber, P.E.
President

CC: Danielle Kowalewski, Terra Engineering, Ltd.

225 WEST OHIO STREET 4TH FLOOR CHICAGO ILLINOIS 60610 (T) 312.467.0123 (F) 312.467.0220
CHICAGO OAK PARK PEORIA

Attachment 5



Illinois Historic
Preservation Agency

FAX (217) 782-8161

1 Old State Capitol Plaza • Springfield, Illinois 62701-1512 • www.illinois-history.gov

Cook County
Chicago

CON - New Addition to Sisters of Mercy Convent for Continuing Care Retirement
Community, Mercy Circle
10024 S. Central Park Ave.
IHPA Log #029100509

October 19, 2009

David Fodness
Franciscan Sisters of Chicago Service Corporation
1055 W. 175th St., Suite 202
Homewood, IL 60430

Dear Mr. Fodness:

We have reviewed the documentation submitted for the referenced project(s) in accordance with 36 CFR Part 800.4. Based upon the information provided, no historic properties are affected. We, therefore, have no objection to the undertaking proceeding as planned.

Please retain this letter in your files as evidence of compliance with section 106 of the National Historic Preservation Act of 1966, as amended. This clearance remains in effect for two years from date of issuance. It does not pertain to any discovery during construction, nor is it a clearance for purposes of the Illinois Human Skeletal Remains Protection Act (20 ILCS 3440).

If you have any further questions, please contact me at 217/785-5027.

Sincerely,

Anne E. Haaker
Deputy State Historic
Preservation Officer

Attachment 6

Mercy Circle
 CON Application
 Sources / Uses of Funds (application - pg 5)

	Clinical	Non-Clinical	Total
USES OF FUNDS			
PREPLANNING COSTS			
LEGAL	1,123	6,877	\$8,000
PRELIMINARY TITLE REPORT	702	4,298	\$5,000
TITLE INSURANCE	4,651	28,479	\$33,130
ZONING ATTORNEY	1,684	10,316	\$12,000
OTHER	2,807	17,193	\$20,000
	<u>10,967</u>	<u>67,162</u>	<u>78,130</u>
SITE SURVEY AND SOIL INVESTIGATION			
ENGINEERING & SURVEY	842	5,158	\$6,000
ENVIRONMENTAL SURVEY	1,404	8,596	\$10,000
SOILS INVESTIGATION	702	4,298	\$5,000
OTHER	702	4,298	\$5,000
	<u>3,650</u>	<u>22,350</u>	<u>26,000</u>
SITE PREPARATION			
SITE IMPROVEMENTS	292,410	1,790,663	\$2,083,073
	<u>292,410</u>	<u>1,790,663</u>	<u>2,083,073</u>
OFF SITE WORK			
SITE IMPROVEMENTS	126,337	773,663	\$900,000
	<u>126,337</u>	<u>773,663</u>	<u>900,000</u>
NEW CONSTRUCTION COSTS			
STRUCTURES (excluding demolition 2 wings of convent)	3,654,619	22,380,150	\$26,034,769
GENERAL CONOITIONS	151,705	929,009	\$1,080,714
CONTRACTOR'S FEE	123,403	755,695	\$879,098
BONDS AND CONTRACTORS INSURANCE	49,304	301,928	\$351,232
TESTING	5,615	34,385	\$40,000
OWNERS REP FEE	8,422	51,578	\$60,000
BUILDERS RISK INSURANCE	14,037	85,963	\$100,000
	<u>4,007,106</u>	<u>24,538,707</u>	<u>28,545,813</u>
CONTINGENCIES			
CHANGE ORDER CONTINGENCY	154,412	945,588	\$1,100,000
CONTRACTOR CONTINGENCY	119,809	733,685	\$853,494
PROJECT CONTINGENCY	125,934	968,641	\$1,094,575
CONSTRUCTION CONTINGENCY	0	0	\$0
	<u>\$400,155</u>	<u>\$2,647,914</u>	<u>\$3,048,069</u>
ARCHITECTUAL / ENGINEERING FEES			
ARCHITECT	169,786	1,162,214	\$1,352,000
INTERIOR DESIGN	9,265	56,735	\$66,000
EXPEDITER	3,509	21,491	\$25,000
LOW VOLTAGE	8,422	51,578	\$60,000
LEED MANAGEMENT	18,666	115,534	\$134,400
ENGINEERING/SURVEY	6,387	39,113	\$45,500
LANDSCAPE ARCHITECT	5,166	31,634	\$36,800
ARCHITECT	2,607	17,193	\$20,000
INTERIORS	1,965	12,035	\$14,000
CIVIL/SOILS	1,544	9,456	\$11,000
LANDSCAPE	842	5,156	\$6,000
	<u>248,561</u>	<u>1,522,139</u>	<u>1,770,700</u>
CONSULTING AND OTHER FEES			
DEVELOPER'S FEE	234,106	1,433,618	\$1,667,724
CON FEE / PERMIT	8,647	52,956	\$61,603
FURNISHINGS (INTERIOR DESIGNER)	6,878	42,122	\$49,000
LEGAL FEES FOR CORPORATE ORGANIZATION	7,019	42,981	\$50,000
	<u>256,651</u>	<u>1,571,676</u>	<u>1,828,327</u>
MOVABLE OR OTHER EQUIPMENT (NOT IN CONSTRUCTION CONTRACTS)			
FURNITURE & UPHOLSTERING	286,540	636,321	\$922,861
SMALLWARES & TOOLS	105,567	234,433	\$340,000
KITCHEN EQUIPMENT	121,092	268,908	\$390,000
VEHICLES	0	80,000	\$80,000
	<u>513,199</u>	<u>1,219,662</u>	<u>1,732,861</u>
BOND ISSUANCE EXPENSE (PROJECT RELATED)			
LOC/REMARKETING FEES	9,131	55,919	\$65,050
ISSUANCE RELATED COSTS	91,314	559,186	\$650,500
	<u>100,445</u>	<u>615,105</u>	<u>715,550</u>
NET INTEREST EXPENSE DURING CONSTRUCTION (PROJECT RELATED)			
CAPITALIZED INTEREST	207,032	1,267,821	\$1,474,853
	<u>207,032</u>	<u>1,267,821</u>	<u>1,474,853</u>
OTHER COSTS TO BE CAPITALIZED			

29

Mercy Circle
 CON Application
 Sources / Uses of Funds (application - pg 5)

	Clinical	Non-Clinical	Total
MARKETING			
SALARIES	15,441	94,559	\$110,000
BENEFITS	3,304	20,236	\$23,540
STAFF MAINTENANCE	526	3,224	\$3,750
AGENCY FEE	0	0	\$0
MEDIA	0	0	\$0
PROMOTION & EVENTS	7,721	47,279	\$55,000
DIRECT MAIL	4,913	30,087	\$35,000
OTHER-CONTINGENCY	0	0	\$0
OFFICE OPERATIONS / ADMINISTRATION	9,826	60,174	\$70,000
INTERIOR DESIGN	0	0	\$0
CONSTRUCTION/FINISH OUT	10,528	64,472	\$75,000
FURNISHINGS & EQUIPMENT	0	0	\$0
OTHER	0	0	\$0
SIGNAGE & DISPLAYS	772	4,728	\$5,500
COLLATERAL MATERIALS	3,692	22,608	\$26,300
	<u>56,724</u>	<u>347,366</u>	<u>404,090</u>
OTHER COSTS			
WORKING CAPITAL RESERVE	252,674	1,547,326	\$1,800,000
DEBT SERVICE RESERVE	226,359	1,386,175	\$1,612,534
	<u>479,033</u>	<u>2,933,501</u>	<u>3,412,534</u>
TOTAL OTHER COSTS TO BE CAPITALIZED	<u>535,757</u>	<u>3,280,867</u>	<u>3,816,624</u>
LEASES (FAIR MARKET VALUE PROPERTY)	<u>731,351</u>	<u>4,478,649</u>	<u>5,210,000</u>
TOTAL USES OF FUNDS	<u>7,433,622</u>	<u>43,796,378</u>	<u>51,230,000</u>
SOURCES OF FUNDS			
CASH AND SECURITIES			
CASH FROM THE SISTERS OF MERCY	2,928,608	17,071,392	\$20,000,000
	<u>2,928,608</u>	<u>17,071,392</u>	<u>20,000,000</u>
BOND ISSUES (PROJECT RELATED)			
BOND PROCEEDS	3,773,663	22,246,337	\$26,020,000
	<u>3,773,663</u>	<u>22,246,337</u>	<u>26,020,000</u>
LEASES (FAIR MARKET VALUE PROPERTY)	<u>731,351</u>	<u>4,478,649</u>	<u>5,210,000</u>
TOTAL SOURCES OF FUNDS	<u>\$7,433,622</u>	<u>\$43,796,378</u>	<u>\$51,230,000</u>

**Section III – PROJECT PURPOSE, BACKGROUN AND ALTERNATIVES –
INFORMATION REQUIREMENTS**

Criterion 1110.230 – Project Purpose, Background and Alternatives

Background of Applicant:

1. A listing of all health care facilities owned or operated by the applicant, including licensing, certification and accreditation identification numbers, if applicable.

None of the applicants own or operate any other health care facility.

2. A certified listing of any adverse action taken against any facility owned and/or operated by the applicant during the three years prior to the filing of the application.

No adverse actions have been taken against either of the applicants.

3. Authorization permitting HFSRB and DPH access to any documents necessary to verify the information submitted, including but not limited to: Authorization permitting HFSRB and DPH access to any documents necessary to verify the information submitted, including, but not limited to: official records of DPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations.

See attached letter

4. If, during a given calendar year, an applicant submits more than one application for permit, the documentation provided with the prior applications may be utilized to fulfill the information requirements of this criterion. In such instances, the applicant shall attest the information has been previously provided, cite the project number of the prior application, and certify that no changes have occurred regarding the information that has been previously provided. The applicant is able to submit amendments to previously submitted information, as needed, to update and/or clarify data.

The applicant has not previously submitted an application for permit.



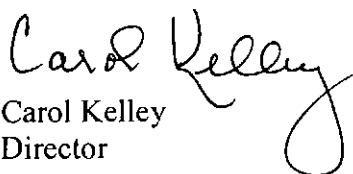
June 3, 2010

Illinois Health Facilities Planning Board
525 West Jefferson Street
Springfield, Illinois 62761

Dear Planning Board Members:

Mercy Circle, Inc. hereby authorizes both Health Facilities Services and Review Board and the Department of Health to access any documents necessary to verify the information submitted within its Certificate of Need application, including, but not limited to: official records of the Department of Health or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations

Sincerely,


Carol Kelley
Director

Attachment 11

Purpose of Project

1. Document that the project will provide health services that improve the health care or well-being of the market area population to be served.

Mercy Circle is a faith-based, not-for-profit, continuing care retirement community that will provide a successful aging lifestyle through a variety of supportive services and programs for people age 62 and older. It will be a replacement for the existing Mercy Convent currently on the grounds as well as provide a communal living arrangement for the various other religious members of the Sisters of Mercy who reside in a variety of other locations scattered throughout the Chicagoland area. Approximately seventy percent (70%) of the initial residents of Mercy Circle will be from the Sisters of Mercy. Many other religious orders have also expressed an interest in moving into Mercy Circle. Mercy Circle will provide a continuum of care for these sisters, priests and brothers that they believe will be of better quality and enable them to live out their retirement years in a communal life. In addition to meeting a need for religious housing and services, Mercy Circle will also allow the Sisters of Mercy to expand their ministry to the general population of elderly in a faith-based setting by providing appropriate high quality healthcare and other activities that enhance the fullness of life through a continuum of services.

2. Define the planning area or market area, or other, per the applicant's definition.

Mercy Circle is being built as a replacement convent for the Sisters of Mercy as well as providing a continuum of care for retired religious of other religious orders. Many other religious groups have also expressed interest in Mercy Circle in addition to the Intercommunity Retirement Network for Religious and Clergy, which is comprised of 20 different religious groups dedicated to working together to creatively "problem solve" or share new approaches to issues of aging and care giving. The group's primary concern is to develop the necessary facilities and services required to provide sensitive and dignified retirement living options for religious and clergy.

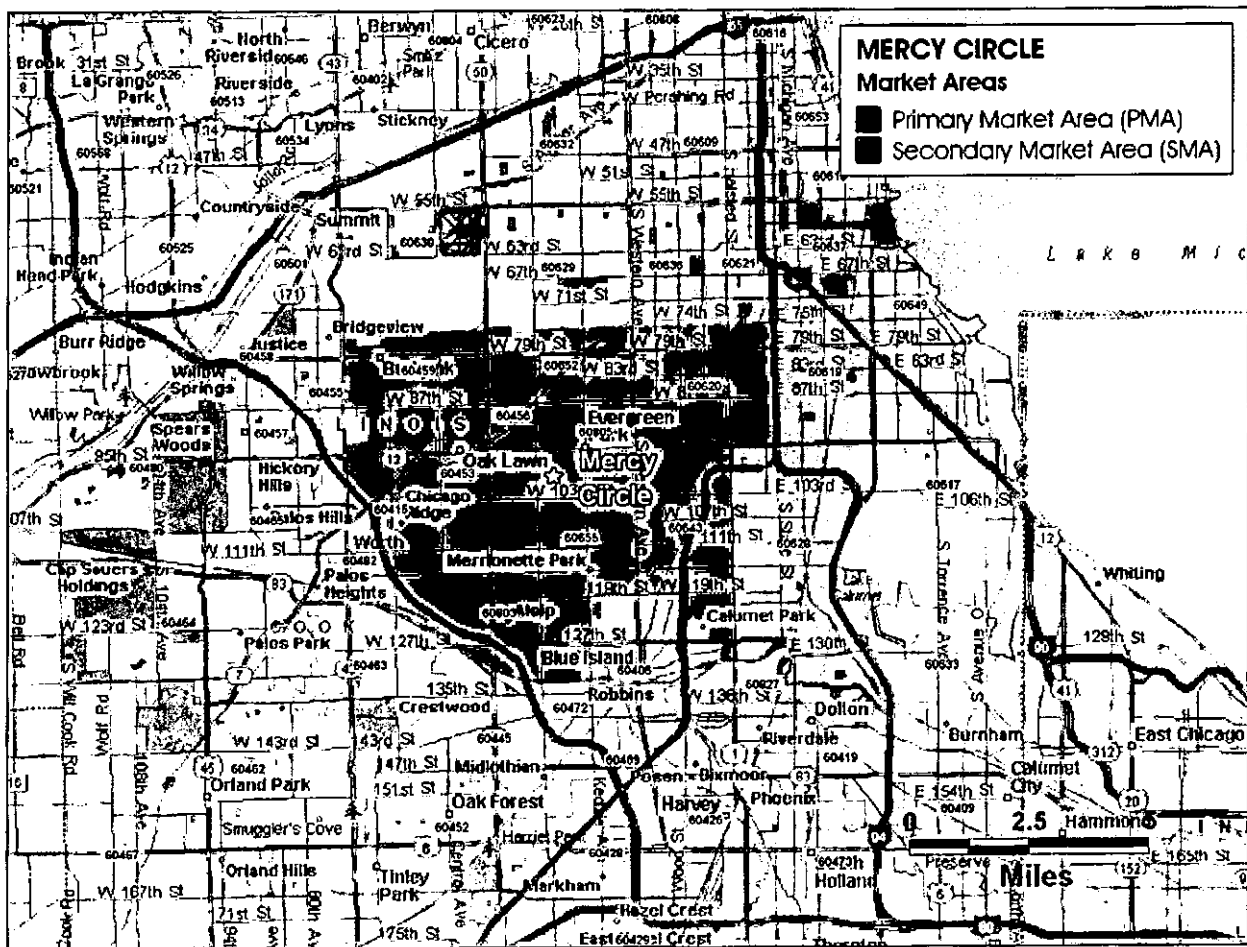
Besides retired religious housing and services, Mercy Circle is dedicated to meeting the needs of the elderly within the surrounding community. This primary market area ("PMA") includes ten zip codes in Chicago, Oak Lawn, Evergreen Park, Alsip and other areas. The PMA approximates a 28-square mile radius around the Mercy Circle property. Within the PMA, there are more than 24,000 seniors of qualifying age and older. See attached map of the primary and secondary market areas.

MARKET AREA

The market area was determined based on geographic and demographic considerations, and GSI's professional experience, including the use of "industry rules of thumb" in the absence of primary market (survey) data.

The market area is contained within an approximate seven to ten mile radius around the project site. It is further divided into primary (PMA) and secondary (SMA) market areas.

- The PMA stretches approximately three to five miles from the project site and includes the following zip code areas 60415, 60453, 60456, 60459, 60620, 60643, 60652, 60655 (Project zip code), 60803.
- The SMA surrounds the PMA and extends beyond its boundaries for an additional four to five miles. It includes the following zip codes 60805, 60406, 60426, 60428, 60445, 60452, 60455, 60457, 60458, 60462, 60463, 60464, 60465, 60469, 60472, 60480, 60482, 60501, 60609, 60619, 60621, 60628, 60629, 60632, 60636, 60637, 60638, 60827.



3. Identify the existing problems or issues that need to be addressed, as applicable and appropriate for the project. [See 1110.230(b) for examples of documentation.]

Mercy Circle will address the area's need for a continuum of care which provides quality of life and care for seniors within one single location.

4. Cite the sources of the information provided as documentation.

The Applicant's sources of information to address the aforementioned issues comes from the Applicant's internally developed project description and information from the Market Research and Feasibility Study conducted by Plante Moran dated May 2009 and updated as of February 2010. Marketing surveys and various meetings and communications with other religious groups have also formed the basis of the information.

5. Detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being.

Mercy Circle will be fulfilling an unmet need in the community by providing a continuum of care, services and housing to the elderly that meet the physical, emotional, spiritual, recreational and social needs of seniors while being thoughtfully designed and structured to address three key concerns of the elderly:

Quality of Life

- o Mercy Circle will provide a variety of senior focused wellness programs and services including regularly scheduled educational programs geared toward enabling residents to age successfully.
- o Residents of Mercy Circle will have educational and intellectual learning and mentoring opportunities, benefits that residing in an intergenerational neighborhood provide, via affiliations with the adjacent educational institutions.
- o Life enrichment staff will arrange and direct planned spiritual, social and recreational activities for the residents.
- o To encourage social interaction and mitigate isolation, common areas will provide ample space to enhance the quality of life for the residents. For example, Community common areas will include:
 - Activity rooms
 - Wellness/fitness center
 - Living room/lounge areas
 - A variety of dining venues

- Resident storage areas
- Administrative offices
- Meeting rooms for both large or small groups
- Outdoor gardens and walk areas (separate secured areas will be provided for memory care residents)
- Libraries
- Salons
- Laundry facilities
- Meditation rooms
- On site chapel
- Therapy services areas

Health Security

Mercy Circle will provide a full continuum of care consisting of independent living apartments, assisted living and memory support units, and skilled nursing services. Mercy Circle will establish programs to promote the general welfare of each resident as they transition from independent living to higher care levels during the natural aging process. Nursing residents will receive 24-hour skilled nursing care and assistance with the monitoring and administration of medications as well as onsite rehabilitation services to promote a resident's possible return to independent or assisted living environments as applicable. Residents unable to return to a lower level of care can take comfort in knowing that they can remain at Mercy Circle and continue to live with and amongst the same people that have been sharing a home with over the years.

Physical Security

Mercy Circle will provide housing and services in a home like environment incorporating design features for the convenience and safety of elderly residents, including:

- Lever hardware
- Large clearances in baths and kitchens
- Minimal walking distances
- Non-glare lighting
- Handicap access
- Senior-friendly bathroom and kitchen appliances

- Conveniently located parking, some of which will be enclosed

Construction will be focused on meeting the special needs of seniors and consist of:

- Fire-resistant materials
- Fire suppression systems
- Skid-resistant floors and ramps
- Grab bars
- Wide doorways
- 24-hour emergency call system to respond to the emergency needs of all residents

Mercy Circle is also being built as a replacement of an existing religious convent for the Sisters of Mercy as well as providing a continuum of care for retired religious of other Orders. Many different religious groups have expressed interest in Mercy Circle in addition to the Intercommunity Retirement Network for Religious and Clergy, which is comprised of 20 different religious groups dedicated to working together to creatively “problem solve” or share new approaches to issues of aging and care giving. The group’s primary concern is to develop the necessary facilities and services required to provide sensitive and dignified retirement living options for religious and clergy.

6. Provide goals with quantified and measurable objectives, with specific timeframes that relate to achieving the stated goals.

The Applicant’s goal is to complete the various approvals for the construction of and the opening of the skilled nursing facility in a timeframe outlined within this application. Ultimately, it is the Applicants goal to reach and maintain a stabilized occupancy of 90% within the nursing facility during its second full year of operations, or fiscal year 2014.

