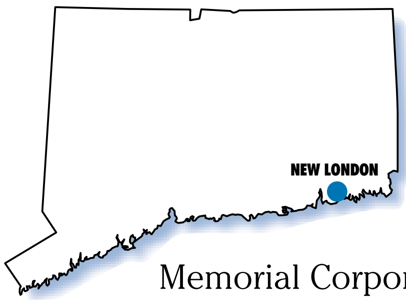
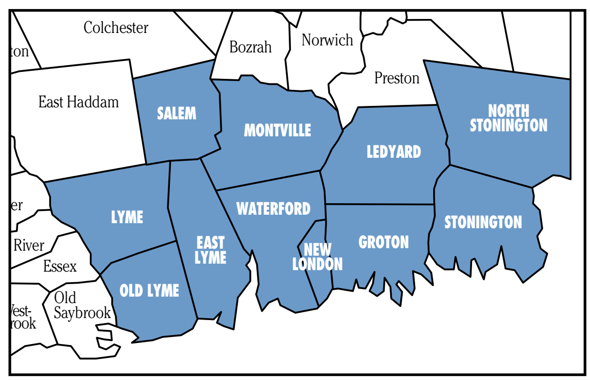
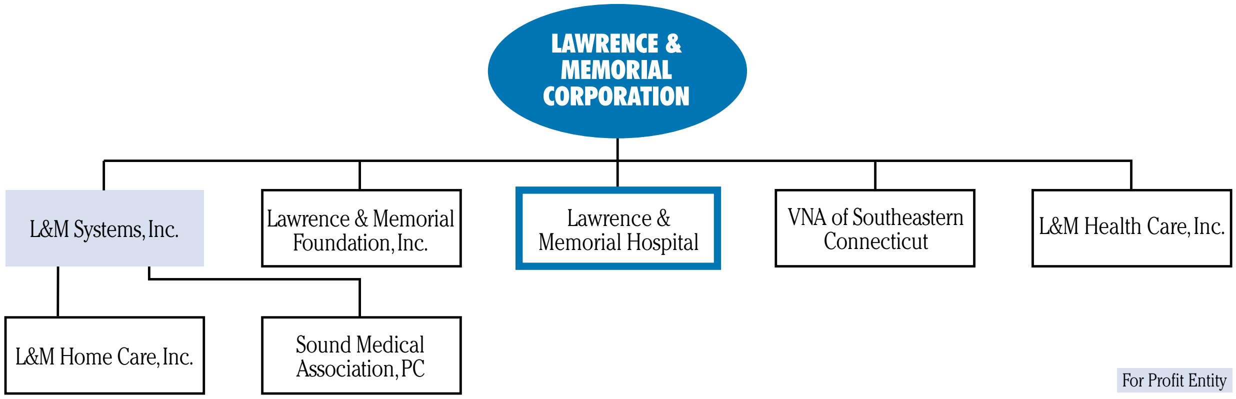
LAWRENCE AND MEMORIAL HOSPITAL

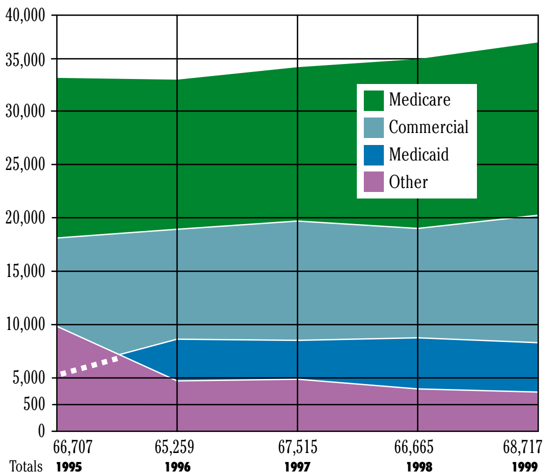


Lawrence and Memorial Hospital, founded in1912, is located in New London, and in addition to that town, primarily serves 10 other Connecticut towns as well as western Rhode Island. In FY 1999, the hospital staffed 258 of 320 licensed beds and employed 1,518 Full Time Equivalents. The Lawrence and Memorial Corporation has affiliations with Hospice of Southeastern Connecticut, Harvard's Joslin Diabetes Center, and GAMBRO Healthcare of New London, a renal dialysis center. The hospital's average age of plant is 7.6 years as compared to the U.S. average of 9.2 years.

