EXPEDITED REVIEW HOSPITAL CONVERSION INITIAL APPLICATION

Please provide the following information (please replicate as needed):

Name of Transacting Parties: W. Mark Russo, Esq. solely in his capacity as the Court-appointed Special Master of Westerly Hospital Healthcare, Inc. and The Westerly Hospital; LMW Healthcare, Inc., LMW Physicians, Inc., and Lawrence + Memorial Corporation.
Date Application Submitted: November 2, 2012; Re-Submitted December 31, 2012
Date of Agreement Execution with the Director for Payment of Costs: November 9, 2012

* Please provide copies of the responsive documents.

CERTIFICATION

Please provide the attestation/verification for each of the Transacting Parties and licensed hospital affiliates. (Please replicate as needed):

I hereby certify that the information contained in this application is complete, accurate and true.

Westerly Hospital Healthcare, Inc.

_____

By: W. Mark Russo, Esq. solely in his capacity as the Court-appointed Special Master

Subscribed and sworn to before me on this_____ day of December, 2012.

_____

Notary Public
My Commission Expires:

EXPEDITED REVIEW HOSPITAL CONVERSION INITIAL APPLICATION

Please provide the following information (please replicate as needed):

Name of Transacting Parties: W. Mark Russo, Esq. solely in his capacity as the Court-appointed Special Master of Westerly Hospital Healthcare, Inc. and The Westerly Hospital; LMW Healthcare, Inc., LMW Physicians, Inc., and Lawrence + Memorial Corporation.
Date Application Submitted: November 2, 2012; Re-Submitted December 31, 2012
Date of Agreement Execution with the Director for Payment of Costs*: To be provided upon director providing the agreement to the parties.

* Please provide copies of the responsive documents.

CERTIFICATION

Please provide the attestation/verification for each of the Transacting Parties and licensed hospital affiliates. (Please replicate as needed):

I hereby certify that the information contained in this application is complete, accurate and true.

Westerly Hospital Healthcare, Inc.

By: W. Mark Russo, Esq. solely in his capacity as the Court-appointed Special Master

Subscribed and sworn to before me on this 31st day of December, 2012.

Notary Public
My Commission Expires: 7/20/2014

CERTIFICATION

Please provide the attestation/verification for each of the Transacting Parties and licensed hospital affiliates. (Please replicate as needed):

I hereby certify that the information contained in this application is complete, accurate and true.

The Westerly Hospital

By: W. Mark Russo, Esq. solely in his capacity as the Court-appointed Special Master

Subscribed and sworn to before me on this 31st day of December, 2012.

Notary Public
My Commission Expires: 7/20/2014

CERTIFICATION

Please provide the attestation/verification for each of the Transacting Parties and licensed hospital affiliates. (Please replicate as needed):

I hereby certify that the information contained in this application is complete, accurate and true.

Lawrence – Memorial Corporation

By: Bruce D. Cummings
President

Subscribed and sworn to before me on this [illegible] day of December, 2012.

Notary Public
My Commission Expires: [illegible]

CERTIFICATION

Please provide the attestation/verification for each of the Transacting Parties and licensed hospital affiliates. (Please replicate as needed):

I hereby certify that the information contained in this application is complete, accurate and true.

LMW Physicians, Inc.

By: Bruce D. Cummings
President

Subscribed and sworn to before me on this [illegible] day of December, 2012.

Notary Public
My Commission Expires: [illegible]

CERTIFICATION

Please provide the attestation/verification for each of the Transacting Parties and licensed hospital affiliates. (Please replicate as needed):

I hereby certify that the information contained in this application is complete, accurate and true.

LMW Healthcare, Inc.

By: Bruce D. Cummings
President

Subscribed and sworn to before me on this 31st day of December, 2012.

Notary Public
My Commission Expires: 2/16/15

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INFORMATION OF TRANSACTING PARTIES AND AFFILIATED HOSPITALS

A. Contact information of President or CEO of each Transacting Party (Please replicate as needed):

Westerly Hospital Healthcare, Inc.

Name:	W. Mark Russo, solely in his capacity as the Court-appointed Special Master	Telephone: 401-455-1000	
Address:	55 Pine Street, 4th Floor Providence	State: RI	Zip: 02903
E-mail:	mrusso@frlawri.com	Fax 401-455-7778	

The Westerly Hospital

Name:	W. Mark Russo, solely in his capacity as the Court-appointed Special Master	Telephone: 401-455-1000	
Address:	55 Pine Street, 4th Floor Providence	State: RI	Zip: 02903
E-mail:	mrusso@frlawri.com	Fax 401-455-7778	

LMW Healthcare, Inc.

Name:	Bruce D. Cummings	Telephone: 860-442-0711	
Address:	365 Montauk Avenue New London	State: CT	Zip: 06320
E-mail:	bcummings@lmosp.org	Fax 860-444-3741	

LMW Physicians, Inc.

Name:	Bruce D. Cummings	Telephone: 860-442-0711	
Address:	365 Montauk Avenue New London	State: CT	Zip: 06320
E-mail:	bcummings@lmosp.org	Fax 860-444-3741	

Lawrence + Memorial Corporation

Name:	Bruce D. Cummings	Telephone: 860-442-0711	
Address:	365 Montauk Avenue New London	State: CT	Zip: 06320
E-mail:	bcummings@lmosp.org	Fax 860-444-3741	

B. Name, title, address, phone, fax and e-mail of one contact person for each Transacting Party for this application process (only if different from the President/CEO in Question 2) (Please replicate as needed):

LMW Healthcare, Inc.
LMW Physicians, Inc.
Lawrence + Memorial Corporation

Name:	Stephen D. Zubiago	Telephone: 401-454-1017	
Address:	One Citizens Plaza Suite 500, Providence	State: RI	Zip: 02903
E-Mail:	szubiago@nixonpeabody.com	Fax: (401) 454-1030	

Westerly Hospital Healthcare, Inc.
The Westerly Hospital

Name:	Patricia K. Rocha	Telephone: 401-274-7200	
Address:	One Citizens Plaza Suite 800, Providence	State: RI	Zip: 02903
E-Mail:	procha@apslaw.com	Fax: 401-351-4607	

C. For each existing affiliate hospital of the Transacting Parties, please provide the following information (Please replicate as needed):

Name of Hospital: The Westerly Hospital		License #: HOS00112	
Address:	25 Wells Street Westerly	State: Rhode Island	Zip: 02891
Telephone:	800-933-5960		
E-Mail of President or CEO:	mrusso@frlawri.com		
Relationship of Hospital to Transacting Party: wholly owned subsidiary			

Name of Hospital: Lawrence + Memorial Hospital		License #: 0047	
Address:	365 Montauk Avenue New London	State: Connecticut	Zip: 06320
Telephone:	860-442-0711		
E-Mail of President or CEO:	bcummings@lmhosp.org		
Relationship of Hospital to Transacting Party: wholly owned subsidiary			

INITIAL APPLICATION QUESTIONS

1. Please provide a detailed summary of the proposed conversion which shall include a discussion of the date of implementation, purchase price, source of funds, debt, and commitments for and development of new services and/or facilities that are associated with the proposed conversion.

Response: The following is a summary of the proposed acquisition of Westerly Hospital Healthcare, Inc., The Westerly Hospital, Atlantic Medical Group, Inc., Ocean Myst, MSO, LLC, Women's Health of Westerly, LLC and North Stonington Health Center, Inc. (collectively, the "Westerly Entities") by LMW Healthcare, Inc. ("LMW Healthcare"), LMW Physicians, Inc. ("LMW Physicians), and Lawrence + Memorial Corporation (as guarantor)("L + M") (collectively, LMW Healthcare, LMW Physicians, and L + M are referred to herein as the "Buyer"). Westerly Hospital Healthcare Inc., The Westerly Hospital, LMW Healthcare, Inc., LMW Physicians, Inc., and L + M Corporation are all Transacting Parties as that term is defined in the Hospital Conversions Act. The Westerly Entities are currently managed and operated by W. Mark Russo, Esq., in his capacity as Permanent Special Master of the Westerly Entities, having been duly-appointed as such by Order of the Rhode Island Superior Court for the County of Washington on January 17, 2012 in the case captioned as *Charles S. Kinney, Chief Executive Officer and Trustee v. Westerly Hospital Healthcare, Inc., The Westerly Hospital, Atlantic Medical Group, Inc., Ocean Myst, MSO, LLC, Women's Health of Westerly, LLC and North Stonington Health Center, Inc., C.A. No. 2011-0781* (the "Mastership Proceeding"). The proposed acquisition will be made pursuant to an Asset Purchase Agreement (the "APA") by and among the Westerly Entities and the Buyer that was approved by an Order of the Rhode Island Superior Court for the County of Washington on September 10, 2012.

L + M currently operates the Lawrence + Memorial Hospital, Inc. ("L + M Hospital") in New London, CT. Throughout 2012, L + M is celebrating its one hundredth year of providing high quality health care services to the residents of eastern Connecticut, western Rhode Island, and Fisher's Island (New York), as a non-profit community service organization. L + M maintains a strong financial position, as evidenced by its 6.73% operating margin in 2011 and its A+ debt ratings from S&P and Fitch dated August 2011. L + M is also often recognized for its community leadership and service, as evidenced by its extensive community education, outreach, and disease prevention efforts. In 2011 alone, L + M invested $15.6 million into such community efforts.

L+M, like all health care systems, continues to balance its workforce requirements with changing reimbursement systems. While layoffs did occur, the majority of such layoffs were non-clinical positions and some of the clinical layoffs related to structural changes in the model of care for a service line and had no impact on services available to patients. Whenever possible, employees subject to layoffs were encouraged to apply for other positions at L+M. For more information regarding the L + M Hospital's $3.2 million dollar budget gap and reported staff layoffs please see Supplemental Exhibit 1(c) and Confidential Supplemental Exhibit 1(d). The Confidential Exhibits provided in response to this question are considered confidential and/or proprietary and shall be subject to the confidentiality protections contained in R.I. General Laws Section 23-17.14-32. R.I. General Laws Section 38-2-2 specifically defines the following as "non-public" records: "trade secrets and commercial or financial information which is of a privileged or confidential nature;" "all tax returns;" "preliminary drafts, notes, impressions, memoranda, working papers, and work

products;" and "any records which would not be available by law or rule of court to an opposing party in litigation." Specifically Supplemental Exhibit 1(c) and Confidential Supplemental Exhibit 1(d) are confidential because they are business records that contain proprietary information whose disclosure could adversely affect the parties involved if disclosed to the public.

The Westerly Hospital is a community hospital in southern Rhode Island licensed for one hundred twenty five (125) beds. It is currently the subject of the Mastership Proceeding. The Westerly Hospital is currently staffed to operate seventy (70) beds with an average daily inpatient census of forty one (41). The daily inpatient census ranges as high as seventy (70). There is an active, outpatient practice and thus, the Hospital has an adjusted average daily census of 126. Emergency Department visits were 23,510, in fiscal year 2011. The Westerly Hospital owns and is situated on a 10.6 acre campus.

The Westerly Entities and the Buyer plan to consummate the acquisition on January 31, 2012.

The Buyer proposes to purchase the Westerly Entities pursuant to the court-approved APA for total consideration of $69,138,653.00 (the "Purchase Price"). Please see Supplemental Exhibit 1(a) for tables that clearly delineate each discrete financial element of the Purchase Price. The Confidential Exhibit provided in response to this question is considered confidential and/or proprietary and shall be subject to the confidentiality protections contained in R.I. General Laws Section 23-17.14-32. R.I. General Laws Section 38-2-2 specifically defines the following as "non-public" records: "trade secrets and commercial or financial information which is of a privileged or confidential nature;" "all tax returns;" "preliminary drafts, notes, impressions, memoranda, working papers, and work products;" and "any records which would not be available by law or rule of court to an opposing party in litigation." Specifically Supplemental Exhibit 1(a) is confidential because it is a business record that contains proprietary information whose disclosure could adversely affect the parties involved if disclosed to the public.

The Purchase Price and other pertinent terms of the proposed conversion consist of the following:

a. Buyer will assume approximately $22 million in liabilities of the Westerly Entities;

b. Buyer will purchase so-called "tail" professional malpractice insurance covering The Westerly Hospital at an estimated price of $2 million;

c. Buyer will pay the Westerly Entities' closing costs and transactional expenses in connection with the Mastership proceeding. Such costs are estimated at $1.5 million;

d. Buyer will fund "cure costs" not captured by the assumed liabilities in subsection (a) above;

e. Buyer has committed to continue using The Westerly Hospital identity and name, including its non-profit status and community mission;

f. Buyer has committed to establish a new Board at The Westerly Hospital with members drawn from residents of the Westerly service area and has made a commitment to put residents of the Westerly service area on the Board of Trustees of the Buyer's parent;

g. Buyer will carry out a broad-based community capital campaign in support of The Westerly Hospital and has committed that all such funding will be raised in The Westerly Hospital's name and remain for the benefit of The Westerly Hospital's non-profit and community mission. Such funds will not be used to fund initiatives other than those carried out by The Westerly Hospital;

h. Buyer has committed to maintain The Westerly Hospital as an acute care, community hospital for a minimum of 5 years after the Closing, including a commitment not to discontinue clinical services being provided by The Westerly Hospital for 2 years after the Closing as more fully set forth in Section 10.1 of the APA;

i. Buyer will provide $6.5 million of working capital into The Westerly Hospital during the first 2 years after the Closing. Such funds will be used to continue the economic turnaround plan (subject to review and final approval by the Buyer) that was initiated by the Special Master and aimed at returning The Westerly Hospital to profitability;

j. Buyer will make or incur contractual obligations to make $30 million in capital expenditures in technology, equipment, and expanded services, among other items;

k. Buyer will offer initial employment after the Closing to the trade and services personnel of the Westerly Entities (excluding certain management personnel and general and administrative support services personnel), union and non-union, and contingent upon positive further review of the employment data and general economic data, expects to offer employment to all or substantially all of the Westerly Entities' other employees. Buyer has also made a further commitment to maintain certain minimum staffing levels per adjusted average occupied bed;

l. Buyer has committed to assume physician contracts and to take steps to strengthen The Westerly Hospital's relationship, reputation, and goodwill with the local physician community (subject to Buyer's due diligence review, including but not limited to, compliance with law);

m. Buyer has made a commitment to provide consulting and administrative services to the Sellers at Buyer's cost between the Sale Hearing and the Closing pursuant to an Interim Advisory Agreement;

n. Buyer will, during the period between the Sale Hearing and the completion of the Hospital Conversion Act process, loan money to The Westerly Hospital pursuant to the Interim Advisory Agreement to cover operational losses, subject to Section 10.8 of the APA;

o. Buyer will also pay for the lease obligations of North Stonington Health Center through the Closing date (a monthly expense equal to approximately $68,000.00), subject to the Special Master, in his discretion, deeming such payments necessary.

p. With regard to new services and/or facilities, as set forth in item (j) above, Buyer has committed to spending $30 million in capital expenditures, including expansion of services. If Buyer is permitted to own and operate The Westerly Hospital, it will determine whether new services are needed in the community and can be provided in a quality, cost effective manner.

Accordingly, the proposed acquisition will result in The Westerly Hospital, as well as the other Westerly Entities, being owned and operated by an experienced health system with a proven track record of providing high quality health care in a financially sustainable manner. L+M also maintains a solid track record of regulatory cooperation and commitment to quality improvement at its locations. L+M is currently subject to a Consent Order entered by the Connecticut Department of Public Health, Facility Licensing and Investigations Section (the "Department") on March 14, 2011 and set to expire on March 14, 2013. L+M and the Department voluntarily entered into the Consent Order to address various statutory and regulatory violations at Lawrence + Memorial Hospital. The Consent Order, among other objectives, set forth the framework for a clinical consulting entity to evaluate medical staff consultations, anesthesia services, inpatient pediatric care, and nursing services at L+M and required L+M to provide a Health Care Quality Conference on similar topics for both internal and external health care practitioners and providers. L+M has fully cooperated with the Department in connection with the Consent Order and continues to comply with its terms. Additional information regarding the Consent Order and L+M's response is contained within responses to questions 17, 18, and 19 of this application.

The Court approved sale to the Buyer will advance turnaround efforts and preserve the Westerly Entities as a community asset and economic engine. Buyer estimates that the commitments set forth above will require total immediate funding of $26,099,666 and Buyer will borrower $20,000,000 from Bank of America and fund the remaining $6,099,666 as owner's equity.

2. Please provide each of the following applicable documents and amendments for each of the Transacting Parties and affiliated hospital(s):

(a) Charter;
(b) Certificate and Articles of Incorporation and By-laws;
(c) Certificate of Partnership and Partnership Agreement;
(d) Certificates or Articles of Organization and Operating Agreement;
(e) Other organizational documents

If any of the above documents are proposed to be revised or modified in any way as a result of the proposed conversion, include the proposed revisions or modifications.

Response: Attached hereto as Exhibit 2, Supplemental Exhibit 2(c), and Supplemental Exhibit 2(d), Supplemental Exhibit 2(e), please find documents responsive to this request. An index of the documents is attached hereto as Supplemental Exhibit 2(a). The attached include the following:

1. **Westerly Hospital Healthcare, Inc**. (previously known as Community Health of Westerly, Inc.): Articles of Association and Amendments to the Articles of Incorporation; Bylaws; Amended and Restated Bylaws June 6, 2011; and Amended Bylaws August 24, 2011
2. **The Westerly Hospital**: Articles of Association; Amendment to the Articles of Incorporation; Bylaws; Medical Staff Bylaws; "An Act in Amendment of an Act Entitled 'An Act Authorizing the Westerly Hospital to Take, Hold, Transmit, and Convey Real and Personal Estate to an Amount Not Exceeding Two Million Dollars'" Passed at the January Session, 1925
3. **Lawrence + Memorial Corporation**: Certificate of Incorporation; Current Bylaws; Proposed Bylaws. Please note that the proposed Bylaws are subject to further revision and are expected to be adopted by the Board by the end of November. The proposed revisions are designed to implement the post-conversion governance structure.
4. **Lawrence + Memorial Hospital, Inc.**: Certificate of Incorporation; Current Bylaws; Proposed Bylaws. Please note that the proposed Bylaws are subject to further revision and are expected to be adopted by the Board by the end of November. The proposed revisions are designed to implement the post-conversion governance structure.
5. **LMW Healthcare, Inc.:** Certificate of Incorporation; Amended and Restated Bylaws. Please note that the Amended and Restated Bylaws reflect the post-conversion governance structure. Please see Supplemental Exhibit 2(e) which is the redlined version of the LMW Healthcare, Inc.'s bylaws as revised by the L + M Governance and the Board to make the bylaws consistent with the Lawrence + Memorial Hospital bylaws. These are the amended and restated bylaws adopted by the Board on November 26, 2012. Supplemental Exhibit 2(e) is the final version of the post-conversion bylaws for LMW Healthcare, Inc. which will operate under the d/b/a "The Westerly Hospital".
6. **LMW Physicians, Inc.** Certificate of Incorporation; Current Bylaws. Please note that the current bylaws will be amended to reflect the implementation of the post-conversion governance structure. There is no current draft of these proposed amendments. LMW Physicians, Inc. is not the same entity as Atlantic Medical Group. LMW Physicians, Inc. is a separate and independent Rhode Island non-profit corporation incorporated in connection with the proposed conversion of Westerly Hospital. LMW Physicians, Inc. was originally intended to serve as the corporate entity that would employ certain Westerly Hospital physicians (i.e. those physicians currently employed by Atlantic Medical Group) following consummation of the proposed conversion. However, since the incorporation of LMW Physicians, Inc., L+M decided that, following consummation of the proposed conversion, most of the physicians currently employed by Atlantic Medical Group will become

employed by L+M Physician Association, Inc. and not LMW Physicians, Inc. The only exceptions shall be with respect to the Westerly Hospital emergency room providers, who shall be employed by a private-practice emergency medical physician group that will provide services at Westerly Hospital under contract with L+M. As such, LMW Physicians, Inc. is no longer necessary and will likely be dissolved.

Attached hereto as Supplemental Exhibit 2(h), please find the following documents responsive to this request:

7. **L+M Physician Association, Inc.** Certificate of Incorporation; Current Bylaws; Proposed revisions to current Bylaws to be adopted in January 2013 and reflect the new system-level governance structure.

3. With regard to the officers, members of the boards of directors, trustees, executives, and senior managers of each of the Transacting Parties and their affiliates, please provide the following for the past 2 years: (a) name; (b) address; (c) phone number; (d) occupation; and (e) tenure.

Response: Attached hereto as Exhibit 3, please find information from Westerly Healthcare, Inc. and The Westerly Hospital and affiliates responsive to this request. Attached hereto as Supplemental Exhibit 3 please find information from L + M Corporation, Lawrence + Memorial Hospital, Inc., L + M Physician Association, Inc., and VNA of Southeastern Connecticut.

4. Provide the (a) name; (b) address; (c) phone number; and (d) occupation of the proposed members of the board of directors, trustees, executives and senior managers after the conversion of the Transacting Parties and their affiliates, identifying any additional members or removal of members.

Response: Attached hereto please find as Exhibit 4 and Supplemental Exhibit 4, information regarding the proposed members of the board of directors, trustees, executives and senior managers, after the conversion of the Transacting Parties and their affiliates.

5. Please describe the governance structure of the new hospital after conversion, including a description of how members of any board of directors, trustees or similar type group will be chosen.

Response: Attached hereto please find as Exhibit 5, information regarding the proposed members of the board of directors, trustees, executives and senior managers after the conversion of the Transacting Parties and their affiliates.

6. (A) Please provide organizational charts for the existing and post-conversion Transacting Parties and each partner, affiliate, parent, subsidiary or related legal entity in which either Transacting Party has a twenty percent (20%) or greater ownership or membership interest or control. (B) Please provide a detailed narrative that describes the organizational structure for the Transacting Parties and each partner, affiliate, parent, subsidiary or related legal entity in which either Transacting Party has a twenty percent (20%) or greater ownership or membership interest or control.

Response:

(A) Attached hereto as Exhibit 6(A) are organization charts for the existing and post-conversion Transacting Parties and each partner, affiliate, parent, subsidiary or related legal entity in which either Transacting Party has a twenty percent (20%) or greater ownership or membership interest or control.

(B) As set forth in Exhibit 6(A), Lawrence + Memorial Corporation is the sole corporate member of the following affiliates: L + M Systems, Inc., Lawrence + Memorial Foundation, Inc., LMW Healthcare, Inc., LMW Physicians, Inc., L + M Indemnity Company, Ltd., Lawrence + Memorial Hospital, Inc., VNA of Southeastern CT, Inc., L + M Healthcare, Inc., Southeast CT Health Partners, Inc., and L + M Physician Association, Inc. All entities in which the L + M Corporation has an interest appear on the post-conversion organization chart in Exhibit 6(A).

In regards to the other Transacting Parties and affiliates, the parent corporation is Westerly Hospital Healthcare, Inc. (f/k/a Community Healthcare of Westerly, Inc.) which is the sole corporate member of the following entities: Westerly Hospital Energy Company, LLC, North Stonington Health Center, Inc., the Westerly Hospital Auxiliary, Inc., Atlantic Medical Group, Inc., Eldereval, LLC, The Westerly Hospital, the Westerly Hospital Foundation, Inc., Westerly Clinical Services, LLC, Women's Health of Westerly, LLC, Mastuxet Realty, Inc. and Ocean Myst MSO, LLC.

A brief summary of the entities listed above are as follows:

1. Lawrence + Memorial Corporation is the parent entity for all of the L + M entities, and a Connecticut non-stock corporation.

2. L + M Systems, Inc., is a non-operating subsidiary formerly used to provide certain physician practice support services.

3. Lawrence + Memorial Foundation, Inc. (presently not operating) –formed in the 1980s and has not been operational for the last 20 years; the exact date on which L + M Foundation stopped operating is unavailable.

4. LMW Healthcare, Inc. is Rhode Island nonprofit corporation created to enter in the APA, operate The Westerly Hospital, and hold charitable assets currently held by the Westerly Hospital Foundation, Inc.

5. LMW Physicians, Inc. is a Rhode Island nonprofit corporation created to enter into the APA and ultimately recruit physicians and provide physician practice management to LMW Healthcare, Inc.; however, while LMW Physicians, Inc. was originally intended to serve as the corporate entity that would employ certain Westerly Hospital physicians (i.e. those physicians currently employed by Atlantic Medical Group) following consummation of the proposed conversion, after the incorporation of LMW Physicians, Inc., L + M and Atlantic Medical Group decided that, following consummation of the proposed conversion, most of the physicians currently employed by Atlantic Medical Group will be employed by L + M Physician Association, Inc. and LMW Physicians, Inc. The only exceptions shall be with respect to The Westerly Hospital emergency room providers, whom shall be employed by a private-practice emergency medical physician group that will provide services at The Westerly Hospital under contract with L + M. As such, LMW Physicians, Inc. is no longer necessary and will likely be dissolved.

6. L + M Indemnity Company, Ltd. is a subsidiary domiciled in the Cayman Islands that provides insurance programs to L + M system affiliates.

7. Lawrence + Memorial Hospital, Inc. is the entity that owns and operates Lawrence + Memorial Hospital.

8. VNA of Southeastern CT, Inc. is a Connecticut based non-profit organization, and a home health care agency.

9. L + M Healthcare, Inc. (presently not operating) –no day-to-day operations, but is the entity through which one of L + M's joint ventures functions

10. Southeast CT Health Partners, Inc. (presently not operating) –formed in 2008 and was never operational; created for purposes of being a service organization to physician practices that would include purchased services associated with electronic medical record ("EMR") implementation and other practice management needs, but L + M Hospital's EMR Donation Program adopted a different structure and this entity consequently was never made operational.

11. L + M Physician Association, Inc. is a Connecticut medical foundation that operates multi-specialty physician practices.

12. Westerly Hospital Healthcare, Inc. is the parent entity for all of The Westerly Hospital entities.

13. The Westerly Hospital is the entity which owns and operates The Westerly Hospital.

14. Atlantic Medical Group, Inc. was established to recruit physicians and provide physician practice management.

15. Eldereval, LLC was established to provide full geriatric assessments and care management. It is not functioning.

16. Mastuxet Realty, Inc. was established to acquire, hold, manage, maintain, develop and/or dispose of real property for the benefit of The Westerly Hospital and all of the affiliates. Presently, it is not functioning.

17. North Stonington Health Center, Inc. was established to offer a walk-in clinic, primary care services and physical therapy and lab services in North Stonington, Connecticut. Presently, it is currently the subject of a Bankruptcy proceeding in Connecticut and is minimally functioning.

18. Ocean Myst MSO, LLC is a management service organization that offers various support services to the medical staff and AMG.

19. Westerly Hospital Auxiliary was established to foster and increase the communities understanding of The Westerly Hospital while helping to provide supplementary financial assistance for Hospital projects.

20. Westerly Hospital Energy Company, LLC was established to purchase energy for The Westerly Hospital and its subsidiaries.

21. Women's Health of Westerly, LLC is an organized ambulatory care facility providing obstetrical and gynecological services.

22. The Westerly Hospital Foundation, Inc. is a subsidiary of The Westerly Hospital and is established to raise funds for The Westerly Hospital.

23. Westerly Clinical Support Services, LLC is a subsidiary of The Westerly Hospital established to conduct lab services at offsite locations. It is not functioning.

7. Please provide all documents, reports, meeting minutes and presentations relevant to the Transacting Parties' board of directors' decision to propose the conversion.

Response: Upon the appointment of W. Mark Russo, Esq. as Special Master of The Westerly Hospital and affiliated entities on January 17, 2012, the Board of Directors for The Westerly Hospital and Westerly Hospital Healthcare, Inc. were dissolved. Since that date, former hospital board members serve in an advisory capacity to the Special Master. As such, there are no documents from the Board of Directors relating to the proposed conversion.

The Special Master has worked closely under the Superior Court's supervision to provide an open and transparent transaction process. Accordingly, in response to Question 7, attached hereto in Exhibit 7 are the following Orders:

1. An Order of the Superior Court dated March 12, 2012 setting forth the Mastership transaction process;
2. An Order of the Superior Court dated June 20, 2012 setting forth the sales procedure process to Lawrence + Memorial Hospital; and
3. An Order of the Superior Court dated September 12, 2012 approving the sale of the assets of The Westerly Hospital and the related entities free and clear of liens and liabilities. Additionally, please see Exhibit 15 and Confidential Exhibit 15 attached hereto, which contains "Exhibit A" referenced in the September 12, 2012 Order, and Supplemental Exhibit 7(b) attached hereto, which contains "Exhibit C" referenced in the September 12, 2012 Order.

Attached hereto, please see Supplemental Exhibit 7(a), which provides an index of all three of the Westerly Court Orders listed above.

Additionally, attached hereto as Confidential Exhibit 7 are all documents, reports, meeting minutes and presentations from the Lawrence + Memorial Corp. and Lawrence + Memorial Hospital relating to the decision to propose the conversion. Further, attached hereto as Confidential Supplemental Exhibit 7(d), please see a copy of the Carpedia study referenced on Bates 0021. See also, Confidential Supplemental Exhibit 7(e), Confidential Supplemental Exhibit 7(f), and the Privilege and Redaction Log attached hereto in regards to our response to this question.

Also attached is Supplemental Exhibit 7(c) containing an index of Confidential Exhibit 7.

The Confidential Exhibits provided in response to this question are considered confidential and/or proprietary and shall be subject to the confidentiality protections contained in R.I. General Laws Section 23-17.14-32. R.I. General Laws Section 38-2-2 specifically defines the following as "non-public" records: "trade secrets and commercial or financial information which is a of a privileged or confidential nature;" "all tax returns;" "preliminary drafts, notes, impressions, memoranda, working papers, and work products;" and, "any records which would not be available by law or rule of court to an opposing party in litigation." Specifically, this Confidential Exhibit 7 is confidential because

it is a business record that contains proprietary information whose disclosure could adversely affect the parties involved if disclosed to the public.

Additionally, please see Supplemental Exhibit 7(c) and Supplemental Exhibit 7(g), which provides an index of all documents contained in Confidential Exhibit 7.

8. (A) Please provide conflict of interest policies and procedures. (B) Please provide current, signed conflict of interest forms from all incumbent or recently incumbent officers, members of the board of directors, trustees or senior managers of the Transacting Parties. (Please note that "incumbent or recently incumbent" means those individuals holding the position at the time the application is submitted and any individual who held a similar position within one year prior to the application's acceptance).

Response:

(A) Attached hereto as Exhibit 8(A) are conflict of interest policies and procedures of Westerly Hospital Healthcare, Inc., The Westerly Hospital, and Lawrence + Memorial Corporation.

(B) Attached hereto in Confidential Exhibit 8(B) and Confidential Supplemental Exhibit 8 are current, signed conflict of interest forms from all incumbent or recently incumbent officers, members of the board of directors, trustees or senior managers of the Transacting parties. All conflict of interest forms attached are the most recent conflict of interest statements available. Accordingly, the following are attached:

The Westerly Hospital and Westerly Hospital Healthcare, Inc.

1. Fred A. Allardyce
2. Margaret F. Austin
3. Jodie Tate
4. Rich Munson
5. Adrian Hamburger
6. Stefana Pecher
7. David Rivera
8. Paqui Motyl
9. Frances Rubacha
10. Robert Greenlee
11. Karen McGoldrick
12. Minu Rowther
13. George Bourganos
14. Maureen L. Carboni
15. David V. Devault
16. David D'Eramo
17. Leonard C. Edwards
18. Richard C. Holliday
19. Martha McQ. Hosp
20. Charles S. Kinney
21. Allen W. Leadbetter
22. Christopher Lehrach
23. Thomas F. Moore
24. Henry J. Nardone
25. Mary Jo Orsinger
26. Jennifer Schwindt

27. James O'Keefe
28. Charlie White
29. Casey, John (form sent directly to the Attorney General's office)
30. McKendree, William (form sent directly to the Attorney General's office)
31. Maureen Fitzgerald
32. John Gorby –requested statement and response pending
33. Jeanne LaChance
34. David Nelson –requested statement and response pending
35. Barbara Perino
36. Edward P. Smith (form sent directly to the Attorney General's office)
37. Robert Brockman –requested statement and response pending

Lawrence + Memorial Hospital and Lawrence + Memorial Corporation

1. Maureen J. Anderson
2. Henry Steven Amdur
3. John (Jay) Allen
4. Scott Bates
5. Fred A. Conti
6. Bruce D. Cummings
7. Crista F. Durand
8. Donna Epps
9. Donald Felitto
10. Ulysses B. Hammond
11. R. Alan Hunter Jr.
12. Lugene A. Inzana
13. Robert J. Keltner, Jr. M.D.
14. Pamela J. Kane
15. B. Michael Rauh
16. Mary Ellen Jukoski
17. Kimberly A. Kalajainen
18. Marilynn Malerba
19. Granville R. Morris
20. Leon J. Olivier
21. Carol O. Ridgway
22. Daniel Rissi
23. David Reisfeld
24. William A. Stanley
25. Kathleen Steamer
26. Lauren Williams
27. L. James Carroll
28. Daniel P. O'Shea
29. Mary Ann D. Bentz
30. Timothy Bates

9. Please provide copies of audited income statements, balance sheets, and other financial statements for the past 3 years for the Transacting Parties and their affiliated hospitals where appropriate and to the extent they have been made public, audited interim financial statements and income statements together with detailed descriptions of the financing structure of the proposed conversion including equity contribution, debt restructuring, stock issuance and partnership interests; and interim up-to-date unaudited income statements and balance sheets (where audited financial statements are unavailable).