Alternatives

1. Identify all of the alternatives to the proposed project.
2. Documentation shall consist of a comparison of the project to alternative options. The comparison shall address issues of cost, patient access, quality and financial benefits in both the short term (within one to three years after project completion) and long term. This may vary by project or situation.
3. The applicant shall provide empirical evidence, including quantified outcome data that verifies improved quality of care, as available.
 - a. Proposing a project of greater or lesser scope and cost;

According to recent statistics, the average number of nursing home beds per facility is 108 (Jones AI, Dwyer LL, Bercovitz AR, Strahan GW. The National Nursing Home Survey: 2004 overview, National Center for Health Statistics, Vital Health State 13 (167) 2009). Mercy Circle is comprised of 122 residential housing apartments and 24 nursing home beds. The nursing unit, which represents 16% of the total number of apartments and beds within the continuing care retirement community, is designed to provide a continuum of care for residents residing in the residential units. The size of the nursing unit is also intended to serve as a source of skilled nursing services for retired religious members in need of such services. The proposed size does not exceed the State permitted one licensed nursing home bed for every five apartments or living units. Constructing a smaller facility would result in a possible unmet need for the future residents who will need nursing home care and will also increase the overall cost of the project in the long run since a smaller sized facility would not be able to achieve the same cost and operational efficiencies. Building a facility 25% larger or smaller will increase or decrease the cost of the project in a commensurate amount.

- b. Pursuing a joint venture or similar arrangement with one or more providers or entities to meet all or a portion of the project's intended purposes; developing alternative settings to meet all or a portion of the project's intended purposes;

This alternative was found not to be cost effective or feasible for the following reasons.

- 1) Part of the purpose in constructing Mercy Circle is to provide a communal living environment with varying levels of care and services within a single site for retired religious. The religious members are currently living in different facilities scattered throughout the area. Pursuing a joint venture with other providers or using other settings will only continue to foster the fragmented housing and services approach. The Sisters of Mercy are currently paying in excess of \$3,000,000 on an annualized basis for the housing and care needs of their sisters at other facilities. Bringing them to Mercy Circle within

their own sponsored ministry will help maintain an effective cost of care while maintaining high quality standards.

- 2) Being transferred to a skilled nursing facility at another location would fail to provide a continuum of care in a single location for any of the residents of the proposed CCRC.
- 3) Almost all of the other existing local nursing homes are for-profit entities that do not provide the same amenities and services as Mercy Circle. For instance, Mercy Circle will have access to chaplain services, priests and worship opportunities for its residents. Mercy Circle will also adopt a charity care policy which will ensure residents are not discharged from the facility solely based upon an inability to pay service fees.
- 4) Couples often choose a CCRC for the benefit of being close to a spouse who may require a higher level of care after residing in an independent living unit for a period of time. Utilizing an existing facility would require the spouse to travel greater distances to visit his or her ailing loved one.
- 5) Lastly, independent living residents of Mercy Circle will also have the option to select a continuing care benefit when initially entering the community through independent living. These residents will pay an initial one-time only entrance fee of \$25,000, which is 100% non-refundable. Of this amount, \$5,000 will be used by Mercy Circle and the remaining \$20,000 can either be donated to Mercy Circle or applied to future levels of care as a continuing care benefit. If Mercy Circle does not offer nursing home services, these residents will not be able to fully use their continuing care benefit when the need arises.

- c. Utilizing other health care resources that are available to serve all or a portion of the population proposed to be served by the project;

Mercy Circle will provide residents with access to a full continuum of care within the same campus. Residents will be offered an array of services and access to programs all focused in assisting residents to successfully age in place as long as possible. However, once residents' medical and health condition necessitates the need for skilled nursing services, being transferred to a skilled nursing facility at another location would fail to provide a continuum of care in a single location for the residents of the retirement community. Moreover, almost all of the other existing local nursing homes are for-profit entities that do not provide the same amenities as services as Mercy Circle. For instance, Mercy Circle will have access to chaplain services, priests and worship opportunities for its residents, and will adopt a charity care policy which will ensure residents are not discharged from the facility solely based upon an inability to pay service fees.

Additionally, couples often choose a CCRC for the benefit of being close to a spouse who may require a higher level of care after residing in an independent living unit for a period of time. Utilizing an existing facility would require the spouse to travel greater distances to visit his or her ailing loved one.

Mercy Circle is also being built as a replacement of an existing religious convent for the Sisters of Mercy as well as providing a continuum of care for retired religious of other Orders. The Sisters of Mercy currently pay in excess of \$3,000,000 for the cost of care and services and other facilities. Having them reside at Mercy Circle will maintain the cost of care while maintaining the high quality of care and services. Additionally, many different religious groups have expressed interest in Mercy Circle in addition to the Intercommunity Retirement Network for Religious and Clergy, which is comprised of 20 different religious groups dedicated to working together to creatively "problem solve" or share new approaches to issues of aging and care giving. The group's primary concern is to develop the necessary facilities and services required to provide sensitive and dignified retirement living options for religious and clergy.

Lastly, independent living residents of Mercy Circle will also have the option to select a continuing care benefit when initially entering the community through independent living. These residents will pay an initial one-time only entrance fee of \$25,000, which is 100% non-refundable. Of this amount, \$5,000 will be used by Mercy Circle and the remaining \$20,000 can either be donated to Mercy Circle or applied to future levels of care as a continuing care benefit. If Mercy Circle does not offer nursing home services, these residents will not be able to fully use their continuing care benefit when the need arises.

D. Provide the reasons why the chosen alternative was selected.

Mercy Circle is comprised of 122 residential housing apartments and 24 nursing home beds. The nursing unit, which represents 16% of the total number of apartments and beds within the continuing care retirement community, is designed to provide a continuum of care for residents residing in the residential units. The proposed size does not exceed the State permitted one licensed nursing home bed for every five apartments or living units.

Mercy Circle is also being built as a replacement of an existing religious convent for the Sisters of Mercy as well as providing a continuum of care for retired members of other religious orders. To date, numerous other religious groups have expressed interest in Mercy Circle in addition to the Intercommunity Retirement Network for Religious and Clergy, which is

comprised of 20 different religious groups dedicated to working together to creatively “problem solve” or share new approaches to issues of aging and care giving. The group’s primary concern is to develop the necessary facilities and services required to provide sensitive and dignified retirement living options for religious and clergy.

Lastly, independent living residents of Mercy Circle will also have the option to select a continuing care benefit when initially entering the community through independent living. These residents will pay an initial one-time only entrance fee of \$25,000, which is 100% non-refundable. Of this amount, \$5,000 will be used by Mercy Circle and the remaining \$20,000 can either be donated to Mercy Circle or applied to future levels of care as a continuing care benefit. If Mercy Circle does not offer nursing home services, these residents will not be able to fully use their continuing care benefit when the need arises.

SECTION IV – PROJECT SCOPE, UTILIZATION AND UNFINISHED/SHELL SPACE

Criterion 1110.234 – Project Scope, Utilization and Unfinished/Shell Space

Size of Project

1. Document that the amount of physical space proposed for the proposed project is necessary and not excessive.

This project is for the establishment of a Continuing Care Retirement Community, of which a twenty-four bed-nursing unit is an integral part. For purposes of this Certificate of Need application, the nursing section is the only part of the facility that is reviewable. The design of the nursing facility is based on a residential model, with two ‘neighborhood’ pods of twelve beds each. This approach results in some duplication of areas which increases the square footage that otherwise would not be found in a typical institutional design. The two neighborhood pods provide shortened travel distances to the respective dining, living, laundry, and associated community spaces, fostering independence of the residents as well as a more home-like environment. The design includes an open hearth area combining living room, dining room, and open kitchen. Further, all resident rooms are private, with a complete private bath (water closet, lavatory, and shower) in keeping with market demand. As a result, the proposed project space is necessary and not excessive. Moreover, when determining the gross square footage of the essential functional areas of the nursing facility, the total per bed is only slightly above the standards adopted in Appendix B of the rules.

2. If the gross square footage exceeds the BGSF/DGSF standards in Appendix B, justify the discrepancy by documenting one of the following:
 - a. Additional space is needed due to the scope of services provided, justified by clinical or operational needs, as supported by published data or studies;
 - b. The existing facility’s physical configuration has constraints or impediments and requires an architectural design that results in a size exceeding the standards of Appendix B;
 - c. The project involves the conversion of existing bed space that results in excess square footage.

SIZE OF PROJECT				
DEPARTMENT/SERVICE	PROPOSED BGSF/DGSF	STATE STANDARD	DIFFERENCE	MET STANDARD?
General Long Term Care	737.96	435-713	24.96	NO

The essential functional square footage of the nursing home portion of the building is 17,711 square feet. This translates into 737.96 square feet per bed. The standards in Appendix B provide a range of 435-713 square feet per bed. Mercy Circle is only slightly larger than the standard by 24.96 square feet per bed.

Given the actual and projected economic affluence of the market area elderly population, a large number of people are demanding private rooms as well as a greater demand for services. The proposed facility responds to this market condition with twenty-four private rooms, each with a completely private bath. The resident rooms are appropriately spacious to allow residents the opportunity to move freely and to increase their mobility if they are using mobility devices. All of the private baths are all fully accessible, which does not discriminate, and allows for greater resident independence when toileting and grooming, and the ability for easier and safer staff assistance when it is needed.

In recognizing that this facility will be operational well into the future, the utilization of a residential concept with 'neighborhood' pods or households has been chosen to provide the freedom that such an approach delivers to the residents and staff versus the traditional institutional appearance. This also aligns with developing a 'seamless' transition and compatibility of all areas as residents transfer from other care levels into the nursing unit. This household concept limits the clinical feel by de-emphasizing institutional areas, such as the traditional nurses' station, by creating charting/medication rooms in each household core. However this also necessitates duplication of required areas within each household.

The dining rooms have a residential feel, by including a serving pantry/nourishment area that allows food to be plated and served restaurant style, versus the traditional approach of plating the food in the main kitchen, and transporting it onto the unit on resident trays. The proposed process encourages good nutrition and interaction of both staff to residents, and residents to other residents. The pantry/nourishment area has the atmosphere of a home kitchen, serving double duty as an activity hub.

The therapy area is conveniently located, sized and equipped to promote physical and occupational health. It includes a fully accessible training toilet area, private exam space, and kitchen and desk mock-ups for use during the therapy sessions. It is sized in recognition that many of the resident participants will be with mobility devices, thus the floor area is accommodating.

The other community areas (living rooms, meditation areas, laundry, and salon) encourage residents to be out of their bedrooms and interacting with others in an environment that promotes socialization and interaction. These spaces are in response to the market demand for a greater variety of services.

Project Services Utilization

Document that in the second year of operation, the annual utilization of the service or equipment shall meet or exceed the utilization standards specified in 1110 Appendix B.

Utilization					
	Dept./Service	HISTORIAL UTILIZATION (PATIENT DAYS) (TREATMENTS) ETC	PROJECTED UTILIZATION	STATE STANDARD	MET STANDARD?
YEAR 1 – 2012 <i>(partial year of operations)</i>	General long term care	N/A	34%	90% occupancy	No
YEAR 2 - 2013	General long term care	N/A	86%	90% occupancy	No
YEAR 3 - 2014	General long term care	N/A	90%		Yes

Mercy Circle is a continuing care retirement community that is scheduled to be completed by May 1, 2012. As such, the projected utilization for the year 2012 is only forecasted to be 34% to reflect a partial year of occupancy. The project will achieve the state utilization standard of 90% utilization within the second full year of operations. These occupancy projections are based upon internally developed studies, externally generated feasibilities and responses received from prospective residents on their anticipated care and service needs. For instance, the Sisters of Mercy currently have 803 members within their community. Of this number, 84% are older than 65 years of age. There are 195 sisters living within the Chicagoland area. Of these sisters, over 87% are older than 65 years of age and in varying stages of need for care and services. Mercy Circle has also received letters of support from various groups reflecting a need for these services.

School Sisters of Notre Dame

April 26, 2010

Sister Sheila Megley, RSM
Treasurer
Mercy Circle
7262 Mercy Road
Omaha, NE 68124-2389

RE: Mercy Circle Continuing Care Retirement Community

Dear Sister Sheila,

Thank you for sharing Mercy Circle's plans to develop a continuing care retirement community on land owned by the Sister of Mercy of the Americas West Midwest Community on Chicago's South Side. Although there are several nursing home facilities in the area, almost all of them are for-profit entities that do not reflect a faith-based approach to care and services. Although the needs of our own community of Sisters are presently being well met at Marian Village and Resurrection Life Center, we know of several other communities for whom this is not the case. Obviously our own needs could possibly change in the future also. We know that it is important for Sisters to live out their retirement years within a setting that not only meets their health, wellness and spiritual needs, but also permits them to live together in a community setting. The availability of a Catholic sponsored continuing care retirement community with a skilled nursing facility in your area would certainly be welcomed.

In closing, I want you to know that you have the School Sisters of Notre Dame's support for your Senior Campus efforts.

Sincerely,

Sister Jean Phelan, SSND
Sister Jean Phelan, SSND



MERCY HOSPITAL & MEDICAL CENTER
2525 SOUTH MICHIGAN AVENUE
CHICAGO, ILLINOIS 60616-2477
phone 312.567.2000

May 3, 2010

Sister Sheila Megley
Treasurer
Mercy Circle
7262 Mercy Road
Omaha, NE 68124-2389

RE: Mercy Circle Continuing Care Retirement Community

Dear Sister Sheila,

Thank you for sharing Mercy Circle's plans to develop a continuing care retirement community on land owned by the Sisters of Mercy of the Americas West Midwest Community on Chicago's South Side. Although there are several nursing home facilities in the area, almost all of them are for-profit entities that do not reflect a faith-based approach to care and services. It is our belief that people in their later years of life are especially comforted during times of sickness to have access to spiritual support. The availability of a Catholic sponsored continuing care retirement community with a skilled nursing facility is especially needed in this community and will be well received by our patients and their loved ones seeking such services.

Mercy Hospital and Medical Center supports your project and its ministry to the elderly and will look forward to providing our discharged patients with information about the full spectrum of care and services available at Mercy Circle. We believe our patients will be excited to learn that they will now have a Catholic provider to select from for their long term care needs.

To further solidify a continuum of care approach for our elderly patients, we would like to explore with you various programmatic affiliation opportunities between Mercy Hospital and Medical Center and Mercy Circle including clinical residency programs, therapeutic services, and wellness programs. As I know you are still in the design phase of your project, we wanted to let you know of our interest in developing an affiliation agreement with Mercy Circle for physician and other types of health related programs so that you can include such provisions in your overall campus master-plan. I look forward to discussing the details of such a relationship in the months to come as Mercy Circle building details become known.

In closing, I want you to know that you have Mercy Hospital and Medical Center's support in your Senior Campus efforts and we look forward to a long and lasting relationship between our two institutions.

Sincerely,


Sister Sheila Lyne, R&M
President and Chief Executive Officer

SSL/SS

Christian Brothers

May 6, 2010

Sister Sheila Megley
Treasurer
Mercy Circle
7262 Mercy Road
Omaha, NE 68124-2389

RE: Mercy Circle Continuing Retirement Community

Dear Sister Sheila,

My name is Brother Robert May, CFC. Presently I am on the Housing Options Board along with Sister Marcian Deisenroth at Marian Village, Homer Glen, IL,

Thank you for sharing Mercy Circle's plans to develop a continuing care retirement community on land owned by the Sisters of Mercy of the Amercias West Midwest Community on Chicago's South Side. Although there are several nursing home facilities in the area, almost all of them are for-profit entities that do not reflect a faith-based approach to care and services. Our Brothers are especially interested in living out their retirement years within a setting that not only meets their health, wellness and spiritual needs, but also permits our Brothers to live together within a communal setting. Currently, our Congregation is not able to accommodate these desired housing and supportive living services within a single location. The availability of a Catholic sponsored continuing care and retirement community with a skilled nursing facility is especially needed in this community and will be well received by our members.

In closing, I want you to know that you have my support for your Senior Campus efforts and look forward to a long and lasting relationship between our two institutions.

Sincerely,

Brother Robert May, CFC

Br. R. N. May
15555 Mt. Carmel Dr.
Homer Glen, IL 60491



**Intercommunity Retirement Network
for Religious and Clergy**

April 24, 2010

Sister Sheila Megely, RSM
Treasurer
Mercy Circle
7262 Mercy Road
Omaha, NE 68124-2389

RE: Mercy Circle Continuing Care Retirement Community

Dear Sister Sheila,

Thank you for sharing Mercy Circle's plans to develop a continuing care retirement community on land owned by the Sisters of Mercy of the Americas West Midwest Community on Chicago's south side. Having family on the south side of Chicago, I am aware that there are several for-profit nursing home facilities in the area but very few reflect faith based care and services.

As the Executive Director of the Intercommunity Retirement Network for Religious and Clergy, I am also aware that women and men religious desire to live out their retirement years within a setting that understands their physical, wellness and spiritual needs, as well as, their need to be a member of a communal setting.

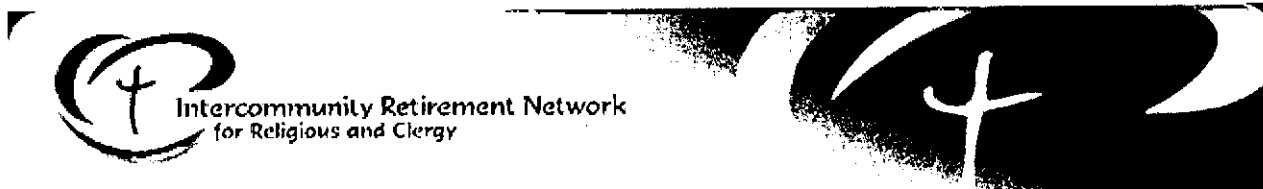
There are several women and men's religious congregations in the Chicago area who would welcome a Catholic sponsored continuing care retirement community due to the fact that they are not able to provide retirement housing, supportive living services and skilled nursing care for their members. Having this complete mode of care in one location would certainly be an advantage for them.

Know you have the support of the Intercommunity Retirement Network for Religious and Clergy in creating a faith based Continuing Care Retirement Community at Mercy Circle in Chicago.

Sincerely,

Sister Jean Okroi, IBVM

Sister Jean Okroi, IBVM
Executive Director
Intercommunity Retirement Network



- Home
- Who We Are ▶
- Membership ▶
- Newsletter
- Calendar
- Education/Resources ▶
- Contact Us
- Links

Member List / Website Links

Membership

IRN MEMBER Websites

Claretian Missionaries (CMF)

www.claretians.org

Congregation of St. Joseph (CSJ)

www.csjlaorange.org

Congregation of the Passion (CP)

www.passionist.org

Edmund Rice Christian Brothers North America (CFC)

www.ercbna.org

Holy Spirit Missionary Sisters (SSPS)

www.ssps-usa.org

Institute of the Blessed Virgin Mary (IBVM)

www.ibvm.us

Little Company of Mary Sisters (LCM)

www.usalcmglobal.org

Order Friar Servants of Mary (OSM)

www.servite.org

Religious of the Cenacle (rc)

www.cenaclesisters.org

School Sisters of Notre Dame Atlantic-Midwest Province (SSND)

www.amssnd.org

School Sisters of St. Francis (OSF)

www.sssf.org

Sisters of Charity of the Blessed Virgin Mary (BVM)

www.bvmcong.org

Sisters of Christian Charity (SCC)

www.sccgen.org

Sisters of Mercy West/Midwest (RSM)

www.sistersofmercy.org

Sisters of St. Casimir (SSC)

www.ssc2601.com

Sisters of St. Francis (OSF), Joliet

www.jolietfranciscans.org

Sisters of St. Francis, Wheaton (OSF)

www.wheatonfranciscan.org

Sisters of St. Joseph, Third Order of St. Francis (SSJ-TOSF)

www.ssj-tosf.org

Sisters of the Holy Family of Nazareth (CSFN)

www.nazarethcsfn.org

Sisters of the Living Word (SLW)

www.slw.org

Sisters of the Resurrection (CR)

www.resurrectionsisters.org

Affiliates



The Archdiocese of Chicago

www.archdiocese-chgo.org

The Diocese of Joliet

www.dioceseofjoliet.org

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SECTION VIII – SERVICE SPECIFIC REVIEW CRITERIA

Criterion 1110.1730 – General Long Term Care

2. Applicable Review Criteria

Continuum of Care – Establish or Expand

a. Description of Continuum of Care

Mercy Circle is a proposed continuing care retirement community that will provide housing, care and services to retired religious members and the elderly. The continuum will include independent living, assisted living, memory support suites, skilled nursing and a variety of other supportive health, wellness and social services. Mercy Circle will be constructed on the same site with physically connected buildings. The nursing home beds will be constructed concurrently with the residential units.

b. Components

The continuum will include independent living, assisted living, memory support suites, skilled nursing and a variety of other supportive health, wellness and social services.

c. Documentation

A market study was conducted to validate that there is a documented demand for the housing and services. This study, originally done in May 2009, was updated in February 2010. See Attached – Market Research and Feasibility Study

d. Staffing Availability

The applicant considered relevant licensure staffing requirements for the project as well as the local pool of potential job applicants. The applicant has not solicited letters of interest of applications for employment as it will not open for over 2 years. However, the applicant does not anticipate a problem securing appropriate staff for the facility.

e. Facility Size

Mercy Circle will include a total of 122 residential units and 24 nursing beds. The proposed number of beds does not exceed one licensed nursing home bed for every five apartments. Upon commencing operations, the facility will adopt a written policy assuring that a resident of the retirement community who is

transferred to the nursing home portion will not lose his/her apartment or be transferred to another nursing home solely because of the resident's altered financial status or medical indigence. The facility will also limit admissions to the nursing home beds to current residents of the residential units or religious members.

f. Community Related Functions

Mercy Circle has received several letters of support from other institutions and groups. See Attachment 15 – Letters of Support

g. Zoning

The property has been zoned for the type of facility to be developed. See Attachment 28

h. Assurances

See Attachment 28

Defined Population – Establish or Expand

a. Description of Defined Population to be Served

Mercy Circle, sponsored by the Sisters of Mercy of the Americas West Midwest Community, Inc., is also being built as a replacement of an existing religious convent for the Sisters of Mercy in addition to providing a continuum of care at a single location for retired religious of other Orders. Currently, there are 34 sisters living at the convent, all of whom will relocate to appropriate levels of care within Mercy Circle upon opening. To date, many different religious groups have expressed interest in Mercy Circle in addition to the Intercommunity Retirement Network for Religious and Clergy, which is comprised of 20 different religious groups dedicated to working together to creatively “problem solve” or share new approaches to issues of aging and care giving. The group's primary concern is to develop the necessary facilities and services required to provide sensitive and dignified retirement living options for religious and clergy. See Attachment 28 – Mercy Circle Bylaws

b. Documentation of Need

Mercy Circle will fill a need for a continuum of care for any retired religious member regardless of their religious affiliation or gender. Currently, there are no other religious sponsored continuing care retirement communities within this planning area permitting religious members to live out their retirement years in a communal setting dedicated to fulfilling their physical, emotional, spiritual,

recreational and social needs. It is anticipated that the retired religious members will come from both within and from outside of the health service area. The Sisters of Mercy currently have 803 members within their community spanning several different states. Of this number, 84% are older than 65 years of age. There are 195 sisters living within the Chicagoland area. Of these sisters, over 87% are older than 65 years of age and in varying stages of need for care and services. A multitude of other religious groups representing an aggregate number of over 3,000 retired religious have expressed an interest in Mercy Circle. See Attachment 15 – Letters of support Attachment 28 – Religious orders listing

c. Staffing Availability

The applicant considered relevant licensure staffing requirements for the project as well as the local pool of potential job applicants. The applicant has not solicited letters of interest of applications for employment as it will not open for over 2 years. However, the applicant does not anticipate a problem securing appropriate staff for the facility.

d. Facility Size

Mercy Circle will include a total of 122 residential units and 24 nursing beds. The size of the nursing home portion is based upon the amount of beds anticipated to be needed for internal transfers of residents from other parts of the continuum of care as well as direct admissions of retired religious members. The facility will limit admissions to the nursing home beds to current residents of the residential units or religious members.

e. Community Related Functions

Mercy Circle has received several letters of support from other institutions and groups. See Attachment 15 – Letters of support

f. Zoning

g. The property has been zoned for the type of facility to be developed.