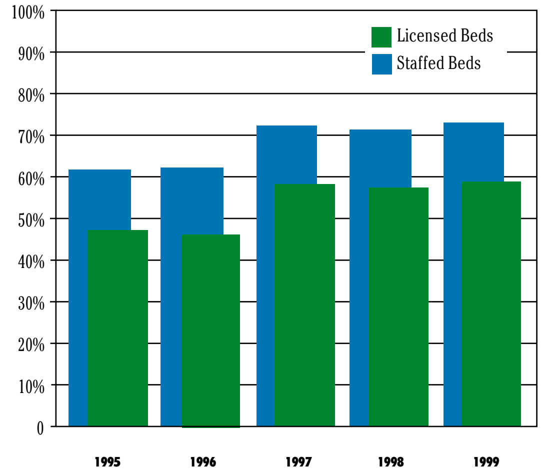




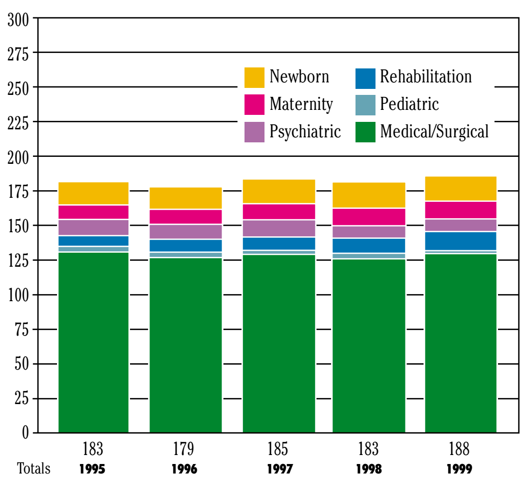
MARGINS	1997	1998	1999
Total margin	4.54%	2.13%	9.73%
Operating margin	3.69%	0.20%	3.65%
PAYMENT TO COST RATIOS BY PAYER			
Ratio of cost to charges	.58	.55	.53
Medicare Payment to Cost	.91	.93	.88
Medicaid Payment to Cost	.93	.74	.71
Private Payment to Cost	1.40	1.31	1.39
Uncompensated Care Cost	$5,561,511	$6,290,832	$6,053,766
Total expenses	$122,836,185	$131,821,112	$140,033,937
Uncompensated care % of total expenses	4.53%	4.77%	4.32%
CAPITAL STRUCTURE RATIOS			
Equity financing ratio	32.50%	33.52%	41.00%
Debt service coverage	5.56	5.56	3.47
LIQUIDITY MEASURES			
Days of expenses in accounts payable	80.20	69.79	58.56
Days cash on hand	39.41	79.85	82.37
Days of revenue in accounts receivable	88.52	61.27	62.71



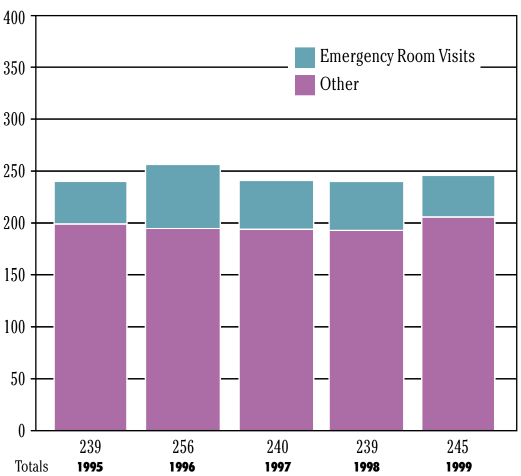
PATIENT DAYS BY PAYER



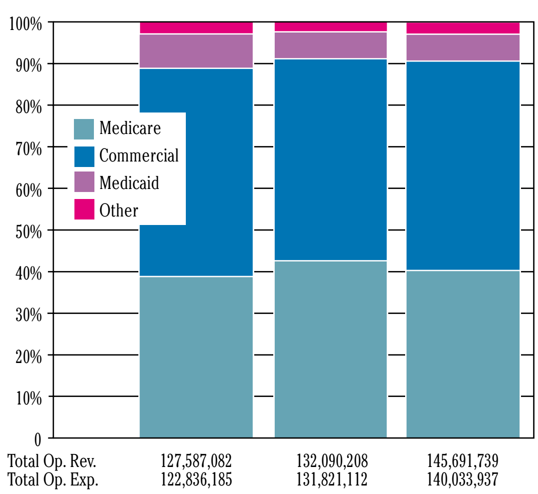
AVERAGE OCCUPANCY



AVERAGE DAILY CENSUS BY SERVICE



AVERAGE DAILY OUTPATIENTS



NET PATIENT REVENUE BY PAYER

KEY PERFORMANCE DRIVERS

- The hospital is the region's sole provider of neonatal intensive care, acute rehabilitation and cardiac catheterization services.
- Inpatient discharges and average daily census have remained stable over the past few years. The hospital decreased its staffed beds, thereby increasing occupancy rates to around 70 percent.
- The hospital has made a concerted effort to reduce aging accounts receivable balances and improve cash flow. The effort has been successful, as days in accounts receivable have fallen from 88 to 63.
- Lawrence and Memorial's Medicaid volume grew significantly from 8.4 percent of patient days in 1995 to 13 percent of patient days in 1998. Medicare remained steady at approximately 50 percent of patient days.
- A group of ophthalmologists from Lawrence and Memorial and William W. Backus have partnered to establish an eye center in the region.
- The hospital is faced with shortages of both clinical and non-clinical staff.
- During 1999, the hospital offered employees the option to switch from the defined pension plan to a 401(k) plan, yielding a one-time pension curtailment gain of $6.65 million.

SITE VISIT ISSUES RAISED BY HOSPITAL MANAGEMENT

Competition. While hospital competition is increasing in the region, management is even more concerned about potential competition from physicians establishing diagnostic and treatment facilities. Planned outpatient centers could erode hospital volume in services that now benefit the hospital financially.

Managed Care. The hospital has negotiated successfully with managed care plans. As payer consolidation continues, however, Lawrence and Memorial may experience more challenges during contract negotiations.

Unprofitable Services. Lawrence and Memorial has traditionally provided a number of necessary but unprofitable services including NICU, behavioral health, and outreach services. As reimbursement declines and physician competition erodes profitable services, the hospital will have difficulty cross-subsidizing these services that are beneficial to the community.

Information Systems. The hospital has allocated sufficient capital resources to automate medical records and develop increased integration between clinical and financial systems.