Response: Attached hereto as Supplemental Exhibit 9(a) is an index of certain documents submitted in response to this question. Attached hereto as Exhibit 9 is the available financial data for Westerly Hospital Healthcare, Inc. (previously named Community Health of Westerly, Inc.) and The Westerly Hospital for Fiscal Years 2009-2010, 2010-2011, and 2011-2012.

With regards to The Westerly Hospital please note that the last year audited financial statements were prepared was FY 2009-2010. Also, please note that all of The Westerly Hospital Statements include its subsidiary, the Westerly Hospital Foundation. Accordingly enclosed is:

- Audited Financial Statements for The Westerly Hospital for FY 2009-2010
- Consolidated Statement of Operations, and Consolidated Balance Sheet for FY 2010-2011
- Consolidated Statement of Operations, and Consolidated Balance Sheet for FY 2011-2012 through July 31, 2012.

Additionally, please see Supplemental Exhibit 9(b) attached hereto, which contains balance sheets and income statements for The Westerly Hospital for the entire FY2012 (through September 30 2012).

With regards to Westerly Hospital Healthcare, Inc., audited financial statements have not been prepared. Accordingly, enclosed is:

- Consolidated Statement of Operations for FY 2009-2010
- For FY 2010-2011 financial statements were not prepared. The closest available document is the enclosed trial balance that was prepared for the accountants to allow them to do tax returns.
- Consolidated Statement of Operations through June 30, 2012.

Additionally, balance sheets and income statements for Westerly Hospital Healthcare, Inc. for the entire FY2012 (through September 30 2012) are not yet completed and finalized, the data will be provided to you under separate cover by the Westerly entities upon its completion.

Also attached hereto as Exhibit 9, is the available financial data for Lawrence + Memorial Corporation, including its subsidiaries and affiliates, and Lawrence + Memorial Hospital for Fiscal Years 2008-2009, 2009-2010, and 2010-2011.

With regards to Lawrence + Memorial Hospital, the following audited financial statements were prepared, and accordingly enclosed:

- Audited Financial Statements for L + M for FY 2008-2009.

- Audited Financial Statements for L + M for FY 2009-2010.
- Audited Financial Statements for L + M for FY 2010-2011.

Additionally, please see Supplemental Exhibit 9(d) attached hereto, which contain audited financial statements for Lawrence + Memorial Hospital for the entire FY2012 (through September 30, 2012).

With regards to Lawrence + Memorial Corporation and its subsidiaries and affiliates, the following audited financial statements were prepared, and accordingly enclosed:

- Audited Financial Statements for L + M for FY 2008-2009.
- Audited Financial Statements for L + M for FY 2009-2010.
- Audited Financial Statements for L + M for FY 2010-2011.

Additionally, please see Supplemental Exhibit 9(e) attached hereto, which contains audited financial statements for Lawrence + Memorial Corporation and its subsidiaries and affiliates for the entire FY2012 (through September 30, 2012). Further, please see Supplemental Exhibit 9(g) and Supplemental Exhibit 9(h) containing legible copies of Bates 0874 and Bates 0877.

The Purchase of The Westerly Hospital will be financed using a short-term bridge loan strategy. Commitments from Bank of America and Washington Trust have been received. Each proposal is under review and will be acted upon by mid-January. Development of a long-term financing strategy is underway that involves other projects at L + M Corporation. The strategies being explored include tax-exempt financing and/or commercial lending. Given the strong financial positions of the parent company, a number of banks and financial institutions have expressed interest as partners in a long-term debt issuance or related strategy. Execution of the long-term strategy will take place within 12 months post-closing. L+M anticipates an equity contribution of approximately $6,000,000 towards the purchase price of The Westerly Hospital and short-term bridge financing of approximately $20,000,000 (See Appendix B and Appendix C). L + M's balance sheet has in excess of 200 days cash-on-hand, all of which is unrestricted and investments in excess of $200 million. These funds will be used for the equity contribution.

10. Please provide copies of reports analyzing the proposed conversion by any of the Transacting Parties during the past 3 years, including but not limited to, reports by appraisers, accountants, investment bankers, actuaries, other experts.

Response:

Attached hereto as Exhibit 10 are copies of reports analyzing the proposed conversion by any of the Transacting Parties during the past 3 years, including but not limited to, reports by appraisers, accountants, investment bankers, actuaries, other experts.

Attached hereto as Confidential Exhibit 10 are all other copies of reports analyzing the proposed conversion by any of the Transacting Parties during the past 3 years, including but not limited to reports by appraisers, accountants, investment bankers, actuaries, and other experts. Please see Supplemental Exhibit 10(a) and the Privilege and Redaction Log attached hereto, containing an index of each document in response to this question and explanations for redactions.

The Confidential Exhibits provided in response to this question are considered confidential and/or proprietary and shall be subject to the confidentiality protections contained in R.I. General Laws Section 23-17.14-32. R.I. General Laws Section 38-2-2 specifically defines the following as "non-public" records: "trade secrets and commercial or financial information which is a of a privileged or confidential nature;" "all tax returns;" "preliminary drafts, notes, impressions, memoranda, working papers, and work products;" and, "any records which would not be available by law or rule of court to an opposing party in litigation." Specifically, this Confidential Exhibit 10 is confidential because it is a business record that contains proprietary information whose disclosure could adversely affect the parties involved if disclosed to the public.

11. Please provide copies of all documents related to:

(a) Identification of all charitable assets;
(b) Accounting of all charitable assets for the past 3 years; and
(c) Distribution of the charitable assets including, but not limited to, endowments, restricted, unrestricted and specific purpose funds as each relates to the proposed transaction.

Response: Attached hereto please find Exhibit 11, Supplemental Exhibit 11, and Confidential Supplemental Exhibit 11, identifying all of The Westerly Hospital's charitable assets, accounting for all charitable assets for the past 3 years, and distribution of the charitable assets including, but not limited to, endowments, restricted, unrestricted, and specific purpose funds, as each relates to the proposed transaction.

The Confidential Exhibits provided in response to this question are considered confidential and/or proprietary and shall be subject to the confidentiality protections contained in R.I. General Laws Section 23-17.14-32. R.I. General Laws Section 38-2-2 specifically defines the following as "non-public" records: "trade secrets and commercial or financial information which is a of a privileged or confidential nature;" "all tax returns;" "preliminary drafts, notes, impressions, memoranda, working papers, and work products;" and, "any records which would not be available by law or rule of court to an opposing party in litigation." Specifically, this Confidential Exhibit 11 is confidential because it is a business record that contains proprietary information whose disclosure could adversely affect the parties involved if disclosed to the public.

12. Please provide descriptions of the plan(s) as to how the affiliated hospitals will provide consolidated healthcare services and administrative services during the first 3 years following the conversion.

Response: Following the conversion, both LMW Healthcare, Inc. d/b/a The Westerly Hospital and L + M Hospital will be wholly owned subsidiaries of L + M Corporation. Administrative services will be consolidated to a high level with L + M executives and senior managers expanding their scope of work to cover duties at The Westerly Hospital. With regard to healthcare services, LMW Healthcare, Inc. d/b/a The Westerly Hospital and L + M Hospital will continue to provide health care services to their communities. Such health care services may be consolidated gradually as the parties better understand the capabilities and community needs on their respective communities.

L + M has committed to continue any clinical service operational at the time of closing for a period of two (2) years after the closing so long as there are no safety or quality issues associated with the provision of such clinical services. Section 10.1 of the Asset Purchase Agreement specifically provides "In addition, for the Closing Date until the date which his two (2) years after the Closing Date, Buyer shall commit not to discontinue any clinical service (including maturity) being provided by Hospital as of date of Sale Order (so long as there are no safety or quality issues associated with provision of such clinical service and so long as such clinical services is still being provided by the Hospital immediately prior to the Closing Date and so long as there are not quality and safety issues associated with provision of such clinical services based among other things, upon the volume of services provided in such a clinical setting as reviewed by Hospital Board."

Accordingly, the reference to "safety and quality issues" is based on the direct language from Section 10.1 of the Asset Purchase Agreement. The safety and quality reference does not refer to any specific safety and quality issues but rather to the safety and quality of all health care services rendered by Westerly Hospital and to be rendered by LMW Healthcare, Inc. d/b/a Westerly Hospital. Safety and quality will be measured by all methods and standard presently utilized by L&M including peer review, comparison of outcome data to national outcome data, and quality assurance and utilization review of such services.

Lastly, other than what has already been provided in this application, there are no documents relating to the consolidation of health care services or administrative services during the first three (3) years after closing. Provided, however, the Special Master of the Westerly Entities has engaged a consultant to review and advise on its obstetrics program and is currently assessing options based on the results of such review. However, no particular plan for this program has yet been finalized. Further, due to rapid changes in the external environment caused by state and federal budget exigencies, L+M cannot make any predictions or guarantees regarding administrative staffing levels or arrangements. The federal and state budget exigencies include, without limitation, that federal "fiscal cliff" negotiations and the Connecticut state deficit mitigation plan. L+M's potential unbudgeted negative financial impact is approximately $5,000,000, in Medicare cuts and increased state payment obligations. The Westerly Hospital is also facing a 2% Medicare reimbursement cut. L+M will, however, stand by the commitments set forth in the Asset Purchase Agreement.

13. Please provide copies of plans relative to staffing levels of all categories of employees during the first 3 years at the new hospital(s) following the implementation of the proposed conversion. Please, further, complete Appendix A-1.

Response: Section 10.6 of the Asset Purchase dated June 6, 2012 provides, "Buyer shall offer employment commencing on the closing date to all union and non-union clinical, trade, and services personnel of the Sellers (excluding certain management personnel and general and administrative support personnel) and after satisfactory review of Sellers' Plan to Profitability and employment data, Buyer expects to offer employment to substantially all of the Hospital's other employees." Accordingly, Buyer's plan relative to staffing levels of all categories of employees during the first three (3) years of the new hospital will be consistent with this Section 10.6.

Additionally, there are no other present plans other than those contained in Section 10.6 of the Asset Purchase Agreement and those discussed in response to Question 12 above relative to staffing levels of all categories of employees during the first three (3) years at the new hospitals following implementation of proposed conversion.

Further, please see Confidential Supplemental Exhibit 13(b) attached hereto, containing all documents prepared by or for any of the Transacting Parties related to staffing plans during the first three (3) years at the new hospital, and Confidential Supplemental Exhibit 13(c), containing a copy of the Seller's Plan to Profitability referenced on Bates 1163.

The Confidential Exhibits provided in response to this question are considered confidential and/or proprietary and shall be subject to the confidentiality protections contained in R.I. General Laws Section 23-17.14-32. R.I. General Laws Section 38-2-2 specifically defines the following as "non-public" records: "trade secrets and commercial or financial information which is of a privileged or confidential nature;" "all tax returns;" "preliminary drafts, notes, impressions, memoranda, working papers, and work products;" and, "any records which would not be available by law or rule of court to an opposing party in litigation." Specifically, Confidential Supplemental Exhibit 13(b) and Confidential Supplemental Exhibit 13(c) are confidential because they are business records that contains proprietary information whose disclosure could adversely affect the parties involved if disclosed to the public.

14. Please complete Appendix D regarding plans for all hospital departments or services that will be eliminated, or significantly reduced at the new hospital during the first 3 years at the new hospital(s) following the implementation of the proposed conversion.

Response: Attached hereto is Appendix D, which has been completed. The Transacting Parties have not prepared any documents related to any hospital department or service that will be eliminated or significantly reduced at hospital following implementation of proposed conversion. However, the Special Master of the Westerly Entities has engaged a consultant to review and advise on its obstetrics program and is currently assessing options based on the results of such review. However, no particular plan for this program has yet been finalized.

15. Please provide the binding transaction documents, such as an asset purchase/transfer agreement, affiliation agreement and/or memorandum of understanding and all exhibits and schedules (including any updates or supplements).

Response: Attached hereto as Exhibit 15 is a copy of the Asset Purchase Agreement and the schedule and exhibits dated June 6, 2012 by and among the Sellers (as defined therein) and the Buyer (as defined therein). Please note that the exhibits to the Asset Purchase Agreement are currently in draft form as they will not be executed until the closing.

Additionally, attached hereto as Confidential Exhibit 15, are some of the binding transaction documents, which the Superior Court permitted to be subject to only in-camera review, and were not made available to the public.

The Confidential Exhibits provided in response to this question are considered confidential and shall be subject to the confidentiality protections contained in R.I. General Laws Section 23-17.14-32. R.I. General Laws Section 38-2-2 specifically defines the following as "non-public" records: "trade secrets and commercial or financial information which is a of a privileged or confidential nature;" "all tax returns;" "preliminary drafts, notes, impressions, memoranda, working papers, and work products;" and, "any records which would not be available by law or rule of court to an opposing party in litigation." Specifically, this Confidential Exhibit 15 is confidential because it contains proprietary business information whose disclosure to the public could adversely affect the parties involved, as evidenced by the court's in-camera review of such documents.

16. Please discuss whether this proposal will require the review by any relevant federal authority and, if so, please identify such review(s) and provide its current status.

Response: Under the Hart-Scott-Rodino Antitrust Improvement Act of 1976 ("HSR"), entities involved in mergers and acquisitions that meet certain criteria must file premerger notification with the FTC. A merger subject to HSR filing requirement may not close until the waiting period expires, or the government grants early termination of the waiting period. The proposed transaction contemplated by this application meets the HSR filing requirements. As such, on July 2, 2012, the Lawrence + Memorial Corporation and W. Mark Russo, Esq., solely in his capacity as the court-appointed Special Master for Westerly Hospital Healthcare, Inc. and affiliated entities, filed Notification and Report Forms for Certain Mergers and Acquisitions with the Federal Trade Commission ("FTC") and Department of Justice. Shortly thereafter the FTC requested certain information from the parties regarding the transaction. By correspondence dated July 3, 2012, the FTC confirmed receipt of the completed Notification and Report Forms and stated that the waiting period would expire on August 1, 2012. A copy of the FTC correspondence dated July 3, 2012 and the FTC's own description of the "Premerger Notification and the Merger Review Process" is attached as Supplemental Exhibit 16.

The FTC did not object to the transaction or otherwise extend the HSR waiting period. Instead, the FTC permitted the applicable HSR waiting period to expire on August 1, 2012. The FTC does not issue confirmation of expiration of the waiting period, or any approval or other type of clearance letter as part of the HSR review process. Accordingly, the FTC review of this transaction is complete and the parties may proceed to close the transaction, subject, of course, to obtaining any other required regulatory approvals and the terms of the APA.

17. Please identify any state or federal licensure or certification citations and/or enforcement actions taken against the Transacting Parties and their affiliates within the past 3 years and the status or disposition of each.

Response: Westerly Hospital Healthcare, Inc. and The Westerly Hospital have not had any state or federal licensure or certification citations or enforcement actions taken against them, expect for the pending OIG investigation detailed in the responses to Questions 18 and 19. Please find documents identifying any state or federal licensure or certification and enforcement actions taken against Lawrence + Memorial Hospital within the past 3 years attached hereto as Exhibit 17.

Please also find a copy of the consent order effective March 16, 2011 between Bruce Cummings, President/CEO of the Lawrence and Memorial Corporation and Barbara Cass, RN, Section Chief, Facility Licensing and Investigations Section, State of Connecticut Department of Public Health is attached as Supplemental Exhibit 17(a). Please also find a copy of the CMS July 2010 survey findings, including their statement of deficiencies and Lawrence + Memorial Corporation's plans of correction submitted to CMS and/or the Connecticut Department of Public Health are attached as Supplemental Exhibit 17(b). Please see Supplemental Exhibit 17(c) for a detailed description, separately be each item, of actions taken by Lawrence + Memorial Corporation to complete each of the items set forth on the consent order and the current status of said items. Please see Supplemental Exhibit 17(d) for copies of any and all documents and correspondence submitted by the Lawrence + Memorial Corporation to (and from) the Connecticut Department of Public Health related to said consent order.

Please also note that L + M Physician Association, Inc. is not a licensed entity and has not had any state or federal licensure or certification citations and/or enforcement actions against it within the last three (3) years. The VNA of Southeastern Connecticut, Inc. has also not had any state or federal licensure or certification citations and/or enforcement actions against it within the last three (3) years.

18. Please provide a list of pending or adjudicated citations, violations or charges against the Transacting Parties and their affiliates brought by any governmental agency or accrediting agency within the past 3 years and the status or disposition of each.

Response: Please see response to Question 19 and Exhibit 19 and Confidential Supplemental Exhibit 19(a) for a complete response to this request in regards to Westerly Hospital Healthcare, Inc., The Westerly Hospital, Lawrence + Memorial Corporation, and Lawrence + Memorial Hospital, Inc.

19. Please provide a list of any investigations by federal, state or municipal agencies against the Transacting Parties and their affiliates within the past 3 years and the status or disposition of each.

Response: Attached hereto as Exhibit 19, Confidential Supplemental Exhibit 19(a), Confidential Supplemental Exhibit 19(b), Confidential Supplemental Exhibit 19(c), and Supplemental Exhibit 19(e), is a list of any investigations by federal, state or municipal agencies against Westerly Hospital Healthcare, The Westerly Hospital, L + M Corporation, L + M Hospital, and their affiliates, within the past three years, documents relating to same, and the status or disposition of each.

The Confidential Exhibit provided in response to this question is considered confidential and/or proprietary and shall be subject to the confidentiality protections contained in R.I. General Laws §23-17.14-32. R.I. General Laws Section 38-2-2 specifically defines the following as "non-public" records: "trade secrets and commercial or financial information which is a of a privileged or confidential nature;" "all tax returns;" "preliminary drafts, notes, impressions, memoranda, working papers, and work products;" and, "any records which would not be available by law or rule of court to an opposing party in litigation." Specifically, the Transacting Parties' documents in Confidential Supplemental Exhibit 19(a), Confidential Supplemental Exhibit 19(b), and Confidential Supplemental Exhibit 19(c) are confidential because such investigations and the information outlined in such investigatory documents are confidential and public disclosure could adversely affect the parties involved.

20. Please describe in detail any plans for cross-privileging of medical staff affiliated with either of the Transacting Parties and their affiliates before and after the proposed conversion.

Response: Presently there are no plans for cross-privileging for The Westerly Hospital and Lawrence + Memorial Hospital medical staffs, and as such, no documents exist related to cross-privileging of medical staff.

21. Please provide a description of the plan as to how the Transacting Parties and their affiliates will provide community benefits during the first 3 years of operation after the proposed transaction is completed.

Response: After the closing of the conversion, the Buyer plans to accomplish four goals related to community benefits at The Westerly Hospital during the first three years of operation:

1. Institute the use of the CBISA software for tracking, reporting and evaluating community benefit activities. Develop processes for gathering data, recording, and creating reports necessary for the IRS 990 Schedule H as well as for the community.

2. Analyze the Community Health Needs Assessment (CHNA) report scheduled to be completed in conjunction with the Hospital Association of Rhode Island and augment with additional data as indicated. Comply with reporting requirements per PPACA.

3. Utilize the CHNA to develop a Community Health Improvement Plan as well as to augment existing community education efforts to ensure that community benefit activities align with identified community needs. Conduct program planning and implementation based on the Community Health Improvement Plan.

4. Continue and develop community education programs that align with the CHNA.

L + M anticipates investing in the Westerly community at a level commensurate with its investment in the L + M community.

Additionally, please see Supplemental Exhibit 21 (charity care policy and charity care figures at costs) attached hereto.

22. Please identify whether or not the JCAHO accreditation is currently in good standing for each of the Transacting Parties and each of their affiliate hospital(s). If not, then please discuss in detail the reasons and provide copy of the JCAHO survey.

Response: L + M Hospital is JCAHO accredited and such accreditation is in good standing. Please find copies of accreditation letters from the Joint Commission with respect to L+M's hospital accreditation, behavioral health care accreditation, and disease-specific care certification attached hereto as Supplemental Exhibit 22(a). Note that the letters show an "Accreditation Expiration Date" of August 7, 2013. As stated in the letters, additional information regarding the current status of L+M's accreditation can be viewed in the "Quality Check" section of the Joint Commission's website, available at: www.jointcommission.org.

On the other hand, The Westerly Hospital Healthcare, Inc. and The Westerly Hospital are not JCAHO accredited, but rather accredited by DNV Healthcare, Inc., and that such accreditation is in good standing. Please see DNV Healthcare, Inc. survey for 2010, 2011, and 2012 attached hereto as Supplemental Exhibit 22(b).

23. Please provide detailed information and documentation sufficient to demonstrate the following:

a) that the character, commitment, competence, and standing in the community, or any other communities served by the proposed Transacting Parties are satisfactory;

Response: The best indicator of character, competence and standing in the community is the track record of the applicant. As set forth in response to Question 1, L + M Corporation has been operating its hospital in New London, Connecticut for 100 years and is proud of its record with respect to high quality health care services, community education and outreach, disease prevention, and financial performance. L+M also maintains a solid track record of regulatory cooperation and commitment to quality improvement at its locations. L+M is currently subject to a Consent Order entered by the Connecticut Department of Public Health, Facility Licensing and Investigations Section (the "Department") on March 14, 2011 and set to expire on March 14, 2013. L+M and the Department voluntarily entered into the Consent Order to address various statutory and regulatory violations at Lawrence + Memorial Hospital. The Consent Order, among other objectives, set forth the framework for a clinical consulting entity to evaluate medical staff consultations, anesthesia services, inpatient pediatric care, and nursing services at L+M and required L+M to provide a Health Care Quality Conference on similar topics for both internal and external health care practitioners and providers. L+M has fully cooperated with the Department in connection with the Consent Order and continues to comply with its terms. Additional information regarding the Consent Order and L+M's response is contained within responses to questions 17, 18, and 19 of this application.

As stated above, L + M Corporation operates L + M Hospital which is licensed by the Connecticut State Department of Health (the "CTDOH"). L + M Hospital operates in compliance with Connecticut law and all CTDOH regulations and directives. In addition, L + M Hospital enjoys a wide range of accreditations and professional association memberships indicating the quality of its care.[1] On community education and outreach and disease prevention, L + M invested 15.6 million

[1] Joint Commission on Accreditation of Hospitals
Joint Commission Accreditation on Behavioral Health
Joint Commission Advanced Primary Stroke Certification
Accredited Program Center, Association for Clinical Pastoral Education, Inc.
American Academy of Audiology
American Academy of Sleep Medicine Accreditation
American College of Cardiology (ACC)
American College of Radiology (ARC)
American College of Radiology Nuclear Medicine
American College of Surgeons
American Dental Association
American Institute of Ultrasound in Medicine
American Occupational Therapy Association
American Physical Therapy Association
American Registry for Diagnostic Medical Sonography (ARDMS)
American Speech +Hearing Association
Breast Imaging Center of Excellence (BICOE)
Commission for Accreditation of Rehabilitation
Facilities (C.A.R.F.)
Connecticut Occupational Therapy Association
Connecticut Speech and Audiology Association
College of American Pathologists
Department of Public Health Stroke Certification
Intersocietal Commission for the Accreditation of Echocardiography Laboratories (ICAEL)

into such efforts in 2011. On financial performance, L + M maintains a strong financial position, as evidenced by its 6.73% operating margin in 2011 and it's A plus debt rating with S&P and Fitch dated August 2011.

b) that sufficient safeguards are included in the proposed conversion to assure the affected community continued access to affordable care;

Response: The proposed conversion contains ample provisions that provide safeguards that the affected community will have continued access to affordable care. Our response to Question 1 lists 16 criteria from Section 10.2 of the Asset Purchase Agreement which set forth that the purchaser will ensure that hospital services continue to be provided in the community. These criteria range from cash infusions to a commitment to maintain the hospital as an acute care, community hospital for a minimum of 5 years and to not discontinue clinical services for 2 years subject to certain conditions. The Buyer believes these criteria, which have been specifically approved by the Rhode Island Superior Court, assure the Westerly community continued access to affordable care. Please see Supplemental Exhibit 1(c) regarding the $3.2 million dollar budget gap.

c) that the new hospital will provide health care and appropriate access with respect to traditionally underserved populations, including racial and ethnic minority populations, in the affected community;

Response: L + M Hospital has a strong organizational commitment to serving the most vulnerable which will extend to our approach at The Westerly Hospital. Utilizing the community health needs assessment currently underway in The Westerly Hospital, we will identify underserved populations and seek partnerships with other community organizations to most effectively address identified issues. Processes and infrastructure that are in place at L + M and that have proven to be successful in meeting the needs of the underserved will be applied also at The Westerly Hospital. L + M plans to continue providing access to patients under the Medicare and Medicaid Programs. L + M will also implement its Charity Care Policy and provide free care to Westerly-area patients by utilizing and supplementing funds already held in trust to benefit patients of the The Westerly Hospital unable to pay for their care.

At L + M Hospital, counselors help thousands of families in Southeastern Connecticut and Rhode Island to navigate the State systems to qualify for assistance from programs such as Medicaid and State Administered General Assistance. L + M Hospital's community benefit programs and services align with the principles as set forth in the organization's Community Benefit Policy, which has been attached as Supplemental Exhibit 23(c). Those principles include:

1. Emphasis on programs to meet a significant unmet health need including efforts to identify and include vulnerable populations or those most at-risk as determined by risk factors which

predispose those populations toward a higher incidence of disease and/or barriers to obtaining appropriate healthcare.

2. Emphasis on primary prevention and including at least one of three primary prevention strategies: health promotion, disease prevention, and health protection. Health promotion entails encouraging healthy lifestyles; disease prevention focuses on individuals identified as at-risk for health problems; health protection activities influence the environment to support healthy behaviors.

3. Programs should develop evidence-based links between clinical services and health improvement activities delivered both inside and outside the hospital.

4. Programs should focus on targeting charitable resources that mobilize and build capacity within existing community assets while minimizing duplication of effort.

5. Programs should emphasis collaboration with community stakeholders.

d) that there will be procedures or safeguards in place to ensure that ownership interests in the new hospital will not be used as incentives for hospital employees or physicians to refer patients to the hospital;

Response: The new hospital will be a nonprofit entity and its sole member will be L + M Corporation. Therefore ownership interests in the new hospital will not be available to any third party, including hospital employees or physicians.

e) that the Transacting Parties have made a commitment to ensure the continuation of collective bargaining rights, if applicable, and retention of the workforce;

Response: The new hospital has reached an Agreement dated July 28, 2012, but effective January 1, 2013, (the "Union Agreement") with the following unions: Westerly United Nurses and Allied Professionals Local 5075 and Westerly United Nurses and Allied Professionals Local 5104. The Union Agreement and Section 10.6 of the Asset Purchase Agreement ensure the continuation of collective bargaining rights and retention of a substantial number of The Westerly Hospital's employees.

f) that the Transacting Parties have appropriately accounted for employment needs at the facility and addressed workforce retraining needed as a consequence of any proposed restructuring;

Response: Effective as of the time of the Closing of the Transaction contemplated by the parties under the APA, substantially all of the employees (with certain limited exceptions) will be included in the employee training plans of the Lawrence + Memorial Hospital Inc. Those not retained will be offered appropriate workforce training.

g) that the public interest will be served considering the essential medical services needed to provide safe and adequate treatment, appropriate access and balanced health care delivery to the residents of the state;

Response: As part of the conversion, The Westerly Hospital's employed physicians will remain employed within the L + M system, which will continue to make these physicians available to the community to provide medical services. L + M Corporation recognizes that such physician services are an essential part of the services that the community needs and are a compliment to the hospital services that it will provide.

h) that issues of market share especially as they affect quality, access, and affordability of services in the proposed conversion are satisfactory.

Response: Residents of The Westerly Hospital service area enjoy many options for hospital services including The Westerly Hospital, L + M Hospital, William W. Backus Hospital, South County Hospital and the hospitals located in Providence. The Westerly Hospital retains some of those patients required hospital services and presently there is little overlap with L + M Hospital among patients that use hospital services. As a result of the conversion, it is expected that The Westerly Hospital will be able to maintain and possibly increase its market share and therefore continue to provide access to Westerly area residents. We believe the conversion should improve quality as the hospital draws upon L + M's resources. Finally we believe affordability will be maintained as The Westerly Hospital continues to provide community hospital services.

24. Please provide copies of the IRS Form 990 H for each of the Transacting Parties and their affiliated hospital (s) for each of the past three years.

Response: Attached hereto is Exhibit 24 and Supplemental Exhibit 24(b), containing IRS Form 990 H for each of the Transacting Parties. Please note that the L + M Transacting Parties only filed IRS Form 990 during the last two (2) years. Both are attached.

Additionally, please find Supplemental Exhibit 24(a), which contains an index of the documents provided in response to this question.

25. Please provide a list of all agreements of the existing hospital(s) and/or their affiliated medical providers with third party payors.

Response: Attached hereto as Exhibit 25, please see a chart of all agreements for L + M Hospital and their affiliated medical providers with third party payors.

Set forth below is a list of all agreements of The Westerly Hospital and their affiliated medical providers with third party payors:

The Westerly Hospital

1. AETNA
2. ANTHEM BlueCross BlueShield
3. CIGNA, Inc.
4. Colonial Cooperative Care
5. ConnectiCare
6. First Health
7. Healthcare Value Management
8. Beacon Hospice
9. Home and Hospice of Rhode Island
10. Mashantucket (Tribal only) under United Healthcare
11. Multiplan, Inc. /Private Healthcare Systems, Inc.
12. Private Healthcare Systems, Inc.
13. Neighborhood Health Plan of Rhode Island
14. Northeast Direct Health
15. PACE Organization of Rhode Island
16. Medicare Private Free-for-Service Plan
17. Rhode Island Blood Center
18. Rhode Island Blood Center Plan 65

19. TRICARE

20. TUFTS Health

21. United Healthcare

22. UH Medical Group

23. Connecticut Medicaid

24. Connecticut Workers' Compensation

25. Mass Health

26. Medicare

27. Medicare Private Free-for-Service Plan Insurances

28. Rhode Island Medicaid

29. Rhode Island Workers' Compensation

Atlantic Medical Group Inc./Women's Health of Westerly

1. Blue Cross Blue Shield of Rhode Island- Restated Participating Physician Agreement (Paul Bourguignon)
2. Blue Cross Blue Shield of Rhode Island - Participating Physician Agreement (Rajesh Gupta)
3. Blue Cross Blue Shield of Rhode Island
4. Aetna
5. Cigna
6. Community Health Network of Connecticut
7. Connecticare (AMG)
8. Connecticare (WHoW)
9. Coventry Healthcare
10. Health Net / RIMAP (WHoW)
11. Connecticut Medicaid

12. Neighborhood Health Plan

13. TriCare

14. United HealthCare

26. Please confirm that the new hospital will continue to participate in the Rhode Island Cancer Registry and the Rhode Island Health Information Exchange (current*care*) after the implementation of the proposed conversion and, if not, please explain why not.

Response: After the closing, The Westerly Hospital will continue to participate in the Rhode Island Cancer Registry and Rhode Island Health Information Exchange.

27. Please provide a list of all professional memberships/associations and community collaborations that the existing hospital is currently a member or participant and, of those, please identify any that will not be maintained after the implementation of the proposed conversion.

Response: Please see below for a list of all professional memberships and associations which The Westerly Hospital currently maintains or participates in. L + M will continue all of The Westerly Hospital's memberships and relationships as listed.

The Westerly Hospital 2012 Community Participation

Associations/Chambers
Association for Healthcare Philanthropy (AHP)
New England Association for Healthcare Philanthropy (NEAHP)
Healthcare Strategy +Market Development
Westerly-Pawcatuck Chamber of Commerce
Mystic Chamber of Commerce
Charlestown Chamber of Commerce
Eastern CT Chamber of Commerce
Misquamicut Business Association
North Stonington Business Association
American Heart Association
The Advisory Board Company
Hospital Association of Rhode Island
American College of HC Executives
American Society for Training and Development
Stepping Up Program- a Union-Hospital partnership that supports the attaining of certified HC jobs for entry level positions

Partnerships
Westerly Parent Academy (collaboration, no financial contribution; in-kind only)
Stepping Up (collaboration, in-kind internships, etc.)

APPENDIX A

1. Please identify the total number of FTEs (full time equivalents) and the associated payroll expense (with fringe benefits) at the existing hospital for the last full FY year, for the current budget year and as projected at the new hospital in the first three years after the implementation of the proposal. *Please note below that The Westerly Hospital does not have such detailed data for the past three fiscal years. **Please see Supplemental Exhibit Appendix A-1, which provides the major categories of personnel contained in the "Other" row and the number of FTEs for Fiscal Years 2012, 2013, and 2014.**

	Past Three Fiscal Years[2]						Budgeted Current Year 2012		Projected First Three Operating Years (if approved)					
	FY: 2009		FY: 2010		FY: 2011		FY:		FY: 2013		FY:2014		FY:2015	
PERSONNEL (by major categories)	Number of FTEs	Payroll W/Fringes	Number of FTEs	Payroll W/Fringes	Number of FTEs	Payroll W/Fringes	Number of FTEs	Payroll W/Fringes	Numb of FTEs	Payroll WFringes	Number of FTEs	Payroll WFringes	Number of FTEs	Payroll WFringes
Medical Director							.5	$218,780	.5	$ 195,293	.5	$ 195,293	.5	$ 195,293
Physicians							2.0	$729,265	2.0	$ 650,978	2.0	$ 650,978	2.0	$ 650,978
Administrator							2.0	$544,586	2.0	$ 486,124	2.0	$ 486,124	2.0	$ 486,124
RNs							99.5	$11,040,174	92.5	$9,855,003	92.5	$ 9,855,003	92.5	$ 9,855,003
LPNs	*Detail	Not	*Detail	Not	*Detail	Not								
Nursing Aides	Available	For 2009	Available	For 2010	Available	For 2011	22.7	$1,089,840	22.7	$ 972,845	22.7	$ 972,845	22.7	$ 972,845
PTs							7.0	$723,103	7.0	$ 645,477	7.0	$ 645,477	7.0	$ 645,477
OTs							2.6	$279,419	2.6	$ 249,424	2.6	$ 249,424	2.6	$ 249,424
Speech Therapists							1.4	$153,963	1.4	$ 137,435	1.4	$ 137,435	1.4	$ 137,435
Clerical							33.3	$2,031,400	33.3	$ 1,813,325	33.3	$ 1,813,325	33.3	$ 1,813,325
Housekeeping							28.2	$1,231,193	28.2	$ 1,099,023	28.2	$ 1,099,023	28.2	$ 1,099,023
Other							366.1	$32,403,266	358.2	$28,924,752	343.2	$27,592,752	330.2	$26,444,752
Totals	592.8	$48,122,335	609.9	$51,607,181	596.3	$52,430,427	565.3	$50,444,989	550.4	$45,029,682	535.4	$43,697,679	535.4	$42,549,679

[2] Prior to FY 2012, The WesterlyHospital did not track this data. Constructing this information would require a week by week analysis of payroll for each year. The Westerly Hospital did track the yearly totals for the above requested information. The drop in the FTE's between FY 2010 and FY 2012 was the result of the implementation of suggestions by a consulting firm called Carpedia, and a concentrated effort to control costs during the Special Mastership proceeding.