See Attachment 28

h. Assurances

See Attachment 28

MARKET RESEARCH AND FEASIBILITY STUDY

FOR A NEW CONTINUING CARE RETIREMENT COMMUNITY
IN THE SOUTHERN CHICAGO SUBURBS, TO BE CALLED:

MERCY 
CIRCLE
LIFE WITH SPIRIT

Prepared for:

plante

moran

Prepared by:

GERONTOLOGICAL SERVICES, INC.

May 2009



Gerontological Services, Inc.

1237A Third Street Promenade Santa Monica, California 90401-1307 (310) 393-0332 FAX: (310) 393-1332

A ANALYSIS OF DEMAND

INTRODUCTION

Mercy Circle is being planned to be a faith-based, not-for-profit, continuing care retirement community, that would provide an intergenerational lifestyle and a variety of supportive services and programs for people age 62 and older. It will be located adjacent to the Chicago suburbs of Oak Lawn and Evergreen Park, and will be an extension of Mercy Convent, an existing retirement facility. It will be owned as a 501 (c) corporation in the State of Illinois, the Sisters of Mercy will be the sponsor, and it will be managed by the Franciscan Sisters of Chicago Services Corporation (FSCSC).

As currently planned, Mercy Circle will have a total of 146 units, including 54 independent living units, 44 assisted living units, and 24 each of memory support (assisted living) units and nursing beds. There will be an entrance fee for admission into independent living of \$25,000. Five-thousand dollars of the entrance fee will remain with Mercy Circle, and the remaining \$20,000 can either be donated to Mercy Circle, be reserved for payment of future care, be amortized to assist in the payment of monthly fees in independent living, or can be returned to the resident (or their estate).

Details for the proposed units are as follows:

MERCY CIRCLE PROPOSED PROJECT DETAILS

<i>Independent Living</i>			
Unit Type	Units	Size (s.f.)	Monthly Fee
1 Bedroom	22		
1 Bedroom + Den	12		
2 Bedroom	20		
<i>Total (Average)</i>	<i>54</i>		
<i>Assisted Living</i>			
Unit Type	Units	Size (s.f.)	Monthly Fee
1 Bedroom	42		
2 Bedroom	2		
<i>Total (Average)</i>	<i>44</i>		
<i>Memory Support (Assisted Living)</i>			
Unit Type	Units	Size (s.f.)	Monthly Fee
Studio	24		
<i>Nursing</i>			
Unit Type	Units	Size (s.f.)	Daily Fee
Studio	24		

SUMMARY OF FINDINGS

Analyses of need and/or demand for all levels of care under consideration (independent living, assisted living, residential dementia care, nursing care) indicate:

- There is sufficient market depth (among the targeted age and income market) to fill all proposed independent living units for Mercy Circle, and project penetration rates are favorable to other markets studied by GSI.
- There will be adequate statistical demand to support the addition of all proposed assisted living and residential dementia care units for Mercy Circle.
- The current supply of nursing beds in the market area will be adequate to meet projected need. Therefore, there will be no additional need for the beds being proposed for Mercy Circle.

Independent Living

There will be sufficient statistical demand (projected to 2014) to support the 54 independent living units being planned for Mercy Circle.

▪

An additional measure of estimating demand for independent living units in the market area is an examination of the project penetration rate for Mercy Circle.

▪

Assisted Living

The estimate of need indicates that there will be sufficient market-depth for private-pay assisted living (targeting the income-qualified age 75+ market) to fill the 44 beds being proposed for Mercy Circle.

- It appears that assisted living is under-utilized (compared to national averages) in this market area.

MIGUEL DEL VALLE, CITY CLERK
CITY CLERK'S OFFICE-CITY OF CHICAGO

189467-5-SP-30

Reclassification Of Area Shown On Map Number 24-J.
(As Amended)
(Application Number 16570)

Be It Ordained by the City Council of the City of Chicago:

SECTION 1. Title 17, of the Municipal Code of Chicago, the Chicago Zoning Ordinance be amended by changing all the RT4 Residential Two-Flat, Townhouse and Multi-Unit District symbols and indications as shown on Map Number 24-J in the area bounded by:

Reclassification Of Area Shown On Map Number 24-J.
(As Amended)
(Application Number 16570)

Be It Ordained by the City Council of the City of Chicago:

SECTION 1. Title 17, of the Municipal Code of Chicago, the Chicago Zoning Ordinance be amended by changing all the RT4 Residential Two-Flat, Townhouse and Multi-Unit District symbols and indications as shown on Map Number 24-J in the area bounded by:

West 99th Street (City Limits); South Millard Avenue (City Limits); West 100th Street (City Limits); South Central Park Avenue (City Limits); a line from a point 1,165.83 feet south of the centerline of West 99th Street and the westerly right-of-way line of South Central Park Avenue; to a point, 989.80 feet south of the centerline of West 99th Street and 424.93 feet west of the centerline of South Central Park Avenue; a line from a point 989.80 feet south of the centerline of West 99th Street and 424.93 feet west of the centerline of South Central Park Avenue; to a point, 772.60 feet south of the centerline of West 99th Street and 829.11 feet west of the centerline of South Central Park Avenue; a line from a point 772.60 feet south of the centerline of West 99th Street and 829.11 feet west of the centerline of South Central Park Avenue; to a point, 738.33 feet south of the centerline of West 99th Street and 900 feet west of the centerline of South Central Park Avenue; and a line 900 feet west of and parallel to the centerline of South Central Park Avenue,

to those of a Institutional Planned Development Number ____ which is hereby established in the area above described, subject to such use and bulk regulations as are set forth in this Plan of Development herewith attached and made a part and to no others.

SECTION 2. This ordinance shall be in force and effect from and after its passage and due publication.

Plan of Development Statements referred to in this ordinance read as follows:

Institutional Residential Planned Development Number ____.

Plan Of Development Statements.

1. The area delineated herein as Institutional Residential Planned Development Number ____, consists of approximately five hundred ninety-five thousand four hundred twenty-one (595,421) square feet (thirteen point six six nine (13.669) acres)). The property is owned by the Sisters of Mercy of the Americas West Midwest Community Inc. who has authorized Mercy Circle (the "Applicant") to file this application.
2. All applicable official reviews, approvals or permits are required to be obtained by the Applicant or its successors, assignees or grantees. Any dedication or vacation of streets or alleys, or easements, or adjustments of right-of-way, or consolidation or resubdivision of parcels, shall require a separate submittal on behalf of the Applicant or its successors, assignees or grantees and approval by the City Council.
3. The requirements, obligations and conditions contained within this planned development shall be binding upon the Applicant, its successors and assigns and, if different than the Applicant, the legal titleholder and any ground lessors. All rights granted hereunder to the Applicant shall inure to the benefit of the Applicant's successors and assigns and if different than the Applicant, then to the owners of record title to all of the property and any ground lessors. Furthermore, pursuant to the requirements of Section 17-8-0400 of the Chicago Zoning Ordinance, the property, at the time any applications for amendments, modifications or changes (administrative,

legislative or otherwise) to this planned development are made, shall be under single ownership or under single designated control. Single designated control for purposes of this paragraph shall mean that any application to the City for any amendment to this planned development or any other modification or change thereto (administrative, legislative or otherwise) shall be made or authorized by all the owners of the property and any ground lessors. An agreement among property owners, the board of directors of any property owners association, or a covenant binding property owners, may designate the authorized party for any future amendment, modification or change. The Applicant shall retain single designated control and shall be deemed to be the authorized party for any future amendment, modification or change until the Applicant shall designate in writing the party or parties authorized to make application for any future amendment, modification or change.

4. This plan of development consists of these sixteen (16) statements; a Bulk Regulations and Data Table; an Existing Zoning Map; an Existing Land-Use Map; a Planned Development Boundary and Property Line Map; a Site Plan; a Landscape/Green Roof Plan; South, East, North and West Elevations, dated August 21, 2008 prepared by AG Architects. Full-size sets of the Site Plan, Landscape Plan and Building Elevations are on file with the Department of Planning and Development. The planned development is applicable to the area delineated hereto and these and no other zoning controls shall apply. In any instance where a provision of the planned development conflicts with the Chicago Building Code, the Building Code shall control.
5. The following uses shall be permitted within the area delineated herein as "Institutional Residential Planned Development" elderly residential units including independent living, memory care units, assisted living units and skilled nursing units, daycare, administrative offices, high school classrooms, accessory parking, non-accessory parking and related uses.
6. On-premise business identification signs shall be permitted within the planned development subject to the review and approval of the Department of Planning and Development. Temporary signs, such as construction and marketing signs shall be permitted, subject to the review and approval of the Department of Planning and Development. Off-premises signs shall not be permitted in the planned development.
7. Ingress and egress shall be subject to the review and approval of the Department of Transportation and the Department of Planning and Development. All work proposed in the public way must be designed and constructed in accordance with the Chicago Department of Transportation Construction Standards for Work in the Public Way and in compliance with the Municipal Code of the City of Chicago. Closure of all or part of any public streets or alleys during demolition or construction shall be subject to the review and approval of the Chicago Department of Transportation.
8. In addition to the maximum height of the building and any appurtenance thereto prescribed in this planned development, the height of any improvement shall also be subject to height limitations approved by the Federal Aviation Administration.
9. For purposes of floor area ratio ("F.A.R.") calculations, the definitions in the Chicago Zoning Ordinance shall apply.

10. The City of Chicago established a Part II Review Fee in the amount of Zero and 25/100 Dollars (\$0.25) per square feet for the total buildable square feet (floor area). The Part II Review Fee will be assessed by the Department of Planning and Development during the actual Part II Review. The fee as determined by the Department of Planning and Development staff at that time is final and binding on the applicant and must be paid to the Department of Planning and Development prior to the issuance of any Part II approval.
11. The improvements on the property shall be designed, installed and maintained in substantial conformance with the Site Plan, Landscape Plan and Building Elevations and in accordance with the parkway tree provisions of the Chicago Zoning Ordinance and corresponding regulations and guidelines.
12. The terms, conditions and exhibits of this planned development ordinance may be modified administratively by the Commissioner of the Department of Planning and Development upon the application for such a modification by the Applicant and after a determination by the Commissioner of the Department of Planning and Development that such a modification is minor, appropriate and consistent with the nature of the improvements contemplated in this planned development and the purposes underlying the provisions hereof. Any such modification of the requirements of this planned development by the Commissioner of the Department of Planning and Development shall be deemed to be a minor change in the planned development as contemplated by Section 17-13-0611 of the Chicago Zoning Ordinance.
13. The Applicant acknowledges that it is in the public interest to design, construct and maintain all buildings in a manner that promotes and maximizes the conservation of natural resources. The Applicant shall construct the building under the Leadership in Energy and Environmental Design ("L.E.E.D.") Green Building Rating System. The Applicant shall provide a vegetated ("green") roof of least fifty percent (50%) of the building's net roof area. "Net roof area" is defined as total roof area minus any required perimeter setbacks, rooftop structures, and roof-mounted equipment, approximately forty thousand twenty (40,020) square feet.
14. The Applicant acknowledges that it is in the public interest to design, construct and maintain the project in a manner which promotes, enables and maximizes universal access throughout the property. Plans for all buildings and improvements on the property shall be reviewed and approved by the Mayor's Office for People with Disabilities ("M.O.P.D.") to ensure compliance with all applicable laws and regulations related to access for persons with disabilities and to promote the highest standard of accessibility. No building permit shall be granted by the Department of Construction and Permits until the Director of M.O.P.D. has approved detailed construction drawings for the building or improvement proposed to be constructed pursuant to the permit.
15. Notwithstanding any statement to the contrary, this planned development shall be subject to the provisions of Chapter 17-11 of the Chicago Zoning Ordinance governing landscaping and screening. In any instance where a provision of this planned development conflicts with landscape and screening provisions of the Chicago Zoning Ordinance, the Chicago Zoning Ordinance shall control. Nothing in this planned development is intended to waive the applicability of the landscape and screening provisions of the Chicago Zoning Ordinance.

16. Unless substantial construction has commenced within six (6) years following adoption of this planned development, and unless completion is thereafter diligently pursued, then this planned development shall expire. If this planned development expires under the provisions of this section, then the zoning of the property shall automatically revert to that of RT4 Residential Two-Flat, Townhouse and Multi-Unit District.

[Vicinity Map; Existing Zoning Map; Existing Land-Use Map; Planned Development Boundary and Property Line Map; Site Plan; Landscape Plans; Five Story Section; Building Elevations; and Chicago Builds Green Application referred to in these Plan of Development Statements printed on pages 37542 through 37577 of this *Journal*.]

Bulk and Use Table referred to in these Plan of Development Statements reads of follows:

Bulk And Use Table.

Underlying Zoning District:	RT4
Net Site Area:	595,421 square feet = 13.669 acres
Area in the Public Right-of-Way:	0 square feet = 0 acres
Floor Area Ratio:	0.712
Setbacks from Property Line:	In substantial conformance with Site Plan (minimum should not be less than 87 feet, 6 inches from 99 th Street)
Maximum Percentage of Site Coverage:	In substantial conformance with the Site Plan
Maximum Number of Dwelling Units:	212 units
Maximum Number of Parking Spaces:	Accessory Parking = 35 existing spaces + 156 new spaces/Non-Accessory Parking = 34 spaces
Maximum Number of Loading Berths:	2 (10 feet wide by 25 feet long by 14 feet high)
Maximum Building Height:	In substantial conformance with the elevations (53 feet, 4 inches maximum)

MERCY 
CIRCLE

LIFE WITH SPIRIT

June 3, 2010

Illinois Health Facilities Services and Review Board
525 West Jefferson Street
Springfield, Illinois 62761


Dear Board Members:

The undersigned here by acknowledges and understands that by the second full year of operations, after the construction and development of Mercy Circle is completed, the facility will achieve and maintain the occupancy standards for a general long term care facility as specified in 77 Ill. Adm. Code 1100.

Additionally, Mercy Circle hereby assures that it will maintain admissions limitations to the nursing facility portion of its continuing care retirement community permitting only residents of the independent living and/or congregate housing units of the continuing care retirement community or religious members to be admitted to the nursing facility for the life of the facility or upon prior approval from the Illinois Health Facilities Services and Review Board.

Lastly, Mercy Circle has not commenced operations. As such, it has not developed any operating policies and procedures. However, the attached excerpt from the residency agreement provides the requisite assurance that a resident of the retirement community who is transferred to the nursing facility will not lose his/her apartment unit or be transferred to another nursing facility solely because of the resident's altered financial status or medical indigency.

Sincerely,


Carol Kelley
Director
Mercy Circle Board of Directors

Attachment – Residency Agreement



RESIDENCY AGREEMENT

Effective 2/18/2010

RESIDENCY AGREEMENT

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RESIDENCY AGREEMENT

This Agreement is entered into by _____ (individually and/or collectively "you," "your," or "Resident") and Mercy Circle, Inc. (the "Community"), which owns and operates a retirement community located in Chicago, Illinois. The terms "we," "us," or "our" are used throughout this Agreement to denote the Community.

You may cancel this Agreement at any time prior to midnight of the fourteenth (14th) day after the date on which you sign this Agreement (the "Rescission Period" as defined in Section 6.B. of this Agreement). If you elect to cancel this Agreement, you must do so by written notice and may be entitled to receive a refund of all assets transferred, without interest, subject to the terms and conditions contained herein.

1. GENERAL SERVICES AND FACILITIES

- A. **Basic Agreement.** The Community seeks to provide a campus living environment for active seniors, including quality residential housing and a wide array of personal services and amenities as outlined in this Agreement, including certain supportive and nursing services. Subject to the conditions contained in this Agreement, we agree to make available to you, an unfurnished independent living unit (the "Apartment Home" or collectively, the "Residence") in the Community and to provide you with the general services and amenities described in this Agreement.

In consideration of payment of an Entrance Fee in the amount stated in Section 4.B. of this Agreement and payment of the appropriate Monthly Service Fee (initially in the amount stated in Section 4.C. of this Agreement), you will be entitled to occupy the Residence indicated below and to receive the services and use the facilities described in and according to this Agreement.

RESIDENCE NUMBER: _____

RESIDENCE STYLE: _____

The right to occupy the Residence, to receive the services and to use the facilities described in this Agreement shall apply exclusively to the named Resident(s) hereunder, and to no other individual(s). No person other than the Resident(s) entering into this Agreement shall be permitted to occupy the Residence without our express written permission as hereinafter provided.

- B. **Residence Furnishings.** Your Residence will be furnished at our expense with floor coverings, window blinds, self-defrosting refrigerator and freezer, range and oven, microwave oven, washer/dryer and an emergency call system, all as selected by us.
- C. **Parking.** Each Resident will have access to onsite parking. Limited guest parking is available onsite in designated areas.

D. **Common Areas.** You will have use of common areas in the Community in accordance with the Policies of the Community, as referenced in Section 2.G. of this Agreement.

E. **Included General Services.** We will provide you with the following services, which will be covered by the Monthly Service Fee and Resident Deposit:

- (1) **Dining Service.** We will offer table service in our main dining room. Each Resident is entitled to one meal credit per person for each day of the month (for example, 30 meal credits for June and 31 meal credits for July). You may purchase guest meals or use accumulated meal credits for guests at any time during the month for your meals in the main dining room. Accumulated meal credits may not be assigned to other residents, nor may they be pooled or shared between residents or applied to private functions catered by the Community. Any unused meal credits for any month will be forfeited at the end of each month and may not be applied as a credit against meal charges for any other period.

If you are absent from the Community for more than fourteen (14) consecutive days, you will receive a meal credit allowance in conformance with our meal credit policy, provided you give us written notice of your intended absence at least ten (10) days in advance. For health-related absences, the prior notice requirement may be waived at our sole discretion.

- (2) **Housekeeping.** We will provide bi-weekly scheduled housekeeping of your Apartment, including vacuuming, dusting and emptying of waste baskets.
- (3) **Utilities.** We will provide sewer, water, waste disposal, electricity, heat and air-conditioning, and basic cable television service for your Residence. Your Residence will be centrally wired for cable television and telephone communications service installation. Local telephone service will be included in the monthly fee however you will be responsible for paying all toll and long distance telephone, premium cable television, and internet service provider charges.
- (4) **Security and Emergency Alert System.** Your Residence will be equipped with sprinklers, smoke detectors and an emergency alert system. We will monitor the emergency alert system on a twenty-four (24) hour basis and coordinate emergency responses as appropriate. On-site security personnel will monitor the Community periodically.
- (5) **Maintenance.** We will maintain all buildings, grounds, and common areas, and we will be responsible for providing repair, maintenance, and replacement of furnishings we provide in your Residence, provided such repairs, maintenance, and replacement are a result of normal wear and tear.
- (6) **Mail.** A U.S. mailbox will be provided in a central location for each Apartment.

- (7) **Transportation.** We will provide regularly scheduled local transportation to designated shopping centers, select local events, medical facilities, and other local destinations based on resident demand and as defined by the Community.
- (8) **Social, Educational, and Wellness Programs.** Day-time concierge staff will coordinate a variety of social, recreational, educational, and cultural programs for those residents wishing to participate. In addition, the staff of the Community will coordinate educational and screening programs promoting wellness and preventative health maintenance. Specific programs will be based on residents' interest. Participation in these activities is voluntary and some but not all may require a fee for participation.
- (9) **Taxes and Insurance.** Any Tax assessments on or tax obligations of the Community, should they occur, will be included as part of your Monthly Service Fee. You will be responsible for those taxes assessed on your personal property. The Community will also obtain property and casualty insurance coverage on the buildings and grounds. Such coverage will not insure against loss or damage to your personal property or damage or injury to others caused by you. The Community recommends that you purchase appropriate comprehensive insurance typically referred to as renter's insurance.

F. **Assisted Living, Memory Support and Nursing Services Available for an Additional Charge.** If it is determined that you require assisted living, memory support services or nursing care in the future, we will provide you with such services as described below and subject to change in law.

- (1) **Admission.** You will be given priority admission to the Assisted Living Center, Memory Support Center or the Health Center, respectively, to the extent allowed by licensure, law, and availability of space. You agree to make a temporary or permanent transfer to the appropriate level of care if you are unable to live independently in your Residence. All determinations concerning temporary or permanent transfers will be made to the extent feasible in consultation with you, your family members or representatives, your primary physician and the Executive Director (as referenced in Section 3 of this Agreement). We reserve the right to make the final determination regarding the necessity of a transfer.

If there is a determination that a temporary or permanent transfer is required and, for any reason, there is not available space at the Assisted Living, Memory Support or Health Centers, we will assist you in arranging for your temporary care in your Residence, at your expense, by a certified home health care agency of your choice, subject to our approval, until space becomes available at the respective Center. If home health care is not reasonably possible, we will attempt to arrange for your temporary care in another facility of our choice that can provide the same care that would otherwise have been provided by us until space becomes available at the

respective Center. Any costs of care associated with a home health care agency or care in another facility are your responsibility.

Home health services are intended to be intermittent and short-term in nature, often rendered following an acute illness. Residents are required to register with us any home health care agency that delivers services on the premises of the Community. Any approval by us in your selection of any appropriate home health agency shall in no way be deemed an endorsement of a particular home health care agency. We shall in no way be deemed responsible for the acts or failure to act of any home health care agency.

- (2) **Assisted Living and Memory Support.** Subject to availability, we will provide to you, in the assisted living or memory support apartment of your choice, services which are designed to assist with the activities of daily living in accordance with applicable laws. Services included are assistance with dressing, eating, bathing, toileting, and ambulating. You are responsible for the entire cost of services provided.
- (3) **Nursing.** Subject to availability and applicable laws, we will provide to you in a room of your choice, licensed nursing care services which are approved by your physician and our Medical Advisor. You are responsible for the entire cost of services provided.
- (4) **Reassignment.** In the event of single occupancy and you are admitted temporarily to the Assisted Living, Memory Support or Health Center with a medical prognosis of recovery and an expected return to your Residence, you shall retain possession of your Residence for the purpose of resuming residency in the Residence. However, if your transfer to the respective Center is projected to exceed ninety (90) days, and if within such ninety (90) day period there is not a medical prognosis of recovery, and if in our opinion, in consultation with you, your family members or representatives, your primary physician, and the Community's Executive Director, it is determined that you will not resume residency in your Residence, we will have the right to take possession of and reassign your Residence to a new resident in accordance with Section 3.D. of this Agreement.

G. **Other Services Available for an Additional Charge.** The following other services may be available on a fee-for-service basis to you:

- (1) Guest Meals
- (2) Catering for Special Occasions
- (3) Barber and Beauty Services
- (4) Room Service as needed
- (5) Additional Resident Meals
- (6) Additional Housekeeping Services
- (7) Laundry Services
- (8) Personalized Transportation
- (9) Guest suites
- (10) Limited Garage parking

Charges for any additional services will appear on your monthly bill in accordance with our Additional Services Fee Schedule in effect at the time the services are rendered. These additional services are subject to change at our discretion.

- H. **Alteration to Residence.** You may make or have us make alterations to your Residence at your cost, subject to the Policies of the Community and with our prior written approval. Any approved alteration will be performed by our maintenance staff or by a contractor we approve. Any alterations of a permanent nature become the property of the Community. Upon termination of this Agreement, you may, at our sole discretion, be required to return your Residence to the original design at your cost. In addition, we reserve the right to charge you a reasonable refurbishment fee, as allowed by law. For your safety, you agree not to replace the existing, or install any additional, locking devices to your Residence.

- I. **Advance Notice for Changes in Scope of Services.** We will provide at least thirty (30) days advance notice before any change in the scope of care or services becomes effective, including charges for additional services. We agree not to unreasonably reduce the scope of care or services without reasonable cause. Reductions in scope of care or services resulting from changes in law are considered, without limitation, reasonable cause.

2. RESIDENT'S RIGHTS AND OBLIGATIONS

- A. **Residents Jointly and Severally Liable.** When the parties under this Agreement consist of more than one (1) resident, the rights and obligations apply to each resident individually and jointly. Each person who is designated as a Resident in this Agreement is jointly and severally liable for the payment of the Monthly Service Fee, fees for additional services, and all other amounts required to be paid pursuant to this Agreement. If it is necessary for us to institute legal action or other proceedings to recover amounts due under this Agreement, we also will be entitled to recover reasonable legal fees and all costs incurred in connection with all such proceedings. This provision will survive any termination of this Agreement.

- B. **Health Insurance.** During the term of this Agreement, you shall obtain and maintain in force Medicare Parts A and B (or an equivalent substitute policy approved by us) and any future program that may be offered by Medicare and may be reasonably required by us. You shall also maintain in effect supplemental insurance coverage acceptable to us, and you agree to furnish evidence of such insurance coverage upon our request. If you are not qualified for Medicare coverage because of age, you will be required to maintain comprehensive health coverage satisfactory to us, and you agree to provide evidence of such insurance coverage upon our request. You also agree to execute all necessary forms to obtain payment of benefits which are or may be payable in the future for health care services provided hereunder to you.

You will be responsible for paying for all health care services that are not covered by Medicare, Medicare supplemental insurance, or by us as set forth in this Agreement.

If you have any questions about such coverage, we will provide you with reasonable assistance in obtaining answers.

- C. **Power of Attorney; Guardianship.** You acknowledge that at some future time you may be unable by reason of mental or physical disability to properly handle your own affairs and that it may be in your best interest to have an attorney-in-fact or a guardian appointed to properly administer your affairs. Therefore, you agree to designate in writing, prior to or at the time of entrance, person(s) who will have authority to act on your behalf if you should at any time become unable to properly administer your affairs. If you should thereafter become either physically or mentally unable to properly administer your affairs, this designated person shall either commence administering your affairs pursuant to the terms of a durable power of attorney or file a petition in a court of competent jurisdiction to have a guardian or conservator appointed to administer your affairs. If the designated person(s) are unable or unwilling to file such a petition, you hereby authorize us to do so at your expense.
- D. **Healthcare Costs.** You acknowledge and agree that any and all expenses or charges which may be incurred by you or on your behalf for costs not covered by this Agreement including, but not limited to, physician services, therapy services, podiatry services, diagnostic services, mental health services, medicines, prescription drugs, medical supplies, vitamins, crutches, braces, walkers, wheelchairs, special duty nursing services, hospitalization, care and treatment of eyes, ears and teeth, and any and all other personal medical expenses shall be your sole responsibility. You shall be entitled to treatment by the physician and medical professionals of your choice at your sole expense.
- E. **Resident Handbook.** We will establish and adopt policies and procedures for occupancy, orderly operation and management of the Community, which policies and procedures may be amended in our sole discretion ("Policies"). The Policies will be published in writing in the Resident Handbook and provided to you on or before the Occupancy Date, as referenced in Section 4.A. of this Agreement. You agree to abide by and observe the Policies. The Policies and the Resident Handbook are hereby incorporated by reference. If the terms of this Agreement conflict with the Policies, the terms of this Agreement shall control.
- F. **Resident Negligence or Misconduct.** You agree to pay or reimburse us for any loss, damage, injury, or expense suffered by the Community as the result of your failure to comply with the Policies of the Community or your negligence, misconduct, or willful acts or the failure of your invitees or guests to comply with the Policies of the Community or as a result of their negligence, misconduct, or willful acts. You agree to indemnify, protect, and hold the Community harmless for any loss, damage, injury, or expense resulting from such negligence, misconduct, or willful acts. You shall at all times occupy and use the Residence in compliance with the Policies of the Community and shall at no time conduct, perform, or allow to be conducted or performed any illegal activity on the Community's premises.
- G. **Non-Impairment of Financial Responsibility.** After execution of this Agreement, you agree not to impair your ability to meet your financial obligations under this

Agreement and cause any act such that you would no longer meet the financial qualifications as set by the Community for your Residence. You may undertake or execute any financial transaction you choose, without approval, as long as the transaction does not compromise your ability to meet the financial qualifications of the Community.

- H. **Residents' Council.** Residents of the Community may organize a Residents' Council to represent them in dealing with management and to draft bylaws, elect officers, and hold such meetings to carry out those purposes for which they are organized. Any such Residents' Council shall have the opportunity to meet with representatives of the management of the Community to facilitate the free discussion of subjects including, but not limited to, existing and proposed Policies, programs, services, and the exchange of ideas for betterment of the Community.
- I. **Guests.** Occupancy of the Residence and use of the Community's facilities is limited to you and your guests. Guests may not occupy your Residence for more than fourteen (14) days without our prior written approval. You will be responsible for the conduct of your guests and for payment of any charges incurred by your guests.
- J. **Absence from the Community.** You agree to notify us in advance of any contemplated absence from the Community.

3. TRANSFERS AND READMISSION

There may come a time when you must move to the Assisted Living Center or the Health Center or to another facility which provides services not provided by the Community. We are aware that this is a critical transition and will utilize the following procedures during any transfer or reassignment.

- A. **Consultations.** Except in case of an emergency, we agree not to transfer you from your Residence to the Assisted Living, Memory Support Center or the Health Centers, or to a care facility or hospital which is not located in the Community, for health-related or other reasons unless we have consulted, to the extent feasible, with you, your family members or representatives, your primary physician, and the Community's Executive Director. Such a decision shall be made in the best interests of the Resident, at the sole discretion of the Community, and our decision shall be final and binding. In the case of an emergency transfer, we will schedule the consultations described above within a reasonable period after such transfer.

Circumstances in which it is in the best interest of the Resident to be transferred include, but are not limited to, the following:

- (1) A determination that the Resident can no longer function in an independent manner in a Residence, and the Resident requires additional assistance with activities of daily living or nursing care;
- (2) A determination that you are unable to recognize a safety hazard and respond appropriately to it or you are unable to remain ambulatory (for purposes of

this Agreement, the term "ambulatory" is used to describe a person who is capable of demonstrating the mental competence and physical ability to leave a building without human assistance or supervision in case of emergency); or

- (3) A determination that the Resident's continued residency in the Community would be detrimental to the health, safety, or welfare of the Resident, other residents, or staff of the Community.

If we determine, after consultation, that a Resident requires to be transferred from the Residence to the Assisted Living, Memory Support or Health Centers or to a care facility or hospital which provides services that the Community does not provide, the Resident must agree to relocate in accordance with our determination.

- B. Consents.** If we determine, after the consultations described above, to transfer you to the Assisted Living, Memory Support, or Health Center, or to a suitable care facility or hospital for health care or other health-related services, we are authorized to transfer you without having to obtain your further consent. You shall be responsible for the cost of all services rendered in the Assisted Living, Memory Support or Health Centers or any other facility to which you transfer.
- C. Temporary Transfer.** If we determine that the condition which requires your transfer has the potential to be resolved in a manner which may allow you to return to your Residence within ninety (90) days, the Residence will be held for your return in accordance with Section 1.F. of this Agreement. (For purposes of this Agreement, transfers pursuant to this Section shall be defined as "temporary transfers".)
- D. Availability of Residence upon Permanent Transfer.** In the event of single occupancy and we determine that, following a transfer from your Residence it is unlikely that you will return to it, such that the transfer is permanent in nature, your Residence shall be released and made available to a new resident. In such event, we may enter into a new Agreement for occupancy of the Residence with another resident. You grant us the right to remove your personal property from the Residence and to store it at your expense. If after a permanent transfer you again meet the qualifications for entrance to independent living, in our sole discretion, you will be given priority access status for the next available residence similar to the one relinquished.

In the event of permanent transfer when a Residence is occupied by more than one (1) person, both of whom have signed this Agreement, the remaining Resident shall have the option of: (1) retaining the same Residence with the Monthly Service Fee reduced to the charge for single occupancy then in effect for the Residence; or (2) moving to a smaller residence, if available, and paying the current Monthly Service Fee for single occupancy of the new residence. If the remaining resident chooses to move to a smaller residence, the difference between the original Resident Deposit and the Resident Deposit in effect for the new residence will be refunded when the original residence is re-occupied in accordance with Section 6.C. of this Agreement.

4. RESIDENT DEPOSIT AND FEES

A. **Occupancy Date.** You will receive written notice at least sixty (60) days prior to the date we anticipate your Residence will be available for occupancy ("Occupancy Date"). The Occupancy Date will be the sixtieth (60th) day following your receipt of the notice (or the date your Residence is actually available, if later). If the date you take occupancy is different from the Occupancy Date, it must be previously approved by us in writing. In any event, you shall not be required to move into the Community prior to the expiration of the fourteenth (14) day Rescission Period as provided in Section 6.A. of this Agreement. If you decide not to move into your Residence on the Occupancy Date, our obligation to provide services hereunder shall not be effective until you fully meet all conditions of occupancy as described in Section 5 of this Agreement.

B. **Entrance Fee.**

- (1) You agree to pay a non-transferable, non-interest bearing entrance fee in the total amount of Twenty-Five Thousand Dollars (\$25,000) ("Entrance Fee"). The first installment of Five Thousand Dollars (\$5,000) ("Reservation Deposit") is due at the time you execute this Agreement. The remaining balance of the Entrance Fee is due on or before the Occupancy Date, unless otherwise previously agreed in writing. Once paid, the Entrance Fee will not be increased or changed during the duration of this Agreement. The Entrance Fee shall in no way be considered or interpreted to be a security deposit.
- (2) Other than as stated in Section 6.A. of this Agreement, the Entrance Fee shall be nonrefundable and shall be our property for use in accordance with the terms of this Agreement and the provisions of the Entrance Fee Plan selected by the Resident in Addendum A of this Agreement.
- (3) The purpose of the Entrance Fee is to generate investment income to contribute to the operating income of the Community and to help pay for operating and capital costs. As such, interest income generated from the investment of the Entrance Fee will be paid to us for the benefit of the Community. In addition, at our sole discretion, Entrance Fees may also be used to pay for project development costs, start-up deficits, interest expense, debt retirement, costs of future expansions, and other purposes we deem appropriate. No reserve funding will be specifically established pertaining to the Entrance Fee. In order to obtain permanent financing and to secure the lender or other party or parties who provide financing, we have pledged the receipts and revenues of the Community, including the Entrance Fees, to the extent allowable by law.
- (4) If this Agreement is terminated prior to occupancy, the Reservation Deposit shall be refunded in accordance with the provisions of Section 6.A. of this Agreement.

- C. **Monthly Service Fees and Additional Fees.** Your Monthly Service Fee will initially be \$ _____ per month for one (1) person and an additional \$ _____ per month for the second (2nd) person (individually or collectively, "Monthly Service Fee"). The Monthly Service Fee shall be due beginning on the Occupancy Date and will be prorated, if necessary, on a daily basis for the first (1st) and last months of occupancy. The Monthly Service Fee shall be billed in advance to the Resident on or before the first (1st) day of each month and shall be paid on or before the tenth (10th) day of each month.

Fees for additional services will be charged in accordance with the Additional Services Fee Schedule which we establish and retain on file in the Community's administrative office. Charges for additional services shall be billed on the first (1st) day of each month and shall be paid upon receipt.

- D. **Changes in Monthly Service Fees.** The sum of all charges paid by Resident is intended to provide for the services outlined in this Agreement and to provide for all other financial requirements of operating the Community including, without limitation, debt service, property taxes, or payments in lieu thereof, if any, and any other costs. It is our intention to adjust the Monthly Service Fee, if necessary, only once per year. However, a change may be made at any time upon thirty (30) days prior written notice to Resident if we, in our sole discretion, deem it necessary to meet the financial, service, and contractual obligations of the Community.

- E. **Late Fee.** Any monthly statements not paid within thirty (30) days from the date of the monthly statement shall be subject to a late charge equal to the maximum amount permitted by state law. The Resident is responsible to pay any late charges and the cost of collection, including reasonable attorney fees and costs. A service fee will be imposed and payable by the Resident for any insufficient funds/returned checks.

- F. **Changes in Occupancy.** If your Residence is occupied by two (2) Residents and one (1) Resident surrenders possession of the Residence to the other, other than by death or by a transfer covered by Section 3 of this Agreement, the obligations of the Resident remaining in the Residence under this Agreement remain in legal force and effect, except that the Monthly Service Fee will be reduced to the charge for single occupancy then in effect for the Residence. The Resident not remaining in the Residence will receive no services or benefits under this Agreement but will continue to be jointly and severally liable for the obligations of the Resident remaining in the Residence.

If the joint occupants of a Residence desire separate living accommodations in the Community, and one (1) Resident remains in the Residence designated hereunder, the Monthly Service Fee will be reduced to the charge for single occupancy then in effect for the Residence. Upon occupancy of the second (2nd) residence by the departing joint occupant, a new Agreement must be executed and submitted to us for approval, accompanied by the current Entrance Fee, for the second (2nd) living accommodations.

If you marry another resident, you may: (1) continue to maintain two (2) residences and pay the applicable Monthly Service Fee for single occupancy then in effect for each residence; or (2) release either residence occupied by you and your spouse, and pay the applicable Monthly Service Fee for first (1st) and second (2nd) person occupancy then in effect for the Residence jointly occupied. If you and your spouse choose to maintain two (2) residences, all benefits provided in each Agreement shall remain and continue in effect. If you and your spouse choose to occupy one (1) residence, both you and your spouse will be required to execute a new Agreement, however no additional Entrance Fee will be required for either Resident.

If you and a non-resident (including a new spouse) desire to share the Residence, the non-resident may become a resident and live in the Residence only if he/she meets the qualifications for entrance set forth in Section 5 of this Agreement and both you and the non-resident execute a new Agreement. In such event, the Monthly Service Fee shall be adjusted to reflect the additional charge per month for a second (2nd) person, and the non-resident may be required to pay an Entrance Fee.

If the non-resident does not meet the residency requirements for the Community, we may, in our sole discretion, allow such person to reside in the Community. However, this person would not have any rights or privileges under this Agreement and may not be eligible for the services and benefits provided by the Community.

- G. Residents Who Become Unable to Pay.** In keeping with our mission, it is our policy that this Agreement will not be terminated solely because of your financial inability to continue to pay the Monthly Service Fee or other charges payable under the terms of this Agreement by reason of circumstances beyond your control. However, this Section shall not be construed to qualify or limit our right to terminate this Agreement in accordance with its terms. If you present facts which, in our sole discretion, justify special financial consideration, we will give careful consideration to subsidizing in part or in whole the Monthly Service Fee and other charges payable by you under the terms of this Agreement, so long as such subsidy can be made without impairing our ability to attain our objectives while operating on a sound financial basis. Any determination with regard to the granting of financial assistance shall be at our sole discretion, and any decision to provide such financial assistance shall continue in effect only so long as we, in our sole discretion, determine that we can continue to operate for the benefit of all residents on a sound financial basis.

If we determine to provide you with any financial assistance or subsidy, we may require you to move to a smaller and/or less expensive residence. The cost of any such financial assistance provided shall be accrued and remain your obligation and the obligation of your estate.

5. APPLICATION AND ACCEPTANCE FOR RESIDENCY

Our obligation to provide services and facilities hereunder are conditioned upon acceptance of the Resident for residency in the Community in accordance with this Section. The decision to accept you for residency in the Community shall be at our sole discretion.