APPENDIX A (CONT.)

2. Please complete the following table for the existing and new hospital for each year indicated.

	Past Three Fiscal Years			Budgeted Current Fiscal Year	Projected Three Fiscal Years (if approved)		
	FY:2009	FY:2010	FY:2011	FY:2012	FY: 2013	FY:2014	FY:2015
REVENUES							
Net Patient Revenue	$ 84,143,536	$86,545,353	$83,303,610	$81,453,751	$82,694,098	$84,558,098	$84,558,098
Other: (_____)	$1,459,152	$1,916,682	$5,316,781	$3,933,394	$2,042,560	$2,042,560	$2,042,560
Total Revenue	$85,602,688	$88,462,035	$88,620,391	$85,387,145	$84,736,658	$86,600,658	$86,600,658
EXPENSES							
Payroll w/Fringes	$48,122,335	$51,607,181	$52,430,327	$50,444,989	$45,029,682	$ 43,697,679	$ 42,549,679
Bad Debt	$ 7,249,448	$5,962,284	$ 6,782,130	$ 7,422,806	$6,579,021	$5,530,021	$5,530,021
Supplies	$ 9,987,201	$10,821,805	$10,407,892	$10,485,062	$9,330,017	$9,810,017	$9,810,017
Office Expenses	$ 1,366,403	$1,309,872	$ 1,072,873	$ 1,063,992	$1,576,441	$1,576,441	$1,576,441
Utilities	$ 1,643,350	$ 1,421,151	$ 1,561,859	$ 1,306,819	$1,570,166	$1,570,166	$1,570,166
Insurance	$ 1,534,898	$1,528,976	$ 1,522,486	$ 1,710,522	$1,617,827	$1,617,827	$1,617,827
Interest	$ 1,365,958	$1,306,259	$ 1,410,753	$ 947,439	$334,293	$322,293	$371,293
Depreciation/Amortization	$ 4,450,501	$4,592,213	$ 4,698,833	$ 4,859,574	$ 4,800,000	$ 5,426,000	$ 5,715,000
Leasehold Expenses	$ 910,846	$ 735,155	$ 605,724	$ 323,857	$405,695	$405,695	$405,695
Other: (Pro Fees)	$ 2,272,975	$2,050,307	$ 1,923,149	$ 1,762,824	$1,546,235	$1,546,235	$1,546,235
Other: (Purchased Serv)	$ 7,582,130	$7,928,151	$ 11,410,767	$12,713,305	$10,221,729	$9,378,729	$8,921,729
Total Expenses	$86,486,045	$89,263,354	$ 93,826,793	$93,041,189	$ 83,011,106	$ 80,881,103	$ 79,614,103
OPERATING PROFIT/LOSS	$ (883,357)	$ (801,319)	($5,206,402)	$ (7,654,044)	$1,725,552	$ 5,719,555	$ 6,986,555
Funding of Affiliates	($3,121,653)	($5,280,398)	($8,871,593)	($6,661,919)	($4,200,000)	($4,200,000)	($4,200,000)
System Total	($4,005,010)	($6,081,717)	($14,077,995)	($14,315,963)	($2,474,448)	$1,519,555	$2,786,555
# of Admissions a.	4,420	4,229	3,951	3,371	3,371	3,371	3,371
# of ED Visits	25,878	24,900	23,510	21,670	21,670	21,670	21,670

a. Excludes Newborns

APPENDIX A (CONT.)

3. Please complete the table below for the existing and new hospital for each year indicated.

	Past Three Fiscal Years (Actual)						Budgeted Current Year		Projected First Three Operating Years (if approved)					
	FY: 2009		FY: 2010		FY:2011		FY: 2012		FY:2013		FY:2014		FY:2015	
PAYOR SOURCE:	$	%	$	%	$	%	$	%	$	%	$	%	$	%
Medicare	31,757,072.09	37.74	31,917,829.93	36.88	30,275,198.95	36.34	29,843,757.85	36.64	30,299,117	36.64	30,982,087	36.64	30,982,087	36.64
Medicaid	4,883,714.53	5.8	5,535,013.86	6.4	4,955,468.81	5.95	5,466,625.57	6.71	5,548,773.90	6.71	5,673,848.3	6.71	5,673,848.3	6.71
Blue Cross	16,374,245.96	19.46	16,131,924.00	18.64	16,380,918.88	19.66	16,480,983.34	20.23	16,729,016.90	20.23	17,106,103	20.23	17,106,103	20.23
Commercial	19,465,703.44	23.13	21,758,516.79	25.14	19,817,865.00	23.79	16,382,112.63	20.11	16,629,783	20.11	17,004,633	20.11	17,004,633	20.11
HMO's	4,279,793.81	5.09	3,906,671.64	4.51	2,838,821.95	3.41	5,064,738.29	6.22	5,143,572.80	6.22	5,259,516.6	6.22	5,259,516.6	6.22
Self Pay	6,326,004.00	7.52	5,989,535.00	6.92	8,443,668.00	10.14	7,132,255.03	8.76	7,244,002.90	8.76	7,407,289.3	8.76	7,407,289.3	8.76
Other:	1,057,002.17	1.26	1,305,861.79	1.51	591,668.41	0.71	1,083,278.29	1.33	1,099,831.50	1.33	1,124,622.7	1.33	1,124,622.7	1.33
TOTAL	$84,143,536	100	$86,545,353	100	$83,303,610	100	$81,453,751	100	$82,694,098	100	$84,558,098	100	$84,558,098	100
Charity Care*	434,836	0.50%	901,641	1.04%	719,764	0.86%	663,644	0.81%	663,644	0.80%	663,644	0.78%	663,644	0.78%

*Charity Care does not include bad debt, and is based on costs (not charges).

APPENDIX B

Please provide the total cost necessary to implement this proposal and allocate this amount to the sources of funds categories listed below:

TOTAL PROJECT COST: $26,069,666*

SOURCE OF FUNDS	AMOUNT
a. Funded depreciation	$ _____
b. Other restricted funds (specify)	_____
c. Unrestricted funds (specify)	_____
d. Owner's equity	6,069,666
e. Cash (If different from owner's equity)	_____
f. Unrestricted donations or gifts	_____
g. Restricted donations or gifts	_____
h. Other non-debt funds (specify)	_____
i. Sub-Total Equity Funds	6,069,666
j. Subsidized loan (e.g. FHA etc.)	_____
k. Tax-exempt bonds (specify)	_____
l. Conventional mortgage	_____
m. Lease or rental	_____
n. Other debt funds	20,000,000
o. Sub-Total Debt Funds	20,000,000
p. Total Source of Funds	**26,069,666**

* should equal the response for line "p"

** Equity means non-debt funds contributed towards the capital cost related to a conversion of a hospital which funds are free and clear of any repayment or liens against the assets of the proposed owner and/or licensee and that result in a like reduction in the portion of the capital cost that is required to be financed or mortgaged.

*** If debt financing is indicated, please complete Appendix C.

APPENDIX C

Debt Financing

Name of Acquiror: Lawrence + Memorial Corporation

1. Describe the proposed debt by completing the following:

   (a) type of debt contemplated; Short-Term Bridge Financing
   (b) term (month or years); 2 Years
   (c) principal amount borrowed; $20,000,000
   (d) probable interest rate; 30 Day LIBOR + 75 bppa
   (e) points, discounts, origination fees; $10,000
   (f) likely security; None
   (g) disposition of property (if a lease is revoked); None
   (h) prepayment penalties or call features; None
   (i) front-end costs (e.g. underwriting spread);
   (j) feasibility study, legal and printing expense;
   (k) points, etc.; and $10,000 (total from (i), (j),(k))
   (l) debt service reserve fund. None

2. If this proposal involves refinancing of existing debt of the existing hospital, please indicate the original principal, the current balance, the interest rate, the years remaining on the debt and a justification for the refinancing contemplated. N/A

3. Please present a debt service schedule for the chosen method of financing, which clearly indicates the total amount borrowed and the total amount to be repaid per year. Of the amount to be repaid per year, the total dollars applied to principal and total dollars applied to interest must be shown.

   A bridge financing is being utilized while a comprehensive financing strategy for the system is evaluated, which includes the acquisition of The Westerly Hospital, as well as other capital projects. The bridge financing will require repayment of interest only monthly during the two year term and then repayment of the entire principal amount at the conclusion of the two year term. If a comprehensive financing strategy is agreed to and approved during the 2-year period, this bridge financing will be extinguished. Please see attached as Exhibit Appendix C(3), a projected debt service schedule clearly indicating the amount borrowed, total amount paid per year, and the total dollars applied to principal and total dollars applied to interest.

4. Please provide an annual cash flow statement for the new hospital for the period between approval of the application and through the third full FY year after implementation of the proposed conversion.

   Attached hereto as Exhibit Appendix C(4), please see projected cash flow statement.

APPENDIX D

Elimination or Reduction in Services

Please provide responses to the following for each health service that will be eliminated, or significantly reduced at the new hospital during the first 3 years at the new hospital following the implementation of the proposed conversion. (Please replicate as necessary.)

1. Description of the services to be reduced or eliminated;

   Response: None. Provided, however, the Special Master of the Westerly Entities has engaged a consultant to review and advise on its obstetrics program and is currently assessing options based on the results of such review. However, no particular plan for this program has yet been finalized.

2. The proposed change(s) in hours of operation, if any;

   Response: None

3. The proposed change(s) in staffing, if any;

   Response: As set forth in Section 10.6 of the Asset Purchase dated June 6, 2012, "Buyer shall offer employment commencing on the closing date to all union and non-union clinical, trade, and services personnel of the Sellers (excluding certain management personnel and general and administrative support personnel) and after satisfactory review of Seller's Plan to Profitability and employment data, Buyer expects to offer employment to substantially all of the Hospital's other employees." Staffing decisions will be made consistent with this Section 10.6. Provided, however, due to rapid changes in the external environment caused by state and federal budget exigencies, L+M cannot make any predictions or guarantees regarding administrative staffing levels or arrangements. The federal and state budget exigencies include, without limitation, that federal "fiscal cliff" negotiations and the Connecticut state deficit mitigation plan. L+M's potential unbudgeted negative financial impact is approximately $5,000,000, in Medicare cuts and increased state payment obligations. The Westerly Hospital is also facing a 2% Medicare reimbursement cut. L+M will, however, stand by the commitments it made in the Asset Purchase Agreement.

4. The documented length of time the services to be reduced or eliminated have been available at the facility;

   Response: Not applicable.

5. The number of patients utilizing those services that are to be reduced or eliminated annually during the most recent 3 years;

   Response: Not applicable.

6. Data describing the insurance status of those individuals utilizing those services that are to be reduced or eliminated annually during the most recent 3 years;

   Response: Not applicable.

7. The geographical area for which the facility provides services; and

   Response: Southern Rhode Island and Southeastern Connecticut

8. Identification and description, including supporting data and statistical analyses, of the impact of the proposed elimination or reduction on:

   (a) Access to health care services for traditionally underserved populations, including but not limited to, Medicaid, uninsured and underinsured patients, and racial and ethnic minority populations;

   (b) The delivery of such services on the affected community in the cities and towns whose residents are regularly served by the hospital (the "affected" cities and towns);

   (c) Other licensed hospitals or health care providers in the affected community or cities and towns; and

   (d) Other licensed hospitals or health care providers in the state.

   Response: Not applicable.

SUPPLEMENTAL EXHIBIT 1(a)

Westerly Hospital

Purchase price and consideration breakdown

RIDOHSC0002

Westerly Hospital
Purchase Price and Consideration

	Amount
(i) Assumption of Liabilities	15,016,000
(ii) Third Party Payer Liabilities	725,000
(iii) Accrued Payroll	4,160,000
(iv-a) Asset Retirement obligations	1,426,000
Restricted Assets	(9,488,000)
Accounts Recievable	(8,900,944)
Assumption of Select Accounts Payable	19,131,610
Sub-total Liabilities assumed	**22,069,666**
(iv-b) Seller retention of liquid assets	5,896,987
Sub-total Purchase Price (Balance Sheet Acquisition)	**27,966,653**
(iv-c) Closing Cost - estimate	1,500,000
(iv-d) Malpractice Tail Insurance -estimate	2,000,000
(iv-e) Long-term commitment (5 yrs) capex (funds annual depreciation)	30,000,000
Down payment	500,000
North Stonington Rent	672,000
(iv-e) Restructing plan - turnaround cash flows (over 2 years)	6,500,000
Total Purchase price and consideration	**69,138,653**

RIDOHSC0003

Further breakdown on Liabilities

Assumption of Liabilities

Line of credit	4,042,000
Current portion of LTD	2,592,000
Long-Term Debt	8,382,000
Total	**15,016,000**
Third party payable	**725,000**
Accrued payroll	**4,160,000**
Asset Retirement Obligation	**1,426,000**

RIDOHSC0004

Further breakdown on Restricted Assets

Restricted Assets

By Board to Function as Endowment	1,638,000
Under Loan Agreement, Funds Invested	1,783,000
Accumulated earnings on Permanent En	996,000
By Donor for Specific Purpose	124,000
By Donor for Permanent Endowment	4,947,000
	9,488,000

RIDOHSC0005

Consideration not part of purchase price

- Commitment for continued investment in Plant, Property and equipment over 5 years is $30 million.
- Commitment to pay the rent on North Stonington until closure on sale.
- Commitment to fund turnaround plan expected to take 24 months is $6.5 million.
- Seller (Mastership) is allowed retention of $5.9 million in cash to settle the estate.
- Commitment to purchase malpractice tail insurance for prior acts not reported, expected cost is $2.0 million.

RIDOHSC0006

SUPPLEMENTAL EXHIBIT 1(c)

Supplement Exhibit 1(c)

In June 2012, L + M Hospital began the annual budgeting process for FY13. Following, the submission of individual department budgets, the Finance Department in collaboration with individual Vice Presidents refined those budgets to reduce non-salary expenses to bring them more in line with anticipated revenues to assure the budget met the Board of Director's mandated 3% operating margin.

As the budget process advanced, it was evident that expense reduction through non-salary items would not meet the identified operating margin. In the ensuing months, L + M Senior Management conducted a thorough review of the salary piece of the budget. The process started with a review of posted vacant positions and following evaluation, it was identified that approximately half a dozen would not need to be filled. The next portion of the review involved a review of impending resignations and retirements and approximately 30 FTEs were identified as positions that would not need to be filled and these positions were eliminated through attrition.

At this time, the updated budget was reviewed and further evaluated. Several budgeted items, both salary and non-salary, were reduced in an attempt to reach the identified 3% operating margin.

While all of the above revisions reduced the discrepancy of what was needed for the final budget without negatively impacting individual staff, it was not enough to close the gap. The final step in the review involved the necessity of staff reductions.

On November 15th and 16th, 22 staff were notified that their positions were being eliminated. 8 were clinical and 14 were non-clinical positions. To date, 3 individuals have accepted alternate positions and a few others are applying for or evaluating different positions within the organization.

Several of the positions, including 3 clinical positions, were related to a structural change in the model of care for a service line. The structural changes had no impact on the level of services available to patients. Among the remaining clinical positions, the majority had a management component to their position. The clinical responsibilities of those individuals were transferred to other clinicians with no disruption of services.

The 22 positions that were eliminated equate to less than 1% of the L + M Hospital's employees.

Exhibit 2

State of Rhode Island and Providence Plantations
A. Ralph Mollis
Secretary of State

Date: July 28, 2011

Westerly Hospital Healthcare, Inc.
(17 Pages)

A TRUE COPY WITNESSED UNDER THE SEAL OF THE STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

A. Ralph Mollis

Secretary of State

By

SEAL OF THE STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS · HOPE · 1636 ·

RI SOS Filing Number: 201067596770 Date: 09/24/2010 10:53 AM

29923

ID Number:

Filing Fee: $10.00

2010 SEP 24 AM 10:53

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
Office of the Secretary of State
Corporations Division
148 W. River Street
Providence, Rhode Island 02904-2615

NON-PROFIT CORPORATION

ARTICLES OF AMENDMENT TO ARTICLES OF INCORPORATION

Pursuant to the provisions of Section 7-6-40 of the General Laws of Rhode Island, 1956, as amended, the undersigned corporation adopts the following Articles of Amendment to its Articles of Incorporation:

1. The name of the corporation is Community Health of Westerly, Inc.

2. The following amendment to the Articles of Incorporation was adopted by the corporation:

[Insert Amendment]

The name of the corporation is changed to Westerly Hospital Healthcare, Inc.

FILED

SEP 24 2010

BY 127192

10:53

Form No. 201
Revised: 12/05

3. The amendment was adopted in the following manner:

(check one box only)

☒ The amendment was adopted at a meeting of the members held on August 2, 2010, at which meeting a quorum was present, and the amendment received at least a majority of the votes which members present or represented by proxy at such meeting were entitled to cast.

☐ The amendment was adopted by a consent in writing on _____, signed by all members entitled to vote with respect thereto.

☐ The amendment was adopted at a meeting of the Board of Directors held on _____ and received the vote of a majority of the directors in office, there being no members entitled to vote with respect thereto.

4. Date when amendment is to become effective upon filing
(not prior to, nor more than 30 days after, the filing of these Articles of Amendment)

Under penalty of perjury, we declare and affirm that we have examined these Articles of Amendment to the Articles of Incorporation, including any accompanying attachments, and that all statements contained herein are true and correct.

Date: 09/14/2010

(Community Health of Westerly, Inc.)
Westerly Hospital Healthcare, Inc.
Print Corporate Name

By _____

☒ President or ☐ Vice President (check one)

AND

By _____

☒ Secretary or ☐ Assistant Secretary (check one)

RI SOS Filing Number: 201067596770 Date: 09/24/2010 10:53 AM

State of Rhode Island and Providence Plantations

A. Ralph Mollis

Secretary of State

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

I, A. RALPH MOLLIS, Secretary of State of the State of Rhode Island and Providence Plantations, hereby certify that this document, duly executed in accordance with the provisions of Title 7 of the General Laws of Rhode Island, as amended, has been filed in this office on this day:

September 24, 2010 10:53 AM

A. RALPH MOLLIS

Secretary of State

53363-1-522808

Filing Fee: $10.00

ID Number: 2993

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
Office of the Secretary of State
Corporations Division
100 North Main Street
Providence, Rhode Island 02903-1335

RECEIVED
SECRETARY OF STATE
CORPORATIONS DIV.
APR 27 8 59 AM '01

NON-PROFIT CORPORATION

FILED
APR 27 2001
By

ARTICLES OF AMENDMENT TO
ARTICLES OF INCORPORATION
(To Be Filed In Duplicate Original)

Pursuant to the provisions of Section 7-6-40 of the General Laws, 1956, as amended, the undersigned corporation adopts the following Articles of Amendment to its Articles of Incorporation:

1. The name of the corporation is COMMUNITY HEALTH OF WESTERLY, INC.

2. The following amendment to the Articles of Incorporation was adopted by the corporation:

[Insert Amendment]

Article Third of the Corporation's Articles of Incorporation is amended to be as set forth in Exhibit A attached hereto.

Form No. 201
Revised : 01/99

3. The amendment was adopted in the following manner:

(check one box only)

☒ The amendment was adopted at a meeting of the members held on December 13, 2000, at which meeting a quorum was present, and the amendment received at least a majority of the votes which members present or represented by proxy at such meeting were entitled to cast.

☐ The amendment was adopted by a consent in writing o n _____, signed by all members entitled to vote with respect thereto.

☐ The amendment was adopted at a meeting of the Board of Directors held on _____ and received the vote of a majority of the directors in office, there being no members entitled to vote with respect thereto.

4. Date when amendment is to become effective upon filing of these Articles of Amendment
(not prior to, nor more than 30 days after, the filing of these Articles of Amendment)

Under penalty of perjury, we declare and affirm that we have examined these Articles of Amendment to the Articles of Incorporation, including any accompanying attachments, and that all statements contained herein are true and correct.

Date: April 24, 2001

COMMUNITY HEALTH OF WESTERLY, INC.
Print Corporate Name

By _____
☐ President or ☒ Vice ~~President~~ Chairman (check one)
Larry J. Hirsch

AND

By _____
☒ Secretary or ☐ Assistant Secretary (check one)
Linda H. Philips

EXHIBIT A

THIRD. Said corporation is constituted for the purpose of supporting the advancement of the knowledge and practice of, and education and research in, medicine, surgery, nursing and all other subjects relating to the care, treatment and healing of humans, improving the health and welfare of all persons, and sponsoring, developing and promoting services and programs which are charitable, scientific or educational and which address the physical and mental needs of the community at large, provided, however, that the corporation shall not engage in the practice of medicine, and provided further, that it shall operate for the benefit and support of The Westerly Hospital and Westerly Adult Day Services, Inc., so long as such organizations are organizations described in Internal Revenue Code Sections 501(c)(3) and 509(a)(1) or (2). Notwithstanding the foregoing, said corporation may also serve as a member or stockholder of such other entities or organizations as may, from time to time, be approved by the Board of Governors of said corporation.

Filing Fee: $10.00

ID Number: 24923

[redacted]

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
Office of the Secretary of State
Corporations Division
100 North Main Street
Providence, Rhode Island 02903-1335

NON-PROFIT CORPORATION

ARTICLES OF AMENDMENT TO ARTICLES OF INCORPORATION

(To Be Filed In Duplicate Ortginal)

Pursuant to the provisions of Section 7-6-40 of the General Laws, 1956, as amended, the undersigned corporation adopts the following Articles of Amendment to its Articles of Incorporation:

1. The name of the corporation is COMMUNITY HEALTH OF WESTERLY, INC.

2. The following amendment to the Articles of Incorporation was adopted by the corporation:

[Insert Amendment]

Article Third of the Corporation's Articles of Incorporation is amended to be as set forth in Exhibit A attached hereto

FILED

MAR 20 2001

By CC #63 260713

Form No. 201
Revised : 01/99

EXHIBIT A

THIRD. Said corporation is constituted for the purpose of supporting the advancement of the knowledge and practice of, and education and research in, medicine, surgery, nursing and all other subjects relating to the care, treatment and healing of humans, improving the health and welfare of all persons, and sponsoring, developing and promoting services and programs which are charitable, scientific or educational and which address the physical and mental needs of the community at large, provided, however, that the corporation shall not engage in the practice of medicine, and provided further, that it shall operate exclusively for the benefit of The Westerly Hospital and its affiliated organizations, including medical centers, health care centers, nursing centers, laboratories, clinics and other medical, surgical or dental facilities, in the conduct of their charitable, educational and scientific functions. The organizations to be supported and benefitted by the corporation are The Westerly Hospital, The Westerly Hospital Auxiliary, Inc., Westerly Adult Day Services, Inc. and Mastuxet Realty, Inc., all of which are organizations described in Internal Revenue Code Sections 501(c)(3) and 509(a)(1) or (2).

b0n29amd.chow

3. The amendment was adopted in the following manner:

   ☐ The amendment was adopted at a meeting of the members held on December 13, 2000, at which meeting a quorum was present, and the amendment received at least a majority of the votes which members present or represented by proxy at such meeting were entitled to cast.

4. Date when amendment is to become effective upon filing of these Articles of Amendment. (not prior to, nor more than 30 days after, the filing of these Articles of Amendment)

Under penalty of perjury, we declare and affirm that we have examined these Articles of Amendment to the Articles of Incorporation, including any accompanying attachments, and that all statements contained herein are true and correct.

Date: 12/13/00

COMMUNITY HEALTH OF WESTERLY INC.

By _____
Joseph H. Potter, Chairman

AND

By _____
Linda H. Philips, Secretary

Filing Fee $10.00

29943

State of Rhode Island and Providence Plantations

NON-PROFIT CORPORATION

ARTICLES OF AMENDMENT
TO THE
ARTICLES OF INCORPORATION
OF

Community Health of Westerly, Inc.

Pursuant to the provisions of Section 7-6-40 of the General Laws, 1956, as amended, the undersigned corporation adopts the following Articles of Amendment to its Articles of Incorporation:

FIRST: The name of the corporation is Community Health of Westerly, Inc.

SECOND: The following amendment to the Articles of Incorporation was adopted by the corporation:

(Insert Amendment)

VOTED: That Article EIGHTH of the Articles of Association of the Corporation be amended to read in its entirety as set forth in Exhibit A attached hereto and made a part hereof.

RECEIVED
SECRETARY OF STATE
CORPORATION DIV.
MAR 8 3 54 PM '90

Rec'd & Filed MAR 08 1990

36 of 57

Form No. N-2A

THIRD: The amendment was adopted in the following manner: (Note 1)

The amendment was adopted at a meeting of members held on December 14, 1988, at which a quorum was present, and the amendment received at least a majority of the votes which memebrs present or represented by proxy at such meeting were entitled to cast."

Dated February 21, , 1990

Community Health of Westerly, Inc. (Note 2)

By Pamela A. Crandall (Note 3)
Pamela A. Crandall

Its ~~President~~ Chairman

and Ruth F. Morgan (Note 3)
Ruth F. Morgan

Its Secretary

NOTES:

1. Insert whichever of the following statements is applicable:

   (a) "The amendment was adopted at a meeting of members held on , at which a quorum was present, and the amendment received at least a majority of the votes which members present or represented by proxy at such meeting were entitled to cast."

   (b) "The amendment was adopted by a consent in writing signed under date of by all members entitled to vote in respect thereto."

   (c) "The amendment was adopted at a meeting of the Board of Directors held on , and received the vote of a majority of the Directors in office, there being no members entitled to vote in respect thereof."

2. Exact corporate name of corporation adopting the Amendment.

3. Signatures and titles of officers signing for the corporation.

Community Health of Westerly, Inc.
Exhibit A: Proposed Addition of Article Eighth
Articles of Association
December 14, 1988

EIGHTH. A Governor of the Corporation shall not be personally liable to the Corporation or its members for monetary damages for breach of the Governor's duty as a Governor, except for (i) liability for any breach of the Governor's duty of loyalty to the Corporation or its members, (ii) liability for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, or (iii) liability for any transaction from which the Governor derived an improper personal benefit. Nothing in this Section shall serve to diminish the exemptions from Governor liability set forth in Section 7-6-9 of the Rhode Island Non-Profit Corporation Act, as amended (the "Act"). If the Act is amended to authorize corporate action further eliminating or limiting the personal liability of Governors, then the liability of a Governor of the Corporation shall be eliminated or limited to the fullest extent so permitted. Any repeal or modification of this provision by the Corporation shall not adversely affect any right or protection of a Governor of the Corporation existing prior to such repeal or modification.

The Board of Governors of the Corporation may include provisions in the Corporation's bylaws, or may authorize agreements to be entered into with each Governor, officer, employee or other agent of the Corporation (an "Indemnified Person"), for the purpose of indemnifying an Indemnified Person in the manner and to the extent permitted by Section 7-6-6 of the Act.

In addition to the authority conferred upon the Board of Governors of the Corporation by the foregoing paragraph, the Board of Governors of the Corporation may include provisions in its bylaws, or may authorize agreements to be entered into with each Indemnified Person, for the purpose of indemnifying such person in the manner and to the extent provided herein:

(i) The bylaw provisions or agreements authorized hereby may provide that the Corporation shall, subject to the provisions of this Article, pay, on behalf of an Indemnified Person, any Loss or Expenses arising from any claim or claims which are made against the Indemnified Person (whether individually or jointly with other Indemnified Persons) by reason of any Covered Act of the Indemnified Person.

(ii) For the purposes of this Article, when used herein

(1) "Loss" means any amount which an Indemnified Person is legally obligated to pay for any claim for Covered Acts and shall include, without being limited to, damages, settlements, fines, penalties or, with respect to employee benefit plans, excise taxes;

(2) "Expenses" means any expenses incurred in connection with the defense against any claim for Covered Acts, including, without being limited to, legal, accounting or investigative fees and expenses, including the expense of bonds necessary to pursue an appeal of an adverse judgement; and

(3) "Covered Acts" means any act or omission of an Indemnified Person in the Indemnified Person's official capacity with the Corporation.

(iii) The bylaw provisions or agreements authorized hereby may cover Loss or Expenses arising from any claims made against an Indemnified Person no longer serving in an official capacity, the estate, heirs or legal representative of a deceased Indemnified Person or the legal representative of an incompetent, insolvent or bankrupt Indemnified Person, where the Indemnified Person was an Indemnified Person at the time the Covered Act upon which such claims are based occurred.

(iv) The bylaw provisions or agreements authorized hereby may provide for the advancement of Expenses to an Indemnified Person prior to the final disposition of any action, suit or proceeding, or any appeal therefrom, involving such Indemnified Person and based on the alleged commission by such Indemnified Person of a Covered Act, subject to an undertaking by or on behalf of such Indemnified Person to repay the same to the Corporation if indemnification is not permitted under clause (v), below, and the final disposition of such action, suit, proceeding or appeal results in an adjudication adverse to such Indemnified Person.

(v) The bylaw provisions or agreements authorized hereby may not indemnify an Indemnified Person from and against any Loss, and the Corporation shall not reimburse for any Expenses, in connection with any claim or claims made against an Indemnified Person for: (1) any breach of the Indemnified Person's duty of loyalty to the Corporation or its members; (2) acts or omissions not in good faith or which involve intentional misconduct or knowing violation of law; or (3) any transaction from which the person seeking indemnification derived an improper personal benefit.

(vi) The bylaw provisions or agreements authorized hereby may contain such other terms and conditions as the Board of Governors, in its sole discretion, determines to be consistent with the provisions of this Article.

State of Rhode Island and Providence Plantations

ORIGINAL ARTICLES OF ASSOCIATION
(NON-BUSINESS CORPORATION)

Know all Men by these Presents, That we Clifford E. Smith, Pamela A. Crandall Joseph J. Kirby, Helen C. Lathrop and S. Jeffrey Bastable

all of lawful age, hereby agree to and with each other:

FIRST. To associate ourselves together with the intention of forming a corporation under and by virtue of the powers conferred by Chapter 7-6 of the General Laws of Rhode Island, as amended.

SECOND. Said corporation shall be known by the name of

COMMUNITY HEALTH OF WESTERLY, INC.

THIRD. Said corporation is constituted for the purpose of supporting the advancement of the knowledge and practice of, and education and research in, medicine, surgery, nursing and all other subjects relating to the care, treatment and healing of humans, improving the health and welfare of all persons, and sponsoring, developing and promoting services and programs which are charitable, scientific or educational and which address the physical and mental needs of the community at large, provided, however, that the corporation shall not engage in the practice of medicine, and provided further, that it shall operate exclusively for the benefit of The Westerly Hospital and its affiliated organizations, including medical centers, health care centers, nursing centers, laboratories, clinics and other medical, surgical or dental facilities, in the conduct of their charitable, educational and scientific functions.

In addition to the foregoing, said corporation shall have the following powers and authority, viz:—(See §§ 7-6-7. 7-6-7.1 and 7-6-8 of the General Laws.)

To do any lawful act which is necessary or proper to accomplish the purposes of its incorporation. Without limiting or enlarging the effect of this general grant of authority, it is hereby specifically provided that every such corporation shall have power:

(a) to have perpetual succession in its corporate name unless a period for its duration is limited in its articles of association or charter;

(b) to sue and be sued in its corporate name;

(c) to have and use a common seal and alter the same at pleasure;

(d) to elect such officers and appoint such agents as its purposes require, and to fix their compensation and define their duties;

(e) to make by-laws not inconsistent with the Constitution or laws of the United States or of this state, or with the corporation's charter or articles of association, determining the time and place of holding and the manner of calling and of conducting meetings of its members and directors, the manner of electing its officers and directors, the mode of voting by proxy, and the number, qualifications, powers, duties and term of office of its officers and directors, and containing any other provisions, whether of the same or of a different nature, for the management of the corporation's property and the regulation and government of its affairs;

(f) to make contracts, incur liabilities and borrow money.

Said corporation shall be entitled to take, hold, transmit and convey real and personal estate to an amount not exceeding in all one hundred fifty thousand dollars ($150,000); provided, however, that the foregoing limitation shall not apply to certain corporations organized for the purposes enumerated in § 7-6-8. If any corporation subject to the foregoing limitation desires to take and hold property to an amount exceeding one hundred fifty thousand dollars ($150,000) either originally or by amendment, such privilege shall be granted only by the general assembly on petition thereto

(Over)

FOURTH. Said corporation shall be located in WESTERLY (City or Town), Rhode Island.