- A. **Requirements for Acceptance for Residency.** We require that you be capable of independent living and have assets and income which are sufficient (under foreseeable circumstances and after provision for payment of your obligations hereunder) to meet ordinary and customary living expenses after assuming occupancy. You hereby represent and warrant that you are capable of independent living and have assets and income which are sufficient to meet ordinary and customary living expenses after assuming occupancy.
- (1) **Confidential Data Profile.** To confirm the above representation and warranty, you shall complete and submit a Confidential Data Profile provided by us prior to or concurrent with the execution of this Agreement. You hereby certify to us that all information reflected on such Confidential Data Profile, including all personal financial data, is complete and accurate. The Confidential Data Profile, Attachment B, is incorporated herein by reference.
- (2) **Confidential Medical Profile.** To confirm the above representation and warranty, you shall complete and submit a Confidential Medical Profile prepared by you and/or your primary physician, at our request, after acceptance for residency, but prior to the Occupancy Date. The Confidential Medical Profile is incorporated herein by reference.
- (3) **Age.** To be accepted for residency in the Community, you must be at least sixty-two (62) years of age at or before the Occupancy Date. In the event of joint occupancy, one of the occupants must be at least sixty-two (62) years of age before occupancy, subject to any other limitations imposed by Governmental Agencies.
- B. **Notification of Decision.** Within thirty (30) days of your satisfaction of all of the requirements set forth in this Section, we shall notify you of our decision concerning your acceptance for residency in the Community. If you are not accepted for residency in the Community, your Reservation Deposit shall be refunded within thirty (30) days of the date of the notification to you of non-acceptance for residency, less the processing fee pursuant to Section 6.A. of this Agreement, and the parties shall have no further obligations to one another under this Agreement.
- C. **Acceptance for Residency Conditional upon No Material Changes Prior to Occupancy.** Acceptance of you for residency in the Community shall be conditioned upon no material change in the matters covered by the Confidential Data Profile and the Confidential Medical Profile prior to the Occupancy Date. If there is any such material change prior to the Occupancy Date, we may request additional information or examinations to be provided or performed at your sole expense. If there is a material change in condition after you are accepted for residency so that at the time of occupancy you are precluded from independent living for health reasons, as certified by a licensed physician, your entire Reservation Deposit with interest earned on account to date shall be refunded to you. However, you may elect not to terminate this Agreement and may elect direct admission into the Assisted Living Center or the Health Center at the appropriate level of care, as

determined in our sole discretion and upon completion of the applicable admission agreement.

- D. Duty of Resident to Notify the Community.** You acknowledge and agree that we have relied upon all of the information contained in the Confidential Data Profile and the Confidential Medical Profile completed by you to make a decision regarding acceptance of you for residency in the Community. Any misrepresentation or omission by you shall render this Agreement null and void at our sole discretion. You agree to notify us prior to the Occupancy Date of any material change in any of the matters covered by, or reflected on, the Confidential Data Profile or the Confidential Medical Profile.

6. **TERMINATION AND REFUNDS**

From the effective date of the termination of this Agreement, you shall have no further right to occupy the Residence, or any unit in the Assisted Living Center or the Health Center, or to receive any services or benefits pursuant to this Agreement, except the right to receive the appropriate payment described below, and you shall promptly vacate the Community.

A. Termination Prior to Occupancy.

- (1) You will be entitled to full reimbursement of any monies paid to us, without interest, within thirty (30) days of our receiving your written termination of this Agreement under any one of the following conditions:
 - (a) If you terminate this Agreement before midnight on the fourteenth (14th) day from the date on which you signed this Agreement and paid the Reservation Deposit ("Rescission Period"); or,
 - (b) If we terminate this Agreement by:
 - (i) terminating our intention to fully construct the Community; or,
 - (ii) the Residence not being available for occupancy within three (3) years after the date of execution of this Agreement.
- (2) You will be entitled to a reimbursement of any monies paid to us, without interest, less a two thousand five hundred dollar (\$2,500.00) application and processing fee, within thirty (30) days of our receiving your written termination of this Agreement if you terminate this Agreement prior to occupancy and after expiration of the Rescission Period.
- (3) If you become incapable of occupying your Residence because of illness, injury, death, or other circumstances beyond your control that equitably entitles you to a refund, this Agreement may be terminated by us in our sole discretion, and you or your legal representative will be entitled to a full

reimbursement of any monies paid to us, without interest, within thirty (30) days of us receiving written notice of such circumstances. However, you may request that we not terminate this Agreement and may elect direct admission into the Assisted Living Center or the Health Center at the appropriate level of care, as determined in our sole discretion.

B. Termination of Residency after Occupancy. After you have assumed occupancy of your Residence, this Agreement shall continue for the Resident's lifetime unless sooner terminated as follows:

- (1) This Agreement shall terminate upon your death, if you are the only Resident hereunder, and upon the death of the surviving Resident, if there are two (2) Residents hereunder.
- (2) You may terminate this Agreement at any time for any reason by delivering written notice to us, such termination to be effective on the later of sixty (60) days from the date such notice is received or another date specified in the notice.
- (3) We may terminate this Agreement after the Occupancy Date for medical reasons, including, but not limited to, the following:
 - (a) You have been determined by a court of competent jurisdiction to be legally incapacitated or incompetent;
 - (b) You have developed a condition for which the Community cannot provide care;
 - (c) You are in need of drug or alcoholic rehabilitation or a condition for which the Community cannot provide care; or,
 - (d) You are or have become mentally or emotionally disturbed to a degree that your continued presence in the Community is considered to be detrimental to your health, safety, or welfare or that of other residents or staff of the Community.

Should any of these situations occur, we are expressly authorized (in consultation, if appropriate and to the extent feasible, with your family members or representatives, your primary physician, and the Community's Executive Director) to transfer you, at your sole expense, to an appropriate hospital facility or alternative care facility.

- (4) We may terminate this Agreement after the Occupancy Date for nonmedical reasons including, but not limited to the following:
 - (a) A material misrepresentation or omission in the Confidential Data Profile, Confidential Medical Profile, or related materials which, if such information had been accurately provided, would have been material to the decision whether or not to accept you for residency;

- (b) If you fail to comply with the Policies of the Community or create a situation detrimental to your health or safety or the quiet enjoyment of the Community or that of other residents or the staff of the Community;
- (c) If you file for protection under the bankruptcy laws of the United States, under any chapter, or you convey all your assets for the benefit of creditors, or you involuntarily file for bankruptcy law protection;
- (d) If you fail to pay the Monthly Service Fee or other amounts owed to us when due unless other mutually satisfactory arrangements have been made, and subject to any subsidy provided by us in accordance with the provisions of Section 4.G. of this Agreement;
- (e) You materially breach the terms or conditions of this Agreement; or
- (f) The Residence is no longer fit for occupancy, and we elect not to restore the Residence to habitable condition.

If we seek to terminate this Agreement and your occupancy for nonmedical reasons, we shall give you sixty (60) days prior written notice of termination which shall reasonably describe the conduct alleged to warrant the termination of this Agreement and shall set the time, place, and date for a meeting between you and representatives of the Community, which shall not be earlier than thirty (30) days nor later than forty-five (45) days after the notice of termination. At this meeting you may avoid termination by demonstrating to our reasonable satisfaction that you have cured the conduct alleged to warrant the termination.

- C. **Effect of Double Occupancy.** If your Residence is occupied by two (2) Residents and one (1) Resident dies, this Agreement will continue in full legal force and effect as to the surviving Resident, except the Monthly Service Fee will be reduced by the current charge for second (2nd) person occupancy of the Residence.
- D. **Right of Offset; Other Rights.** Termination of this Agreement for whatever reason will not affect or impair the exercise of any right or remedy granted to us or you under this Agreement for any claim or cause of action occurring prior to the date of such termination.
- E. **Relocation.** You may elect to move to another Residence, subject to availability. In such event, this Agreement will be amended to reflect the change in Residence status. You will pay the current Monthly Service Fee for the new Residence. All moving costs will be at your sole expense. You will not be required to pay an additional non-refundable Resident Deposit amount. However, a transfer fee may be assessed at the prevailing rate.

- F. **Subordination to Lease Agreement; Termination of Residency in the Event of the Termination of the Lease Agreement.** This Agreement is expressly subject to and subordinate to the terms, conditions, covenants and agreements of the land lease between the Community and the Sisters of Mercy of the Americas West Midwest Community, Inc. (the "Sisters of Mercy"). The Sisters of Mercy have leased the premises (as defined in the Lease Agreement) to Mercy Circle upon which the Community is constructed (the "Lease Agreement"). In the event that the Lease Agreement expires or terminates, this Agreement will also automatically terminate, without further action of any party to this Agreement or the Lease Agreement. The Lease Agreement has a term of thirty-five (35) years commencing in the year 2010. The Sisters of Mercy may earlier terminate the Lease Agreement upon any "Event of Default" (as defined in the Lease Agreement), including but not limited to if Mercy Circle shall fail to observe and faithfully perform any of its covenants in the Lease Agreement for thirty (30) days after written notice is given by the Sisters of Mercy to the Community (or to take steps in good faith to remedy the failure).

7. MISCELLANEOUS PROVISIONS

- A. **Resident(s)' Interest.** You do not have any proprietary interest in the Community or its assets or properties by virtue of this Agreement. You agree you shall not pledge, mortgage, or use this Agreement or your Residence as a security interest, and that no one to whom you owe money or who may have some other claim against you may make or file any claim, lien, or attachment against this Agreement or your Residence.
- B. **Responsibility for Protection of Resident(s)' Property.** We shall not be responsible for damage or loss to any personal property belonging to you caused by fire, flood, storm or other casualty, or by leaking of water, bursting pipes, theft, or any other cause. You shall be solely responsible, at your sole expense, for insuring against property damage or loss and personal liability to others. In the event of your death or transfer from the Community, we will exercise ordinary care in temporarily safekeeping your personal property. If such property is not removed from the Community premises within five (5) days after termination of this Agreement, we reserve the right to have such property placed in storage at the sole expense and risk of you or your estate. Personal property not claimed by your or your representative within thirty (30) days shall be accepted by the Community as a donation, as indicated within Attachment D of this Agreement, herein incorporated by referenced.
- C. **Right of Entry.** You hereby authorize our employees and agents to enter your Residence to provide services, repairs, maintenance, alterations, pest control, and inspection, and to respond to perceived medical or other emergency.
- D. **Damage to Apartment.** If your Residence is damaged by fire, flood, storm, or other casualty or cause and we elect not to terminate this Agreement, we will, at our expense, proceed diligently to repair and restore your Residence. If your Residence is uninhabitable during the repair, we will relocate you to a comparable type

Residence in the Community, if available, or, if not, we will try to relocate you temporarily to any other available Residence in the Community and the Monthly Service Fee will be adjusted for the type of Residence you temporarily occupy.

- E. **Entire Agreement.** This Agreement represents the entire understanding between the parties and supersedes all previous representations, understanding, or agreements, oral or written, between the parties to the Agreement.
- F. **Modifications.** The Community reserves the right to modify the terms of this Agreement to any changes in law or regulation. To the extent reasonably possible, the Community will give the Resident thirty (30) days advance written notice of any such modifications.
- G. **Assignment.** This Agreement is assignable by us without your prior consent. The provisions of this Agreement are not assignable or transferable in whole or in part by you. You do not have a right to sublet the Residence.
- H. **Severability.** The various provisions of this Agreement shall be severable one from another. If any provision of this Agreement is found by a court or administrative body to be invalid, the other provisions shall remain in full force and effect as if the invalid provision had not been a part of this Agreement.
- I. **Subordination.** Your rights under this Agreement will be subordinate to any mortgage, security interest, pledge, or other lien that now encumbers all or any part of our assets and shall be further subordinate to any mortgage, security interest, pledge, or other lien hereafter placed on all or any part of our assets. You agree to execute, acknowledge, and deliver such subordination agreements as any lender or future lender shall reasonably require in order to establish the priority of any such lien.
- J. **Nondiscrimination.** The Community will be operated on a non-discriminatory basis and will provide the facilities and services described in this Agreement to individuals regardless of race, color, sex, marital status, religion, creed, ancestry, disability, national origin, or status with regard to public assistance.
- K. **Notices.** Any notice, payment, or communication required or permitted in this Agreement to us by you will be given in writing and mailed or delivered to us at the administrative office or at such other address as we may designate in writing. Any notice to you by us will be given in writing and mailed or delivered to your Residence or at such other address as you may designate to us in writing.
- L. **Governing Law.** This Agreement shall be interpreted in accordance with the laws of the State in which the Community is located and shall be binding upon and benefit each of the undersigned parties and their respective heirs, personal representatives, successors, and assigns.
- M. **Third-Party Rights.** No other persons or entities other than you and the Community have any rights or obligations under this Agreement.

- N. **Waiver of Provisions.** The Community reserves the right to waive any obligation of the Resident under the provisions of this Agreement in its sole and absolute discretion. No term, provision, or obligation of this Agreement shall be deemed to have been waived by the Community unless such waiver is in writing by the Community. Any waiver by the Community shall not be deemed a waiver of any other term, provision, or obligation of this Agreement, and the other obligations of the Resident and this Agreement shall remain in full force and effect.
- O. **Right of Subrogation.** Should you be injured by a third-party and such injury requires us to arrange health care services under this Agreement, the Community shall be subrogated, to the extent allowed by law, to your rights against such other third-party to the extent necessary to reimburse us for the costs incurred in providing care services under this Agreement. To the extent allowed by law, this right of subrogation authorizes us to institute legal action in your name. However, such action shall not cause or result in a compromise, waiver, or release of any causes of action that you may have against such third-party for such injuries.
- P. **Certain References.** Whenever in this Agreement a singular word is used, it also shall include the plural wherever required by the context and vice-versa. All references to the masculine, feminine, or neuter genders herein shall include any other gender, as the context requires.
- Q. **Limitation on Damages.** In no event shall you be entitled to recover from the Community special, punitive, incidental or consequential damages arising out of or relating to a breach by the Community under this Agreement, even if you have been advised of the possibility of such damages.
- R. **Uncontrollable Interruption of Services.** No breach of our obligations under this Agreement shall result from an interruption of, or failure to provide, contracted services due to an act of God or other cause beyond our reasonable control, specifically including strikes or other forms of labor disturbances, government edicts, regulations and/or embargoes, acts of war or terrorism, shortages of labor or materials, fire, flood, inclement weather, interruption of utility services, or your acts
- S. **Review and Consultation.** You hereby acknowledge and agree that you (1) have read this Agreement in its entirety prior to executing it; (2) understand the provisions and effects of this Agreement; and (3) have consulted with such attorneys, accountants, and other advisors as you have deemed appropriate in connection with your execution of this Agreement.
- T. **Headings.** The headings contained in this Agreement have been inserted and used solely for ease of reference and shall not be considered in the interpretation or construction of this Agreement.

8. EXECUTION

IN WITNESS WHEREOF, the Resident(s) and Mercy Circle, Inc. have signed this Agreement on this _____ day of _____, 20_____.

RESIDENT(S):

Signature: _____

Signature: _____

Print Name: _____

Print Name: _____

MERCY CIRCLE, INC.

By: _____

Its: _____

CORPORATE BYLAWS
OF
MERCY CIRCLE
CHICAGO, ILLINOIS

ARTICLE I CORPORATION

Section 1.1 Name. The name of the corporation is Mercy Circle (“**Mercy Circle**”). Mercy Circle is an Illinois not for profit corporation.

Section 1.2 Office. The location of the principal office of Mercy Circle shall be at such place in the State of Illinois as determined from time to time by the Corporate Member, and Mercy Circle may have other offices within or without the state as the Corporate Member may from time to time determine. Mercy Circle shall have and continuously maintain a registered agent and registered office in Illinois.

Section 1.3 Purposes. Mercy Circle is organized and operated exclusively for charitable, religious, scientific and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended or corresponding provisions of any future United States internal revenue laws (the “**Code**”) and consistent therewith:

(a) To provide for the spiritual, psychological and physical needs of the aged and infirm without regard to race, creed, national origin, and gender.

(b) To conduct and participate in educational activities related to the promotion of healthcare and wellness of all those served by Mercy Circle.

(c) To establish, own, operate, lease, manage or maintain elder care facilities and related facilities, services and programs, provided, however that in no instance shall Mercy Circle engage in the practice of medicine;

(d) To provide for a waiver or reduction, based on an individual’s ability to pay, of any entrance fee, assignment of assets, or fee for services;

(e) To promote and support the interests and purposes of organizations which provide health care, education or research and which fall within the category of Section 501(c)(3) of the Code;

(f) To own, lease or otherwise deal with all property, real and personal, to be used in furtherance of these purposes;

(g) To contract with other organizations, for-profit and not-for-profit, individuals and governmental agencies in furtherance of these purposes;

(h) To function as an integral part of the apostolate of the Roman Catholic Church and to act in accordance with the applicable principles of the Code of Canon Law and the Ethical and Religious Directives for Catholic Health Care Services, as from time to time adopted, approved and confirmed by appropriate authority of the Roman Catholic Church.

Section 1.4 Tax-Exempt Status. All of the assets and earnings of Mercy Circle shall be used exclusively for charitable, religious, scientific or educational purposes within the meaning

of Section 501(c)(3) of the Code.

(a) Mercy Circle may make distributions to organizations that qualify as exempt organizations under Section 501(c)(3) of the Code.

(b) No part of the net earnings of Mercy Circle shall inure to the benefit of, or be distributable to its members, directors, officers or other private persons, except that Mercy Circle shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth in Article 4 above.

(c) No substantial part of the activities of Mercy Circle shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and Mercy Circle shall not participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of (or in opposition to) any candidate for public office.

(d) Notwithstanding any other provision of these articles, Mercy Circle shall not carry on any other activities not permitted to be carried on (i) by a corporation exempt from federal income tax under Section 501(c)(3) of the Code or (ii) by a corporation, contributions to which are deductible under Section 170(c)(2) of the Code.

Section 1.5 Corporate Dissolution. Upon dissolution of Mercy Circle, the Board of Directors shall, after paying or making provision for the payment of all of the liabilities of Mercy Circle, convey or distribute all of the remaining assets of Mercy Circle to Sisters of Mercy of the Americas West Midwest Community, Inc., a Missouri nonprofit corporation, or to its successors or assigns, if then in existence and qualified as exempt from federal income tax pursuant to Section 501(c)(3) of the Code; or, if said corporation, successor or assign is not then so qualified, then to such organization or organizations organized and operated exclusively for charitable, religious, educational or scientific purposes as shall at the time qualify as an exempt organization or organizations under Section 501(c)(3) of the Code as the Board of Directors designates. Any such assets not so disposed of shall be disposed of by the appropriate court of law of the county in which the principal office of Mercy Circle is then located, exclusively for such charitable, religious, educational or scientific purposes or to such organization or organizations, as said court shall determine, which are organized and operated exclusively for such purposes.

ARTICLE II CORPORATE MEMBERSHIP

Section 2.1 The Corporate Member. The persons comprising the Corporate Member shall be known as the Members of the Corporation (the "Corporate Member"). The original Members of the Corporation are appointed by the leadership team of the Sisters of Mercy of the Community of Chicago. Subsequent appointments of Members of the Corporation are appointed by the corporate leadership of the Sisters of Mercy of the Americas West Midwest Community, Inc. The names of the appointees comprising the Corporate Member shall be certified to the Board of Directors of Mercy Circle by the President of the Sisters of Mercy of the Americas West Midwest Community, Inc. The Corporate Member shall have all rights which are vested in members of a corporation under the Illinois General Not For Profit Corporation Act of 1986 as

amended or any succeeding statute (the "Act"), including the right to ensure through the Board of Directors that Mercy Circle is conducting its business and affairs consistent with and in furtherance of its mission, objectives and philosophy, as the Corporate Member deems advisable.

Section 2.2 Matters Requiring Approval of the Corporate Member. The following matters, known as Reserve Powers, must be presented to the Corporate Member for approval prior to becoming effective:

- (a) Any change in the mission, vision or values of Mercy Circle.
- (b) Amendments of the Articles of Incorporation or the Bylaws of the Corporation.
- (c) Merger, consolidation, sale, dissolution or name change of Mercy Circle.
- (d) The appointment of the Executive Director of Mercy Circle.
- (e) Borrowing by Mercy Circle in excess of \$1,000,000 and/or where repayment is due more than three (3) years from the date the debt is incurred.
- (f) Appointment of the members of the Board of Directors.

Section 2.3 Action of the Corporate Member. The Corporate Member shall execute and deliver a letter or memorandum signed by the President or Secretary of the Corporate Member, setting out the action taken under Section 2.2 above.

Section 2.4 Matters Requiring Communication with the Corporate Member. The following matters shall be presented to the Corporate Member for informational purposes:

- (a) The annual operating and capital budgets.
- (b) The Strategic Long Range Plan and updates.
- (c) The annual financial audit.

Section 2.5 General. No membership dues or assessment of any kind or nature shall be levied against or collected from the Corporate Member. The Corporate Member shall not be liable for the debts or obligations of Mercy Circle or its subsidiary corporations. The Corporate Member may be reimbursed for expenses reasonably incurred on behalf of Mercy Circle.

ARTICLE III THE BOARD OF DIRECTORS

Section 3.1 General Powers and Duties. Subject to the powers reserved to the Corporate Member under these Bylaws, the Articles of Incorporation or the General Not-For-Profit Corporation Act of the State of Illinois, all of the business and affairs of Mercy Circle shall be managed by or under the direction of the Board of Directors, which

shall constitute the Governing Board. Without limiting the generality of the foregoing, the Board of Directors shall:

- (a) Maintain corporate oversight over Mercy Circle's activities.
- (b) Take all action necessary to assure the mission of Mercy Circle is being fulfilled.
- (c) Approve the statement of the mission, vision and values statement of Mercy Circle.
- (d) Appoint Board committees essential to carry out Board responsibilities.
- (e) Employ and evaluate the Executive Director.
- (f) Recommend to the Corporate Member amendments to the Bylaws of Mercy Circle.
- (g) Approve the strategic plan and annual budget of Mercy Circle and submit to the Corporate Member for informational purposes.
- (h) Recommend to the Corporate Member candidates for the Board of Directors.
- (i) Approve any borrowing and long term leases consistent with Section 2.2(e).
- (j) Forward all approved actions related to the Reserved Powers of the Corporate Member and informational submissions to the Corporate Member, as set forth in Sections 2.2 and 2.4 above.

Section 3.2 Qualifications.

- (a) Criteria for the selection of directors shall include, but not be limited to, the following:
 - (i) Commitment to safeguard the charitable, educational and religious mission and purpose of Mercy Circle, especially its Catholic-Mercy character.
 - (ii) Recognized community leadership.
 - (iii) Expertise in an area of need (e.g., senior housing, education, healthcare, spirituality, ethics, finance, law, corporate ministries, etc.).
 - (iv) Acknowledgement of and commitment to the corporate purposes, as stated in these bylaws.

(b) At least one member of the Board of Directors shall be the President of the Sisters of Mercy of the Americas West Midwest Community, Inc. or her designee. If a designee is appointed by the President of the Sisters of Mercy of the Americas West Midwest Community, Inc., the person designated shall be subject to the director term

limits set forth in Section 3.3.

(c) With the exception of the Executive Director, employees of Mercy Circle shall be ineligible to serve as members of the Board of Directors.

Section 3.3 Number, Term of Office and Re-Election. The number of directors shall be not less than five (5) nor more than nine (9). The initial term of office shall be three (3) years, subject to reappointment for not more than two (2) subsequent three (3) year terms. The initial Board of Directors shall be appointed for terms of office such that the Board of Directors thereafter shall be divided into three classes for the purpose of serving staggered terms of office. A director (other than an ex-officio director) who has completed three (3) consecutive full terms shall not again serve as a director until the expiration of one (1) year from the end of such director's last term of office. A director who has served more than half a term is considered to have served a full term.

Section 3.4 Director and Officer Elections. The Board of Directors Governance Committee is responsible for soliciting candidate recommendations from the Board and other constituents of Mercy Circle. The committee is responsible for the preparation of a list of director and officer candidates to be presented to and elected by the Board to fill expired or vacant unexpired terms on the Board of Directors or of an officer position. Following election by the Board, the names of individuals recommended for the position of director shall be forwarded to the Corporate Member for its consideration and approval.

Section 3.5 Resignations. A director may resign at any time by giving written notice to the Chairperson of the Board of Directors. Such resignation shall take effect at the time specified therein and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 3.6 Removal of Directors. A director may be removed in accordance with these Bylaws by an affirmative vote of a majority of Board members present and voting at a meeting of the Board of Directors, whenever, in the judgment of the Board of Directors, the best interests of Mercy Circle will be served by such action. The notice for such Board meeting shall include this specific matter as an agenda item.

Section 3.7 Vacancies. Any vacancy occurring on the Board of Directors may be filled by appointment made by majority vote of the directors, in accord with the term and election provisions described in Sections 3.3 and 3.4 of these Bylaws, and subject to approval of the Corporate Member.

Section 3.8 Annual Meeting of the Board of Directors. The annual meeting of the Board shall be held at such time each year as may be established by the Board from time to time, or thereafter, for the purpose of electing officers and transacting any business as may properly come before the meeting.

Section 3.9 Regular Meetings of the Board of Directors. Regular meetings of the Board of Directors shall be held at Mercy Circle at least annually or at more frequent intervals or at other locations, as the Board of Directors may fix and determine.

Section 3.10 Special Meetings of the Board of Directors. Special meetings of the Board of Directors may be held at any time on the call of the Chairperson or at the request in writing of any two (2) directors, or at the request of a majority vote of the Corporate Member. Special meetings of the Board may be held at such place, either within or without the State of Illinois, as shall be specified or fixed in the call for such meeting or notice thereof.

Section 3.11 Notice of Special Meetings. Except in cases of emergency, notice of each special meeting shall be communicated to each director either at their residence or usual place of business, for receipt at least three (3) calendar days before the day on which the meeting is to be held. Notice may be waived in writing by a director either before or after the meeting. Any meeting of the Board of Directors shall be a legal meeting without any notice thereof having been given if all directors attend. The purpose of any special meeting of the Board of Directors must be specified in the notice or waiver of notice of such meeting.

Section 3.12 Quorum. A simple majority of the Board of Directors in office shall constitute a quorum and the act of a simple majority of the members present at a meeting at which a quorum is present shall be the act of the Board.

Section 3.13 Meeting by Telephone or Other Communications Medium. Members of the Board of Directors or of any committee of the Board of Directors may participate in and act at any meeting of the board or committee by means of conference telephone, webcast or other communications equipment through which all persons participating in the meeting can hear each other simultaneously. Participation in such a meeting shall be equivalent to attendance and presence in person at the meeting of the person or persons so participating.

Section 3.14 Action Without a Meeting. Any action required to be taken at a meeting of the Board of Directors may be taken without a meeting, if consent in writing setting forth the action so taken shall be signed by all directors in office.

Section 3.15 Compensation. Directors shall serve without financial compensation for their services as such, but may be compensated for services rendered to Mercy Circle in other capacities, and shall be entitled to reimbursement, in any case, for actual, necessary and reasonable expenses incurred incident to their work upon business of Mercy Circle.

ARTICLE IV OFFICERS OF MERCY CIRCLE

Section 4.1 Officers of Mercy Circle. The Corporation shall have the following elected officers: President, Vice-Chairperson, Executive Director and Secretary. They shall be elected in accordance with these Bylaws and shall serve in their respective capacities as officers of Mercy Circle.

Section 4.2 Election and Term of Office. Officers of Mercy Circle, with the exception of the Executive Director, shall be elected annually by the Board in accord with Section 3.4 of Article III. Each officer shall hold the position for a term of one (1) year, beginning July 1.

Section 4.3 Resignations and Removals. Any officer may resign at any time by giving written notice to the President. The Board may remove an officer whenever, in the Board's judgment, the best interests of Mercy Circle would be served thereby.

Section 4.4 Vacancies. A vacancy in any office may be filled by appointment made by majority vote of the Board of Directors in accord with the election provision of Section 3.4 of Article III. Each person elected to fill a vacancy shall remain as officer until a successor has been elected by the Board at its annual meeting or at any special meeting called for such purpose.

Section 4.5 President of Mercy Circle. The President of Mercy Circle serves as chairperson of the board and shall preside at all meetings of the Board of Directors and the Board's Executive Committee, shall exercise such power and perform all duties incident to the office of President of Mercy Circle's Board of Directors, including representing the Board in its relationship with the Corporate Member, and shall perform such other duties as may be assigned by the Board of Directors.

Section 4.6 Vice-Chairperson of Mercy Circle. The Vice Chairperson shall, in the absence of the President, perform the duties of the President and shall perform such other duties as from time to time may be assigned by the President or the Board of Directors.

Section 4.7 Executive Director. The Executive Director of Mercy Circle shall be the chief executive officer of Mercy Circle and shall be an ex-officio, non-voting member of the Board of Directors, and shall have the duties and authority that such position would customarily carry, including, but not limited to, the following:

(a) Carrying out all policies established by the Board and advising on the formation of these policies.

(b) Developing and directing an administrative organization to manage Mercy Circle within established policies and procedures approved by the Board of Directors and seeing that all orders and resolutions of the Board are carried into effect.

(c) Attending meetings of the Board and serving as an ex-officio member on its committees.

(d) Preparing annual operating goals and objectives for Mercy Circle, to be presented to the Board.

(e) Preparing annual operating and capital budgets for Mercy Circle, to be presented to the Board for approval each year.

(f) Presenting to the Board, for its consideration and approval, (i) any proposed expenditure by Mercy Circle not previously approved in the annual budget and above the designated spending authorization established annually by the Board, and (ii) any plan for

construction, purchase, sale, lease, exchange, gift, pledge or mortgage of any real property or interest therein, or the disposition of any other asset of Mercy Circle not previously approved in the annual budget.

(g) Presenting to the Board, or its authorized committees, periodic reports reflecting the activities of Mercy Circle and such other special reports as may be required by the Board.

(h) Representing Mercy Circle in its relationship with religious, civic, social and external organizations.

(i) Presiding, in the absence of the Chairperson and Vice Chairperson, at all meetings of the Board of Directors and the Board's Executive Committee.

(j) Performing such other duties as may from time to time be assigned by the Board of Directors.

Section 4.8 Secretary of Mercy Circle. The Secretary of Mercy Circle shall assure that appropriate notices or waivers of notices regarding Board meetings are prepared; shall provide agenda and other materials for all meetings of the Board of Directors, shall provide for and maintain accurate minutes of all meetings of the Board and its Executive Committee, and shall perform such other duties as may be assigned by the Board of Directors. The Secretary must be a member of the board of directors.

An Assistant to the Secretary may be appointed by the President. The Assistant to the Secretary may be the Administrative Assistant of the Executive Director and shall act as official custodian of all records and reports of Mercy Circle; shall keep the Corporate Seal of Mercy Circle and affix it to corporate documents as directed by the Executive Director as mandated by law or as otherwise appropriate; and shall perform such other duties as may be assigned by the President, Executive Director or the Secretary of the Board of Directors.

Section 4.9 Treasurer of Mercy Circle. If a Treasurer of Mercy Circle is desired, the Treasurer is not an officer of the Corporation and is appointed by the President. The Treasurer shall assure that periodic and timely financial reports are prepared by the financial officers of Mercy Circle for presentation to its Board by the Executive Director or by the Treasurer, and shall perform other such duties as may be assigned by the Board of Directors. The Treasurer may, but need not be, the chief financial officer of the Corporation. The treasurer need not be a member of the board.

An Assistant to the Treasurer may be appointed by the President. The Assistant Treasurer may be the chief financial officer of Mercy Circle and shall have custody and control of all funds of Mercy Circle; shall ensure that a true and accurate accounting of all financial transactions of Mercy Circle is made periodically and that reports of such transactions are provided to the Executive Director and as appropriate, to the Treasurer, for presentation by the Executive Director or by the Treasurer of the Board of Directors; and shall perform other duties incident to

the office of Assistant Treasurer and such other duties as may be assigned by the President, Executive Director, or the Treasurer of the Board.

ARTICLE V COMMITTEES OF THE BOARD OF DIRECTORS

Section 5.1 Standing Committees of the Board of Directors. A majority of the Directors then in office may create standing committees to serve at the direction and pleasure of the Board. Each committee shall report its activities and findings to the Board on a regular basis, as determined by the Board. Each committee shall be chaired by a member of the Board and may consist of members other than Directors. The standing committees of the Board of Directors shall be:

- (a) Executive Committee
- (b) Governance Committee
- (c) Finance Committee
- (d) Planning Committee

Section 5.2 Functions of Standing Committees. Each committee shall be subordinate to the Board of Directors. Each committee, other than the Executive Committee whose additional powers and responsibilities are outlined in Section 5.3, shall communicate and recommend actions to the Board based upon such committee's activities. Each committee may exercise the authority of the Board to the extent that such authority is not inconsistent with the Act, the Articles of Incorporation of the Corporation and these Bylaws, provided that, neither the Executive Committee nor any other committee shall:

- (a) Adopt a plan for the distribution of the assets of the Corporation, or for dissolution;
- (b) Fill vacancies on the Board or on any of its committees;
- (c) Elect, appoint or remove any officer or Director or member of any committee, or fixing the compensation of any member of a committee;
- (d) Adopt, amend or repeal the Bylaws or Articles of Incorporation of the Corporation;
- (e) Adopt or recommend to the Corporate Member, a plan of merger or plan of consolidation with another corporation, or authorize the sale, lease, transfer, pledge or mortgage of all or substantially all of the property or assets of the Corporation; or
- (f) Amend, alter, repeal or take any action inconsistent with any resolution or action of the Board when the resolution or action of the Board provides by its terms that it shall not be amended, altered or repealed by action of a committee.

Section 5.3 Executive Committee. The Executive Committee membership shall

consist of the officers of the Board of Directors. The President shall be Chairperson of the Executive Committee. The Executive Committee shall:

(a) Transact in the interim between meetings, all emergent business of the Board when time is of the essence. No action so taken shall be in conflict with the express policies of the Board of Directors or these Bylaws.

(b) Assure that the Board at its next regular Board meeting is informed of all interim actions of the Executive Committee, and assure that all such interim actions, other than actions where time is of the essence, are submitted to the Board for ratification at the referenced Board meeting.

(c) Function as advisor to the Executive Director.

(d) Establish a process of evaluation for the Executive Director and execute the same.

(e) Perform other duties as appropriate for the Executive Committee.

Section 5.4 Governance Committee. The Governance Committee of the Board shall:

(a) Draw up proposed amendments to the Bylaws of Mercy Circle.

(b) Prepare a list of director and officer candidates for the Board of Directors, as described above in Sections 3.4 and 4.1 for recommendation to the Board.

(c) Recommend to the President candidates for committee membership.

(d) Provide for effective Board structure and functioning, including: developing a Board handbook, recommending an annual Board evaluation process, proposing annual Board objectives, preparing statements of roles and responsibilities, identifying the skill mix criteria of Board members, drafting conflict of interest statements and policies, and other governance self-management policies.

(e) Assure that the Board of Directors is in compliance with its Bylaws.

(f) Perform other duties as assigned from time to time by the Board or its Executive Committee and/or as appropriate for the Governance Committee.

Section 5.5 Finance Committee. The Finance Committee of the Board shall:

(a) Review, recommend, evaluate and monitor the fiscal policies and financial performance of Mercy Circle.

(b) Review and recommend to the Board the following items: annual operating and capital budgets, annual financial audit report, selection of investment firms, and selection of an auditing firm.

(c) Identify the long-range and short-term financial requirements of Mercy Circle and monitor progress of approved plans and goals as outlined in the Strategic Long Range Plan for report to the Board.

(e) Perform other duties as appropriate for the Finance Committee.

Section 5.6 Planning Committee. The Program and Services Committee shall:

(a) Review and recommend changes in the mission, vision and value statements of Mercy Circle.

(b) Recommend for Board approval a strategic plan that includes a vision, strategic direction and major strategies to achieve Mercy Circle's mission.

(c) Monitor and assess management's reports concerning existing programs and services.

(d) Monitor implementation of the approved strategic plan and recommend corrective action as necessary to assure alignment of vision and strategies.

(e) Review and recommend proposals related to affiliations, joint ventures or other types of partnerships between/among Mercy Circle and other similar institutions.

(f) Review and recommend proposals related to the dissolution, merger or closure of Mercy Circle.

(g) Assign components of the plan to the relevant Board committees and these committees shall report their progress to the Board.

(h) Perform other duties as appropriate for the Program and Services Committee.

Section 5.8 Appointment to Board Committees other than the Executive Committee. The President, in consultation with other Board members, shall appoint committee members. Such Committee membership shall begin with the Board's first meeting in its new fiscal year.

The President shall appoint one (1) member of each committee of the Board as committee chairperson. The President is an ex-officio, voting member of each Committee and may attend meetings. The Executive Director is an ex-officio, non-voting member of each committee and may attend meetings.

The President may fill vacancies in the membership of any committee. No action of any committee, other than emergent action of the Executive Committee, when time is of the essence, shall be binding until ratified by the Board of Directors.

Section 5.9 Special Committees and Task Forces. The President may appoint special committees and task forces from time to time as warranted. Each such committee shall have a description of its function and a recommended completion date. Special committees and task forces shall stand discharged upon completion of their functions. Such committees shall report to the Board on a regular basis, as determined by the Board.

Section 5.10 Quorum. Unless otherwise provided in the resolution of the Board appointing a committee, a majority of the voting members of that committee shall constitute a quorum and the act of a simple majority of the voting members present at a meeting at which a quorum is present shall be the act of the committee.

ARTICLE VI FISCAL MATTERS

Section 6.1 Fiscal Year. The fiscal year of Mercy Circle shall commence on July 1 of each year and end on June 30 of each year.

Section 6.2 Contracts. The Board of Directors in accordance with these Bylaws may authorize any officer or officers, agent or agents to enter into any contract or execute and deliver any instrument in the name of and on behalf of Mercy Circle.

Section 6.3 Loans. No loans shall be contracted on behalf of Mercy Circle and no evidence of indebtedness shall be issued in its name unless authorized by a resolution of the Board of Directors and consistent with Section 2.2. No loan shall be granted to any officer or director of Mercy Circle.

Section 6.4 Checks and Drafts. All checks, drafts, or other orders for the payment of money, notes or other evidences of indebtedness shall be issues in the name of Mercy Circle or to Mercy Circle, shall be signed or endorsed by such officer or officers, agent or agents of Mercy Circle and in such manner as shall from time to time be determined by resolution of the Board of Directors.

Section 6.5 Deposits. All funds of Mercy Circle, not otherwise employed, shall be deposited from time to time to the credit of Mercy Circle in such banks, trust companies or depositories as the President may select.

Section 6.6 Gifts. The Board of Directors or officers may accept on behalf of Mercy Circle any contribution, gift, bequest or devise for the general purpose or for any special purpose of Mercy Circle.

Section 6.7 Corporate Seal. The Board shall adopt a corporate seal that shall be in the form of a circle and shall state thereon the name of Mercy Circle and the words "Corporate Seal, Illinois."

ARTICLE VII

CONFLICT OF INTEREST

Section 7.1 Conflict of Interest

(a) General Policy. No Director, no Officer of the Corporation and no employee of the Corporation, whether full-time or part-time, shall use his/her position with the Corporation to secure for himself/herself, his/her family, his/her close relatives, his/her business and professional associates, any material financial benefit of a direct or indirect nature that is in addition to his/her stated and agreed upon compensation, if any, for the position he/she occupies.

(b) Disclosure of Personal Interests. Any Director or Officer who has (or who has an immediate family member who has) an interest in a contract or other transaction presented to the Board or a committee for authorization, approval, or ratification shall make a prompt and full disclosure of his or her interest to the Board or committee prior to its acting on such contract or transaction. Such disclosure shall include any relevant and material facts known to such person about the contract or transaction which might reasonably be construed to be adverse to the Corporation's interest.

For the purposes of this Section, a person shall be deemed to have an "interest" in a contract or other transaction if he or she (or an immediate member of the person's family) is the party (or one of the parties) contracting or dealing with the Corporation, or is a director, trustee or officer of, or has a significant financial or influential interest in, the entity contracting or dealing with the Corporation.

(c) Conflict and Personal Interest Disclosure. Every Director and Officer

shall be required, as a condition of the office, to fully disclose at least annually all personal and professional interests that do or might result in a conflict of interest as defined in this Section 3.16, in a manner and form to be prescribed by the Board of Directors.

ARTICLE VIII INDEMNIFICATION

Section 8.1 Standard. Mercy Circle shall indemnify to the fullest extent permitted by law any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceedings, whether civil, criminal, administrative or investigative, by reason of the fact that the person is or was a Director or Officer of Mercy Circle, against expenses (including attorney's fee), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, suit, or proceeding if the person acted in good faith and (a) the person reasonably believed: (i) in the case of conduct in such person's official capacity with Mercy Circle, that his/her conduct was in Mercy Circle's best interests; and (ii) in all other cases, that his/her conduct was at least not opposed to Mercy Circle's best interests; and (b) with respect to any criminal action or proceeding, the individual had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that the person did not meet the standard of conduct described in this Section.

Section 8.2 Indemnification Determination. Any indemnification (unless ordered by a court) shall be made by Mercy Circle only as authorized in the specific case upon a determination that indemnification is proper in the circumstances because the person has met the applicable standard of conduct. Such determination may be made by (i) the Board by a majority vote or a quorum consisting of Directors who were not parties to such action, suit or proceeding; or (ii) if such a quorum is not obtainable, or, even if obtainable, a quorum of disinterested Directors so directs, independent legal counsel in a written opinion; or (iii) by the Corporate member (provided that such determination may be made by the Corporate Member only by the vote of a disinterested majority, consisting of persons who are not parties to the applicable action, suit or other proceeding, and are not subject to the control of any Directors or Officers who are parties to such proceeding).

Section 8.3 Advancement of Expenses. The Board may authorize that expenses incurred by a Director or Officer (or former Director or Officer) in defending a civil or criminal action, suit or other proceeding may be paid by Mercy Circle in advance of the final disposition of such proceeding, upon receipt of: (a) the Director's or Officer's written affirmation of his or her good faith belief that s/he met the applicable standard of conduct required for indemnification under applicable law; and (b) the Director's or Officer's written undertaking to repay any advance if it is ultimately determined that s/he did not meet the standard of conduct required under applicable law.