(Further provisions not inconsistent with law)

FIFTH. No part of the assets of the corporation and no part of any net earnings of the corporation shall be divided among or inure to the benefit of any officer, director or any private individual or be appropriated for any purposes other than the purposes of the corporation as herein set forth. No substantial part of the activities of the corporation shall be carrying on of propaganda, or otherwise attempting, to influence legislation except to the extent that the corporation makes expenditures for the purpose of influencing legislation in conformity with the requirements of Section 501(h) of the Internal Revenue Code; and the corporation shall not participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of any candidate for public office. It is intended that the corporation shall be entitled to exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and shall not be a private foundation under Section 509(a) of the Internal Revenue Code.

SIXTH. Upon the liquidation or dissolution of the corporation, after payment of all the liabilities of the corporation or due provision therefore, all of the assets of the corporation shall be disposed of to one or more organizations exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

SEVENTH. In the event that the corporation is a private foundation as that term is defined in Section 509 of the Internal Revenue Code, then notwithstanding any other provisions of the articles of association or the by-laws of the corporation, the following provisions shall apply:

The directors shall distribute the income for each taxable year at such time and in such manner as not to become subject to the tax on undistributed income imposed by Section 4942 of the Internal Revenue Code.

The directors shall not engage in any act of self dealing as defined in Section 4941(d) of the Internal Revenue Code; nor retain any excess business holdings as defined in Section 4943(c) of the Internal Revenue Code; nor make any investments in such manner as to incur tax liability under Section 4944 of the Internal Revenue Code; nor make any taxable expenditures as defined in Section 4945(d) of the Internal Revenue Code.

The corporation shall have and may exercise all powers necessary or convenient to effect any or all of the purposes for which the corporation is formed, provided that the corporation shall not engage in any activity or exercise any power which would deprive it of any exemption from federal income tax which the corporation may receive under Section 501(c)(3) of the Internal Revenue Code.

All references herein to the Internal Revenue Code shall be deemed to refer to the Internal Revenue Code of 1954, as now in force or hereafter amended, and all references herein to particular sections of the Internal Revenue Code shall be deemed to refer to similar or successor provisions hereafter adopted.

In Testimony Whereof, We have hereunto set our hands and stated our residences this

1ST day of December A. D. 19 81

NAME	RESIDENCE
Clifford E. Smith	27 Spruce Street, Westerly, Rhode Island 02891
Pamela A. Crandall	Windward Drive, Westerly, Rhode Island 02891
Joseph J. Kirby	38 Elm Street, Westerly, Rhode Island 02891
Helen C. Lathrop	Thompson's Corners, Westerly, Rhode Island 02891
S. Jeffrey Bastable	Misquamicut Hills, Westerly, Rhode Island 02891

STATE OF RHODE ISLAND,
COUNTY OF WASHINGTON

In the ~~City~~ Town of WESTERLY

in said county this 1ST day of December A. D. 19 83, then personally appeared before me Clifford E. Smith, Pamela A. Crandall, Joseph J. Kirby, Helen C. Lathrop and S. Jeffrey Bastable

each and all known to me and known by me to be the parties executing the foregoing instrument, and they severally acknowledged said instrument by them subscribed to be their free act and deed.

Victor J. Orsinger *Notary Public.*

RIDOH 0019

Non-Business Corporation

ORIGINAL

ARTICLES OF ASSOCIATION OF

COMMUNITY HEALTH OF WESTERLY, INC.

FILED IN THE OFFICE OF THE
SECRETARY OF STATE

19

State of Rhode Island and Providence Plantations

Office of the Secretary of State / State Archives Division

A. Ralph Mollis
Secretary of State

Annexed is a true copy of an original document held in the custody of the Rhode Island State Archives

C#00203 – Charters, January Session A.D. 1984 Vol. 155, #36

1984-H-7621

AN ACT AUTHORIZING COMMUNITY HEALTH OF WESTERLY, INC. TO TAKE, HOLD, TRANSMIT AND CONVEY REAL AND PERSONAL ESTATE TO AN AMOUNT NOT EXCEEDING TEN MILLION DOLLARS ($10,000,000.00) AND EXEMPTING THEM FROM TAXATION.

State Archives Division

RI State Archives

Public Records Administration

State Records Center

Local Government Records Program

Administrative Records (Rules and Regulations)

Administrative Offices:
State House, Room 217,
Providence, RI 02903
Phone: 401-222-2357
Fax: 401-222-1356
www.sos.ri.gov

R. Gwenn Stearn
State Archivist &
Public Records Administrator

August 1, 2011

(36)

8 4 -- H07621

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 1984

AN ACT

AUTHORIZING COMMUNITY HEALTH OF WESTERLY, INC. TO TAKE, HOLD, TRANSMIT AND CONVEY REAL AND PERSONAL ESTATE TO AN AMOUNT NOT EXCEEDING TEN MILLION DOLLARS ($10,000,000.00) AND EXEMPTING THEM FROM TAXATION

Introduced By: Representative Morrone

Date Introduced: February 28, 1984

Referred To: House Committee on Corporations

It is enacted by the General Assembly as follows:

SECTION 1. Community Health of Westerly, Inc., a corporation created under Title 7 Chapter 6 of the General Laws of the State of Rhode Island, is hereby authorized and empowered to take, hold, transmit and convey real and personal estate to an amount not exceeding in all ten million dollars ($10,000,000.00) and said real, personal, and mixed property shall be exempt from taxation as long as said property is used for the purposes for which said corporation had been incorporated.

SECTION 2. This act shall take effect upon passage.

=====
PD828
=====

S.

H.

IC

AN ACT

AUTHORIZING COMMUNITY HEALTH OF WESTERLY, INC. TO TAKE, HOLD, TRANSMIT AND CONVEY REAL AND PERSONAL ESTATE TO AN AMOUNT NOT EXCEEDING TEN MILLION DOLLARS ($10,000,000.00) AND EXEMPTING THEM FROM TAXATION

Presented by Edward D. Pearce 51

36

EXECUTIVE DEPARTMENT, Received APR 18 1984

APPROVED APR 18 1984

GOVERNOR

IN SENATE APR 10 1984 THE COMMITTEE ON CORPORATIONS RECOMMEND THE PASSAGE IN CONCURRENCE ..... OF THE WITHIN BILL ..... FOR THE COMMITTEE

IN THE SENATE APR 11 1984 Ordered to be placed upon the Calendar. Reading Clerk

IN THE SENATE APR 13 1984 Read and PASSED IN CONCURRENCE Reading Clerk

READ AND PASSED IN CONCURRENCE, TRANSMITTED TO THE GOVERNOR APR 13 1984 SECRETARY OF STATE

IN HOUSE OF REPRESENTATIVES FEB 28 1984 REFERRED TO COMMITTEE ON CORPORATIONS Clerk

MAR 27 1984

HOUSE OF REPRESENTATIVES MAR 28 1984 READ AND PASSED Clerk

IN THE SENATE MAR 29 1984 Read and referred to the Committee on CORPORATIONS Reading Clerk

WESTERLY HOSPITAL HEALTHCARE, INC. BYLAWS
AMENDED AND RESTATED IN ITS ENTIRETY
JUNE 6, 2011

And Further Amended On:
August 24, 2011

WESTERLY HOSPITAL HEALTHCARE, INC. BYLAWS
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WESTERLY HOSPITAL HEALTHCARE, INC.
AMENDED AND RESTATED BYLAWS

ARTICLE I
Title and Definitions

Section 1. Name. The name of this Corporation shall be Westerly Hospital Healthcare, Inc. (hereinafter referred to as the "Corporation").

Section 2. Definitions. The following terms, whenever used herein, shall have the meanings hereinafter assigned to them:

(a) "Articles of Association" shall mean the Articles of Association of the Corporation, dated December 6, 1983, as amended.

(b) "Board of Trustees" shall mean the Board of Trustees of the Corporation.

(c) "Chairperson" shall mean the Chairperson of the Corporation.

(d) "Executive Session" shall mean a meeting of the Board of Trustees, exclusive of (i) any invitees; (ii) management of the Corporation or any of its affiliated companies; and (iii) Trustees required to recuse themselves by the Chairperson. The attorney for the Board of Trustees or any Committee or any other individual may attend an Executive Session at the request of the Chairperson.

(e) "Independent" when used in reference to a Trustee or an individual who is a member of a Committee or Subcommittee of the Board of Trustees shall mean a person who:

(i) is not a member of the Medical Staff of The Westerly Hospital,

(ii) is not currently, nor for the past three (3) years has been, an executive officer or employee of the Corporation, The Westerly Hospital, or any affiliated company of the Corporation;

(iii) is not, and does not have a spouse, parent, child, sibling, or other family member, whether by blood, marriage or adoption, nor have any person residing in such Trustee's or individual's home, who is a partner in, or a controlling shareholder, director or executive officer of, any organization

(a) to which the Corporation, or any affiliated company of the Corporation, made, or from which the Corporation, or any affiliated company of the Corporation, received, payments for property or services in the current or any of the past three (3) fiscal years that exceed 5 percent of the recipient's

consolidated gross revenues for that year, or $200,000, whichever is greater; or

(b) that had any credit arrangements with the Corporation or any of its affiliated companies in excess of $2,500,000 for that year.

(iv) does not have a relationship which, in the opinion of the Board of Trustees, would interfere with the exercise of his/her independent judgment in carrying out the responsibilities of a Trustee.

The Audit Committee shall annually review each Trustee's Annual Disclosure Statement to determine whether a Trustee is Independent and may modify the criteria described in subsection (iii) above as economic conditions may change from year to year.

(f) "The Westerly Hospital" shall mean that non- profit corporation, formed on June 16, 1921, of which the Corporation is the sole member.

ARTICLE II
Purposes

The purposes of the Corporation shall be to support the advancement of the knowledge and practice of, and education and research in, medicine, surgery, nursing, and all other subjects relating to the care, treatment and healing of humans, to improve the health and welfare of all persons, and to sponsor, develop, and promote services and programs which are charitable, scientific, or educational and which address the physical and mental needs of the southwestern Rhode Island and southeastern Connecticut communities at large, provided, however, that the Corporation shall not engage in the practice of medicine, and provided further, that it shall operate for the benefit and support of The Westerly Hospital and other affiliated entities now in existence or to be formed so long as such organizations are organizations described in Internal Revenue Code Sections 501(c)(3) and 509(a)(1) or (2). Notwithstanding the foregoing, the Corporation may also serve as a member or stockholder of such other entities or organizations as may, from time to time, be approved by the Board of Trustees of the Corporation.

ARTICLE III
Corporators

Section 1. Corporators. The Corporation's Corporators shall consist of the following individuals.

(a) Those individuals who were Corporators as of July 6, 2009.

(b) Those individuals who have been asked by the Nominating Committee to become Corporators and have accepted such invitation.

(c) Those individuals in any fiscal year who have qualified to be members of the Founders Society of The Westerly Hospital Foundation in that fiscal

year, and who have not indicated that they do not wish to be Corporators. Such individuals shall be sent a letter thanking them for their gift to The Westerly Hospital Foundation, and stating that, unless they return the enclosed card indicating their declination to become Corporators, they shall automatically be Corporators for that fiscal year.

Section 2. Term.

(a) The term of Corporators who are such as a result of Article III, Section 1 (a) and (b) above shall not expire until such Corporators resign in writing or are deceased.

(b) The term of Corporators who are such as a result of Article III, Section 1 (c) above shall be for the fiscal year in which they are members of the Founders Society of The Westerly Hospital Foundation.

Section 3. Powers. Each Corporator shall be qualified and take part in the discussion of any subject that may properly come before any meeting of the Corporation, and to hold any office in the Corporation to which he/she may be appointed and qualified. Corporators shall vote to elect the Board of Trustees of the Corporation at the Annual Meeting of the Corporation.

ARTICLE IV
Meetings of the Corporation

Section 1. Annual Meeting of the Corporation. The Annual Meeting of the Corporation shall be held at a place and hour to be designated by the Chairperson in the call of the Annual Meeting in December, in every year. At the Annual Meeting, the Corporators shall vote on the slate of Trustees proposed by the Nominating Committee and set forth in the Meeting Notice set forth in Article IV, Section 3 below. Nominations for Trustees will not be accepted from the floor.

If the Annual Meeting is not held as herein provided, a special meeting of the Corporation may be held in place thereof with the same force and effect as the Annual Meeting, and in such case all references in these Bylaws, except in this Article IV, Section 1, to the Annual Meeting of the Corporation shall be deemed to refer to such special meeting.

Section 2. Special Meetings of the Corporation. Special meetings of the Corporation may be called by the Chairperson of the Corporation or, in his/her absence, by a Vice-Chairperson, or shall be called at the written request of not fewer than fifteen (15) Corporators.

Section 3. Meeting Notice. Written notice of the Annual Meeting and any special meeting of the Corporation shall be mailed, faxed or emailed to each Corporator at least five (5) days before the date thereof.

The notice of any meeting shall state the business for the transaction of which the meeting has been called and no other business other than that stated in the notice shall be transacted at such meeting.

Section 4. Waiver of Notice. The requirement of notice to any Corporator may be waived by (a) a written waiver of notice, executed before or after the meeting or meetings and filed with the records of the meeting, or (b) the Corporator's attendance at the meeting without protesting his/her lack of notice prior thereto.

Section 5. Quorum. A quorum for the transaction of business at the Annual Meeting or any special meeting of the Corporation shall consist of not fewer than one-tenth (1/10) of the Corporators present in person or by proxy, and each Corporator shall be entitled to one (1) vote. Any action may be taken by vote of a majority of the Corporators present and voting, in person or by proxy, at any meeting at which a quorum exists.

Section 6. Voting. Corporators may vote either in person or by written proxy dated not more than eleven (11) months before the meeting named therein, which proxy shall be filed before being recorded by the Secretary of the Corporation or other person responsible for recording the proceedings of the meeting. Unless otherwise specifically limited by their terms, such proxies shall entitle the holders thereof to vote at any adjournment of the meeting, but the proxy shall terminate after the final adjournment of such meeting.

ARTICLE V
Board of Trustees and Officers

Section 1. Number. There shall be a Board of Trustees, which shall consist of not more than nineteen (19) nor fewer than eleven (11) individuals.

Section 2. Term. Trustees shall be elected to serve for three (3) year terms. No Trustee shall serve for longer than three (3) consecutive three (3) year terms with the following exceptions:

(a) any individual who has been elected to fill a vacancy on the Board of Trustees, pursuant to Section 15 of this Article V may, when that unexpired term is completed, be elected for three (3) consecutive three (3) year terms; and

(b) any Trustee who is serving as an officer of the Corporation following the end of his/her third successive three (3) year term and who has been nominated by the Board of Trustees to continue to serve as an officer in the following year may continue to serve as a Trustee.

Section 3. Powers of the Board of Trustees.

(a) Upon election to the Board of Trustees by the Corporators, those individuals shall automatically be appointed by the Board of Trustees to the Board of Trustees of The Westerly Hospital and no further action shall be required by the Corporation or The Westerly Hospital.

(b) The management and control of the Corporation's property, business and affairs shall be vested in the Board of Trustees, which shall have the power and authority to do and perform all acts and functions not inconsistent with these Bylaws or the Bylaws of The Westerly Hospital.

Section 4. Annual Board Meeting The Annual Meeting of the Board of Trustees shall be held in December, following the Annual Meeting of the Corporation.

Section 5. Regular Board Meetings. The Board of Trustees shall hold at least ten (10) regular meetings in each year at The Westerly Hospital, or at another location within or without the State of Rhode Island specified in the written notice of meeting. The Chairperson may, or upon any three (3) Trustees' request, shall, call for an Executive Session prior to the conclusion of an ongoing meeting or prior to the next meeting of the Board of Trustees. Executive Sessions shall be held as necessary to discuss compensation, audit, compliance and other matters.

Section 6. Special Board Meetings. Special meetings of the Board of Trustees may be called by the Chairperson, or in his/her absence, by a Vice-Chairperson, or shall be called at the written request of one third (1/3) of the members of the Board of Trustees.

Section 7. Meeting Notice. Written notice of all meetings of the Board of Trustees shall be mailed, faxed or emailed to each Trustee at least five (5) days before the date thereof. The notice of any special meeting shall state the business for the transaction of which the special meeting has been called and no business other than that stated in the notice shall be transacted at such special meeting.

Section 8. Waiver of Notice. The requirement of notice to any Trustee may be waived by (a) a written waiver of notice, executed before or after the meeting or meetings and filed with the records of the meeting, or (b) the Trustee's attendance at the meeting without protesting his/her lack of notice prior thereto.

Section 9. Quorum. Unless otherwise required by law, the Articles of Association or these Bylaws, a majority of all Trustees then in office shall constitute a quorum to transact business at any meeting of the Board of Trustees. Any meeting of the Board of Trustees may be adjourned by a majority of the votes cast upon the question.

Section 10. Voting. When a quorum is present at any meeting of the Board of Trustees, a majority of the votes properly cast upon any question shall decide such question, except where a larger vote is required by law, the Articles of Association or these Bylaws. The

assent in writing of any Trustee to any vote or action of the Trustees taken at any meeting, whether a quorum was present and whether the Trustee had received or waived notice of such meeting, shall have the same effect as if the Trustee so assenting was present at such meeting, voted in favor of such vote or action and was considered for the purpose of constituting a quorum.

Section 11. Telephonic Participation in Meetings. Trustees may participate in a meeting of the Board of Trustees or at a meeting of a committee of the Board of Trustees by means of a conference telephone call or similar communications equipment by means of which all persons participating in the meeting can communicate with each other. Participation by such means shall constitute presence in person at a meeting.

Section 12. Attendance Requirements. Each Trustee shall attend not fewer than seventy-five percent (75%) of all regularly scheduled meetings of the Board of Trustees in each year. A Trustee who fails to meet the foregoing attendance requirement without being excused by the Chairperson shall be deemed conclusively to have resigned from the Board of Trustees.

Section 13. Resignation. A Trustee may resign at any time by giving written notice of his/her resignation to the Chairperson. The resignation shall be effective at the time specified in such notice, and, unless otherwise specified in such notice, acceptance shall not be necessary to make it effective. A resignation from the Board of Trustees shall be deemed an automatic resignation from the Board of Trustees of The Westerly Hospital.

Section 14. Removal. A Trustee may be removed from the Board of Trustees, for cause, at any time by the affirmative vote of two-thirds (2/3) of the Board of Trustees at a meeting of the Board of Trustees called for that purpose, upon notice duly given, at which meeting such Trustee shall have been given the opportunity to be heard. Removal from the Board of Trustees shall be deemed automatic removal from the Board of Trustees of The Westerly Hospital.

Section 15. Vacancy. Any vacancy occurring on the Board of Trustees or in any office shall be filled by the Board of Trustees. An individual elected to fill a vacancy on the Board of Trustees or any office will serve for the unexpired term of his/her predecessor in office. Any vacancy occurring on the Board of Trustees for any reason shall constitute a vacancy on the Board of Trustees of The Westerly Hospital.

Section 16. Action Without Meeting. Any action required or permitted to be taken at any meeting of the Board of Trustees or any committee thereof, may be taken without a meeting if a consent in writing, setting forth the action taken is signed by all of the members of the Board of Trustees and the written consents are filed with the records of the meetings of the Board of Trustees. Such consents shall have the same force and effect as a unanimous vote.

Section 17. Honorary Trustees. The Board of Trustees may, at its discretion, create an Honorary Trustee category. Appointments made to Honorary Trustee shall not affect the

above named consistency of the Board of Trustees. Appointments to Honorary Trusteeship may be made by the Board of Trustees among those current or former Trustees who have diligently and faithfully served on the Board of Trustees and who, for some reason, are unable to continue to actively participate on the Board of Trustees. Honorary Trustees shall not (i) be entitled to attend Board of Trustees meetings, (ii) be counted for purposes of quorum, or (iii) vote on any matter before the Board of Trustees.

Section 18. Trustee Orientation. Within two (2) months of taking office, each new member of the Board of Trustees shall participate in an orientation program designed to expose the new member to basic information necessary to effectively discharge his/her duties as a Trustee. The orientation program shall include, at a minimum, the following elements: (a) an overview of the responsibilities of a Trustee, (b) a review of the schedule of meetings of the Board of Trustees, (c) an overview of the Corporation's Bylaws and Charters for each Standing Committee, (d) a review of the roster of the Board of Trustees, (e) an overview of the Corporation's organizational chart, (f) an overview of the Corporation's subsidiaries, (g) an overview of the quality improvement programs of the Corporation and its subsidiaries, (h) a review of the Corporation's compliance program and code of ethical behavior, and (i) the Corporation's conflict of interest disclosure requirements.

Section 19. Board Performance Review. The Board of Trustees shall periodically evaluate the effectiveness of its oversight and direction in improving the Corporation's performance in relation to the Corporation's stated vision, mission and goals. This evaluation shall consider, but not necessarily be limited to, the areas of strategic planning, patient care and safety, regulatory compliance and fiscal management.

Section 20. Officers. At the Annual Meeting of the Board of Trustees, the Board of Trustees shall elect, for one-year terms, the officers of the Corporation who shall be a Chairperson and Vice Chairpersons not to exceed three, titled, as the case may be, First Vice Chairperson, Second Vice Chairperson, and Third Vice Chairperson, designating their order of succession to the office of Chairperson, each of whom shall be a Trustee; a President who shall be a Trustee, a Treasurer, and Secretary, each of whom may, but need not be a Trustee, and such additional officers as the Board of Trustees may from time to time elect or appoint who need not be Trustees. Any officer may resign at any time by giving written notice of his/her resignation to the Chairperson. The resignation shall take effect at the time specified in such notice, and, unless otherwise specified in such notice, acceptance shall not be necessary to make it effective. Any officer who is an employee of the Corporation shall cease to be an officer upon termination of his/her employment with the Corporation. An officer may be removed from office, for cause, at any time by the affirmative vote of two-thirds (2/3) of the members of the Board of Trustees at a meeting of the Board of Trustees called for that purpose, upon notice duly given, at which meeting such officer shall have been given the opportunity to be heard. Termination of service of any officer whether voluntary or involuntary by either the Corporation or The Westerly Hospital or any other affiliated company of the Corporation shall immediately constitute termination of service of such officer to the other organization. Officers may be re-elected for successive terms.

Section 21. Officers' Duties. The officers of the Corporation shall have the powers and perform the duties customarily belonging to their respective offices including the powers and duties set forth herein:

(a) The Chairperson shall preside at all meetings of the Corporation and the Board of Trustees and shall be an ex officio member with vote of all committees.

(b) In the absence of the Chairperson, a Vice-Chairperson shall preside at all meetings of the Corporation or the Board of Trustees, and during the absence of the Chairperson, perform the duties of the Chairperson and such other duties as may be required by the Board of Trustees.

(c) The President shall act as the duly authorized representative of the Board of Trustees in all matters in which the Board of Trustees has not formally designated some other person for that specific purpose. The President shall carry out all policies and directives established by the Board of Trustees. The President shall attend all meetings of the Board of Trustees, serving as an ex officio member with full voting power.

(d) The Secretary shall act as Secretary of the Board of Trustees, shall send appropriate notices of and prepare agendas for all meetings of the Corporation and of the Board of Trustees, shall act as custodian of all records and reports, and shall be responsible for keeping and reporting of adequate records of all meetings of the Corporation and of the Board of Trustees.

(e) The Treasurer shall have general responsibility for the fiscal affairs of the Corporation.

ARTICLE VI
Committees of the Board of Trustees

Section 1. Committees. The Board of Trustees may delegate such of its powers as it considers advisable, except those powers which by law, the Articles of Association or these Bylaws may not be so delegated, to such Committees as the Board of Trustees or these Bylaws from time to time may establish. The Committees of the Board of Trustees shall be either a Standing Committee or a Special Committee. Standing Committees shall be the Audit Committee, Corporate Compliance Committee, Corporate Governance Committee, Executive Committee, Executive Compensation Committee, Finance Committee, Nominating Committee, and the Strategic Planning Committee. Other Standing Committees may be established, from time to time, by a majority vote of the Board of Trustees. In addition, Special Committees may be appointed by the Chairperson with the Board of Trustees' concurrence for specific, discrete tasks as

circumstances warrant. All Special Committees shall consist of at least three (3) Trustees.

No Committee shall have the authority to (a) amend, alter or repeal any resolution of the Board of Trustees regardless of whether such resolution provides, by its terms, that it cannot be amended, altered or repealed, by a Committee, (b) elect, appoint or remove any member of the Board of Trustees or any of any of its Standing or Special Committees or any officer of the Corporation, (c) amend the Articles of Association of the Corporation or restate such Articles of Association, (d) adopt, amend or repeal the Bylaws, (e) adopt or approve a plan of merger or consolidation of the Corporation, (f) approve the voluntary dissolution of the Corporation or revoke proceedings for a voluntary dissolution of the Corporation or adopt a plan for the distribution of all the Corporation's assets, or (g) approve a sale, lease, exchange or mortgage or other disposition of all, or substantially all, of the property and/or assets of the Corporation. Except for such duties as have been delegated by the Board of Trustees or established by these Bylaws, no Standing or Special Committee may make any final determinations. Each Committee shall report and make recommendations to the Board of Trustees, and the minutes of all Committee meetings shall be distributed to the Board of Trustees for review at the next meeting of the Board of Trustees.

The Chairperson of each Committee shall periodically prepare for ratification by the Board of Trustees, a charter for his/her Committee stating such Committee's membership, duties and responsibilities.

Committees may appoint Subcommittees as they determine necessary to assist them with specific undertakings. Subcommittees shall report to the Committees appointing them except as otherwise described herein.

Unless otherwise stated in these Bylaws or the Committee's Charter, all Committee and Subcommittee members shall be members of the Board of Trustees. Committees and Subcommittees shall have the authority, subject to the approval of the Board of Trustees, to engage such consultants as may be necessary to assist them in the performance of specific undertakings.

Section 2. Appointment. All Chairpersons of Committees shall be appointed by the Chairperson of the Board of Trustees and shall be approved by a majority of the Trustees at a Board of Trustees' meeting at which a quorum is present.

Section 3. Term. Each Committee member shall serve until the next Annual Meeting of the Board of Trustees and until his/her successor is appointed, unless such Committee member shall sooner resign or be removed from the Committee.

Section 4. Meeting and Notice. Meetings of Committees may be called by the Chairperson of the Board of Trustees or by the Committee Chairperson. Each Committee shall meet as often as necessary and appropriate to perform its duties. Notice of the date, time and place of each Committee meeting shall be given at such time and in such

manner as to provide Committee members reasonable notice of the meeting. Each Committee shall keep minutes of its proceedings.

Section 5. Removal and Vacancy. The Chairperson of the Board of Trustees, with the Board of Trustees' approval, may remove any Committee member or Chairperson for cause. Committee vacancies may be filled by the Chairperson of the Board of Trustees with the Board of Trustees' approval. Failure to attend any two (2) consecutive Committee meetings without being excused by the Committee Chairperson may subject such Committee member to removal.

Section 6. Quorum and Vote. Unless otherwise provided for by the Board of Trustees or by these Bylaws, each Committee member shall have one (1) vote. A majority of the whole Committee shall constitute a quorum and the act of a majority of the members present at a Committee meeting at which a quorum is present shall be the act of the Committee.

Section 7. Action Without Meeting. Any action required or permitted to be taken at any meeting of any Committee may be taken without a meeting if all the Committee members consent to the action in writing and the consent shall be treated for all purposes as a vote at a meeting.

Section 8. Audit Committee. The Audit Committee shall consist of at least three (3) Trustees, all of whom shall be Independent Trustees, and shall be responsible for engaging a well-qualified and independent auditor. At least one member of the Audit Committee shall have a background in finance, and experience working with complex financial and accounting matters. The Audit Committee shall assist the Board in the oversight and monitoring of the integrity of the Corporation's financial statements and its affiliated companies, as appropriate. The Audit Committee shall have such other responsibilities and duties as are set forth in its Charter as adopted by the Board of Trustees.

Section 9. Corporate Compliance Committee. The Corporate Compliance Committee shall consist of at least three (3) Independent Trustees and the President of the Corporation or his/her nominee. The Corporate Compliance Committee shall be responsible for overseeing the compliance program of the Corporation and its affiliated companies, as appropriate, with respect to applicable rules and regulations regarding reimbursements, patient care and any other areas within the scope of regulatory authorities and such other responsibilities and duties assigned to it by the Board of Trustees. The Corporate Compliance Committee may enlist the assistance of the Corporation's managers and employees, as well as outside professionals, as may be necessary to implement action plans, audits or similar initiatives as part of the ongoing operation of the Corporation's compliance program. The Board of Trustees and the President of the Corporation shall have the ultimate responsibility for the oversight and operation of the Corporation's compliance program.

Section 10. Corporate Governance Committee. The Corporate Governance Committee shall consist of the past Chairperson of the Corporate Governance Committee, at least two (2) Independent Trustees, other Trustees as appointed by the Chairperson of the Board of Trustees, and the President of the Corporation. The Corporate Governance Committee shall periodically review the Bylaws and governance structure of the Corporation and its affiliated companies, as appropriate, and make recommendations with respect thereto, and shall have such other responsibilities and duties as are assigned to it by the Board of Trustees.

Section 11. Executive Committee. The Executive Committee shall consist of the Chairperson of the Board of Trustees as Chairperson, all Vice Chairpersons of the Board of Trustees, the President of the Medical Staff of The Westerly Hospital, and the President of the Corporation, ex officio, with vote, and such other Trustees as may be appointed annually by the Chairperson. The Chairperson may also appoint the Chief Financial Officer and/or Treasurer of the Corporation to serve as members of the Executive Committee. The Executive Committee shall only meet between meetings of the Board of Trustees, when action of the Board of Trustees is needed to be taken, and a quorum of the Board of Trustees cannot be obtained in the time necessary to approve such immediate action of the Corporation and/or its affiliated companies. The Executive Committee shall have the power to transact all regular business of the Corporation and its affiliated companies, as appropriate, provided any action taken by it shall not conflict with the policies and expressed wishes of the Board of Trustees. Any action taken by the Executive Committee shall be reported to the Board of Trustees at its next succeeding meeting for ratification thereof.

Section 12. Executive Compensation Committee. The Executive Compensation Committee shall consist of at least three (3) Trustees. All members of the Executive Compensation Committee shall be Independent Trustees. The Executive Compensation Committee shall review and make recommendations to the Board of Trustees with respect to compensation plans for Officers of the Corporation, the Officers of the Hospital, and the Officers and Executive Directors, if any, of the Corporation's other affiliated companies. The Executive Compensation Committee shall have such other responsibilities and duties as are assigned to it by the Board of Trustees.

Section 13. Finance Committee. The Finance Committee shall consist of the Chairperson of the Board of Trustees, all Vice Chairpersons of the Board of Trustees, the President of the Corporation, the Chief Financial Officer of the Corporation, if one, without a vote, the Treasurer of the Corporation, if one, without a vote, at least two (2) additional members of the Board of Trustees, and such additional persons, who may, but need not be Trustees, as may be appointed by the Chairperson of the Board of Trustees. The Finance Committee shall be responsible for reviewing the financial performance of the Corporation and its affiliated companies, and supervising the management of all funds in the Corporation's system. The Finance Committee shall report to the Board of Trustees at least quarterly thereon, and have such other responsibilities and duties as set forth in its Charter as adopted by the Board of Trustees. The Finance Committee shall also review and make recommendations to the Board of Trustees with respect to any

financing proposals involving the Corporation or any of its affiliated companies. In addition, the Finance Committee shall review and make recommendations to the Board of Trustees with respect to the acquisition of physician practices, and physician recruitment and retention programs. The Chairperson of the Finance Committee may appoint subcommittees of the Finance Committee.

The Finance Committee shall appoint an Investment Subcommittee, which shall consist of at least three (3) Trustees and such additional members who need not be Trustees, as may be appointed by the Finance Committee. The Chairperson of the Investment Subcommittee need not be a member of the Board of Trustees. The Investment Subcommittee shall meet at least quarterly. The Investment Subcommittee shall provide that all endowment and trust funds of the Corporation and its affiliated companies be deposited with responsible trust companies or comparable businesses for investment. Further, the Investment Subcommittee shall oversee the performance of the investment managers engaged to handle the endowment funds and recommend appropriate changes to the Finance Committee when warranted.

Section 14. Nominating Committee. The Board of Trustees shall have a Nominating Committee. The Nominating Committee shall consist of at least three (3) Trustees, the past Chairperson of the Board of Trustees, all Vice Chairpersons of the Board of Trustees, the President of the Medical Staff of the Hospital, and such additional members, who may, but need not be Trustees, as may be appointed by the Chairperson of the Board of Trustees. The President of the Corporation and the President/Chief Executive Officer of the Hospital shall not be members of the Nominating Committee. The Nominating Committee shall assist the Board of Trustees in identifying and recommending for nomination individuals qualified to serve as Corporators, Trustees and officers of the Corporation, and as Trustees, directors and officers of all the Corporation's affiliated companies. The Nominating Committee shall present at the Annual Meeting of the Corporation nominations for Corporators and for individuals to serve on the Board of Trustees, which recommended nominations shall have been sent to the Corporators in advance of the Annual Meeting.