Section 8.4 Director and Officer Liability Insurance. Subject to the limits established by the Corporate Member, Mercy Circle shall purchase and maintain a Director and

Officer Liability Policy insuring Mercy Circle and its individual Directors and Officers against the costs of defending a claim or paying a settlement or decision.

Section 8.5 No Limitation of Rights. The right of a Director or Officer to indemnification by Mercy Circle shall be in addition to, and not exclusive of, all other rights to indemnification to which he/she otherwise may be entitled, including any rights to indemnification under the terms of the Director and Officer Liability Policy.

ARTICLE IX AMENDMENTS

These Bylaws may be amended by the Board of Directors at any annual, regular or special meeting, provided the complete text of the proposed amendment was published in the notice calling the meeting, which notice may be sent by mail, fax, e-mail or other reasonable commercial means to the Board members. A specific bylaw may also be overridden, although not amended, on a temporary basis (not to exceed one (1) year) by a two-thirds affirmative vote of the Board members present and voting at any annual, regular or special meeting, provided the complete text of the proposed override was published in the notice calling the meeting, and provided such override is made only under extraordinary circumstances. Any such amendment or override becomes effective only upon approval by the Corporate Member.

ARTICLE X WAIVER OF NOTICE

Whenever any notice required to be given under the provisions of the General-Not-For-Profit Corporation Act of Illinois or under the provisions of the Articles of Incorporation or the Bylaws of Mercy Circle, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

ARTICLE XI SEVERABILITY

The invalidity of any clause, provision, section or Article of these Bylaws shall not affect the validity or enforce ability of the remaining clauses, provisions or Articles.

Initially Adopted:

May 30, 2008

Religious Orders interested in Mercy Circle

Marist Brothers – 185 members in the USA
Br. Vito Aresto, FMS
10111 S. Leavitt, Chicago IL

Christian Brothers – 102 members
Br. Michale Lucas
5120 S. Kimbark Ave Chicago IL

Midwest Augustinian Province – 85 members
Rev. Joseph McCormick, OSA, Pastor
24832 US - 12 East, Edwardsburg MI

Sisters of Providence of St. Mary-of-the-Woods, Indiana
Sister Denise Wilkinson,

Franciscan Sisters of Chicago – 55 members
Lemont, IL

Dr. Carol Fowler, PRMAA – 1 member
4951 Harison Street, Hillside, IL 60162

Father Charles Gallagher – 1 member
10044 S. Central Park Ave

Father Joe Spitz - 1 member
9131 Sacramento, Evergreen Park Il

Pastor David and Adeienne Vidler – 2 members
303 South Clay St, Mt. Carroll, IL

Intercommunity Retirement Network for Religious and Clergy

Sisters of St. Casimir – 90 members
Claretian Missionaries – 44 members
Congregation of St. Joseph – 80 members
Congregation of the Passion – 65 members
Edmund Rice Christian Brothers North America
Holy Spirit Missionary Sisters – 87 members
Institute of the Blessed Virgin Mary – 79 members
Little Company of Mary Sisters – 22 members
Order Friar Servants of Mary – 91 members
Religious of the Cenacle – 119 members
School Sisters of Notre Dame Atlantic Midwest Province – 612 members
School Sisters of St. Francis – 654 members
Sisters of Charity of the Blessed Virgin Mary – 547 members
Sisters of Christian Charity – 62 members

Religious Orders interested in Mercy Circle

Sisters of St. Francis, Joliet – 209 members
Sisters of St. Francis, Wheaton – 81 members
Sisters of St. Joseph, Third Order of St. Francis – 314 members
Sisters of the Holy Family Nazareth – 365 members
Sisters of the Living Word – 69 members
Sisters of the Resurrection – 46 members

Source: Official Catholic Directory of Religious Orders 2008 and the Sister Jean Okroi, Executive Director of the Intercommunity Retirement Network, current as of April 2010

**Operating Funds of the Sisters of Mercy of the
Americas West Midwest Community, Inc.**

**Financial Report
June 30, 2009**

Attachment 39

Operating Funds of the Sisters of Mercy of the Americas West Midwest Community, Inc.

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Independent Auditor's Report

To the Leadership Team
Operating Funds of the Sisters of Mercy of the
Americas West Midwest Community, Inc.

We have audited the accompanying balance sheet of Operating Funds of the Sisters of Mercy of the Americas West Midwest Community, Inc. (the "Community") as of June 30, 2009 and the related statements of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Community's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Operating Funds of the Sisters of Mercy of the Americas West Midwest Community, Inc. at June 30, 2009 and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

January 15, 2010

Operating Funds of the Sisters of Mercy of the Americas West Midwest Community, Inc.

Balance Sheet June 30, 2009

Assets		
Cash and cash equivalents		\$ 16,236,618
Investments (Note 3)		123,446,688
Notes receivable (Note 2)		1,129,702
Other receivables		1,024,704
Receivable from West Midwest FIDES, Inc. (Note 8)		12,000,000
Predevelopment costs (Note 1)		2,531,109
Prepaid expenses and other assets		706,077
Property and equipment - Net (Note 4)		55,571,633
Charitable remainder trusts		864,956
		<u>864,956</u>
Total assets		<u>\$ 213,511,487</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable		\$ 787,111
Accrued compensation		1,912,170
Contributions payable (Note 8)		689,638
Other accrued liabilities		1,287,073
Funds held for others		17,570,661
Long-term debt (Note 5)		16,655,000
		<u>16,655,000</u>
Total liabilities		38,901,653
Net Assets		
Unrestricted:		
Undesignated		57,197,049
Board-designated (Note 7)		101,480,466
Temporarily restricted (Note 7)		15,701,319
Permanently restricted		231,000
		<u>231,000</u>
Total net assets		<u>174,609,834</u>
Total liabilities and net assets		<u>\$ 213,511,487</u>

Operating Funds of the Sisters of Mercy of the Americas West Midwest Community, Inc.

Statement of Activities and Changes in Net Assets Year Ended June 30, 2009

Changes in Unrestricted Net Assets

Revenue and support:	
Sisters' earnings	\$ 15,363,708
Sisters' benefits	4,970,783
Contributions	2,426,349
Sponsorship fees	3,305,667
Conference and retreat centers	2,327,778
Contributions from FIDES and trust	9,299,736
Net realized and unrealized gains and losses	(24,300,132)
Investment income	4,941,806
Other revenue	1,957,742
Total revenue and support	<u>20,293,437</u>
Net Assets Released from Restrictions	<u>735,556</u>
Total unrestricted revenue, support, and net assets released from restrictions	21,028,993
Expenses	
Program services:	
Sisters' needs	23,667,783
Gifts and donations	1,538,502
Conference and retreat centers	2,574,122
Building maintenance and rental expense	1,553,163
Ministry	143,382
Depreciation	3,809,019
Interest expense	628,870
Other expenditures	593,764
Total program services	<u>34,508,605</u>
Support services:	
Management and general	8,601,019
Fund-raising	210,164
Total expenses	<u>43,319,788</u>
Decrease in Unrestricted Net Assets Before Transfers	(22,290,795)
Transfers	<u>(2,600,953)</u>
Decrease in Unrestricted Net Assets	(24,891,748)
Changes in Temporarily Restricted Net Assets	
Contributions	613,399
FIDES contributions	12,000,000
Investment income	81,842
Net realized and unrealized losses	(433,055)
Net assets released from restrictions	(735,556)
Increase in Temporarily Restricted Net Assets	<u>11,526,630</u>
Decrease in Net Assets	(13,365,118)
Net Assets - Beginning of year	<u>187,974,952</u>
Net Assets - End of year	<u>\$ 174,609,834</u>

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Operating Funds of the Sisters of Mercy of the Americas West Midwest Community, Inc.

Statement of Cash Flows Year Ended June 30, 2009

Cash Flows from Operating Activities	
Decrease in net assets	\$ (13,365,118)
Adjustments to reconcile decrease in net assets to net cash from operating activities:	
Depreciation	3,809,019
Net realized and unrealized loss on investments	24,733,187
Changes in operating assets and liabilities which provided (used) cash:	
Other receivables	294,776
Receivable from West Midwest FIDES, Inc.	(12,000,000)
Prepaid expenses and other assets	316,012
Accounts payable	(720,492)
Contributions payable	(784,602)
FIDES payable	(39,319,675)
Accrued compensation	559,152
Other accrued liabilities	(1,312,230)
Funds held for others	(162,217)
	<u>(37,952,188)</u>
Net cash used in operating activities	(37,952,188)
Cash Flows from Investing Activities	
Purchase of property and equipment	(2,372,585)
Payments for purchases of investments - Net of receipts	46,677,741
Payment of predevelopment costs	(1,204,779)
Issuance of notes receivable	(286,570)
Collections on notes receivable	377,587
	<u>43,191,394</u>
Net cash provided by investing activities	43,191,394
Net Increase in Cash and Cash Equivalents	5,239,206
Cash and Cash Equivalents - Beginning of year	<u>10,997,412</u>
Cash and Cash Equivalents - End of year	<u>\$ 16,236,618</u>

Operating Funds of the Sisters of Mercy of the Americas West Midwest Community, Inc.

Notes to Financial Statements
June 30, 2009

Note 1 - Nature of Activities and Significant Accounting Policies

Nature of Organization - Operating Funds of the Sisters of Mercy of the Americas West Midwest Community, Inc. (the "Community") is an order of religious women established under the auspices of the Roman Catholic Church operating to support and fulfill the characteristic works of the Sisters of Mercy and its foundress, Catherine McAuley. The Community is a not-for-profit corporation formed on July 1, 2008 after six regional communities from Auburn, California; Burlingame, California; Cedar Rapids, Iowa; Chicago, Illinois; Detroit, Michigan; and Omaha, Nebraska consolidated.

Activities of the Community include life and ministry efforts of the members. The Community holds financial assets and property in the Operating Funds of the Community. The Operating Funds account for all member and administrative activities of the Community. The accompanying financial statements exclude the activities of affiliated organizations which are either under the direct control of the Community or where the Community is a sponsor of the affiliated organizations.

Merger - On July 1, 2008, the date of inception of the Community, six separately incorporated regional communities contributed all of their assets and liabilities to the Community. The accompanying financial statements reflect the combined assets, liabilities, and net assets of the six previously existing regional communities as of June 30, 2009 and the support, revenue, expenses, and change in net assets for the year then ended.

Significant accounting policies are as follows:

Cash Equivalents - The Operating Funds places its cash and certificates of deposit with high credit quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit.

Other Receivables - The Community evaluates other receivables for collectibility and records an allowance for doubtful accounts as deemed necessary. The Community has determined the receivables to be fully collectible and has not recorded an allowance as of June 30, 2009.

Notes Receivable - Notes receivable are reported at original issue amount plus accrued interest, less principal repaid. Interest is recognized according to terms of the specific notes. An allowance for uncollectible notes is determined based on a specific assessment of all notes that are delinquent or for which collection is determined to be doubtful. Notes are considered delinquent if the repayment terms are not met. All amounts deemed to be uncollectible are charged against the allowance for doubtful loans in the period that determination is made. The Community has determined the notes receivable to be fully collectible and has not recorded an allowance as of June 30, 2009.

Operating Funds of the Sisters of Mercy of the Americas West Midwest Community, Inc.

**Notes to Financial Statements
June 30, 2009**

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Concentration of Credit Risk Arising from Deposit Accounts - The Operating Funds places its cash and certificates of deposit with high credit quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit.

Investments - Investments in marketable securities are stated at fair value. The Community participates in the Mercy Investment Program (MIP) in addition to its own investment program. MIP was established to provide the regional communities of the Sisters of Mercy and their affiliates with cooperative short-term and long-term investment options. The fair values of fixed income and equity investments are based on quoted market prices. The fair value of alternative investments is based on quoted market prices of the underlying investments. Donated investments are recognized initially at the fair market value at the date of donation.

Risks and Uncertainties - The Community invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the balance sheet.

Charitable Remainder Trusts - Interest in trusts includes various split-interest agreements whereby the Community is a beneficiary. The trusts are remainder interest instruments whereby the Community will receive its share of the assets upon the death of the current trust beneficiary. The split-interest agreements are recorded based on values determined using unitrust valuation computations and present value life estate formulas.

Property and Equipment - Property and equipment are recorded at cost when purchased or at fair value at the date of donation and are being depreciated on a straight-line basis over their estimated useful lives. Costs of maintenance and repairs are charged to expense when incurred.

The Community reports gifts of property, plant, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of property, plant, and equipment 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 property, plant, and equipment are reported as restricted support. Absent explicit donor stipulations about how long the property, plant, and equipment must be maintained, the Community reports expirations of donor restrictions over time based on an estimate of the useful lives of the donated or acquired property, plant, and equipment.

Operating Funds of the Sisters of Mercy of the Americas West Midwest Community, Inc.

Notes to Financial Statements
June 30, 2009

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Predevelopment Costs - Predevelopment costs represent Community funds expended in relation to the Mercy Circle Project (the "Project"). The Project is in initial stages of development for the design and construction of a new retirement community and nursing home facility. As of June 30, 2009, various contracts have been entered into for services related to the Project. Commitments related to these contracts total approximately \$7,400,000 at June 30, 2009.

Funds Held for Others - Funds held for others, which relate primarily to sisters' legacy/patrimony accounts, have been recorded as a liability. Patrimony funds represent inheritances received by the sisters. These funds are invested by the Community in accordance with its investment policies.

The income earned on these assets is kept within the fund or distributed per the request of the sister and approval of the leadership team. A sister may designate the disposition of principal and earnings at the time of her death. If the sister leaves the Community, the funds become her personal property. The Community has custody over the patrimony funds, and they are recorded in the accompanying balance sheet as both an asset and a liability.

Sisters' Earnings - Sisters' earnings represent earnings by the members on behalf of the Community. Members work in a variety of ministries, such as health care and education; their earnings are remitted to the Community and recorded when earned.

Contributions - Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows. Contributions resulting from split-interest agreements, measured at the time the agreements are entered into, are based on the difference between the fair value of the assets received or promised and the present value of the obligation to the third-party recipient(s) under the contract.

Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the same period as the gift are both reported as unrestricted support. Other restricted gifts are reported as restricted support and temporarily or permanently restricted net assets.

Operating Funds of the Sisters of Mercy of the Americas West Midwest Community, Inc.

**Notes to Financial Statements
June 30, 2009**

Note I - Nature of Activities and Significant Accounting Policies (Continued)

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Classification of Net Assets - Net assets of the Community are classified as unrestricted, temporarily restricted, or permanently restricted, depending on the presence and characteristics of donor-imposed restrictions limiting the Community's ability to use or dispose of contributed assets or the economic benefits embodied in those assets.

Donor-imposed restrictions that expire with the passage of time or can be removed by meeting certain requirements result in temporarily restricted net assets. When a restriction expires or the purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restriction.

Permanently restricted net assets result from donor-imposed restrictions that limit the use of net assets in perpetuity. Earnings, gains, and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law.

Functional Allocation of Expenses - The costs of providing the program and support services have been reported on a functional basis in the statement of activities and changes in net assets. Indirect costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different allocation of the expenses.

Federal Income Taxes - The Community is exempt from income tax under provisions of Internal Revenue Code Section 501(c)(3).

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including January 15, 2010, which is the date the financial statements were available to be issued.

Operating Funds of the Sisters of Mercy of the Americas West Midwest Community, Inc.

Notes to Financial Statements June 30, 2009

Note 2 - Notes Receivable

The terms and maturities of the notes receivable at June 30, 2009 are as follows:

Affiliated notes receivable:

Mercy Loan Fund, noninterest-bearing, due October 15, 2013	\$ 300,000
Mercy Housing Foundation - Mercy Loan Fund, 3.00 percent, due June 1, 2010	150,000
Mercy Housing - Mercy Loan Fund, 3.00 percent, due June 27, 2013	220,982
Mercy Loan Fund	150,000
McAuley Housing Fund, Inc., 3.00 percent, due June 1, 2012	40,000
McAuley AFIRM	40,000
Other affiliated notes receivable	28,346
Total affiliated notes receivable	<u>\$ 929,328</u>

Nonaffiliated notes receivable:

Katalysis Bootstrap Fund; 2.00 percent, due April 7, 2011	\$ 100,000
Chicago Community Loan Fund, noninterest-bearing, due December 31, 2012	50,000
South Shore Alternative, 3.00 percent, due June 26, 2011	25,374
Northern California Community Loan Fund, 2.00 percent, due September 2009	25,000
Total nonaffiliated notes receivable	<u>\$ 200,374</u>

Note 3 - Investments

Investments consisted of the following at June 30, 2009:

Corporate bonds	\$ 15,960,775
Government securities	12,148,515
Common stocks	10,717,101
Common stock mutual funds	37,867,009
Alternative Investments	14,821,288
Mercy Investment Program	24,438,398
Exchange traded funds	7,172,844
Other investments	320,758
Total	<u>\$ 123,446,688</u>

Operating Funds of the Sisters of Mercy of the Americas West Midwest Community, Inc.

Notes to Financial Statements June 30, 2009

Note 3 - Investments (Continued)

The Operating Funds pools a portion of its investment funds with related organizations through the Mercy Investment Program (MIP). These funds are invested in individual securities by money managers.

The Mercy Investment Program was established to provide the Sisters of Mercy of the Americas, its communities, and their affiliates with short-term and long-term investment programs. MIP is incorporated as a Vermont nonprofit corporation. Contributions and withdrawals are made in accordance with program guidelines. Investment income and fluctuations in market values are allocated monthly to participants based on the percentage of their participation in each fund at the end of the month (unit measurement). As of June 30, 2009, the Operating Funds had approximately \$24,438,000 invested in MIP.

Note 4 - Property and Equipment

Property and equipment are summarized as follows:

Land	\$ 5,486,872
Land improvements	3,604,579
Buildings	82,684,082
Building improvements	41,325
Machinery and equipment	2,396,059
Transportation equipment	8,847,113
Furniture and fixtures	4,478,597
Construction in progress	<u>858,682</u>
Total cost	108,397,309
Accumulated depreciation	<u>52,825,676</u>
Net property and equipment	<u>\$ 55,571,633</u>

Depreciation expense was \$3,809,019 for 2009.

As of June 30, 2009, commitments of approximately \$4,840,000 existed for the Marian Oaks construction project. The total project is expected to be completed in January 2010, with estimated total costs of approximately \$5,700,000.

Operating Funds of the Sisters of Mercy of the Americas West Midwest Community, Inc.

Notes to Financial Statements June 30, 2009

Note 5 - Bonds and Notes Payable

During fiscal year 2008, the Community issued variable rate revenue bonds of \$13,255,000. Of this amount, \$8,460,000 was used to pay off a portion of an outstanding promissory note. The bonds are collateralized by a bank irrevocable letter of credit, expiring on April 1, 2010. The Community has pledged \$17,000,000 as security on the letter of credit. Interest is payable monthly (rates ranged from 2.76 percent to .90 percent for the year ended June 30, 2009); the entire principal balance is due on December 1, 2037.

The Community has \$3,400,000 in promissory notes payable at June 30, 2009, with a weekly variable interest rate equal to LIBOR (London Inter-Bank Offer Rate) (which at June 30, 2009 was 1.61 percent). Interest is payable on a monthly basis. The entire principal amount is due August 15, 2031. These notes may be prepaid at any time. In conjunction with the promissory notes, the Community has a \$3,400,000 irrevocable letter of credit, expiring on April 1, 2010.

Total interest expense on these notes was approximately \$618,000 for the year ended June 30, 2009.

The Community has entered into a \$15,000,000 revolving line of credit with a commercial lender. This line of credit bears interest at LIBOR plus 1.25 percent and is secured by the Community's investments. As of June 30, 2009, the Community had no borrowings against the line of credit.

Note 6 - Guarantee of Debt

The Community participates with other Sisters of Mercy communities in the Internal Loan Fund (ILF) of the Sisters of Mercy of the Americas (SMA). Under the terms of the guaranty agreement, the communities have guaranteed the repayment of each loan made under the ILF. The Community's obligation is limited to its pro rata share of loans outstanding as calculated by Allied Irish Bank and SMA. As of June 30, 2009, the amount of loans outstanding was \$103,000. In the event the Community is required to make payments under this guarantee, the Community could seek to recover these amounts from the affiliate; however, the Community does not hold specific recourse or collateral rights in connection with the guarantee.

The Community guarantees the repayment of loans related to construction and upgrades at Mercy High School in San Francisco. The current estimated fair value of the guarantee is recorded as a liability by the Community. As of June 30, 2009, the balance of the loans is approximately \$1,346,000. Full repayment of the loans by the school is due in 2011.

Operating Funds of the Sisters of Mercy of the Americas West Midwest Community, Inc.