Section 15. Strategic Planning Committee. The Strategic Planning Committee shall consist of at least three (3) members of the Board of Trustees, at least two (2) members of the Medical Staff of the Hospital, and such additional persons, who may, but need not be Trustees, as may be appointed by the Chairperson of the Board of Trustees. The Chairperson of the Strategic Planning Committee need not be a member of the Board of Trustees. The Strategic Planning Committee shall establish, evaluate and update the Corporation's strategic goals and objectives and the strategic goals and objectives of the Corporation's affiliated companies. The Strategic Planning Committee shall cause to be prepared a long-term strategic plan for the development of programs and facilities within the framework of the total healthcare community, and review on a periodic basis the Corporation's physician adequacy, taking into account geographic and demographic factors. The Strategic Planning Committee shall oversee the Corporation's plans with respect to the use and occupancy of the physical plant and facilities within the

Corporation's healthcare system, and shall perform such other responsibilities and duties as are assigned to it by the Board of Trustees.

Section 16. Special Committees. Special committees or task committees may be appointed annually by the Chairperson for such special tasks as circumstances warrant.

Section 17. Eligibility Requirements of Committee Chairpersons. The Chairperson of each Committee, Standing or Special, or Subcommittee, shall be a member of the Board of Governors, unless otherwise stated in these Bylaws.

ARTICLE VII
Amendments

These Bylaws may be amended by the affirmative vote of two-thirds (2/3) of the Trustees at any meeting of the Board of Trustees at which a quorum is present, provided that any proposed amendment be sent to the Trustees with the notice of the meeting at which it is to be considered.

ARTICLE VIII
Miscellaneous Provisions

Section 1. Annual Report. The Corporation shall prepare an Annual Report. The Annual Report shall include the results of the audited financial statements of the Corporation for the previous fiscal year.

Section 2. Notice by Electronic Mail ("Email"). If the Secretary of the Corporation has an email address of an individual entitled to receive any notice under these Bylaws, any such notice required to be given under these Bylaws may be by email, except in cases where these Bylaws specifically require that notice be provided by other means. Any email notice given pursuant to these Bylaws shall be deemed to have been given when the Secretary of the Corporation sends such notice to the email address that the Secretary has for an individual.

Section 3. Conflict of Interest. Any member of the Board of Trustees, any member of any committee with Board delegated powers, and any employee of the Corporation who may influence corporate decisions shall comply with the conflict of interest and disclosure policies as set forth in Article X of these Bylaws and any other policies as may from time to time be adopted by the Board of Trustees.

Section 4. Fiscal Year. Except as from time to time otherwise provided by the Board of Trustees, the Corporation's fiscal year shall end on the last day of September of each year.

Section 5. Corporate Seal. The Board of Trustees shall have the power to adopt and alter the Corporation's seal.

ARTICLE IX
Indemnification

Section 1. Agreement of the Corporation. In order to induce the Trustees, officers and others to serve as such, the Corporation adopts this Article and agrees to provide the Trustees, officers and the aforesaid parties the benefits contemplated hereby.

Section 2. Acceptance of Trustee or Officer. This Article will apply, and the benefits hereof will be available, to each Indemnified Person who accepts such position.

Section 3. Definitions. As used in this Article IX, the following terms will have the following respective meanings:

(a) "Covered Act" means any act or omission by the Indemnified Person in the Indemnified Person's official capacity with the Corporation while serving in such capacity or while serving at the request of the Corporation as a member of the Board of Trustees or of a Standing or special committee or of any subcommittee thereof, or as an officer, employee, or agent of another entity or other enterprise on the Corporation's behalf. An act or omission will be a Covered Act if the claim or proceeding with respect to such act or omission arises after the Indemnified Person ceases to serve the Corporation as an Indemnified Person.

(b) "Excluded Claim" has the meaning set forth in Article IX, Section 6 hereof.

(c) "Expenses" means any reasonable expenses incurred by the Indemnified Person in connection with the defense of any claim made against the Indemnified Person for Covered Acts including, without being limited to, legal, accounting, or investigative fees and expenses (including the expense of bonds necessary to pursue an appeal of an adverse judgment).

(d) "Indemnified Person" means any Trustee, officer, Standing or special committee member or of any subcommittee thereof who accepts election or appointment as a Trustee, officer or Standing or special committee member or of any subcommittee thereof and agrees to serve as such in the manner provided in Article IX, Section 2 hereof.

(e) "Loss" means any amount which the Indemnified Person is legally obligated to pay as a result of any claim made against the Indemnified Person for Covered Acts including, without limitation, judgments for, and awards of, damages, amounts paid in settlement of any claim, any fine or penalty or, with respect to an employee benefit plan, any excise tax or penalty.

(f) "Proceeding" means any threatened, pending or completed action suit, or proceeding whether civil, criminal, administrative, or investigative.

Section 4. Indemnification. Subject to the exclusions hereinafter set forth, the Corporation will indemnify the Indemnified Person against and hold the Indemnified Person harmless from any Loss of Expenses to the fullest extent permitted by law.

Section 5. Advance Payment of Expenses. The Corporation will pay the Indemnified Person's Expenses in advance of the final disposition of any Proceeding except to the extent that the defense of a claim against the Indemnified Person is undertaken pursuant to any director's and officers' liability insurance (or equivalent insurance known by another term) maintained by the Corporation. The advance payment of Expenses will be subject to the Indemnified Person's first agreeing in writing with the Corporation to repay the Corporation any sums it pays hereunder if thereafter it is determined that the Proceeding involved an Excluded Claim or that the Indemnified Person was otherwise not entitled to indemnity under these Bylaws.

Section 6. Exclusions. The Corporation will not be liable to pay any Loss or Expenses (an "Excluded Claim"):

(a) With respect to a Proceeding in which a final non-appealable judgment or other adjudication by a court of competent jurisdiction determines that the Indemnified Person is liable to the Corporation (as distinguished from being liable to a third party) for: (i) any breach of the Indemnified Person's duty of loyalty to the Corporation or to its affiliated entities or undertakings; (ii) acts or omission constituting gross negligence or which involve intentional misconduct or knowing violation of law; or (iii) any transaction from which the Indemnified Person derived an improper personal benefit; or

(b) If a final, non-appealable judgment or other adjudication by a court of competent jurisdiction determines that such payment is unlawful.

Section 7. Notice to Corporation; Insurance. Promptly after receipt by the Indemnified Person of notice of the commencement of or the threat of commencement of any Proceeding, if indemnification with respect thereto may be sought from the Corporation under these Bylaws, the Indemnified Person shall notify the Corporation of the commencement thereof. Failure to promptly notify the Corporation will not adversely affect the Indemnified Person's right to indemnification hereunder unless and only to the extent that the Corporation is materially prejudiced in its ability to defend against the Proceeding by reason of such failure. If, at the time of the receipt of such notice, the Corporation has any directors' and officers' liability insurance in effect, the Corporation will promptly notify the insurer of the commencement of such Proceeding in accordance with the procedures set forth in the policy or policies in favor of the Indemnified Person. The Corporation thereafter will take all the necessary or desirable action to cause such insurer to pay, on behalf of the Indemnified Person, all Loss and Expenses payable as a result of such Proceeding in accordance with the terms of such policy or policies. Nothing herein will limit the amount payable to the Indemnified Person to the amount

provided by the Corporation's directors' and officers' liability insurance policy then in place.

Section 8. Indemnification Procedures:

(a) Payments on account of the Corporation's indemnity against Loss will be made by the Treasurer except if, in the specific case, a determination is made that the indemnification of the Indemnified Person is not proper under the circumstances because such Loss results from a claim which is an Excluded Claim. If the Corporation so determines that the Loss results from an Excluded Claim (although no such determination is required by the Corporation hereunder prior to payment of a Loss by the Treasurer), the determination shall be made:

(i) By the Board of Trustees by a majority vote of a quorum consisting of Trustees not at the time parties to the Proceeding; or

(ii) If a quorum cannot be obtained for purposes of Article IX, Section 8(a)(i), then by a majority vote of a committee of the Board of Trustees duly designated to act in the matter by a majority vote of the full Board of Trustees (in which designation Trustees who are parties to the Proceeding may participate) consisting solely of three (3) or more Trustees not at the time parties to the Proceeding; or

(iii) By independent legal counsel designated:

(A) by the Board of Trustees in the manner described in Article IX, Section 8(a)(i) or by a committee of the Board of Trustees established in the manner described in Article IX, Section 8(a)(ii), or

(B) if the requisite quorum of the full Board cannot be obtained therefor and a committee cannot be so established, by a majority vote of the full Board (in which designation Trustees who are parties to the Proceeding may participate).

If made, any such determination permitted to be made by this Article IX, Section 8(a) will be made within sixty (60) days of the Indemnified Person's written request for payment of a Loss.

(b) Payment of an Indemnified Person's Expenses in advance of the final disposition of any Proceeding will be made by the Treasurer except if, in

the specific case, a determination is made pursuant to Article IX, Section 8(a) above that indemnification of the Indemnified Person is improper under the circumstances because the Proceeding involved an Excluded Claim.

(c) The Corporation shall endeavor to purchase and maintain insurance on behalf of any Indemnified Person against liability asserted against him/her with respect to any Covered Act, whether or not the Corporation would have the power to indemnify such Indemnified Person against such liability under the provisions of this Article. The Corporation will be subrogated to the rights of such Indemnified Person to the extent that the Corporation has made any payments to such Indemnified Person in respect to any Loss or Expense as provided herein.

Section 9. Settlement. The Corporation will have no obligation to indemnify the Indemnified Person under this Article for any amounts paid in settlement of any Proceeding effected without the Corporation's prior written consent. The Corporation will not unreasonably withhold or delay its written consent to any proposed settlement. If the Corporation so consents to the settlement of any Proceeding, or unreasonably withholds or delays such consent, it will be conclusively and irrebuttably presumed for all purposes that the Loss or Expenses do not constitute an Excluded Claim. If the Corporation reasonably withholds its consent solely on the ground that the Proceeding constitutes an Excluded Claim, the Indemnified Person may accept the settlement without the consent of the Corporation, without prejudice to the Indemnified Person's rights to indemnification in the event the Corporation does not ultimately prevail on the issue of whether the Proceeding constitutes an Excluded Claim.

Section 10. Rights Not Exclusive. The rights provided hereunder will not be deemed exclusive of any other rights to which the Indemnified Person may be entitled under any agreement, vote of disinterested Trustees or otherwise, both as to action in the Indemnified Person's official capacity and as to action in any other capacity on the Corporation's behalf while holding such office, and will continue after the Indemnified Person ceases to serve the Corporation as an Indemnified Person.

Section 11. Enforcement.

(a) The Indemnified Person's right to indemnification hereunder will be enforceable by the Indemnified Person in any court of competent jurisdiction and will be enforceable notwithstanding that an adverse determination has been made as provided in Article IX, Section (8).

(b) In the event that any action is instituted by the Indemnified Person under these Bylaws, the Indemnified Person will be entitled to be paid all court costs and expenses including reasonable attorneys' fees, incurred by the Indemnified Person with respect to such action, unless the court determines that each of the material assertions made by the Indemnified

Person as a basis for such action was not made in good faith or was frivolous.

Section 12. Severability. If any provision of this Article IX is determined by a court to require the Corporation to perform or to fail to perform an act which is violative of applicable law, this Article shall be limited or modified in its application to the minimum extent necessary to avoid a violation of law, and, as to limited or modified, this Article shall be enforceable in accordance with its terms.

Section 13. Successors and Assigns. The provisions of this Article will be (a) binding upon all successors and assigns of the Corporation (including any transferee of all or substantially all of its assets), and (b) binding on and inure to the benefit of the heirs, executors, administrators, and other personal representatives of the Indemnified Person.

Section 14. Amendment. No amendment or termination of this Article IX will be effective as to an Indemnified Person without the prior written consent of that Indemnified Person, and in any event, will not be effective as to any Covered Act of the Indemnified Person occurring prior to the aforesaid amendment or termination.

ARTICLE X
Conflict of Interest Policy

Any contract or other transaction between the Corporation and any one or more of its Trustees officers, or members of committees of the Corporation, or between the Corporation and any other corporation, firm or association in which one or more of its Trustees, officers or members of committees of the Board of Trustees are officers or Trustees or have a financial interest, shall be voidable unless (i) the material facts as to the interest or relationship are disclosed or are known to the Board of Trustees or committee, and the Board of Trustees or committee authorize, approve, or ratifies the contract or transaction by the affirmative vote of a majority of the disinterested Trustees or members of the committee, even though they are less than a quorum, and (ii) the contract or transaction is fair and reasonable to the Corporation. The Board of Trustees may adopt and may amend from time to time conflict of interest policies to be applicable to the Corporation and its affiliates.

ARTICLE XI
Policies, Rules and Regulations

In addition to the powers granted by these Bylaws herein contained, the Board of Trustees may adopt such written policies, rules or regulations as, in its judgment, may prove necessary or desirable for the management of the Corporation. At least a majority of the Board of Trustees shall give its approval to permit the adoption of any such policies, rules or regulations.

_____

Maureen L. Carboni, Secretary

Amended August 24, 2011 Article III - Corporators, Section 3. Powers and Article VII - Amendments

State of Rhode Island and Providence Plantations

A. Ralph Mollis

Secretary of State

Date: **March 21, 2008**

The Westerly Hospital

(8 Pages)

A TRUE COPY WITNESSED UNDER THE SEAL OF THE STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

A. Ralph Mollis

Secretary of State

By

SEAL OF THE STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS · HOPE · 1636 ·

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State of Rhode Island and Providence Plantations

NON-PROFIT CORPORATION

ARTICLES OF AMENDMENT
TO THE
ARTICLES OF INCORPORATION
OF

The Westerly Hospital

Pursuant to the provisions of Section 7-6-40 of the General Laws, 1956, as amended, the undersigned corporation adopts the following Articles of Amendment to its Articles of Incorporation:

FIRST: The name of the corporation is The Westerly Hospital

SECOND: The following amendment to the Articles of Incorporation was adopted by the corporation:

(Insert Amendment)

VOTED: That Article SEVENTH of the Articles of Association of the Corporation be amended to read in its entirety as set forth in Exhibit A attached hereto and made a part hereof.

Form No. N-2A

THIRD: The amendment was adopted in the following manner: (Note 1)

The amendment was adopted at a meeting of members held on September 26, 1988, at which a quorum was present, and the amendment received at least a majority of the votes which members present or represented by proxy at such meeting were entitled to cast."

Dated February 21, , 1990

The Westerly Hospital (Note 2)

By (Note 3)
Lois Vars

Its ~~President~~ Chairman

and (Note 3)
Alcino G. Almeida

Its Secretary

NOTES:

1. Insert whichever of the following statements is applicable:

   (a) "The amendment was adopted at a meeting of members held on , at which a quorum was present, and the amendment received at least a majority of the votes which members present or represented by proxy at such meeting were entitled to cast."

   (b) "The amendment was adopted by a consent in writing signed under date of by all members entitled to vote in respect thereto."

   (c) "The amendment was adopted at a meeting of the Board of Directors held on , and received the vote of a majority of the Directors in office, there being no members entitled to vote in respect thereof."

2. Exact corporate name of corporation adopting the Amendment.

3. Signatures and titles of officers signing for the corporation.

(2) "Expenses" means any expenses incurred in connection with the defense against any claim for Covered Acts, including, without being limited to, legal, accounting or investigative fees and expenses, including the expense of bonds necessary to pursue an appeal of an adverse judgment; and

(3) "Covered Act" means any act or omission of an Indemnified Person in the Indemnified Person's official capacity with the corporation.

(iii) The by-law provisions or agreements authorized hereby may cover Loss or Expenses arising from any claims made against an Indemnified Person no longer serving in an official capacity, the estate, heirs or legal representative of a deceased Indemnified Person or the legal representative of an incompetant, insolvent or bankrupt Indemnified Person, where the Indemnified Person was an Indemnified Person at the time the Covered Act upon which such claims are based occurred.

(iv) The by-law provisions or agreements authorized hereby may provide for the advancement of Expenses to an Indemnified Person prior to the final disposition of any action, suit or proceeding, or any appeal therefrom, involving such Indemnified Person and based on the alleged commission by such Indemnified Person of a Covered Act, subject to an undertaking by or on behalf of such Indemnified Person to repay the same to the corporation if indemnification is not permitted under clause (v), below, and the final disposition of such action, suit, proceeding or appeal results in an adjudication adverse to such Indemnified Person.

(v) The by-law provisions or agreements authorized hereby may not indemnify an Indemnified Person from and against any Loss, and the corporation shall not reimburse for any Expenses, in connection with any claim or claims made against an Indemnified Person for: (1) any breach of the Indemnified Person's duty of loyalty to the corporation or its members; (2) acts or omissions not in good faith or which involve intentional misconduct or knowing violation of law; or (3) any transaction from which the person seeking indemnification derived an improper personal benefit.

(vi) The by-law provisions or agreements authorized hereby may contain such other terms and conditions as the board of trustees, in its sole discretion, determines to be consistent with the provisions of this Article.

Exhibit A

SEVENTH. A trustee of the corporation shall not be personally liable to the corporation or its members for monetary damages for breach of the trustee's duty as a trustee, except for (i) liability for any breach of the trustee's duty of loyalty to the corporation or its members, (ii) liability for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, or (iii) liability for any transaction from which the trustee derived an improper personal benefit. Nothing in this Section shall serve to diminish the exemptions from trustee liability set forth in Section 7-6-9 of the Rhode Island Non-Profit Corporation Act, as amended (the "Act"). If the Act is amended to authorize corporate action further eliminating or limiting the personal liability of trustees, then the liability of a trustee of the corporation shall be eliminated or limited to the fullest extent so permitted. Any repeal or modification of this provision by the corporation shall not adversely affect any right or protection of a trustee of the corporation existing prior to such repeal or modification.

The board of trustees of the corporation may include provisions in the corporation's by-laws, or may authorize agreements to be entered into with each trustee, officer, employee or other agent of the corporation (an "Indemnified Person"), for the purpose of indemnifying an Indemnified Person in the manner and to the extent permitted by Section 7-6-6 of the Act.

In addition to the authority conferred upon the board of trustees of the corporation by the foregoing paragraph, the board of trustees of the corporation may include provisions in its by-laws, or may authorize agreements to be entered into with each Indemnified Person, for the purpose of indemnifying such person in the manner and to the extent provided herein:

(i) The by-law provisions or agreements authorized hereby may provide that the corporation shall, subject to the provisions of this Article, pay, on behalf of an Indemnified Person any Loss or Expenses arising from any claim or claims which are made against the Indemnified Person (whether individually or jointly with other Indemnified Persons) by reason of any Covered Act of the Indemnified Person.

(ii) For the purposes of this Article, when used herein

(1) "Loss" means any amount which an Indemnified Person is legally obligated to pay for any claim for Covered Acts and shall include, without being limited to, damages, settlements, fines, penalties or, with respect to employee benefit plans, excise taxes;

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State of Rhode Island and Providence Plantations.

ORIGINAL ARTICLES OF ASSOCIATION.

(NON-BUSINESS CORPORATION.)

Know all Men by these Presents, That we CHARLES PERRY, JOHN O. MILLS, ARTHUR M. COTTRELL, EDGAR P. MAXSON and HARRY B. AGARD

all of lawful age, hereby agree to and with each other:

FIRST. To associate ourselves together with the intention of forming a corporation under and by virtue of the powers conferred by Title III of Chapter 1925 of the Public Laws of Rhode Island.

SECOND. Said corporation shall be known by the name of The Westerly Hospital

THIRD. Said corporation is constituted for the purpose of establishing and maintaining a hospital in the Town of Westerly; of rendering medical and surgical aid to those in need thereof especially those unable to pay therefor; and of otherwise carrying out the charitable and humane intentions of the corporation; and of receiving and applying for the above purposes, gifts, devises and bequests of money or property and the income and principal of any trust fund or funds now or hereafter available for the establishment, maintenance or support of an hospital in said Westerly.

In addition to the foregoing, said corporation shall have the following powers and authority, viz:—

To do any lawful act which is necessary or proper to accomplish the purposes of its incorporation. Without limiting or enlarging the effect of this general grant of authority, it is hereby specifically provided that said corporation shall have power:

(a) to have perpetual succession in its corporate name, unless a period for its duration is limited in these articles of association;

(b) to sue and be sued in its corporate name;

(c) to have and use a common seal, and alter the same at pleasure;

(d) to elect such officers and appoint such agents as its purposes require, and to fix their compensation and define their duties;

(e) to make by-laws not inconsistent with the constitution or laws of the United States or of this state, or with these articles of association, determining the time and place of holding and the manner of calling and of conducting meetings of its members and directors, the manner of electing its officers and directors, the mode of voting by proxy, and the number, qualifications, powers, duties and term of office of its officers and directors, and containing any other provisions, whether of the same or of a different nature, for the management of the corporation's property and the regulation and government of its affairs;

(f) to make contracts, incur liabilities and borrow money.

Said corporation shall be entitled to take, hold, transmit, and convey real and personal estate to an amount not exceeding in all one hundred fifty thousand dollars. But if it desires to take and hold property to an amount exceeding one hundred fifty thousand dollars either originally or by amendment, such privilege shall be granted only by the general assembly on petition thereto.

(OVER)

FOURTH. Said corporation shall be located in Westerly, (City or Town) Rhode Island.

(Further provisions not inconsistent with law.)

FIFTH. The said corporation may ordain, institute, establish and put in execution such rules and regulations as may be deemed expedient for the internal government and economy of the institution and for the well ordering, managing and conducting of all the affairs thereof, and of all officers, agents and persons appointed or employed by it in and about the establishment or elsewhere, including herein rules with respect to the admission of patients and the terms of such admission, and may alter and amend the same at pleasure, and may do and transact all other matters and things fit and proper for bodies corporate to do and transact.

SIXTH. The members of the corporation shall have the power to elect from time to time such new or additional members as they shall think fit, who shall upon such election become possessed of the same rights, powers and privileges as are herein given to the original members.

SEVENTH.

State of Rhode Island and Providence Plantations

751 OFFICE OF THE GENERAL TREASURER

Providence, June 17, 1921

I Hereby Certify *That* The Westerly Hospital

has paid into the State Treasury a fee of

Five 00/100 - - - - *Dollars for* incorporation

in accordance with the provisions of Chapter 2 b~~Of the General Laws~~ of Rhode Island, 1909

1925 PUBLIC LAWS, JANUARY SESSION, 1926

$5.00

Richard [illegible] General Treasurer

In Testimony Wherof, We have hereunto set our hand and stated our residences this 16th day of June A. D. 1921.

NAME	RESIDENCE
Charles Peay	4 Margin St Westerly, R. I.
Arthur M. Cottrell	21 Elm St. Westerly, R. I.
John O. Mills	438 Main St. Westerly R. I.
Edgar P. Watson	106 High St. Westerly, R. I.
Harry B. Agard	1 Crescent St. Westerly R.I.

State of Rhode Island,
County of Washington }

In the ~~City~~ Town } of Westerly,
in said county this 16th day of June A. D. 1921, then personally appeared before me Charles Peay, Arthur M. Cottrell, John O. Mills, Edgar P. Watson, and Harry B. Agard

each and all known to me and known by me to be the parties executing the foregoing instrument, and they severally acknowledged said instrument by them subscribed to be their free act and deed.

Harold D. Livingstone
Notary Public.

Non-Business Corporation

ORIGINAL

ARTICLES OF ASSOCIATION OF

The Westerly Hospital

FILED IN THE OFFICE OF THE SECRETARY OF STATE.

June 17th 1921

RIDOH 0054

MEDICAL STAFF BYLAWS
THE WESTERLY HOSPITAL

JUNE 9, 1992

Revised 7/11/94, 11/19/95, 3/19/96, 1/6/97, 10/6/97, 5/98, 7/98, 9/98, 10/98, 5/99,7/99, 10/01; 01/02, 10/02, 4/03, 6/03, 6/08, 2/09, 7/09, 8/09, 10/09, 11/09, 10/10, 8/11

THE WESTERLY HOSPITAL
25 WELLS STREET
WESTERLY, RHODE ISLAND 02891

Approved by the Board of Trustees August 1, 2011

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ARTICLE ONE: NAME

The organizational component of the hospital to which these Bylaws and the related manuals are addressed is called "The Medical Staff of The Westerly Hospital".

ARTICLE TWO: PURPOSES AND RESPONSIBILITIES OF THE MEDICAL STAFF

2.1 PURPOSES

The purposes of this medical staff are:

2.1.1

To provide a mechanism for accountability to the Board of Trustees, through defined organizational components and positions, for the appropriateness of the patient care services, professional and ethical conduct of each individual practitioner appointed to the medical staff and each individual practitioner who, though not appointed to the medical staff, have privileges at the institution.

2.1.2

To serve as the peer review body through which individual practitioners may obtain prerogatives and clinical privileges at the hospital, through which they fulfill the obligations of staff appointment.

2.1.3

To provide, on behalf of the hospital an appropriate educational setting for continuing medical education programs for members of the medical staff.

2.1.4

To provide an orderly and systematic means by which staff members can give input to the Board of Trustees and Chief Executive Officer on medico-administrative problems and on the hospital's policy-making and planning processes.

2.2 RESPONSIBILITIES

To effectuate the purposes enumerated above, the responsibilities of the medical staff are:

2.2.1

To participate in the hospital's quality review and utilization management program by conducting all required and necessary activities for assessing, maintaining and improving the quality of medical care provided in the hospital, including without limitation:

(a) Evaluating practitioner and institutional performance through valid and reliable measurement systems based when appropriate on objective, clinically sound criteria.

(b) Engaging in the ongoing monitoring of patient care practices.

(c) Evaluating practitioner's credentials for appointment and reappointment to the medical staff and for the delineation of clinical privileges that may be exercised by each individual practitioner in the hospital.

(d) Promoting the appropriate use of the medical and health care resources at the hospital for meeting patients' medical, social and emotional needs.

2.2.2

To make recommendations through the Medical Executive Committee to the Board of Trustees concerning appointments and reappointments to the staff, including category and department assignments, clinical privileges, and corrective action.

2.2.3

To conduct and monitor medical education programs.

2.2.4

To develop and maintain Bylaws and related manuals and policies that are consistent with sound professional practices, organizational principles, and external requirements, and to enforce compliance with them.

2.2.5

To participate in the hospital's long range planning activity, to assist in identifying community health needs and to participate in developing and implementing appropriate institutional policies and programs to meet those needs.

2.2.6

To exercise through its officers, committees and other defined components the authority granted by these Bylaws and related manuals to fulfill these responsibilities in a timely and proper manner and to account thereon to the Board of Trustees.

The specific activities involved in carrying out these responsibilities are set forth in Part Two of the Medical Staff Organization Manual.

ARTICLE THREE: APPOINTMENT AND REAPPOINTMENT

3.1 GENERAL QUALIFICATIONS

Every practitioner who seeks staff appointment must, at the time of application and initial appointment and continuously thereafter, demonstrate to the satisfaction of the appropriate authorities of the medical staff and of the Board of Trustees the following qualifications and procedural requirements as are set forth in other sections of these Bylaws or in the Credentialing Procedure Manual.

3.1.1 LICENSURE

Every practitioner must have a currently valid license issued by the State of Rhode Island to practice. A practitioner may be a physician, dentist, podiatrist, certified registered nurse anesthetist, certified registered nurse practitioner, certified nurse midwife, or certified physician assistant.

Exception is made according to RI law 5-37-14 for practitioners who do not have an office location in Rhode Island but provide telemedicine consultative services to Rhode island licensed providers.

3.1.2 DEFINITIONS

(a) *Advanced practice nurse* means the status of qualified individuals who hold an active license as a registered nurse and an active license as a nurse in an advanced role as defined by Rhode Island General Laws.

1. Certified Registered Nurse Anesthetist (CRNA)
The practice of certified registered nurse anesthesia means providing certain health care services under the supervision of anesthesiologists and licensed physicians which requires substantial specialized knowledge, judgment and skill related to the administration of anesthesia, including pre-operative and post-operative assessment of patients; administering anesthetics; monitoring patients during anesthesia; management of fluid in intravenous therapy and management of respiratory care.

2. Certified Registered Nurse Practitioner (RNP)
Certified registered nurse practitioner means an advanced practice nurse utilizing independent knowledge of physical assessment and management of health care and illnesses. The practice includes prescriptive privileges, and collaboration with other licensed health care professionals, including, but not limited to, physicians, pharmacists, podiatrists, dentists and nurses.

3. Certified Nurse Midwife (CNM)
The practice of nurse midwifery means the management of cases of normal childbirth, including prenatal, intrapartum, postpartum, and normal newborn care, and well woman care including the management of common health problems.

4. Certified Physician Assistant (PA)
Physician assistant means a person who is qualified by academic and practical training to provide those certain patient services in which he or she is trained under the supervision, control, responsibility and direction of a licensed physician.

3.1.3 SUPERVISION

Requirements for supervision of advanced practice nurses and physician assistants practicing at the hospital shall be delineated by these medical staff bylaws: supervision means overseeing the activities of, and accepting the responsibility for, the services rendered by these practitioners. Supervision shall be continuous and under the direct control of a licensed physician expert in the field of medicine in which the certified physician assistant, certified registered nurse anesthetist, certified registered nurse

practitioner, or certified nurse midwife practices. The constant physical presence of the supervising physician is not required. It is the responsibility of the supervising physician and practitioner to assure an appropriate level of supervision, depending upon the services being rendered. A signed agreement delineating the level of supervision provided and physician availability, as well as patient care responsibilities and procedures to be performed must be on file.

3.1.4 PROFESSIONAL EDUCATION AND TRAINING

(a) Physicians, Dentists and Podiatrists

Every practitioner must be a graduate of an approved allopathic or osteopathic medical school, or a dental or podiatric school, or certified by the Education Commission for Foreign Medical Graduates or have a Fifth Pathway. If a physician, he or she must document satisfactory completion of an Accreditation Council for Graduate Medical Education or American Osteopathic Association approved postgraduate training program. If a dentist, he or she must document satisfactory completion of at least one year of an American Dental Association approved residency. If a podiatrist, he or she must document satisfactory completion of residency training at an institution approved by the Council on Podiatric Medical Education, and board certification/qualification in foot surgery by the American Board of Podiatric Surgery.

For purposes of this section, an "approved" school, respectively, is one fully accredited during the time of the practitioner's attendance by the Liaison Committee on Medical Education of the Association of American Medical Colleges and the American Medical Association; by the American Osteopathic Association; by the Commission on Dental Accreditation of the American Dental Association; by the Council on Podiatric Medical Education of the American Podiatric Medical Association; or by a successor agency to any of the foregoing or by an equivalent professionally recognized accrediting body. An "approved" postgraduate training program, respectively, is one fully accredited throughout the time of the practitioner's training by the Accreditation Council for Graduate Medical Education; by the American Osteopathic Association; by the Commission on Dental Accreditation; by the Council on Podiatric Medical Education; or by a successor agency to any of the foregoing or by an equivalent professionally recognized national accrediting body. The requirement for satisfactory completion of approved postgraduate training shall be waived for any practitioner who was a member of the staff prior to the effective date of these Bylaws and may be waived by the Board of Trustees for any subsequent applicant if it deems such waiver to be in the best interest of patient care and if such waiver is endorsed by the applicable department chairman, the Credentials Committee, and the Medical Executive Committee.

(b) Certified Registered Nurse Anesthetist, Certified Registered Nurse Practitioner, Certified Nurse Midwife, and Certified Physician Assistant

Every Certified Registered Nurse Anesthetist must be a graduate from a state approved basic nursing education program, and must be a graduate of an education program accredited by the American Association of Nurse Anesthetists Council on Accreditation of Nurse Anesthesia Educational Programs, which has as its objective preparation of nurses to practice nurse anesthesia.

Every Certified Registered Nurse Practitioner must be a graduate from a state approved basic nursing education program, and must be a graduate of a Board of Nurse Registration and Nursing Education approved course of study for nurse practitioners conducted within an accredited academic institution, the course of study including both a didactic component and a supervised clinical experience.

Every Certified Nurse Midwife must be a graduate from a state approved, and accredited educational program resulting in a master's degree with a major in nursing, and a graduate from an academic and practical program of midwifery approved by the American College of Nurse-Midwives.

Every Certified Physician Assistant must be a graduate from a physician assistant training program accredited by the Accreditation Review Commission on Education for the Physician Assistant, which is recognized by the Council for Higher Education Accreditation.

(c) Continuing Education

All members of the medical staff must provide evidence of continuing educational credits earned, as specified by current requirements of the practitioner's licensing body of the State of Rhode Island, Department of Health.

3.1.5 CLINICAL PERFORMANCE

The Westerly Hospital subscribes to an evidence-based privileging process. Every practitioner who holds clinical privileges is subject to a focused professional practice evaluation on initial appointment and ongoing professional practice evaluations. Indicators of quality patient care are expected of all evaluation outcomes. A practitioner also may undergo a focused professional practice evaluation at any time should a concern arise about quality performance. A resolution of the concern and improvement of practitioner performance must be achieved.

(a)Focused Professional Practice Evaluation

The Focused Professional Practice Evaluation focuses on three specific aspects of performance: to evaluate competence on initial appointment, to confirm competence of a new privilege within the organization's setting or a privilege new to the practitioner, and, to examine negative performance "triggers" (single incident or

trend) that manifest during the course of the Ongoing Professional Practice Evaluation.

(b) Ongoing Professional Practice Evaluation

The Ongoing Professional Practice Evaluation is an objective measure of performance using a variety of data sets, and serves as the basis for an evidence-based privileging process.

3.1.6 COOPERATIVENESS

Every practitioner must demonstrate ability to work with and relate to other staff members, members of other health disciplines, hospital management and employees, the Board of Trustees, in a professional manner that is essential for maintaining an environment appropriate to quality patient care.

3.1.7 SATISFACTION OF MEMBERSHIP OBLIGATIONS

Every practitioner must demonstrate satisfactory compliance with the basic obligations accompanying appointment and reappointment to the staff as set forth in Section 3.2 of these Bylaws and equitable participation, as determined by the appropriate staff and board authorities, in the discharge of staff obligations specific to staff category.

3.1.8 PROFESSIONAL standards of medical and professional ethics.

3.1.9 DISABILITY

The practitioner must be free of or have under adequate control any significant physical or mental health impairment and to be free from abuse of any type of substance or chemical that affects cognitive, motor, or communication ability in a manner that interferes with, or presents a reasonable probability of interfering with, the qualifications required by Section 3.1.3 through *3.1.6.*

3.1.10 VERBAL AND WRITTEN COMMUNICATION SKILLS

The practitioner must have the ability to understand, speak, write and read the English language in an intelligible manner, and to prepare medical record entries and other required documentation in a legible manner.

3.1.11 PROFESSIONAL LIABILITY INSURANCE

Members of the medical staff are required to carry sufficient malpractice insurance, the level to be determined by the Board of Trustees from time to time. A lapse in coverage for any reason must be reported in writing to the medical staff office. A current "certificate of insurance" must be on file at all times in the practitioner's credentials file.

3.1.12 EFFECTS OF OTHER AFFILIATIONS

No practitioner shall be automatically entitled to initial appointment merely because:

(a) He or she is licensed to practice in this or in any other state; or
(b) He or she is certified by any clinical board; or
(c) He or she is a member of a medical school faculty; or
(d) He or she had, or presently has, staff appointment or privileges at another health care facility or in another practice setting.

3.1.13 NONDISCRIMINATION

No aspect of medical staff appointment or particular clinical privileges shall be denied on the basis of: age; sex; race; creed; color; national origin; a handicap unrelated to the ability to fulfill patient care and required staff obligations; or, any other criterion unrelated to the delivery of quality patient care in the hospital, to professional qualifications, to the hospital's purposes, needs and capabilities, or to community need.

3.1.14 BOARD CERTIFICATION

(a) Physicians, Dentists and Podiatrists

Every physician, dentist and podiatrist who applies for initial staff appointment shall be required to be board certified, or be admissible for certification by a specialty board of the American Board of Medical Specialties or other relevant specialty board. Board admissible status will be as defined by the specialty board. Those applicants whose boards require clinical experience must document that all other requirements have been successfully completed. If board certification is not achieved by six years from initial appointment, the following provisions will apply: the physician (1) will undergo a Focused Professional Practice Evaluation, (2) will complete a Post-Licensure Assessment as described by the National Board of Medical Examiners and the Federation of State Medical Boards, or assessments as described by other relevant specialty boards, and 3) sit before the Board of Trustees' Professional Affairs Subcommittee for final approval. The financial cost of this process is borne by the applicant. Failure to complete these provisions in total makes the applicant ineligible for reappointment. This provision is retroactive to all appointments from October 1999.

(b) Certified Registered Nurse Anesthetist, Certified Registered Nurse Practitioner, Certified Nurse Midwife, and Certified Physician Assistant

A Certified Registered Nurse Anesthetist shall be initially certified by the Council on Certification of Nurse Anesthetists, and recertified by the Council on Recertification, National Board on Certification and Recertification of Nurse Anesthetists.

A Certified Registered Nurse Practitioner shall be certified through a national nursing body recognized by the Rhode Island Board of Nurse Registration and Nursing Education (e.g., American Nurses Credentialing Center) and recertified through a national nursing body recognized by the Rhode Island Board of Nurse Registration and Nursing Education

(e.g., American Nurses Credentialing Center).

A Certified Nurse Midwife shall be certified by the American Midwifery Certification Board and recertified by the American Midwifery Certification Board.

A Certified Physician Assistant shall be certified by the National Commission on Certification of Physician Assistants.

3.2 *BASIC OBLIGATIONS OF ACTIVE AND ACTIVE REFERRING STAFF MEMBERSHIP*

Each medical staff member, as applicable of his/her assigned staff category, and each practitioner exercising temporary privileges under these Bylaws shall:

(a) Provide his or her patients with care at the level of quality generally recognized as appropriate at facilities such as the hospital;
(b) Abide by the Medical Staff Bylaws, Fair Hearing Plan, Credentials Manual and Departmental Rules and Regulations, the Bylaws of the corporation, and all other lawful standards, policies and rules of the Medical Staff;
(c) Discharge such staff, committee, department, and hospital functions for which he or she is responsible by staff category assignment, appointment, and election or otherwise.
(d) Prepare, complete and document in timely fashion the medical and other required records, including history and physical, for all patients he or she admits or in any way provides care to in the hospital, in accordance with state law and hospital policy; and
(e) Pledge to provide or arrange for appropriate and timely medical coverage and care for patients for whom he or she is responsible.

Failure to satisfy any of these basic obligations is grounds, as warranted by the circumstances, for non-reappointment or for such other disciplinary action as deemed appropriate by the final action of the board pursuant to Article Six of these Bylaws.

3.3 *TERM OF APPOINTMENT*

Appointments to the Medical Staff and granting of clinical privileges are for a period of two years, except that:

New members of the medical staff are subject to an initial provisional period, or Focused Professional Practice Evaluation, as privileges are granted through an evidence-based privileging process. Upon satisfactory conclusion of this period, practitioners are placed in the appropriate reappointment cycle as determined by the hospital's system of reappointment on the anniversary date of initial appointment. The Board of Trustees, after considering the recommendations of the applicable departments, the Credentials Committee, and the Medical Executive Committee, may set a more frequent reappraisal period for the exercise of particular privileges for a staff member who has an identified health disability, for a staff member who has been disciplined, or where a concern in

performance has been identified. In these instances, the practitioner will undergo a Focused Professional Practice Evaluation to determine whether the practitioner's performance is commensurate to which can reasonably be expected of a practitioner with similar training, experience and background. Disciplinary action involving membership and or clinical privileges may be initiated and taken prior to the end of a staff member's term of appointment or reappointment under the appropriate provisions of these Bylaws and related manuals.

3.4 PROVISIONAL PERIOD

3.4.1 APPLICABILITY AND DURATION

All new appointees to the Medical Staff are considered provisional for the first twelve months after appointment, unless an extension is granted. Additionally, all grants of increased clinical privileges to existing members of the Medical Staff are similarly provisional for a twelve-month period after grant, unless an extension is granted. During this provisional period, a practitioner's performance will be reviewed and evaluated by the chairman of the department with which he/she has his/her primary affiliation and by the chairman of each other department in which he/she exercises his/her initial or increased privileges, or by other active Medical Staff members specifically delegated these tasks by such chairman. If the department chair is a contract member of the Medical Staff on provisional status, the President of the Medical Staff will assume the performance review function.

3.4.2 STATUS AND PRIVILEGES DURING PROVISIONAL PERIOD

During the provisional period, a practitioner must demonstrate all of the qualifications, may exercise all of the prerogatives, and must fulfill all of the obligations of his/her staff category; and he/she may exercise all of the clinical privileges granted to him/her. A practitioner's exercise of prerogatives and clinical privileges during the provisional period is subject to any conditions or limitations imposed as part of his/her appointment to the Medical Staff or grant of privileges, or as may be imposed during the term of the provisional period as a result of corrective action taken pursuant to Article Six of these Bylaws.

3.4.3 PROCEDURES FOR APPOINTMENT, REAPPOINTMENT AND CONCLUDING THE PROVISIONAL PERIOD

The mechanisms for submitting, evaluating and making final decisions on applications for initial appointment, for conducting periodic reappraisals for reappointment to the Staff, and for concluding or extending the initial period are outlined in Parts One, Two and Four of the Credentialing Procedures Manual, which are incorporated herein by reference.

3.5 PRACTITIONERS PROVIDING CONTRACTUAL PROFESSIONAL SERVICES BY CONTRACT OR EMPLOYMENT

3.5.1 QUALIFICATIONS AND SELECTION

A practitioner who is or who will be providing professional services pursuant to a contract/employment with the hospital must meet the same appointment qualifications, must be evaluated for appointment, reappointment and clinical privileges in the same manner, and must fulfill all of the obligations of his/her category as any other applicant or staff member.

3.5.2 EFFECT OF APPOINTMENT TERMINATION OR CLINICAL PRIVILEGES RESTRICTION

Because practice at the hospital is contingent upon continued staff appointment and is also constrained by the extent of clinical privileges enjoyed, a practitioner's right to use hospital facilities is terminated when staff appointment expires or is terminated. Similarly, the extent of his/her clinical privileges is automatically limited to the extent that pertinent clinical privileges are restricted or revoked.

3.5.3 EFFECT OF CONTRACT/EMPLOYMENT EXPIRATION OR TERMINATION

(a) The effect of expiration or other termination of a contract/employment upon a practitioner's staff appointment and clinical privileges will be governed solely by the terms of the practitioner's contract/employment with the hospital, if the same addresses the issue.

(b) If the contract/employment arrangement is silent on the matter, then contract/employment expiration or other termination alone will not affect the practitioner's appointment or clinical privileges, except that the practitioner may not thereafter exercise any clinical privileges for which exclusive contractual arrangements have been made.

3.6 MEDICO-ADMINISTRATIVE OFFICERS

3.6.1 DEFINED

A medico-administrative officer is a practitioner engaged by the hospital or medical staff either full or part time in an administratively responsible capacity whose activities also include clinical responsibilities such as direct patient care, teaching or supervision of the patient care activities of other practitioners under the officer's direction.

3.6.2 STAFF APPOINTMENT, CLINICAL PRIVILEGES AND OBLIGATIONS

A medico-administrative officer must achieve and maintain medical staff appointment and clinical privileges appropriate to his/her clinical responsibilities, and discharge staff obligations appropriate to his/her staff category, in the same manner applicable to all other staff members.

3.6.3 *EFFECT OF REMOVAL FROM OFFICE OR ADVERSE CHANGE IN APPOINTMENT STATUS OR CLINICAL PRIVILEGES*

(a) The effect of the removal from his/her medico-administrative office on the officer's staff appointment and clinical privileges, and the effect of an adverse change in an officer's staff appointment (less than total revocation) or clinical privileges on continuance in his/her medico-administrative office, will be governed solely by the terms of the contract between the officer and the hospital, if the contract addresses those points. An adverse change in appointment status or clinical privileges as specified in Section 1.1 of the Fair Hearing Plan that is not triggered by removal from a medico-administrative office entitles the officer to the internal remedies provided in Article Seven of these Bylaws and to the procedural rights contained in the Fair Hearing Plan.

(b) In the absence of a contract or where the contract is silent on the matter, removal from office alone will have no effect on appointment status or clinical privileges, except that the practitioner may not thereafter exercise any clinical privileges for which exclusive contractual arrangements have been made; continuance in office following loss of staff appointment is impermissible under Section 3.7.2; and the effect of an adverse change in clinical privileges on continuance in office will be as determined by the Board of Trustees after soliciting and considering the recommendations of relevant components and officials of the staff.

3.7 *ADMINISTRATIVE PHYSICIAN*

3.7.1 *DEFINED*

Physician employed by Hospital on a contractual relationship to serve administrative functions, i.e. Vice President of Medical Affairs, Medical Director, or similar position. This position shall have no clinical privileges.

3.7.2 *STAFF APPOINTMENT AND OBLIGATIONS*

The administrative physician must achieve and maintain Medical Staff appointment and discharge staff obligations in the same manner applicable to other Staff members.

3.7.3 *EFFECTIVE REMOVAL FROM OFFICE*

Removal from office will result in immediate relinquishing of Medical Staff membership. The prior administrative position will have no bearing on future applications to the Medical Staff on specific clinical privileging. Membership in administrative position by contractual relationship would not imply preference in terms of future application to the Medical Staff.

3.8 *EXHAUSTION OF ADMINISTRATIVE REMEDIES*

Every applicant to and member of the medical staff agrees that when corrective action is initiated or taken pursuant to Article Six of these Bylaws, or when the provisions of Section 11.4 of these Bylaws are implemented, or when an adverse ruling as defined in Section 1.1 of the Fair Hearing Plan is proposed or made, he/she will exhaust the

administrative remedies afforded in the various Sections of these Bylaws, in the Credentialing Procedures Manual, and in the Fair Hearing Plan.

ARTICLE FOUR: APPOINTMENT CATEGORIES

The medical staff member appointment categories are Active, Active Referring, Consulting, Affiliate, and Honorary.

4.1 ACTIVE STAFF

4.1.1 QUALIFICATIONS

An Active Staff member:

(a) Must have office(s) and residence close enough to the hospital to provide continuing care to his or her patients, and to assure availability within a reasonable time frame when the patient's condition requires prompt attention, as applicable to staff category. Each department shall determine any specific time frames applicable to its members and state such specific time frames within its departmental rules and regulations.

(b) Must regularly admit patients to, or otherwise be regularly involved in the care of patients in the hospital facilities, or demonstrate by way of other substantial involvement in the activities of the medical staff or hospital a genuine concern and interest in the hospital. Generally, a practitioner who concentrates his or her practice at another hospital or otherwise demonstrates that he or she considers another hospital to be his or her principal affiliation should consider appointment to another staff category.

(c) Must have demonstrated satisfactory performance through Focused Professional Practice Evaluation during the first year of appointment.

4.1.2 PREROGATIVES

An Active Staff member:

(a) May request admitting privileges, except as otherwise limited in the medical staff rules, the hospital Bylaws, and as applicable to staff category.

(b) May vote on all matters presented at general and special meetings of the medical staff and of the departments and committees of which he or she is a member, except as provided in these Bylaws or by resolution of the Medical Executive Committee.

(c) May hold office at any level in the staff organization and be chairman of a committee provided he or she satisfies the specific qualifications for the position involved and except as otherwise provided by these Bylaws or by resolution of the Medical Executive Committee.

(d) May exercise such clinical privileges as are granted to him or her.

(e) Active Staff members may apply for exemption from Emergency Department call, and committee assignments. Such exemptions may be granted based upon the hospital, medical staff and community needs for specific services, and will be

approved by the appropriate department chairperson, the Credentials Committee, and the Medical Executive Committee.

(f) May advance to Senior Status, at age 65 or after 25 years of service at The Westerly Hospital, which may exempt the physician from Emergency Department call and Committee assignments if so desired.

4.1.3 OBLIGATIONS

An Active Staff member, in addition to meeting the basic obligations set forth in Section 3.2:

(a) Must contribute to the organizational and administrative and medico-administrative (including quality review, risk management and utilization management) activities of the medical staff, including service in medical staff and department offices and on hospital and medical staff committees, faithfully performing the duties of any office or position to which elected or appointed.

(b) Must participate equitably in the discharge of staff functions by: participating in the hospital's continuing education programs; providing consultation to other staff members consistent with his or her delineated privileges; reviewing the performance of practitioners during focused professional practice evaluation and ongoing professional practice evaluation; and fulfilling such other staff functions as may reasonably be required. Medical staff members, as applicable to staff category, must serve on the Emergency Department call schedules for the purpose of assignment to patients presenting at the Emergency Department who require urgent care, who require back-up specialty coverage, and for those patients who do not have a current physician-patient relationship.

(c) Must pay all Staff dues and assessments as specified in Section 13.3 of these Bylaws.

(d) Must meet patient contact requirements sets forth in 2.2 of the Credentials Manual.

4.2 ACTIVE REFERRING STAFF

4.2.1 QUALIFICATIONS

An Active Referring staff member must meet the basic qualifications set forth in Section 3.1.

4.2.2 PREROGATIVES

An Active Referring staff member:

(a) Shall relate to the hospital primarily through the direct referral of patients to the active medical staff for admission and/or evaluation.

(b) Shall be permitted to visit patients, review medical records, but shall have no admitting privileges nor be permitted to write independent orders, progress notes, or participate actively in the direct provision of inpatient care.

(c) May exercise such clinical privileges as are granted to him or her.

(d) May vote on all matters presented at general and special meetings of the medical staff and of the departments and committees of which he or she is a member, except as provided in these Bylaws or by resolution of the Medical Executive Committee.

(e) May hold office at any level in the staff organization and be chairman of a committee provided he or she satisfies the specific qualifications for the position involved and except as otherwise provided these Bylaws or by resolution of the Medical Executive Committee.
(f) May attend continuing medical education activities.
(g) May apply to the active medical staff.
(h) May advance to Senior Status at age 65 or after 25 years of service at The Westerly Hospital, which may exempt the physician from Emergency Department call and committee assignments if so desired.

4.2.3 OBLIGATIONS

a. Must contribute to the organizational and administrative and medico-administrative (including quality review, risk management and utilization management) activities of the medical staff, including service in medical staff and department offices and on hospital and medical staff committees, faithfully performing the duties of any office or position to which elected or appointed.
b. Must participate equitably in the discharge of staff functions by: participating in the hospital's continuing education programs and fulfilling such other staff functions as may reasonably be required. Active Referring staff members, as applicable to staff category, must be listed on the Emergency Department call schedules solely for assignment to patients who do not have a current physician-patient relationship and require follow-up care after discharge from the hospital.
c. Must pay all Staff dues and assessments as specified in Section 13.3 of these Bylaws.
d. Must abide by the requirements of the Medical Staff Bylaws, Credentialing and Procedures Manuals and General Rules and Regulations for the Medical Staff. The Active Referring Member must also provide the Medical Staff Office with a current and valid letter of intent from a member of the Hospitalist Group who is willing to provide inpatient admission coverage for the Active Referring Member's patients. Failure to provide a currently valid, signed letter of intent will result in administrative resignation at the time of the biannual reappointment.

4.3 CONSULTING STAFF

4.3.1 QUALIFICATIONS

A Consulting Staff member:

a. Must be certified or eligible for certification in the consultant's specialty/subspecialty
b. Must have a recognized ability in his or her specialty or subspecialty
c. Must have Active Staff privileges at another hospital with the exception of Allergists, Dermatologists and Rheumatologists
d. Must be a physician, dentist or podiatrist licensed in the State of Rhode Island

4.3.2 PREROGATIVES

A Consulting Staff member:

(a) May have primary responsibility for up to twelve (12) surgical cases in a 12 month period.
(b) It is the responsibility of the consulting physician to arrange coverage for patients for whom he/she has primary responsibility if that physician may be unavailable.
(c) May not hold office in the medical staff organization or vote at meetings of the Medical Staff, departments or committees.
(d) May exercise such clinical privileges as are granted to him or her.
(e) May attend meetings of the department to which he or she is appointed.
(f) May be requested, and may agree to serve, on a committee, and, in such an instance, may vote on a committee to which appointed.

4.3.3 OBLIGATIONS

A Consulting Staff member, in addition to meeting the basic obligations provided in Section 3.2:

(a) Must satisfy the special appearance requirements of Section 11.4-2 of these Bylaws.
(b) Must, if he or she agrees to accept a committee assignment, carry out such assignment in the same manner as required of an active staff member.

4.4 TELEMEDICINE STAFF

4.4.1 Telemedicine is the practice of health care delivery, diagnosis, consultation, treatment, transfer of medical data, and education using interactive audio, video, or data communications for the purpose of providing patient care, treatment and services. Teleradiology is subset of telemedicine which refers to the practice of providing either official or preliminary readings of images, tracings solely through a telecommunications link.

4.4.2 QUALIFICATIONS

a. Must have recognized ability within his/her specialty.
b. Must be a licensed physician in RI, and a RI office maintained for the purpose of patient care.

OR

Must comply with RI law § 5-37-14, for licensure requirements pertaining to physicians who do not have an office in RI, but who provide telemedicine or other consultation services to RI license physicians.

4.4.3 PREROGATIVES

a. May exercise such clinical privileges as granted to him/her. Telemedicine Staff will not have primary responsibility for patients.
b. May attend meetings of the department to which he/she is appointed.
c. Are not eligible to hold office in the staff organization, nor vote at meetings of the Medical Staff, departments or committees.
d. Are not required to pay annual Medical Staff dues.

4.4.4 OBLIGATIONS

Must abide by all requirements of the Medical Staff Bylaws, Credentialing Procedures Manual and General Rules and Regulation for the Medical Staff, except as provided in 4.4.3 Prerogatives.

4.5 AFFILIATE STAFF

4.5.1 QUALIFICATIONS

An Affiliate Staff member must satisfy all the requirements of the Credentialing Procedures Manual except that found in section 2.2 requiring activity during the previous two credentialing cycles.

4.5.2 PREROGATIVES

An Affiliate Staff member may attend staff meetings, attend continuing medical education courses, visit patients in the hospital and attend other Medical Staff functions. Affiliate Staff members have no clinical privileges and therefore are not allowed to admit, consult, operate or vote.

4.5.3 OBLIGATIONS

Must abide by the requirements of Medical Staff Bylaws, Credentialing, Procedures Manual and the General Rules and Regulations for the Medical Staff. If the Affiliate Staff Member is a physician, he/she must also provide the Medical Staff Office with a current and valid letter of intent from an Active Staff Member who is willing to provide inpatient admission coverage for the Affiliate Staff Members' patients or have an arrangement with the Hospitalist practice for inpatient care. Failure to provide a currently valid, signed letter of intent will result in administrative resignation at the time of the biannual reappointment.

4.6 HONORARY STAFF

Membership on the Honorary Staff is restricted to two classes of practitioners: (1) former staff members who, upon retirement from practice, the Medical Executive Committee recommends to the Board of Trustees for this status in recognition of long-standing service to the hospital or other noteworthy contributions to its activities; and (2) other practitioners with outstanding professional attainments. Honorary staff members may attend meetings of the staff, but they have no vote and none of the specific qualifications, prerogatives, obligations nor privileges provided for other staff categories.

4.7 OTHER CATEGORIES OF NON-PHYSICIAN MEDICAL STAFF

Other categories of non-physician medical staff may be credentialed and privileged through the medical staff office, applicable to medical staff category, such as, Clinical Psychologist, Speech Pathologist, Audiologist, Psychiatric Social Worker, Licensed Independent Social Worker, and Optometrist. This process will include examination of basic qualifications such as licensure, professional education and training, clinical performance and professional liability insurance, as well as assessment of professional ethics and conduct.

ARTICLE FIVE: DELINEATION OF PRACTICE PRIVILEGES

5.1 EXERCISE OF PRIVILEGES

5.1.1 IN GENERAL

A practitioner providing clinical services at this hospital by virtue of medical staff appointment or in a temporary privileges situation may, in connection with such practice and except as otherwise provided in Section 5.7 in an emergency, exercise only those clinical privileges specifically granted to him by the Board of Trustees or as provided in Section 5.8 for temporary privileges. Regardless of the level of privileges granted, each practitioner must pledge to provide or arrange for appropriate and timely medical care for his/her patients in the hospital and to obtain consultation when necessary for the safety of his/her patient or when required by the rules or other policies of the staff, any of its clinical units, or the hospital.

5.1.2 EXPERIMENTAL, NEW, UNTRIED OR UNPROVED PROCEDURES/TREATMENT MODALITIES/INSTRUMENTATION

Experimental drugs or experimental procedures may be administered or performed only after approval of the protocols involved by the Institutional Review Board. Any experimental procedure/treatment modality/instrumentation may be performed or used only after the regular credentialing process has been completed and the privilege granted to the individual practitioner. For the purposes of this paragraph, new procedure/treatment modality instrumentation is one that is not an established procedure/treatment modality/instrumentation.

5.2 BASIS FOR PRIVILEGES DETERMINATIONS

Clinical practice privileges shall be granted in accordance with prior and continuing education and training, prior and current experience, current health status, and demonstrated current competence and judgment to provide quality and appropriate patient care as documented and verified in each practitioner's credential file. Additional factors that may be used in determining privileges are: licensure to practice in this state; certification by any clinical board, member of a medical school faculty; staff appointment or privileges at another health care facility; geographic location of the practitioner; availability of qualified medical coverage in his/her absence; adequate level of professional liability insurance; performance in patient care activities in other hospitals or practice settings.

The basis for privileges for current staff members in connection with reappraisal, including conclusion of the provisional period, or with requested change in privileges also include observed clinical performance, documented results of the staffs quality review, risk management and utilization management activities, and in the case of additional privileges requested, evidence of appropriate training and experience supportive of the request.

5.3 PROCEDURE FOR DELINEATION OF PRIVILEGES

The procedures by which requests for clinical privileges are processed provided in Part Three of the Credentialing Procedures Manual.

5.4 SPECIAL CONDITIONS FOR ORAL SURGEONS, PODIATRISTS AND DENTISTS

Requests for clinical privileges from oral surgeons, dentists and podiatrists are processed in the manner specified in this Article. Surgical procedures performed by oral surgeons, podiatrists, and dentists are under the overall supervision of the chairman of the Department of Surgery. In all circumstances, a physician member of the medical staff must perform a basic medical appraisal on an oral surgical, podiatric, or dental patient, must determine the risk and effect of any proposed surgical or special procedure on the total health status of the patient, and must be responsible for the care of any medical problem that may be present at admission or that may arise during hospitalization. When significant medical abnormality is present the final decision on whether to proceed with the surgery must be agreed upon by the oral surgeon or dentist and the physician consultant. The chairman of the Department of Surgery will decide the issue in case of dispute.

5.5 SPECIAL CONDITIONS FOR ALLIED HEALTH PROFESSIONAL SERVICES

The policies and procedures governing the granting and performance of specified patient care services by allied health professionals are set forth in Section 4.7 of these Bylaws.

5.6 PRIVILEGES IN EMERGENCY SITUATIONS

In case of an emergency in which serious permanent harm or aggravation of injury or disease is imminent, or in which the life of a patient is in immediate danger, and any delay in administering treatment could add to that danger, any practitioner is authorized, when better alternative sources of care are not available within the necessary time frame, to do everything possible to save the patient's life or to save the patient from serious harm, to the degree permitted by the practitioner's license but regardless of department affiliation, staff category or privileges. A practitioner providing services in an emergency situation that are outside his/her usual scope of privileges is obligated to summon all consultative assistance deemed necessary and to arrange for appropriate follow-up care.

5.7 TEMPORARY PRIVILEGES

5.7.1 CONDITIONS

A practitioner requesting temporary privileges must agree in writing to abide by these Bylaws and all related manuals,

rules, policies, and any special requirements of consulting or reporting imposed by the appropriate department chairperson.

5.7.2 CIRCUMSTANCES

Temporary privileges may be granted only for the following two circumstances:

(a) To fulfill an important patient need. A) Such as a situation where a physician becomes ill or takes a leave of absence and a physician would need to cover his/her practice until he/she returns; or B) A specific physician has the necessary skills to provide care to a patient that a physician currently privileged does not possess.

In this situation, temporary privileges may be granted by the Chief Executive Officer upon recommendation of either the applicable clinical department chairperson or the President of the Medical Staff, provided there is verification of both current licensure and current competence.

(b) When a new applicant with a complete, clean application is awaiting review and approval of the Medical Executive Committee and the Board of Trustees. The applicant must not have been subject to involuntary limitation, reduction, denial or loss of clinical privileges, nor been the subject of a previously successful challenge to licensure or registration.

In this situation, after demonstrating compliance with Section 1.1, 1.2, 1.3 and 1.4 of the Credentials Manual, privileges may be granted to the applicant for medical staff membership, while he/she is awaiting a review and recommendation by the Medical Staff Executive Committee and approval by the Board of Trustees. The Chief Executive Officer following recommendation of either the applicable clinical department chairperson or the President of the Medical Staff may grant temporary clinical privileges for a period of time, not to exceed 30 days. If needed, such temporary clinical privileges may be extended for two separate 30 day intervals, in each case following recommendation of the applicable clinical department chairperson, the President of the Medical Staff and the Chief Executive Officer, and approval by the Board of Trustees.

5.7.2.1 EMERGENCY EVENT

It is the policy of the medical staff of The Westerly Hospital to allow a volunteer licensed independent practitioner to provide care and treatment of patients seeking treatment at The Westerly Hospital in the event of an Emergency occurrence (disaster). The process is outlined in paragraph 1.5.11 of the Credentials Manual.

5.7.3 TERMINATION

The Chief Executive Officer, Medical Director, President of the Medical Staff, or chairman of the applicable department,

(a) may terminate any or all of a practitioners' temporary privileges on the discovery of any information or the occurrence of any event of a nature which raises a question

about a practitioner's professional qualifications or ability to exercise any or all of the temporary privileges granted, and all qualifications or ability to exercise any or all of the temporary privileges granted, and

(b) must terminate any or all of a practitioners temporary privileges, provided that where the life or well-being of a patient is determined to be endangered, the termination may be effected by any person entitled to impose summary suspensions under these Bylaws. In the event of any such termination, the practitioner's patient then in the hospital will be assigned to another practitioner by the chairman responsible for supervision. The wishes of the patient will be considered, where feasible, in choosing a substitute practitioner.

5.7.4 RIGHTS OF THE PRACTITIONER

A practitioner is not entitled to the procedural rights afforded by these Bylaws and the Fair Hearing Plan because his/her request for temporary privileges is refused in whole, or in part, or because all or any portion of his/her temporary privileges are terminated, not renewed, restricted, suspended, or limited in any way.

ARTICLE SIX: CORRECTIVE ACTION

6.1 CRITERIA FOR INITIATING AN INVESTIGATION FOR POSSIBLE CORRECTIVE ACTION OTHER THAN SUMMARY OR AUTOMATIC SUSPENSION

If a practitioner with a staff appointment or clinical privileges engages in activity, makes statements, or exhibits demeanor or professional conduct that is, or is reasonably likely to be one of the following:

(a) contrary to the Bylaws and related manuals, rules, policies or standards of the hospital or medical staff; or

(b) detrimental to patient safety or to the delivery of quality patient care in the hospital; or

(c) disruptive to hospital operations such that the quality of patient care is, or is likely to be, adversely affected; then corrective action against the practitioner may be initiated by any of the following:

1. any general staff officer; or
2. the chairman of any department in which the practitioner holds appointment or exercises privileges, or
3. any chairman of a standing committee or subcommittee of the staff; or
4. the Chief Executive Officer; the Medical Director, or
5. the Medical Executive Committee of the Board of Trustees; or
6. the Board of Trustees.

The specific procedures for initiating and processing a routine corrective action matter other than a summary or automatic suspension are contained in Section 5.1 of the Credentialing Procedures Manual.

6.2 *DISCRETIONARY INTERVIEW PRIOR TO CORRECTIVE ACTION*

Prior to initiating or proceeding with corrective action against a practitioner, the initiating or acting party may, but is not obligated to, afford the practitioner an interview, at which the circumstances prompting the corrective action are discussed and the practitioner is permitted to present relevant information in his/her own behalf. An interview must be initiated by written notice to the practitioner, with copies transmitted to the president of the staff and the chief executive officer. A written record reflecting the substance and conclusion of the interview must be made and transmitted to the practitioner and the peer review file. The president of the staff and one other member designated by the accused practitioner will be present as observers at an interview. If the practitioner declines to participate in an interview, corrective action must immediately proceed in accordance with Section 5.1 of the Credentialing Procedures Manual.

6.3 *SUMMARY SUSPENSION*

Whenever a practitioner's conduct requires that immediate action be taken to protect the life of any patients or to reduce the substantial likelihood of injury or damage to the health or safety of any patient, employee or other person present in the hospital, any one of the following or their respective designated representative:

(a) the President of the Medical Staff; or
(b) the applicable department chairman; or
(c) the Chief Executive Officer; the Medical Director, or
(d) the medical executive committee; or
(e) the Medical Executive Committee of the Board of Trustees; or
(f) the Board of Trustees has the authority to summarily suspend the medical staff appointment or all or any portion of the clinical privileges of such practitioner. A summary suspension is effective immediately upon imposition, and the person or group imposing the suspension is to follow it up promptly by giving special notice of the suspension to the practitioner.

The procedure for further action on summary suspension is set forth in Section 5.2.2 of the Credentialing Procedures Manual. A suspended practitioner's patients then in the hospital must be assigned to another practitioner by the applicable department chairman, or his/her designee, considering the wishes of the patient, where feasible, in choosing a substitute practitioner.

6.4 *VOLUNTARY RELINQUISHMENT OF MEDICAL PRIVILEGES FOR ADMINISTRATIVE REASONS*

Whenever any of the actions specified in Sections 6.4-l, 6.4-2, 6.4-5 or 6.4-6 occur, the practitioner must immediately report it to the president of the staff and the chief executive officer. Failure to so report, with out good cause, is ground for automatic and permanent revocation of staff appointment and clinical privileges. Practitioners involved in suspensions as a result of 6.4-l, 6.4-2, 6.4-4, 6.4-5 and 6.4-6 are not afforded any opportunity for hearing and appellate review.

6.4.1 LICENSE

(a) Revocation: Whenever a practitioner's license to practice in this State is revoked, his/her staff appointment and clinical privileges are immediately and automatically revoked.

(b) Restriction: Whenever a practitioner's license is limited or restricted in any way, those clinical privileges that he/she has been granted that are within the scope of the limitation or restriction are similarly limited or restricted, automatically. Further action on the matter proceeds under 6.4.3.

(c) Suspension: Whenever a practitioner's license is suspended, his/her staff appointment and clinical privileges are automatically suspended effective upon and for at least the term of suspension. Further action on the matter proceeds under Section 6.4.3.

(d) Probation: Whenever a practitioner is placed on probation by his/her licensing authority, the terms of that probation will be honored by the hospital. Our actions will conform with whatever the licensing authority mandates. Further action on the matter proceeds under Section 6.4.3.

6.4.2 CONTROLLED SUBSTANCES NUMBER

(a) Revocation: Whenever a practitioner's Drug Enforcement Administration (DEA) or other controlled substances number is revoked, he/she is immediately and automatically divested of his/her right to prescribe medications covered by the number. Further action on the matter proceeds under Section 6.4.4.