Notes to Financial Statements June 30, 2009

Note 6 - Guarantee of Debt (Continued)

The Community is the guarantor of a loan provided by JP Morgan Chase Bank, N.A. to Mercy Health Systems of Chicago and Mercy Hospital and Medical Center. The balance outstanding at June 30, 2009 was \$6,400,000. As guarantor, certain financial covenants are required to be met during the term of the guarantee. The borrower is in the process of refinancing the loan which management expects, when completed, will eliminate the need for the guarantee.

Note 7 - Designated and Restricted Net Assets

Designated net assets at June 30, 2009 have been designated to support the following:

Property & Equipment	\$ 55,571,633
Ministry	12,978,070
Capital Asset Replacement & Funded Depreciation	11,269,235
Fund for the Poor	47,438
Direct Ministry to the Poor Fund	12,095,539
Operational Reserve	<u>9,518,551</u>
Total board-designated net assets	<u>\$ 101,480,466</u>

Temporarily restricted net assets at June 30, 2009 are restricted for the following:

Time restricted contribution from FIDES	\$ 12,000,000
Sisters' Retirement Fund	3,131,999
Mercy Center Funds	135,115
Education Fund	279,523
Ministry	71,024
Other	<u>83,658</u>
Total	<u>\$ 15,701,319</u>

Note 8 - Related Party Transactions

Related parties include several organizations that have been established as ministries of, but separate legal entities from the Community. The Community receives income from and provides funding services to certain related parties.

Operating Funds of the Sisters of Mercy of the Americas West Midwest Community, Inc.

Notes to Financial Statements June 30, 2009

Note 8 - Related Party Transactions (Continued)

For the year ended June 30, 2009, significant related party transactions are summarized as follows:

Sponsorship fee revenue - Catholic Healthcare West	\$ 3,378,752
Contributions from:	
Sisters of Mercy - West Midwest FIDES, Inc.	\$ 4,320,000
Sisters of Mercy - Detroit Charitable Trusts	<u>4,979,736</u>
Total	<u>\$ 9,299,736</u>
Contribution receivable - West Midwest FIDES, Inc.	\$ 12,000,000
Transfers:	
McAuley Ministry Fund	3,000,000
Other transfers	(399,047)
Sisters' expense - Mercy Convent, Chicago	1,446,200
Contribution payable - Mercy Education Project, Detroit	689,638

During 2008, the Community made a commitment to two of its sponsored ministries, Mercy Education Project and Our Lady of Guadalupe. The Community committed to pay \$100,000 annually to each ministry for eight years. During 2009, Our Lady of Guadalupe released the Community from the commitment. The present value of the remaining outstanding seven-year commitment is recorded as a contribution payable as of June 30, 2009.

The Community leases certain property to the Health and Retirement Trust of Sisters of Mercy of the Americas, Regional Community of Omaha (the "Trust"). The related lease income for the years ended June 30, 2009 and 2008 was approximately \$97,000. The lease expires June 30, 2016. The minimum rentals to be received in the future under this lease agreement are as follows:

2010	\$ 96,868
2011	96,868
2012	96,868
2013	96,868
Thereafter	<u>290,604</u>
Total	<u>\$ 678,076</u>

Operating Funds of the Sisters of Mercy of the Americas West Midwest Community, Inc.

Notes to Financial Statements June 30, 2009

Note 9 - Retirement Plans

During the year ended June 30, 2009, the Community adopted a new plan structure. The Community became a participant in a multi-employer defined benefit retirement plan that covers lay employees. Christian Brothers Retirement Services administers the plan and contributions made by the Community are based on 5.0 percent of qualified lay employees' salaries. Also during the year, the Community modified the 403(b) tax shelter retirement program, under which the Community will match up to 3.00 percent of eligible employees' salary deferrals.

The Community contributed approximately \$309,000 to the plan in 2009. While contributions are based on fixed hourly rates, federal laws impose certain contingent liabilities on contributors to multiemployer plans. In the event of withdrawal from the plan and under certain other conditions, such a contributor may be liable to the plan in accordance with formulas established by law.

Note 10 - Fair Value Measurements

As of July 1, 2008, the Community adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 clarifies the definition of fair value, establishes a framework for measuring fair value, and expands the disclosures for fair value measurements. The standard applies under other accounting pronouncements that require or permit fair value measurements and does not require any new fair value measurements. The provisions of SFAS 157 are effective prospectively for periods beginning July 1, 2008 for financial assets and liabilities and for periods beginning July 1, 2009 for non-financial assets and liabilities as a result of the deferral of the effective date of SFAS 157 provided by FSP FAS 157-2. The implementation of the provisions of SFAS 157 for financial assets and liabilities as of July 1, 2008 did not have a material impact on the Community's financial statements.

The following tables present information about the Community's assets measured at fair value on a recurring basis at June 30, 2009, and the valuation techniques used by the Community to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Community has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset.

Operating Funds of the Sisters of Mercy of the Americas West Midwest Community, Inc.

Notes to Financial Statements June 30, 2009

Note 10 - Fair Value Measurements (Continued)

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Community's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Assets Measured at Fair Value on a Recurring Basis at June 30, 2009

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2009
Assets				
Corporate bonds	\$ -	\$ 15,960,775	\$ -	\$ 15,960,775
Government securities	-	12,148,515	-	12,148,515
Common stocks	10,717,101	-	-	10,717,101
Mutual funds	37,867,009	-	-	37,867,009
Alternative investments	-	13,887,711	933,577	14,821,288
Mercy Investment Program	-	24,438,398	-	24,438,398
Exchange traded funds	7,172,844	-	-	7,172,844
Other investments	41,948	278,810	-	320,758
Charitable remainder trusts	-	864,956	-	864,956

Changes in Level 3 Assets Measured at Fair Value on a Recurring Basis

	Alternative Investments
Balance at June 30, 2008	\$ 1,538,355
Total realized and unrealized losses included in income	(657,310)
Net purchases, sales, calls, and maturities	52,532
Balance at June 30, 2009	\$ 933,577

Investments categorized as Level 3 assets consist of alternative investments invested in real estate.

Both observable and unobservable inputs may be used to determine the fair value of positions classified as Level 3 assets. As a result, the unrealized gains and losses for these assets presented in the tables above may include changes in fair value that were attributable to both observable and unobservable inputs.

Operating Funds of the Sisters of Mercy of the Americas West Midwest Community, Inc.

**Notes to Financial Statements
June 30, 2009**

Note 11 - Conditional Asset Retirement Obligations

The Community did not adopt Financial Accounting Standards Board Interpretation No. 47 (FIN 47), *Accounting for Conditional Asset Retirement Obligations*. FIN 47 requires management to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. Because asbestos abatement is mandated under applicable state law, asbestos removal and disposal costs qualify as conditional asset retirement obligations under FIN 47. The effects of this departure from accounting principles generally accepted in the United States of America on the Community's financial position and changes in net assets have not been determined.

Note 12 - Donor-restricted Endowments

The Operating Funds' endowment includes donor-restricted endowments of \$231,000 at June 30, 2009. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The leadership team has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Community classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Community in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Community considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Community and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Community

Operating Funds of the Sisters of Mercy of the Americas West Midwest Community, Inc.

**Notes to Financial Statements
June 30, 2009**

Note 12 - Donor-restricted Endowments (Continued)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Community to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2009.

Return Objectives and Risk Parameters

The endowment has been invested in the general investment pool of the Community.

Strategies Employed for Achieving Objectives

The Community follows the same investment strategies as the general investment pool within the Operating Funds.

Spending Policy

The Community distributes funds from the annual earnings allocable to the fund, net of any fees and expenses.

CAIN BROTHERS

INVESTMENT BANKERS AND CAPITAL ADVISORS

601 California Street
Suite 1505
San Francisco, CA 94108
415-982-6536 Tel
415-981-0949 Fax

MERCY CIRCLE PROJECT

Proposed Term Sheet
Bank Qualified Loan
Not-to-exceed \$30,000,000
June 2010

General Terms	The Proposed Mercy Circle Project is likely to secure financing with the general terms described below.
Purpose	Mercy Circle is requesting proposals for a bank qualified loan in the amount not-to-exceed \$30,000,000. Proceeds would be used to construct a new multi-level retirement community in Chicago, IL, The Mercy Circle Project.
Term	30 years
Amount	Not-to-exceed \$30,000,000

Estimated Financing Calendar	<u>Activity</u>	<u>Schedule</u>
	Circulate updated term sheet and credit materials	June 25
	Respond to questions from interested banks.	June 28 – July 19
	Cain Brothers to receive proposed term sheets from interested banks. Responses should be sent to Anne Conway at aconway@cainbrothers.com .	Due July 19
	Analyze proposals and discuss any follow-up questions between Banks and Mercy Circle	July 19 – July 26
	Mercy Circle selects plan of finance and preferred provider	July 26
	EXPECTED receipt of Certificate of Need	Week of July 26
	Begin financing documentation	Week of August 2
	Close Bank Qualified Bonds	Week of September 13

CAIN BROTHERS

MERCY CIRCLE PROJECT

Proposed Term Sheet
Bank Qualified Loan
Not-to-exceed \$30,000,000
June 2010

Estimated Debt Service Schedule	Fiscal Year	Principal	Interest	Annual
	6/30/2011	-	829,388	829,388
	6/30/2012	-	1,105,850	1,105,850
	6/30/2013	-	1,105,850	1,105,850
	6/30/2014	-	1,105,850	1,105,850
	6/30/2015	-	1,105,850	1,105,850
	6/30/2016	520,000	1,089,275	1,609,275
	6/30/2017	545,000	1,066,378	1,611,378
	6/30/2018	570,000	1,042,419	1,612,419
	6/30/2019	595,000	1,017,397	1,612,397
	6/30/2020	620,000	991,313	1,611,313
	6/30/2021	645,000	964,166	1,609,166
	6/30/2022	675,000	935,797	1,610,797
	6/30/2023	705,000	906,153	1,611,153
	6/30/2024	735,000	875,234	1,610,234
	6/30/2025	765,000	843,041	1,608,041
	6/30/2026	800,000	809,413	1,609,413
	6/30/2027	835,000	774,297	1,609,297
	6/30/2028	875,000	737,534	1,612,534
	6/30/2029	910,000	699,231	1,609,231
	6/30/2030	950,000	659,281	1,609,281
	6/30/2031	990,000	617,631	1,607,631
	6/30/2032	1,035,000	574,122	1,609,122
	6/30/2033	1,080,000	528,700	1,608,700
	6/30/2034	1,130,000	481,206	1,611,206
	6/30/2035	1,180,000	431,587	1,611,587
	6/30/2036	1,230,000	379,844	1,609,844
	6/30/2037	1,285,000	325,816	1,610,816
	6/30/2038	1,340,000	269,450	1,609,450
	6/30/2039	1,400,000	210,588	1,610,588
	6/30/2040	1,460,000	149,175	1,609,175
	6/30/2041	3,145,000	33,416	3,178,416
		26,020,000	22,665,250	48,685,250

* Above schedule is based upon a rate of 4.25%

Criterion 1120.210(a) – Financial Viability

Variances

Mercy Circle is a continuing care retirement community. The size of the nursing home unit is smaller than most stand alone nursing homes since it is being built to accommodate a defined population as well as internal transfers of seniors within the retirement community. Because of the smaller size of the unit, its ability to meet the state financial ratios is limited. As a standalone nursing facility, the project meets all of the benchmarks with the exception of two: Net Margin Percentage and Debt Service Coverage. However, when looking at the financial viability of the entire continuing care retirement community project, the total project meets the state ratio for Debt Service Coverage and is only .2 percent below the state ratio for Net Margin Percentage. According to the Financial Ratios & Trend Analysis of CARF-CCAC Accredited Organizations for 2009, the 50th quartile for CCRC's nationally resulted in an industry average of 1.97% for the Total Excess Margin Ratio which is well below the state requirement of 2.5%. The publication includes 32 multi-site CCRCs as well as 172 single-site CCRCs in the study.

Additional factors impact the cost of Mercy Circle relate to extraordinary costs (above those normally encountered with a project of this nature) that are attributable to its unique location within the City of Chicago and Mercy Circle's particular site, including:

1. The existing sanitary sewer is not large enough to accommodate the increased number of users, requiring a new sanitary run to the intersection of Pulaski and 99th street (west of Mercy Circle), a distance of 1,780 feet. This sewer has to meet the City of Chicago requirements for a city sewer main, as it will be run within the city's right-of-way.
2. As a condition for zoning approval, the project must be LEED (Leadership in Energy and Environmental Design) certified. The contractor and architect have estimated that this has added 6%+ to the cost of construction. The contractor's experience with LEED certified facilities at the adjacent St. Xavier University, and general feedback from the USGBC (United States Green Building Council), the organization that oversees LEED, estimates that LEED certification adds between 2-25% to the construction cost versus a non-LEED certified structure.
3. Also as a condition of zoning approval, the exterior of the facility must be 100% masonry, with a mixture of masonry products (brick and cast concrete facing) and specific masonry banding.
4. The City of Chicago Zoning Department is requiring that approximately 45% of the site perimeter be enclosed with decorative permanent fencing, and intensive streetscape landscaping.

5. The City of Chicago Fire Department is requiring a 30.0' wide street ringing the east and south sides of the property in order to serve as emergency access. This internal street must also have a fire main with hydrants.
6. The City of Chicago building code requires that the Independent and Assisted Living areas of the facility be constructed of fire resistive assemblies that are an equal to those normally associated with nursing care environments.
7. Mercy Circle is part of a Planned Unit Development with several occupants on site. The facility is an addition to an existing convent and high school that must remain in operation during the construction period. As a result, the project is subject to unusual phasing to maintain existing systems, utilities, and emergency egress and access.
8. The project requires a significant amount of existing building and site demolition in order to prepare for the new construction.
9. The proposed cost of construction, including Architectural and Engineering Fees, of Mercy Circle is below the 'Medium' Classification cost guidelines as determined by RSMeans for a similar project in the City of Chicago (refer to RSMeans attachment):

• Mercy Circle Total:	\$4,255,667
• RSMeans 'Medium' Total:	\$4,367,500
• RSMeans 'High' Total:	\$5,459,375

Factoring in the financial projections for the FY 2010 as budgeted for the Sisters of Mercy of the Americas West Midwest Community, Inc., all of the financial ratios are met.

CO-APPLICANT SISTERS OF MERCY FINANCIAL VIABILITY RATIOS

The Co-Applicant was created on July 1, 2008 by a merger of six regional religious communities. See Page 111.

The Co-Applicant is in the process of integrating the separate financial systems of the six groups. As a result of that it only has projections for the current 2010 fiscal year. Projected ratios for 2010 are provided.

Mercy Circle Project
 CON Application
 Clinical - Viability Ratios (pg. 51)

	Mercy Circle		Sisters of Mercy West Midwest Community	Benchmark	Compliance
	FY 2014		FY 2010		
	Clinical	Total Project			
Current Ratio					
Current Assets	687,577	4,625,519	16,236,618		
Divided by: Current Liabilities	110,965	746,494	3,991,354		
Current Ratio	6.20	6.20	4.07	1.50 or more	met
Net Margin Percentage					
Revenue in Excess of Expenses	(666,756)	43,844	2,185,000		
Divided by: Net Revenue	2,786,685	9,490,017	46,704,000		
Net Margin Percentage	-23.9%	0.5%	4.7%	2.5% or more	met
Percent Debt to Total Capitalization					
Long-Term Debt	3,652,549	26,020,000	16,655,000		
Plus: Long-Term Debt Unrestricted Net Assets	3,652,549 2,655,814	26,020,000 18,919,470	16,655,000 174,378,834		
TOTAL	6,308,363	44,939,470	191,033,834		
Percent Debt to Total Capitalization	57.9%	57.9%	8.7%	80.0% or less	met
Projected Debt Service Coverage					
Revenues in Excess of Expenses	(666,756)	43,844	2,185,000		
Plus: Depreciation / Amortization	193,715	1,379,986	2,500,000		
Plus: Interest Expense	155,233	1,105,850	650,000		
Less: Entrance Fee Amortization Revenue		(21,429)			
TOTAL	(317,807)	2,508,251	5,335,000		
Annual Debt Service	226,359	1,612,534	628,870		
Projected Debt Service Coverage	(1.40)	1.56	8.48	1.50 or more	met
Days Cash on Hand					
Cash	560,720	3,772,117	16,236,618		
Investments	0	0	123,446,688		
TOTAL	560,720	3,772,117	139,683,306		
Less: Operating Expenses	3,461,491	9,539,526	44,519,000		
Depreciation Expense	(193,715)	(1,379,986)	(2,500,000)		
SUB-TOTAL	3,267,776	8,159,540	42,019,000		
Divided by: Days in Year	365	365	365		
TOTAL	8,953	22,355	115,121		
Days Cash on Hand	62.63	168.74	1,213.37	45.00 or more	met
Cushion Ratio					
Cash	560,720	3,772,117	16,236,618		
Investments	0	0	123,446,688		
TOTAL	560,720	3,772,117	139,683,306		
Annual Debt Service	226,359	1,612,534	628,870		
Cushion Ratio	2.48	2.34	222.12	3.00 or more	met

MERCY 
CIRCLE
LIFE WITH SPIRIT

June 16, 2010

Illinois Health Facilities Planning Board
525 West Jefferson Street
Springfield, Illinois 62761

Dear Planning Board Members:

The Sisters of Mercy of the Americas West Midwest Community, Inc. (hereinafter the "Sisters of Mercy") and Mercy Circle hereby attests that the total estimated project costs and related costs for the development and construction of Mercy Circle will be funded in total or in part by borrowing because borrowing is less costly than the liquidation of existing investments and the existing investments being retained may be converted to cash or used to retire debt within a 60-day period. Furthermore, the selected form of debt financing for Mercy Circle is the most advantageous due to financing costs, interest rate and other financial terms and conditions.

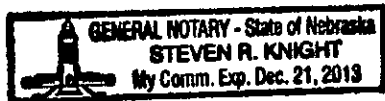
Sincerely,



Carol Kelley
Assistant Treasurer
Sisters of Mercy of the Americas West Midwest Community, Inc.
&
Board of Directors for Mercy Circle

STATE OF Nebraska)
) SS
COUNTY OF Douglas)

The foregoing instrument was acknowledged before me this 16th day of June, 2010 by Carol Kelley, the Assistant Treasurer of the Sisters of Mercy of the Americas West Midwest Community, Inc., a Missouri nonprofit corporation, on behalf of said corporation and a member of the Board of Directors for Mercy Circle, for the uses and purposes set forth therein.



Steven R Knight
Notary Public

Mercy Circle Project
 CON Application

REASONABLENESS OF PROJECT AND RELATED COSTS

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE

Department or Area	A	C	D	G	Total
	Cost/Square Foot New	Gross Square Feet New	Circulat'n	Construction Costs	Construction Costs
Nursing	\$144.35	18,276	24%	\$2,638,135	\$2,638,135
Food Service	\$215.50	1,349		\$290,684	\$290,684
Dining/Living	\$205.50	2,272		\$466,896	\$466,896
All other Departments	\$134.42	1,406		\$188,995	\$188,995
Site Costs				\$422,397	\$422,397
TOTAL		23,303		\$4,007,106	\$4,007,106
		Less: Circulation @ 24%:		(5,592)	
		Essential Functional Skilled Nursing Square Footage:		17,711	
		Skilled Nursing Units:		24	
		Sq ft/SNF unit:		<u>738</u>	

Mercy Circle Project

CON Application

Projected Operating Costs - Per Patient Day (pg. 53 - D)

"Salaries / Employee Benefits / Supplies"

FY 2014 - Stabilized Occupancy

	2014	<u>Discounted to</u> <u>2010</u>	<u>Per Patient</u> <u>Day</u>
	Clinical	Clinical	Clinical
<u>Direct Costs:</u>			
Salaries	1,504,685	1,343,468	167.31
Employee Benefits	326,065	291,130	36.26
Supplies	83,803	74,824	9.32
Total - Salaries / Benefits / Supplies	1,998,356	1,709,422	212.88

Mercy Circle Project
 CON Application
 Annual Capital Costs - First Year of Stabilization

Detail	FY 2014	
	Clinical	Per Patient Day
EXPENSES		
Interest	\$155,233	\$19
Depreciation and Amortization	\$193,715	\$24
TOTAL EXPENSES	\$348,948	\$43

Mercy Circle Project
 CON Application
 Charity Care (Pg 54)

	<u>FY 2012</u> <u>Clinical</u>	<u>FY 2013</u> <u>Clinical</u>	<u>FY 2014</u> <u>Clinical</u>
Revenue (by payor mix):			
Private Pay	437,210	1,537,100	1,663,896
Medicare	<u>326,180</u>	<u>1,056,288</u>	<u>1,122,788</u>
Total Net Patient Revenue	763,390	2,593,388	2,786,684
Amount of Charity Care (charges)	174,870	594,969	649,143
Cost of Charity Care	18,090	61,548	67,152
 Charity Care to Net Patient Rev Ratio	 2.37%	 2.37%	 2.41%

Notes: FY 2012 is a partial occupancy year. Therefore, FY 2014 is the second full year of occupancy.
 Charity care amounts are estimates only during the start up years. The amounts are expected to increase over time.

After paginating the entire, completed application, indicate in the chart below, the page numbers for the attachments included as part of the project's application for permit:

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3	Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.	
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