(b) Restriction: Whenever a practitioner's use of his/her DEA or other controlled substances number is restricted or limited in any way, his/her right to prescribe medications covered by the number is similarly restricted or limited effective upon, for at least the term of, and consistent with any other conditions of the restriction or limitation. Further action on the matter proceeds under Section 6.4.3.

(c) Suspension: Whenever a practitioner's DEA or other controlled substances number is suspended, he is divested at least of his/her right to prescribe medications covered by the number effective upon and for at least the term of the suspension. Further action on the matter proceeds under Sections 6.4.3.

(d) Probation: Whenever a practitioner is placed on probation insofar as the use of his/her DEA or other controlled substances number is concerned, action on the matter proceeds under Section 6.4.3 below.

6.4.3 FURTHER ACTION

The procedures for further action on the matters set forth in Sections 6.4.1 (b) through (d), and 6.4.2 (a) through (d), are contained in Section 5.3 of the Credentialing Procedures Manual.

6.4.4 MEDICAL RECORDS

(a) Timely Completion: Medical Records not completed within the time frame requirement will subject the practitioner to a suspension as described in Rules and Regulations Section 7.11.

6.4.5 PROFESSIONAL LIABILITY INSURANCE

For failure to maintain the minimum amount of professional liability insurance, if any, required under Section 3.1.11 of these Bylaws, a practitioner's medical staff appointment and clinical privileges are immediately suspended. They may be reinstated as provided in Section 5.3.5 of the Credentialing Procedures Manual.

6.4.6 NO CLINICAL ACTIVITY

Practitioners who have not had clinical activity in the Hospital (as defined in Section 2.2 of the Credentialing Procedures Manual) for a period of **2** years are not eligible for reappointment. This lack of activity will be considered a voluntary relinquishment of medical privileges for administrative reasons.

6.4.7 TERMINATION OR REVOCATION OF MEDICARE OR MEDICAID STATUS

Practitioners whose Medicare or Medicaid status is revoked by CMS shall have their clinical privileges immediately and automatically suspended. Clinical privileges may be reinstated upon reinstatement of practitioners' Medicare and Medicaid status.

ARTICLE SEVEN: PROCEDURAL RIGHTS

7.1 NECESSITY FOR ADVERSE ACTION

All members of the Medical Staff may, during normal business hours of the hospital, review any information pertaining to himself/herself.

7.1.1 BY MEDICAL EXECUTIVE COMMITTEE

When a practitioner receives special notice of a Section 7.2 adverse recommendation made by the medical executive committee he is entitled, upon timely and proper request, to a hearing in accordance with the procedures set forth in the Fair Hearing Plan.

7.1.2 BY THE BOARD OF TRUSTEES

When a practitioner receives special notice of a Section 7.2 adverse decision made by the Board of Trustees, he/she is entitled, upon timely and proper request, to a hearing in accordance with the procedures set forth in the Fair Hearing Plan, so long as he/she has already not had a hearing in accordance with Section 7.1.1.

7.2 ADVERSE ACTION

7.2.1 ADVERSE RECOMMENDATIONS AND ACTIONS DEFINED

Subject to the exceptions set forth in Section 7.2.2 below, the following recommendations or actions are deemed adverse.

(a) Denial of initial staff appointment

(b) Denial of reappointment

(c) Suspension of staff appointment, provided that summary suspension entitles the practitioner to request a hearing only as specified in subsection (n) of this Section 7.2.1.

(d) Revocation of staff appointment

(e) Denial of requested appointment to or advancement in staff category

(f) Reduction in staff category.

(g) Suspension or limitation of the right to admit patients not related to the adoption or implementation of an administrative or medical staff policy within the hospital as a whole or within one or more specific departments.

(h) Denial of requested department affiliation

(i) Denial or restriction of requested clinical privileges

(j) Reduction of clinical privileges

(k) Suspension of clinical privileges, provided that summary suspension entitles the practitioner to request a hearing only as specified in subsection (n) of this Section 7.2.1.

(l) Revocation of clinical privileges

(m) Individual application of, or individual changes in, mandatory consultation or concurrent supervision requirement

(n) Summary suspension of medical staff appointment or clinical privileges, provided that the recommendation of the medical executive committee or action by the Board of Trustees under Section 5.2 of the Credentials Procedures Manual is to continue the suspension or to take other action which would entitle the practitioner to request a hearing under this Section 7.2.1

7.2.2 EXCEPTIONS TO HEARING RIGHTS

(a) Certain Actions or Recommendations: Notwithstanding any provision in these Medical Staff Bylaws, in the Credentialing Procedures Manual, or in the Fair Hearing Plan to the contrary, the following actions or recommendations do not entitle the practitioner to a hearing:

(1) the issuance of a verbal warning;

(2) the imposition of a monitoring or consultation requirement as a condition attached to the exercise of clinical privileges during a provisional period;

(3) the imposition of a probationary period involving review of cases but with no requirement either for direct, concurrent supervision or for mandatory consultation;

(4) the removal of a practitioner from a medico-administrative office within the hospital unless a contract or employment arrangement provides otherwise; and

(5) any other action or recommendation not listed in Section 7.2.1 above.

(b) Other Situations: An action or recommendation listed in Section 7.2.1 above does not entitle the practitioner to a hearing when it is:

(1) voluntarily imposed or accepted by the practitioner,

(2) automatic pursuant to any provision of the Medical Staff Bylaws and related manuals, or
(3) taken or recommended with respect to temporary privileges.

7.3 PROCESS FOR HEARING AND APPELLATE REVIEWS

All hearings and appellate reviews will be conducted in accordance with the procedure and safeguards set forth in the Fair Hearing Plan.

ARTICLE EIGHT: GENERAL STAFF OFFICERS

8.1 GENERAL OFFICERS OF THE STAFF

8.1.1 IDENTIFICATION

The general officers of the staff are:
(a) President
(b) President-elect
(c) Immediate Past President
(d) Secretary-Treasurer

8.1.2 QUALIFICATIONS

Each general officer must:

(a) Be a member of the active staff at the time of nomination and election and remain a member in good standing during his/her term of office.

(b) Have demonstrated executive and administrative ability through experience and prior constructive participation in staff activities and be recognized for a high level of clinical competence.

(c) Have demonstrated a high degree of interest in and support of the medical staff and hospital by his/her staff tenure and his/her level of clinical activity in this hospital.

(d) Agree to and, if elected, willingly and faithfully discharge the duties and exercise the authority of the office held and work with the other general and departmental officers of the staff and with the Chief Executive Officer, the Board of Trustees and its committees.

8.2 TERM OF OFFICE

The term of office of general staff officers is two medical staff years, subject to reconfirmation after one year. Confirmation vote is to be by secret ballot. Officers assume office on the first day of the medical staff year following their election, except that an officer elected or appointed to fill a vacancy assumes office immediately upon election or appointment. Each officer serves until the end of this term and until a successor is elected, unless he/she resigns or is removed from office.

8.3 ELIGIBILITY FOR RE-ELECTION

A general staff officer is eligible again for nomination and election to the position of President-elect after one year has elapsed since he held the office of immediate past

president. The Secretary-Treasurer is eligible to succeed himself in the same position but not for more than two successive two-year terms.

8.4 ATTAINMENT OF OFFICE

8.4.1 OF PRESIDENT AND IMMEDIATE PAST PRESIDENT

The President attains office by automatic succession from the office of President-elect, subject to a confirmation vote at the annual staff meeting prior to assuming the office of president. This confirmation vote must be by secret ballot. The immediate Past President attains office by automatic succession from the office of President.

8.4.2 OF PRESIDENT-ELECT AND SECRETARY-TREASURER

(a) Election: The President-elect and Secretary-Treasurer are chosen, subject to Board of Trustee approval and from among the candidates nominated under paragraph (b) below, by election by majority vote cast by those active staff members in good standing who are present at the annual meeting in each year. Voting shall be by secret ballot. If no candidate for a given office receives a majority vote on the first ballot, a runoff election is held immediately between the two candidates receiving the highest number of votes.

(b) Nomination: The Nominating Committee, as selected by the immediate Past President of the Medical Staff will convene prior to the annual meeting, at which an election of officers is to occur, for the purpose of nominating one or more qualified candidates for each of the offices of President-elect and Secretary-Treasurer. The list of nominees is then published at the annual meeting as the slate of officers. If, before the election, any of the individuals nominated either refuse, are disqualified from, or otherwise are unable to accept nomination, then the nominating committee may submit substitute nominees, or accept nominations from the floor by active staff members in good standing. Election of any officer nominated in this mater is subject to Board of Trustee's approval.

8.4.3 RECONFIRMATION VOTES FOR SECOND YEAR OF TERMS

The incumbent in each general officer position must be confirmed at the annual meeting in the year prior to the start of the second year of the term, such confirmation to be accomplished in the same manner as original election except that formal nominations shall not be required and the incumbent officers must be confirmed by secret ballot vote. If an officer fails to be confirmed, a vacancy will be declared to exist in the office and will be filled as provided in Section 8.5 below.

8.5 VACANCIES

8.5.1 IN OFFICE OF PRESIDENT

A vacancy in the office of the president is filled by automatic succession of the president-elect who serves the remainder of the unexpired term and his/her own full term as President.

8.5.2 IN OFFICE OF PRESIDENT-ELECT OR SECRETARY TREASURER

A vacancy in the office of president-elect or secretary-treasurer is filled by appointment of an acting officer by the Medical Executive Committee, subject to approval by the Board of Trustees. The acting officer serves pending the outcome of a special election to be conducted as expeditiously as possible and generally in the same manner as provided in Section 8.4, provided however that the medical executive committee may determine not to call a special election if a regular election for the office is to be held within 180 days in which case the acting officer serves only until the election results are final and the individual then elected assumes office immediately.

8.5.3 IN OFFICE OF IMMEDIATE PAST PRESIDENT

A vacancy in the office of immediate past president is filled for the remainder of the unexpired term by appointment by the Medical Executive Committee. Consideration should be given in filling the vacancy to prior staff Presidents.

8.6 RESIGNATION AND REMOVAL FROM OFFICE

8.6.1 RESIGNATION

Any general staff officer may resign at any time by giving written notice to the medical executive committee. Such resignation takes effect on the date of receipt or at any later time specified in it.

8.6.2 REMOVAL OF GENERAL STAFF OFFICER

(a) Authority and Mechanism: Removal of a general staff officer may be effected by a two-thirds majority vote by secret ballot of active staff members in good standing present at any regular medical staff or special meeting called for that purpose. Any active medical staff member may move for the removal of any general staff officer. A letter to the president will initiate this. The President will promptly provide a copy of letter to the general staff officer. A vote must be taken at the next medical staff meeting following 10 days notification to the officer. The officer who is subject to the removal action shall be given ten days prior written notice and shall be afforded the opportunity to speak in his/her own behalf, as applicable, prior to the taking of any vote on his/her removal.

(b) Grounds: Permissible bases of removal of a general staff officer include, without limitation:

(1) Failure to perform the duties of the position held in a timely and appropriate manner.

(2) Failure to continuously satisfy the qualifications for the position.

(3) Having an automatic or summary suspension imposed by operation of Section 6.3 or 6.4 of these Bylaws or a corrective action matter pursuant to Section 6.1 of these Bylaws resulting in a final decision other than to take no action.

(4) Physical or mental infirmity that renders the officer incapable of fulfilling the duties of his/her office.

8.7 DUTIES OF OFFICES

The responsibility and authority, including specific functions and tasks, of general staff officers are set forth in Part One of the Medical Staff Organization Manual, which is incorporated herein by reference. The overall duties of the general Staff officers are as provided in this Section.

8.7.1 DUTIES OF THE PRESIDENT OF THE STAFF

(a) The President of the staff is the primary officer of the Medical Staff, the chief administrative officer of the staff, and the staff's representative in its relationships to others within the hospital.

(b) In the absence of another practitioner fulfilling the duties of the chief quality review and clinical officer, the president of the Staff, in conjunction with the Medical Executive Committee, shall fulfill these duties by working jointly with the Chief Executive Officer in coordinating and overseeing the staffs quality review, risk management and utilization monitoring activities, by supervising the clinical organization of the staff, and by advising the Chief Executive Officer and Board of Trustees on these matters.

(c) The president should be a member of the medical executive committee, professional affairs committee and Board of Trustees with full voting rights.

8.7.2 DUTIES OF THE PRESIDENT-ELECT

Whenever the President of the staff is unable, temporarily or permanently, to fulfill the duties of his/her office by reason of illness, resignation, removal or other absence, the President-elect will succeed to the office of the president. The president-elect serves on the medical executive committee. He/she is also responsible for those duties delegated to him/her by the President of the staff or by the Medical Executive Committee.

8.7.3 DUTIES OF THE SECRETARY-TREASURER

As secretary, the secretary-treasurer is responsible for assuring that accurate and complete minutes of all meetings of the medical staff and of the medical executive committee are kept. As treasurer, the secretary-treasurer is responsible for supervising the collecting of Medical Staff dues and assessments and accounting for all funds of the Medical Staff. The secretary-treasurer serves on the medical executive committee and is also responsible for such other duties as are delegated to him/her by the president of the staff or by the medical executive committee.

8.7.4 DUTIES OF THE IMMEDIATE PAST PRESIDENT

The immediate past President will chair the Credentials Committee and act as an advisor to the President and to other officials and committees of the staff and shall serve as a member of the Medical Executive Committee.

8.8 SPECIAL STAFF OFFICERS

8.8.1 MEDICAL DIRECTOR

The Board of Trustees may determine that to fulfill the hospital's purposes, goals and objectives the office of president of the staff requires the assistance of another practitioner serving as medical director. When appointed, the medical director will assume the duties outlined in Section 8.7.1(b) of these Bylaws and the applicable section of the Medical Staff Organization Manual and such other duties as are provided in his/her contract or other arrangement with the hospital. His/her term of office shall also be governed by such contract or arrangement.

ARTICLE NINE: CLINICAL DEPARTMENTS

9.1 DESIGNATION

9.1.1 CURRENT CLINICAL DEPARTMENTS

The current clinical department and services are: Department of Medicine; Department of Surgery; Department of Obstetrics-Gynecology; Department of Pediatrics, Department of Radiology, Department of Pathology and Clinical Laboratory, Department of Anesthesia, and Department of Emergency Medicine.

9.1.2 FUTURE CLINICAL DEPARTMENTS AND SERVICES

The Medical Executive Committee will periodically restudy this structure and recommend to the Board of Trustees what action is desirable in creating new, eliminating or combining departments and/or services for better organizational efficiency and improved patient care. Action taken by the Board of Trustees pursuant to this Section 9.1.2 shall be effective on such date as determined by the Board of Trustees and shall not require formal amendment of these Bylaws.

9.2 REQUIREMENT FOR AFFILIATION WITH DEPARTMENTS AND SERVICES

Each department is a separate organizational component of the medical staff, and every staff member must have a primary affiliation with the department, where applicable, which most closely reflects his/her professional training, experience, and current practice. A practitioner may be granted clinical privileges in one or more of the other departments and his/her exercise of clinical privileges within the jurisdiction of any department is always subject to the rules and regulations of that department and the authority of the department chairman.

9.3 FUNCTIONS OF CLINICAL DEPARTMENT SERVICE

9.3.1 CLINICAL FUNCTIONS

Each department/service shall:

(a) establish, implement and monitor its members' adherence to clinical standards, policies, procedures and practices relevant to the various clinical disciplines under its jurisdiction;

(b) provide an inter-specialty and inter-departmental forum for matters of clinical concern and for resolving clinical issues arising out of the interface between its members' activities and the activities of other patient care and administrative services;
(c) develop consistency in the patient care data, standards, policies, procedures and practices within the department; and
(d) develop, with assistance from the various specialists and subspecialists, criteria for use in making credentials recommendations on initial appointments, reappointments, grants of clinical privileges, concluding the provisional period, and other credentials matters, and make recommendations on these templates as required by the Credentialing Procedures Manual.

9.3.2 ADMINISTRATIVE FUNCTIONS

Each department/service shall:
(a) Provide a forum for its members to contribute their professional views and insights to the formulation of the departmental, medical staff and hospital policies and plans;
(b) communicate, through its chairman, formulated policies and plans back to its members for implementation;
(c) coordinate, through its chairman, the professional services of its members with those of other departments and with hospital and medical staff support services; and
(d) make recommendations, through its chairman, to the medical executive committee, the chief executive officer, and other components, as appropriate, concerning the short and long term allocation and acquisition of resources to and provision of services by the hospital and the department.

9.3.3 QUALITY REVIEW/UTILIZATION MANAGEMENT FUNCTIONS

Each Department/service shall:
(a) review quality review, risk management and utilization data and findings pertinent to the department, and make recommendations or take action as appropriate;
(b) review mortality and morbidity reports and special studies of input, processes and outcomes of care, perform specified monitoring activities, and otherwise participate as required in the quality review, risk management and utilization program; and
(c) report all findings of studies and other activities performed under paragraphs (a) and (b) immediately above to the medical quality review committee and any other relevant staff committees.

9.3.4 COLLEGIAL AND EDUCATION FUNCTIONS

Each department/service shall serve as the most immediate peer group for:
(a) providing clinical support among and between peers;
(b) teaching, continuing education and sharing new knowledge relevant to the practice of department members; and
(c) providing consultative advice in its area to other staff members.

9.4 OFFICERS OF CLINICAL DEPARTMENTS AND SERVICES

9.4.1 IDENTIFICATION

The officer positions in the clinical department and services are
(a) department or service chief

9.4.2 QUALIFICATIONS

Each department or chief must:

(a) be a member in good standing of the active staff (or associate staff if a contract physician) and of the department he/she is to head and remain in good standing throughout his/her term; and

(b) be recognized for his/her current clinical ability in the clinical area covered by the department; and

(c) have demonstrated executive and administrative abilities through experience and prior constructive participation in Medical Staff activities; and

(d) have demonstrated a high degree of interest and support of the Medical Staff and hospital by his/her staff tenure and his/her level of clinical activity at this hospital.

(e) agree to willingly and faithfully discharge the functions and exercise the authority of his/her office and work with the other general and department officers of the staff and with the chief executive officer, and Board of Trustees and its committees.

(f) Contract physician department chiefs may serve on the Medical Executive Committee at time of appointment to the Associate Staff.

9.4.3 VOLUNTARY AND CONTRACT OFFICERS DISTINGUISHED

For purposes of these Bylaws, a department chief serving on a voluntary basis is referred to as a "voluntary officer", and one serving as such by contract or on some other full or part time basis with the hospital is referred to as a "contract officer". The Emergency Room Department, and Pathology Department will be the only departments headed by contract physicians. All other departments will be headed by voluntary chiefs.

9.4.4 ATTAINMENT OF OFFICE

(a) A voluntary department chief is elected by majority vote by secret ballot of those members of the department in good standing who are eligible and qualified to vote for department officers and who are present at the regular final department meeting in any year in which the department chief is to be elected, and subject to the approval of the Board of Trustees. Nominations may be made and seconded at the meeting by any active staff member of the department in good standing, provided that evidence is presented to the meeting of the qualifications of the nominee and that the nominee accepts the nomination.

(b) If the Emergency Room Department and Pathology Department is directed by a contract chief, said chief is selected by the Board of Trustees or its designee after seeking and considering the advice of appropriate representatives of the Medical Staff and of the Chief Executive Officer.

9.4.5 TERM OF OFFICE AND ELIGIBILITY FOR RE-ELECTION

(a) The usual term of office of voluntary department chief is two years. A department chairman may succeed himself, but generally for no more than two consecutive terms. Voluntary chiefs assume office on the first day of the medical staff year following their election, except that an officer elected or appointed to fill a vacancy assumes office immediately upon election or appointment. Each voluntary chief serves until the end of his/her term and until a successor is elected, unless he/she sooner resigned or is removed from office.

(b) The term of office of a contract department chief of the Emergency Department and Pathology Department is as specified in his/her contract or employment arrangement with the hospital.

9.4.6 RESIGNATION OF OFFICERS

(a) A voluntary department chief may resign at any time by giving written notice to the medical executive committee. Such resignation, which may or may not be made contingent on formal acceptance, takes effect on the date of receipt or at any later time specified in it.

(b) Resignation of a contract chief is governed by the terms of the contract or other arrangement with the hospital. If the contract does not address the issue, a contract chief may resign by giving written notice to the chief executive officer and the medical executive committee. Such resignation, which may or may not be made contingent on formal acceptance, takes effect on the date of receipt or at any time specified in it.

9.4.7 REMOVAL OF OFFICERS

(a) Removal of a voluntary chief may be effected by a two-thirds majority vote of the active staff members in good standing of the applicable department/service if such vote is ratified by the medical executive committee. The chief who is the subject of the removal action shall be given ten days prior written notice of a special meeting of the medical executive committee at which the vote is to be taken and shall be afforded the opportunity to speak on his/her own behalf thereafter.

(b) Removal of a contract chief in the Emergency Room Department or Pathology Department is governed by the terms of the contract and by the provisions of Section 3.6 of these Bylaws, as applicable. The medical executive committee may undertake a review of the performance of a contract officer, transmitting a written report of its findings, conclusions and recommendations to the Board of Trustees . If the Board of Trustees disagrees with or is going to make a decision (including taking no action) contrary to the medical executive committee's recommendation, the matter will be submitted to the professional affairs committee for review and recommendation before the Board of Trustees makes a final decision.

(c) Grounds for Removal: Permissible bases of removal of a voluntary officer include those specified in Section 8.6.2(b) and 11.4.1 for removal of a general staff officer. Bases of removal of a contract officer are as specified in the contract or other arrangements with the hospital.

9.4.8 VACANCIES

(a) A vacancy in the office of a voluntary department chief is filled by secret ballot vote at the next meeting of the department.

9.5 RESPONSIBILITY, AUTHORITY AND REPORTING OBLIGATIONS OF OFFICERS

9.5.1 RESPONSIBILITY AND AUTHORITY

(a) Department/Service Chief: A department/service chief has the responsibility and authority to do everything necessary to carry out the functions delegated to him and to the department by the Board of Trustees, by the medical executive committee, and in these Bylaws or any of the related manuals. A department chief shall designate a qualified chief to temporarily assume all the responsibility and authority of the chairman in his/her temporary absence.

9.5.2 REPORTING OBLIGATIONS

(a) Department/Service Chief: Each department chief shall report:

1. As requested to special or regularly scheduled meetings of the medical executive committee, the department and medical staff on the activities of the department
2. Whenever necessary or requested to the medical staff president on matters involving coordination and monitoring of clinical services to maintain quality or to assure patient safety.
3. To the medical staff president and the medical quality review committee on action taken in response to a suggestion, recommendation or finding from one of the medical staff's quality review, risk management or utilization management committees.
4. To the medical executive committee and the chief executive officer on issues relating to the allocation and acquisition of resources for the various departments, budgetary items and similar concerns.

9.5.3 SPECIFIC DUTIES AND OBLIGATIONS

The specific duties and obligations of department chiefs are detailed in the Medical Staff Organization Manual.

ARTICLE TEN: FUNCTIONS AND COMMITTEES

10.1 FUNCTIONS OF THE STAFF

The required functions of the medical staff are as specified and described in Part Two of the Medical Staff Organization Manual. They shall be accomplished as indicated in these Bylaws and said manual through assignment to the staff as a whole, to departments, to staff committees, to staff officers or other individual staff members, or to interdisciplinary hospital committees with participation of medical staff members.

10.2 PRINCIPAL GOVERNING COMMITTEES

10.2.1 MEDICAL EXECUTIVE COMMITTEE AND OTHER COMMITTEES

There is a medical executive committee and such other standing and special committees of the staff, a department or other clinical unit, as are necessary and desirable to perform any of the functions listed in Part Two of the Organization Manual or elsewhere in these Bylaws or any of the related manuals. The composition, functions, reporting and meeting requirements of the medical executive committee are set forth in Section 10.3 of these Bylaws. The composition, functions, reporting and meeting requirements of the other standing staff-wide committees are set forth in Part Three of the Medical Staff Organization Manual. The composition, functions, reporting and meeting requirements of special committees that are or may be required under any section of these Bylaws, the Credentialing Procedures Manual or the Fair Hearing Plan are as specified in said section. Any committee, whether staff-wide, department/other clinical unit based or whether standing or special, that is carrying out all or any portion of a function or activity required by these Bylaws or any of the related manuals is deemed a duly appointed and authorized committee of the medical staff.

10.2.2 REPRESENTATION ON HOSPITAL COMMITTEES AND PARTICIPATION IN CERTAIN HOSPITAL DELIBERATIONS

The medical staff, through its general and departmental officers or their respective designees will be represented and participate in any hospital deliberations affecting the discharge of medical staff responsibilities.

10.2.3 EX OFFICIO MEMBERS

The medical staff president and the chief executive officer, or their respective designees, are ex officio members of all standing and special committees of the staff, and with or without vote as provided in the provision or resolution creating the committee.

10.2.4 ACTION THROUGH SUBCOMMITTEES

Any standing committee may elect to perform any of its specifically designated functions by constituting a subcommittee for that purpose, reporting such action to the medical executive committee in writing. Any such subcommittee may include individuals in addition to or other than members of the standing committee. Such additional members are appointed by the committee chairman after consultation with the medical staff president in the case of medical staff members, and with the approval of the chief executive officer or his/her designee when administrative staff appointments are to be made.

10.2.5 COMPOSITION

A staff committee created in these Bylaws or any of the related manuals is composed as stated in the description of the committee. Any other committees that may be established to perform one or more of the staff functions required by these Bylaws or the related manuals will be composed of members of the active and associate staffs and may include members of the consulting staff; as required under Section 4.5.3(b) of these Bylaws, and where appropriate, allied health professionals and representation from management.

nursing service, medical records, and such other hospital departments as are appropriate to the functions to be discharged. Each designated member of a committee participates with vote, unless the statement of the committee composition designates the position as non-voting.

10.2.6 APPOINTMENT OF MEMBERS AND CHAIRMAN

Except as otherwise expressly provided, the medical staff president appoints the members and chairman of any staff committee formed to accomplish staff functions. Each committee chairman must be an active staff member. Non-medical staff members of committees, if hospital employees are subject to the approval of the chief executive officer or his/her designee. Where necessary to accomplish a function or task assigned to a committee, the committee chairman may call on outside consultants or on special advisors from clinical specialties or administrative or patient care departments with expertise in the subject matter involved, after consultation with the chief executive officer or his/her designee when hospital administrative or patient care departments or outside consultants are involved. Each committee chairman appoints a vice-chairman of the committee to chair any meeting from which the chairman is absent. Each committee chairman or other authorized person chairing a meeting has the right to participate in discussion of and to vote on issues presented to the committee.

10.2.7 TERM, PRIOR REMOVAL AND VACANCIES

Each committee member, except one serving ex officio, serves a two-year term, unless he sooner resigns or is removed from the committee or the staff.

A medical staff member serving on a committee may be removed from the committee for failure to maintain himself in good standing as a member of the staff, for failure to satisfy the attendance requirements specified in these Bylaws, by action of the medical executive committee, or Board of Trustees as appropriate. Any ex officio member of a staff committee ceases to be such if he ceases to hold a designated position which is the basis of ex officio membership. A vacancy in any committee is filled for the unexpired portion of the term in the same manner in which original appointment is made.

10.3 MEDICAL EXECUTIVE COMMITTEE

10.3.1 COMPOSITION

The medical executive committee consists of: president of the staff, as chairman and with vote; president-elect, with vote; secretary-treasurer, with vote; immediate past president, with vote; chief of surgery, with vote; chief of medicine, with vote; chief of obstetrics gynecology, with vote; chief of pediatrics, with vote; chief of emergency services, with vote; chief of anesthesia, with vote; chief of radiology, with vote; chief of pathology, with vote; and one member-at-large, who will be nominated from the floor and elected by majority vote at the annual meeting of the medical staff, with vote; chief executive officer, without vote; chairman of the Board of Trustees (or his/her designee), without vote; *medical director*, without vote.

10.3.2 DUTIES AND AUTHORITY

The duties and authority of the medical executive committee are to:

(a) act on all matters of medical staff business, except for election of general staff officers, removal of general staff officers, and adoption and amendment of these Medical Staff Bylaws;

(b) receive, coordinate and act upon, as necessary, the written reports and recommendations of the departments and the standing and special committees directly responsible to it and to hear oral reports from time to time as required or requested;

(c) coordinate, or oversee coordination of, the activities of and policies adopted by the staff, departments, other clinical units and committees;

(d) implement the approved policies of the medical staff, or monitor that such policies are implemented by the departments and other clinical units and committees;

(e) study and report to the medical staff on proposals for changes in these Bylaws;

(f) inform the medical staff on accreditation programs and the accreditation status of the hospital;

(g) review and approve the appointment of chairmen and members of standing committees, except as otherwise provided;

(h) recommend to the Board of Trustees , as required in these Bylaws, the Credentialing Procedures Manual and the Fair Hearing Plan, concerning matters relating to appointment and reappointment, category and department assignments, clinical privileges, and disciplinary actions;

(i) take reasonable steps to insure professionally ethical conduct and competent clinical performance on the part of staff members, including initiating investigations and initiating and pursuing disciplinary action, when warranted;

(j) account to the Board of Trustees by written report for the quality of medical care provided to patients in the hospital, including a summary of specific findings, action and follow-up; and

(k) make recommendations to the chief executive officer on medico-administrative, hospital management and planning matters.

10.3.3 MEETINGS AND REPORTING

The medical executive committee meets at least monthly. It communicates its discussions and actions that affect or define staff policies, rules or positions by monthly written summary reports made available to all members of the medical staff. In this regard, it is the responsibility of the department chief to report at the monthly department meetings on such discussions and actions. The medical executive committee's other reporting obligations are as stated in the various sections of these Bylaws and the related manuals, and, in addition, copies of its minutes and reports are forwarded to the chief executive officer, and, as appropriate, to the Board of Trustees .

ARTICLE ELEVEN: MEETINGS

11.1 MEDICAL STAFF YEAR

For purposes of the business of the medical staff, the business year commence on the first day of January of each year and end on the last day of December of the same year.

11.2 MEDICAL STAFF MEETINGS

11.2.1 REGULAR MEETINGS

A regular annual staff meeting will be held in November of each year. The medical staff will set the number of meetings for the ensuing year at the time of the annual meeting.

11.2.2 SPECIAL MEETINGS

A special meeting of the medical staff may be called by the medical staff president on his/her own motion, and must be called by the president at the written request of the Board of Trustees , the medical executive committee or one fourth of the members of the active staff in good standing.

11.3 CLINICAL DEPARTMENT AND COMMITTEE MEETINGS

11.3.1 REGULAR MEETINGS

Clinical departments/services and committees may, by resolution, provide the time for holding regular meetings and no notice other than such resolution is then required. Department meetings may be held monthly or no less than every three months, depending upon business requirements and/or the discretion of the chief of department/service. The frequency of committee meetings is as required by these Bylaws or the Organization Manual for each committee.

11.3.2 SPECIAL MEETINGS

A special meeting of any department/service or committee may be called by the chairman or chief thereof, and must be called by the chairman or chief at the written request of the Board of Trustees, the medical executive committee, the medical staff president, or one third of the group's current members in good standing but not less than two.

11.3.3 EXECUTIVE SESSION

The regular medical staff, any committee or department/service may call itself into executive session at any time during a regular or special meeting. Only the voting members of the applicable group may be present during said session unless the presiding officer thereof invites, with the approval of a majority of the group, other individuals to attend. Accurate and complete minutes must be kept of any executive session.

11.4 ATTENDANCE REQUIREMENTS

11.4.1 GENERALLY

In addition to satisfying the special appearance requirement of Section 11.4.2, each member of the active and associate staffs is expected to attend the annual staff meeting, meetings of his/her department, and meetings of committees on which he serves. The number of absences will be evaluated as part of each staff member's biannual reappraisal or more frequently if circumstances so warrant.

11.4.2 SPECIAL APPEARANCE OR CONFERENCES

(a) A practitioner whose patient's clinical course of treatment is scheduled for case discussion as part of regular quality review activities at a staff, department or committee meeting will be so notified and invited to present the case.

(c) Whenever a staff or department education program or clinical conference is prompted by findings of quality review, risk management, patient care, or like monitoring activities, the practitioners whose patterns of performance prompted the program will be notified of the time, date and place of the program, of the subject matter to be covered, and of its special applicability to the practitioner's practice. Attendance is mandatory. Failure to attend, unless excused by the medical executive committee upon a showing of good cause, may result in such corrective action as deemed necessary by the medical executive committee or Board of Trustees .

(d) Whenever actual, apparent or suspected deviation from standard practice is identified with respect to a practitioner's performance, the medical staff president or the applicable department chief may require the practitioner to confer with him or with a standing or ad hoc committee that is considering the matter. The practitioner will be given written notice of the conference at least 14 days prior to it, including the date, time and place, a statement of the issue involved, and that the practitioner's appearance is mandatory. Failure of a practitioner to appear at any such conference, unless excused by the medical executive committee upon a showing of good cause, will result in an automatic suspension of all or such portion of the practitioner's clinical privileges as the medical executive committee may direct. A suspension under this section will remain in effect until the matter is resolved by subsequent action of the medical executive committee and the professional affairs committee or the Board of Trustees, as appropriate.

11.5 MEETING PROCEDURES

Notice, quorum, minutes and agenda requirements for meetings are set forth in Part Five of the Medical Staff Organization Manual.

ARTICLE TWELVE: CONFIDENTIALITY, IMMUNITY AND RELEASES

12.1 SPECIAL DEFINITIONS

For purposes of this Article only, the following definitions shall apply:

(a) Information means records of proceedings, minutes, interviews, records, reports, forms, memoranda, statements, investigations, examinations, hearings, meetings, recommendations, findings, evaluations, opinions, conclusions, actions, data and other disclosures or communications whether in written or oral form relating to any of the subject matter specified in Section 12.5.

(b) Malice means the dissemination of a known falsehood or of information with a reckless disregard for whether or not it is true or false.

(c) Practitioner means a staff member or applicant, or allied health professional.

(d) Representative means: the Board of Trustees of directors of the hospital corporation and any director or committee thereof; the chief executive officer or his/her designees; registered nurses and other employees of the hospital; the medical staff organization and any member, officer, clinical unit or committee thereof; and

any individual authorized by any of the foregoing to perform specific information gathering, analysis, use or disseminating functions.

(e) Third Parties mean any individual or organization providing information to any representative.

12.2 AUTHORIZATIONS AND CONDITIONS

By submitting an application for staff appointment or reappointment or applying for or exercising clinical privileges or providing specified patient care services at the hospital, a practitioner:

(a) authorizes representatives to solicit, provide and act upon information bearing on his/her professional ability, utilization practices and other qualifications; and

(b) agrees to be bound by the provisions of this Article and to waive all legal claims against any representative who acts in accordance with the provisions of this Article; and

(c) acknowledges that the provisions of this Article are express conditions to his/her application for, or acceptance of, staff membership and the continuation of such membership and to his/her exercise of clinical privileges or provision of specified patient care services at the hospital.

12.3 CONFIDENTIALITY OF INFORMATION

Information submitted, collected or prepared by any representative of this or any other health care facility or organization or medical staff for the purpose of evaluating, monitoring or improving the quality of patient care, reducing morbidity and mortality, contributing to teaching or clinical research, or determining that health care services are professionally indicated or were performed in compliance with the applicable standard of care shall, to the fullest extent permitted by law, be confidential. Said information shall not be disseminated to anyone other than a representative or other health care facility or organization of health professionals engaged in an official, authorized activity for which the information is needed, nor be used in any way except as provided herein or except as otherwise specifically required by law. Such confidentiality shall also extend to information of like kind that may be provided by third parties. This information shall not become part of any particular patient's record. It is expressly acknowledged by each practitioner that violation of the confidentiality provided herein is grounds for immediate and permanent revocation of staff membership and clinical privileges or specified services.

12.4 IMMUNITY FROM LIABILITY

12.4.1 FOR ACTION TAKEN

No representative shall be liable to a practitioner for damages or other relief for any decision, opinion, action, statement or recommendation made within the scope of his/her duties as a representative, if such representative acts in good faith and without malice within the scope of his/her function, has made a reasonable effort to obtain the facts of the matter as to which

he acts, and acts in the reasonable belief that the action is warranted by such facts and was in the furtherance of quality or efficient health care.

12.4.2 FOR PROVIDING INFORMATION

No representative and no third party shall be liable to a practitioner for damages or other relief by reason of providing information, including otherwise privileged or confidential information, to a representative or to any other health care facility or organization of health professionals concerning said practitioner who is or has been an applicant to or member of the staff or who did or does exercise clinical privileges or provide specified services at this hospital, provided that such representative or third party acts in good faith and without malice within the scope of his/her function and has made a reasonable effort to obtain the facts of the matters to which he is providing information and provided further that such information is related to the performance of the duties and functions of the recipient and is reported in a factual manner.

12.5 ACTIVITIES AND INFORMATION COVERED

12.5.1 ACTIVITIES

The confidentiality and immunity provided by this Article applies to all information or disclosures performed or made in connection with this or any other health care facility's or organization's activities concerning, but not limited to:

(a) applications for appointments, clinical privileges or specified services.
(b) periodic reappraisals for reappointment, clinical privileges or specified services.
(c) corrective or disciplinary actions
(d) hearings and appellate reviews.
(e) quality review program activities.
(f) utilization review and management activities.
(g) claims reviews.
(h) profiles and profile analysis.
(i) risk management activities.
(j) other hospital, committee, department, or staff activities related to monitoring and maintaining quality patient care and appropriate professional conduct.

12.5.2 INFORMATION

The information referred to in this Article may relate to a practitioner's professional licensure or certification, education, training, clinical ability, judgment, utilization practices, character, physical or mental health, emotional stability, professional ethics, or any other matter that might directly or indirectly affect the quality, efficiency or appropriateness of patient care provided in the hospital.

12.6 RELEASES

Each practitioner shall, upon request of the hospital, execute general and specific releases in accordance with the tenor and import of this Article, subject to such requirements, including those of good faith and the exercise of reasonable effort to ascertain truthfulness, as may be applicable under relevant Rhode Island and federal law. Failure to execute such releases shall result in an application for appointment, reappointment or clinical privileges being deemed incomplete and to have been voluntarily withdrawn, and it shall not be further processed. Failure to execute such releases in connection with

conclusion of the provisional period shall be deemed a voluntary resignation of staff membership or particular clinical privileges as appropriate to the context.

12.7 CUMULATIVE EFFECT

Provisions in these Bylaws and in application forms relating to authorization, confidentiality of information and immunities from liability are in addition to other protections provided by relevant Rhode Island and federal law and not in limitation thereof. A finding by a court of law or administrative agency with proper jurisdiction that all or any portion of any such provision is not enforceable shall not affect the legality or enforceability of the remainder of such provision or any other provision.

ARTICLE THIRTEEN: GENERAL PROVISIONS

13.1 STAFF RULES AND REGULATIONS

Subject to approval by the Board of Trustees, the medical executive committee shall adopt such rules and regulations as may be necessary to implement more specifically the general principles found in these Bylaws. The principles outlined in Article Fourteen of these Bylaws shall be followed in the adoption and amendment of the rules and regulations, except that the medical executive committee may act for the staff in adopting or amending the rules and regulations.

13.2 DEPARTMENT RULES

Each department will formulate written rules for the conduct of its affairs and the discharge of its responsibilities, all of which must be consistent with these Bylaws and the related manuals, the general staff rules, and hospital Bylaws and policies. These rules must be approved by the medical executive committee, subject to approval of said rules and regulations at the next staff meeting, and the Board of Trustees.

13.3 STAFF DUES

The medical staff will establish the amount, if any, of annual dues by majority vote. Notice of dues will be given to the staff at the annual meeting and posted. Dues are payable on or before the last day of December of each year. If dues are not paid by the last day of January a special notice of delinquency is sent to the practitioner and he is given an additional 30 days to make payment. Failure to render payment at that point shall, unless excused by the medical executive committee for good cause, result in summary suspension of staff membership and clinical privileges until the delinquency is remedied.

All new staff members will be billed pro rata for the current year upon their appointment to the staff. Special assessments may be voted by majority action of the medical staff, and rules of payment similar to those described above in terms of time frame will apply. The following groups of practitioners are exempt from payment of dues and assessments: Honorary Staff; staff member on an approved leave of absence for one year or more.

ARTICLE FOURTEEN: ADOPTION AND AMENDMENT

14.1 MEDICAL STAFF AUTHORITY AND RESPONSIBILITY

The Board of Trustees holds the medical staff responsible for the development, adoption, and periodic review of Medical Staff Bylaws and related manuals, all of which must be consistent with hospital policies and applicable laws and other requirements. The Medical Staff Bylaws and related manuals shall be reviewed at least periodically by the medical staff committee responsible for the Bylaws review function, and may be reviewed more frequently when deemed necessary by the medical staff or appropriate authorities thereof.. Suggestions for changes in the Bylaws shall be referred to the staff committee responsible for the Bylaws review function which shall present,its recommendations in timely fashion to the medical executive committee for review and referral to the staff. Except as provided in Section 14.4, the adoption and amendment of Medical Staff Bylaws require the actions specified in Section 14.2 and 14.3.1. The principles expressed herein shall also apply to the adoption and amendment of the related manuals developed to implement, and cross-referenced in, various Sections of these Bylaws.

14.2 MEDICAL STAFF ACTION

The affirmative vote is required of a majority of the active staff members in good standing present at a regular or special staff meeting at which a quorum is present. A copy of the proposed documents will be distributed to the entire Medical Staff at least 30 days prior to a regular or special Medical Staff meeting. The bylaw change would be voted upon at that meeting.

14.3 BOARD OF TRUSTEES ACTION

14.3.1 FOLLOWING MEDICAL STAFF RECOMMENDATION

Medical staff recommendations are approved upon the affirmative vote of a majority of the Board of Trustees. The effective date of such approved recommendations is on the date approved or at such later date as the Board of Trustees may specify.

14.4 TECHNICAL AND EDITORIAL AMENDMENTS

The medical executive committee shall have the power to adopt such amendment to the Bylaws as are, in its judgment, technical or legal modifications or clarifications, reorganization or renumbering of the Bylaws, or amendments made necessary because of punctuation, spelling or other errors of grammar or expression. Such amendments shall be effective immediately and shall be permanent if approved at the next regular meeting of the Medical Staff. The action to amend may be taken by motion acted upon in the same manner as any other motion before the medical executive committee. After approval, such amendments shall be communicated by some reasonable mechanism and in writing to the staff and to the Board of Trustees.

14.5 BOARD OF TRUSTEES AMENDMENT

No amendment to the Medical Staff Bylaws may be made, or approved, by the Board of Trustees without Medical Staff action as specified in Section 14.2 of these Bylaws.

THE WESTERLY HOSPITAL BYLAWS
AMENDED AND RESTATED IN ITS ENTIRETY
JUNE 6, 2011

THE WESTERLY HOSPITAL BYLAWS
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THE WESTERLY HOSPITAL
AMENDED AND RESTATED BYLAWS

ARTICLE I
Title and Definitions

Section 1. Name. The name of this corporation shall be The Westerly Hospital (hereinafter referred to as the "Hospital").

Section 2. Definitions. The following terms, whenever used herein, shall have the meanings hereinafter assigned to them:

(a) "Articles of Association" shall mean the Articles of Association of The Westerly Hospital dated June 16, 1921, as amended.

(b) "Board of Trustees" shall mean the Board of Trustees of the Hospital.

(c) "Chairperson" shall mean the Chairperson of the Board of Trustees of the Hospital.

(d) "Corporate Member" shall mean Westerly Hospital Healthcare, Inc. when acting in its capacity as sole member of the Hospital.

(e) "Executive Committee" shall mean the Executive Committee of the Hospital appointed pursuant to ARTICLE VI, Section 11 of these Bylaws.

(f) "Executive Officers" shall mean the President/CEO and any Executive Vice President, Senior Vice President, and Vice President of the Hospital.

(g) "Executive Session" shall mean a meeting of the Board of Trustees, exclusive of (i) any invitees; (ii) management; and (iii) Trustees required to recuse themselves by the Chairperson. The attorney for the Board of Trustees or any committee or any other individual may attend an Executive Session at the request of the Chairperson.

(h) "Independent," when used in reference to a Trustee or an individual who is a member of a committee or subcommittee of the Board of Trustees, shall mean a person who:

(i) is not a member of the Medical Staff of the Hospital;
(ii) is not currently nor for the past three (3) years has been, an executive officer or employee of the Hospital, or any affiliated company of the Hospital:
(iii) is not, and does not have a spouse, parent, child, sibling, or other family member, whether by blood, marriage or adoption, nor have any person residing in such Trustee's or individual's home, who is, a partner in, or controlling shareholder, director, or executive officer of, any organization

(a) to which the Hospital, or any affiliated company of the Hospital, made, or from which the Hospital, or any affiliated company of the Hospital, received, payments for property or services in the current or any of the past three (3) fiscal years that exceed 5% of the recipient's consolidated gross revenues for that year, or $200,000, whichever is greater; or

(b) that had any credit arrangements with the Hospital or any of its affiliated companies in excess of $2,500,000 for that year.

(iv) does not have a relationship which, in the opinion of the Board of Trustees, would interfere with the exercise of his/her independent judgment in carrying out the responsibilities of a Trustee.

The Audit Committee shall annually review each Trustee's Annual Disclosure Statement to determine whether a Trustee is Independent and may modify the criteria described in subsection (iii) above as economic conditions may change from year to year.

(i) "President/CEO" shall mean the Hospital's President and Chief Executive Officer.

ARTICLE II
Objectives

Section 1. Establishment. To establish and maintain an institution, or institutions, within or without the state of Rhode Island, with permanent facilities that include, without limitation, inpatient beds and medical services to provide for diagnosis and treatment of patients (and associated services such as, without limitation, extended care, outpatient care, domiciliary care, and home care).

Section 2. Educational Activities. To carry on any educational activities related to rendering care to the sick and injured, or to the promotion of health, that in the opinion of the Board of Trustees may be justified by the facilities, personnel, funds, and other requirements that are, or can be made, available.

Section 3. Scientific Research. To promote and carry on scientific research related to the care of the sick and injured insofar as, in the opinion of the Board of Trustees, such research can be carried on in connection with the Hospital.

Section 4. General Health. To participate so far as circumstances may warrant in any activity designed and carried on to promote the general health of the community.

Section 5. Charitable, Scientific, Educational Purposes. This Hospital is exclusively for charitable, scientific, and educational purposes, as a tax-exempt, non-profit corporation, and its activities shall be conducted for the aforesaid purposes in such manner that no part of its net earnings shall inure to the benefit of or be distributable to any Trustee, officer or other private persons, except that the Hospital shall be authorized and empowered to pay reasonable expenses incurred in furtherance of the purposes set forth in its Articles of Association and in these

Bylaws. In the event of any liquidation or dissolution of the Hospital, no Trustee or officer shall be entitled to any distribution or division of the Hospital's property or the proceeds thereof.

ARTICLE III
Membership

Section 1. Corporate Member. Westerly Hospital Healthcare, Inc., a tax-exempt, non-profit corporation organized on December 6, 1983, acting through its Board of Trustees shall be the sole member of the Hospital.

Section 2. Corporate Member's Powers. The Corporate Member shall have only those powers as may be specified in the Articles of Association and these Bylaws, and the Bylaws of the Corporate Member.

ARTICLE IV
Board of Trustees and Officers

Section 1. Number. There shall be a Board of Trustees, which shall consist of not more than Nineteen (19) nor fewer than eleven (11) individuals.

Section 2. Term. Trustees shall be appointed by the Board of Trustees of the Corporate Member to serve for three (3) year terms. No Trustees shall serve for longer than three (3) consecutive three (3) year terms with the following exceptions:

(a) Any individual who has been elected to fill a vacancy on the Board of Trustees pursuant to Section 15 of this Article IV may, when that unexpired term is completed, be elected for three (3) consecutive three (3) year terms.

(b) Any Trustee who is serving as an officer following the end of his/her third successive three (3) year term and who has been nominated by the Board of Trustees to continue to serve as an officer in the following year may continue to serve as a Trustee.

Section 3. Powers of the Board of Trustees.

(a) Subject to the powers reserved to the Corporate Member in (b) below, the management and control of the Hospital's property, business and affairs shall be vested in the Board of Trustees which shall have the power and authority to do and perform all acts and functions not inconsistent with these Bylaws.

(b) The authority of the Board of Trustees to exercise the following powers is conditioned on the approval of the Corporate Member:

(i) any voluntary dissolution, merger or consolidation of the Hospital, the sale or transfer of all or substantially all of the Hospital's assets;

(ii) the addition of new Corporate Members;

(iii) the guaranty by the Corporate Member of any indebtedness of the Hospital; and

Section 4. Annual Board Meeting. The Annual Meeting of the Board of Trustees shall be held in December, following the Annual Meeting of the Corporate Member.

Section 5. Regular Board Meetings. The Board of Trustees shall hold at least ten (10) regular meetings in each year at the Hospital, or at another location within or out of the State of Rhode Island specified in the written notice of meeting. The Chairperson may, or, upon any three (3) Trustees' request, shall call for an Executive Session prior to the conclusion of an ongoing meeting or prior to the next meeting of the Board of Trustees. Executive Sessions shall be held as necessary to discuss compensation, audit, compliance and other matters.

Section 6. Special Board Meetings. Special meetings of the Board of Trustees may be called by the Chairperson, or in his/her absence, by, in order of seniority in succession, the First, Second, or Third Vice Chairperson, or shall be called at the written request of one third (1/3) of the members of the Board of Trustees.

Section 7. Meeting Notice. Written notice of all meetings of the Board of Trustees shall be mailed, faxed or e-mailed to each Trustee at least five (5) days before the date thereof. The notice of any special meeting or Executive Session shall state the business for the transaction of which the special meeting or Executive Session has been called and no business other than that stated in the notice shall be transacted at such special meeting or Executive Session.

Section 8. Waiver of Notice. The requirement of notice to any Trustee may be waived (a) by a written waiver of notice, executed before or after the meeting or meetings and filed with the records of the meeting, or (b) by the Trustee's attendance at the meeting without protesting his/her lack of notice prior thereto.

Section 9. Quorum. Unless otherwise required by law, the Articles of Association or these Bylaws, a majority of all Trustees then in office shall constitute a quorum to transact Hospital business at any meeting of the Board of Trustees. Any Board of Trustees' meeting may be adjourned by a majority of the votes cast upon the question.

Section 10. Voting. When a quorum is present at any Board of Trustees' meeting, a majority of the votes properly cast upon any question shall decide such question, except where a larger vote is required by law, the Articles of Association or these Bylaws. The assent in writing of any Trustee to any vote or action of the Trustees taken at any meeting, whether a quorum was present and whether the Trustee had or waived notice of the meeting, shall have the same effect as if the Trustee so assenting was present at such meeting, voted in favor of such vote or action and was considered for the purpose of constituting a quorum.

Section 11. Telephonic Participation in Meetings. Trustees, whether at a Board of Trustees meeting or at a meeting of a committee of the Board of Trustees, may participate in such meeting

by means of a conference telephone call or similar communications equipment by means of which all persons participating in the meeting can communicate with each other. Participation by such means shall constitute presence in person at a meeting.

Section 12. Attendance Requirements. Each Trustee shall attend not fewer than seventy-five percent (75%) of all regularly scheduled meetings of the Board of Trustees in each year. A Trustee who fails to meet the foregoing attendance requirement without being excused by the Chairperson shall be deemed conclusively to have resigned from the Board of Trustees.

Section 13. Resignation. A Trustee may resign at any time by giving written notice of his/her resignation to the Chairperson. The resignation shall be effective at the time specified in such notice and, unless otherwise specified in such notice, acceptance shall not be necessary to make it effective. A resignation from the Board of Trustees shall be deemed an automatic resignation from the Board of Trustees of the Corporate Member.

Section 14. Removal. A Trustee may be removed from the Board of Trustees, for cause, at any time by the affirmative vote of two-thirds of the members of the Board of Trustees at a meeting of the Board of Trustees called for that purpose, upon notice duly given, at which meeting such Trustee shall have been given the opportunity to be heard. Removal from the Board of Trustees shall be deemed automatic removal from the Board of Trustees of the Corporate Member.

Section 15. Vacancies. Any vacancy occurring on the Board of Trustees or in any office shall be filled by the Board of Trustees. A person elected to fill a vacancy on the Board of Trustees or any office will serve for the unexpired term of his/her predecessor in office. Any vacancy occurring on the Board of Trustees for any reason shall constitute a vacancy on the Board of Trustees of the Corporate Member.

Section 16. Action Without Meeting. Any action required or permitted to be taken at any meeting of the Trustees or any committee thereof may be taken without a meeting if a consent in writing, setting forth the action taken, is signed by all of the Trustees and the written consents are filed with the records of meetings of the Board of Trustees. Such consents shall have the same force and effect as a unanimous vote.

Section 17. Honorary Trustees. The Board of Trustees may, at its discretion, create an Honorary Trustee category. Appointments made to Honorary Trusteeship shall not affect the above named consistency of the Board of Trustees. Appointments to Honorary Trusteeship may be made by the Board of Trustees among those current or former Trustees who have diligently and faithfully served on the Board of Trustees and who, for some reason, are unable to continue to actively participate on the Board of Trustees. Honorary Trustees shall not (i) be entitled to attend Board of Trustee meetings, (ii) be counted for purposes of quorum, or (iii) vote on any matter before the Board of Trustees.

Section 18. Trustee Orientation. Within two (2) months of taking office, each new member of the Board of Trustees shall participate in an orientation program designed to expose the new member to basic information necessary to effectively discharge his/her duties as a Trustee. The orientation program shall include, at a minimum, the following elements: (a) an overview of the

responsibilities of a Trustee; (b) a review of the schedule of meetings of the Board of Trustees; (c) an overview of the Hospital's Bylaws and Charters for each of the Standing Committees; (d) a review of the roster of members of the Board of Trustees; (e) an overview of the Hospital's organizational chart; (f) an overview of patients' rights; (g) an overview of the structure of the Medical Staff and its Bylaws and Rules and Regulations; (h) an overview of the Hospital's quality improvement program(s); (i) a review of the Hospital's compliance program and code of ethical behavior; and (j) a review of the Hospital's conflict of interest disclosure requirements.

Section 19. Board Performance Review. The Board of Trustees shall periodically evaluate the effectiveness of its oversight and direction in improving the Hospital's performance in relation to the Hospital's stated vision, mission, and goals. This evaluation shall consider, but not necessarily be limited to, the areas of strategic planning, patient care and safety, regulatory compliance, and fiscal management.

Section 20. Hospital Officers. At the annual meeting of the Board of Trustees, the Board of Trustees shall elect the President of the Medical Staff and shall elect, for one-year terms, the officers of the Hospital: a Chairperson and Vice Chairpersons not to exceed three, titled, as the case may be, First Vice Chairperson, Second Vice Chairperson, and Third Vice Chairperson, designating their order of succession of the office of Chairperson, each of whom shall be a Trustee; and a Treasurer and Secretary, each of whom may, but need not be a Trustee, and such additional officers as the Trustees may from time to time elect or appoint who need not be Trustees. Any officer may resign at any time by giving written notice of his/her resignation to the Chairperson. The resignation shall take effect at the time specified in such notice and, unless otherwise specified in such notice, acceptance shall not be necessary to make it effective. Any officer who is an employee of the Hospital shall cease to be an officer upon termination of his/her employment with the Hospital. An officer may be removed from office, for cause, at any time by the affirmative vote of two-thirds (2/3) of the members of the Board of Trustees at a meeting of the Board of Trustees called for that purpose, upon notice duly given, at which meeting such officer shall have been given the opportunity to be heard. Termination of service of any officer whether voluntary of involuntary by either the Corporate Member or the Hospital shall immediately constitute termination of service of such officer to the other organization.

Section 21. Officers' Duties. The officers shall have the powers and perform the duties customarily belonging to their respective offices including the powers and duties set forth herein:

(a) The Chairperson shall preside at all meetings of the Board of Trustees and of the Executive Committee and shall be an ex officio member with vote of all Standing and Special Committees.

(b) In the absence of the Chairperson, in order of seniority in succession, the First, Second, or Third Vice Chairpersons, shall preside at all meetings of the Board of Trustees and of its Executive Committee and during the absence of the Chairperson, perform the duties of the Chairperson, and such other duties as may be required by the Board of Trustees.

(c) The Secretary shall act as Secretary of the Board of Trustees, shall send appropriate notices of and prepare agendas for all meetings of the Board of Trustees, shall act as custodian of all records and reports and shall be responsible for the keeping and reporting of adequate records of all meetings of the Board of Trustees. The Secretary also shall send required notices to the Corporate Member and maintain records of the proceedings of the Corporate Member in a separate book kept for that purpose.

(d) The Treasurer shall have general responsibility for the fiscal affairs of the Hospital.

ARTICLE V
Executive Officers

Section 1. President/CEO and Other Executive Officers. The Board of Trustees shall select and employ a President/CEO, who shall be its direct executive representative in the management of the Hospital and shall provide leadership and overall direction and administration of the Hospital. The President/CEO shall have the knowledge, skill, education and experience necessary to perform the duties inherent in the office. He/She shall be given the necessary authority and be held responsible for Hospital administration and all of its activities and departments, subject only to such policies as may be adopted, and such orders as may be issued by the Board of Trustees or by any of its Standing or Special Committees to which it has delegated power for such action. The President/CEO shall act as the duly authorized representative of the Board of Trustees in all matters in which the Board of Trustees has not formally designated some other person for that specific purpose. At the recommendation of the President/CEO, the Board of Trustees may select and employ Executive Vice Presidents, Senior Vice Presidents, and Vice Presidents who shall have such responsibilities and authority as determined by the Board of Trustees.

Section 2. President/CEO's Duties. The President/CEO shall be the Chief Executive Officer of the Hospital and shall be responsible for the general administration of the Hospital's activities, actively managing its business and affairs, including maintaining the Hospital's compliance with applicable laws and regulations. He/She shall be its direct executive representative for:

(a) carrying out all policies and directives established by the Board of Trustees,

(b) developing and submitting to the Board of Trustees for its approval a plan of organization for employees and for others concerned with the Hospital operation and submitting any change in the organizational structure relating to Executive Officers to the Board of Trustees for its approval,

(c) preparing an annual operating and capital budget showing the Hospital's expected receipts and expenditures as required by the Finance Committee of the Board of Trustees,

(d) selecting, employing, controlling, and discharging all Hospital employees, in accordance with the organizational chart, and developing and maintaining all Hospital personnel policies and practices,

(e) maintaining Hospital physical properties in a good state of repair and operating condition,

(f) supervising Hospital business affairs to insure that funds are collected and expended to the best possible advantage,

(g) cooperating with the Medical Staff and with all others involved in rendering professional services to the end that high quality care is rendered to patients,

(h) presenting to the Board of Trustees or its authorized committees periodic reports reflecting Hospital professional services and financial activities and preparing and submitting such special reports as may be required by the Board of Trustees,

(i) attending all meetings of the Board of Trustees, serving as an ex officio member with full voting power,

(j) serving as a voting member on any Standing or Special Committee, unless such Committee is limited to Independent Trustees, if so appointed by the Chairperson,

(k) attending, as requested, all Committee meetings,

(l) serving as the liaison officer and channel of communications for all official communication between the Board of Trustees or any of its Standing or Special Committees and the Medical Staff,

(m) performing other duties that may be necessary in the best interest of the Hospital,

(n) overseeing the Hospital's compliance program, and ensuring prompt review and response to inquiries, reports and recommendations from planning, regulatory and inspecting agencies.

The duties and authority of the President/CEO shall be prepared in written form and reviewed and approved by the Board of Trustees periodically. The Board of Trustees shall also periodically evaluate the performance of the President/CEO.

ARTICLE VI
Committees of the Board of Trustees

Section 1. Committees. The Board may delegate such of its powers as it considers advisable, except those powers which by law, the Articles of Association or these Bylaws may not be so delegated, to such committees as the Board of Trustees or these Bylaws from time to time may establish. The committees of the Board of Trustees shall be either a Standing Committee or a

Special Committee. Standing Committees shall be the Executive Committee, Audit Committee, Corporate Compliance Committee, Finance Committee, Professional Affairs Committee, and Quality Management Oversight Committee. Other Standing Committees may be established, from time to time, by a majority vote of the Board of Trustees. In addition, Special Committees may be appointed by the Chairperson of the Board of Trustees with the Board of Trustees' concurrence for specific, discrete tasks as circumstances warrant. All Special Committees shall consist of at least three (3) Trustees.

No Committee shall have the authority to (a) amend, alter or repeal any resolution of the Board of Trustees regardless of whether such resolution provides, by its terms, that it cannot be amended, altered or repealed, by a Committee, (b) elect, appoint or remove any member of the Board of Trustees or on any of its Standing or Special Committees or any officer of the Hospital, (c) amend the Articles of Association of the Hospital, restate such Articles of Association, (d) adopt, amend or repeal the Bylaws, (e) adopt or approve a plan of merger or consolidation of the Hospital, (f) approve the voluntary dissolution of the Hospital or revoke proceedings for a voluntary dissolution of the Hospital or adopt a plan for the distribution of all the Hospital's assets, or (g) approve a sale, lease, exchange, or mortgage or other disposition of all, or substantially all, of the property and/or assets of the Hospital. Except for such duties as have been delegated by the Board of Trustees or established by these Bylaws, no Standing or Special Committee may make any final determinations. Each Committee shall report and make recommendations to the Board of Trustees, and the minutes of all Committee meetings shall be distributed to the Board of Trustees for review at the next meeting of the Board of Trustees.

The Chairperson of each Committee shall periodically prepare for ratification by the Board of Trustees a charter for his/her Committee stating such Committee's membership, duties and responsibilities.

Committees may appoint Subcommittees as they determine necessary to assist them with specific undertakings. Subcommittees shall report to the Committees appointing them except as otherwise described herein.

Unless otherwise stated in these Bylaws or the Committee's Charter, all Committee and Subcommittee members shall be members of the Board of Trustees. Committees and Subcommittees shall have the authority, subject to the approval of the Board of Trustees, to engage such consultants as may be necessary to assist them in the performance of specific undertakings.

Section 2. Appointment. All Chairpersons of Committees shall be appointed by the Chairperson of the Board of Trustees and shall be approved by a majority of the Trustees at a Board of Trustees' meeting in which a quorum is present.

Section 3. Term. Each Committee member shall serve until the next annual meeting of the Board of Trustees and until his/her successor is appointed, unless such Committee member shall sooner resign or be removed from the Committee.

Section 4. Meeting and Notice. Meetings of Committees may be called by the Chairperson or by the Committee Chairperson. Each Committee shall meet as often as necessary and appropriate to perform its duties. Notice of the date, time and place of each Committee meeting shall be given at such time and in such manner as to provide Committee members reasonable notice of the meeting. Each Committee shall keep minutes of its proceedings.

Section 5. Removal and Vacancies. The Chairperson, with the Board of Trustees' approval, may remove any Committee member or Chairperson for cause. Committee vacancies may be filled by the Chairperson with Board of Trustees' approval. Failure to attend any two (2) consecutive Committee meetings without being excused by the Committee Chairperson may subject such Committee member to removal.

Section 6. Quorum and Vote. Unless otherwise provided for by the Board of Trustees or by these Bylaws, each Committee member shall have one (1) vote. A majority of the whole Committee shall constitute a quorum and the act of a majority of the members present at a Committee meeting at which a quorum is present shall be the act of the Committee.

Section 7. Action Without Meeting. Any action required or permitted to be taken at any meeting of any Committee may be taken without a meeting if all the Committee members consent to the action in writing and the consent shall be treated for all purposes as a vote at a meeting.

Section 8. Audit Committee. The Audit Committee shall consist of at least three (3) Trustees, all of whom shall be Independent Trustees, and shall be responsible for engaging a well-qualified and independent auditor. At least one of the members of the Audit Committee shall have a background in finance, and experience working with complex financial and accounting matters. The Audit Committee shall assist the Board in the oversight and monitoring of the integrity of the Hospital's financial statements and its affiliated companies, as appropriate. The Audit Committee shall have such other responsibilities and duties as are set forth in its Charter as adopted by the Board of Trustees.

Section 9. Corporate Compliance Committee. The Corporate Compliance Committee shall consist of at least three (3) Independent Trustees and the President/CEO or his/her nominee. The Corporate Compliance Committee shall be responsible for overseeing the compliance program of the Hospital and its affiliated companies, as appropriate, with respect to applicable rules and regulations regarding reimbursements, patient care and any other areas within the scope of regulatory authorities and such other responsibilities and duties as set forth in its Charter as adopted by the Board. The Corporate Compliance Committee may enlist the assistance of other Hospital managers and employees, as well as outside professionals, as may be necessary to implement action plans, audits or similar initiatives as part of the ongoing operation of the Hospital's compliance program. The Board of Trustees and the President/CEO shall have the ultimate responsibility for the oversight and operation of the Hospital's compliance program.

Section 10. Executive Committee. The Executive Committee shall consist of the Chairperson of the Board of Trustees as Chairperson, all Vice Chairpersons, the President of the Medical Staff, the President/CEO ex officio with vote and such additional Trustees as may be appointed annually by the Chairperson. The Chairperson may also appoint the Chief Financial Officer and/or the Treasurer to serve as members of the Executive Committee. The Executive Committee shall only meet between Board of Trustee meetings, when action of the Board of Trustees is needed to be taken and a quorum of the Board of Trustees cannot be obtained in the time necessary to approve such immediate action of the Hospital, and its affiliated companies as appropriate. The Executive Committee shall have the power to transact all regular business of the Hospital, and its affiliated companies, as appropriate, provided any action taken by it shall not conflict with the policies and expressed wishes of the Board of Trustees. Any action taken by the Executive Committee shall be reported to the Board of Trustees at its next succeeding meeting for ratification thereof.

Section 11. Finance Committee. The Finance Committee shall consist of the Chairperson of the Board of Trustees, all Vice-Chairpersons of the Board of Trustees, the President/CEO of the Hospital, the Chief Financial Officer of the Hospital, if one, without a vote, the Treasurer of the Hospital, if one, without a vote, at least two (2) additional members of the Board of Trustees, and such additional persons, who may, but need not be Trustees, as may be appointed by the Chairperson of the Board of Trustees. The Finance Committee shall be responsible for reviewing the financial performance of the Hospital, and supervising the management of all Hospital funds. The Finance Committee shall report to the Board at least quarterly thereon, and have such other duties and responsibilities as set forth in its Charter as adopted by the Board of Trustees. The Finance Committee shall also review and make recommendations to the Board of Trustees with respect to any financing proposals. The Chairperson of the Finance Committee may appoint Subcommittees of the Finance Committee.

Section 12. Professional Affairs Committee. The Professional Affairs Committee shall consist of six (6) members, three (3) of whom shall be Independent Trustees and three (3) of whom shall be members of the Medical Staff (but not necessarily members of the Board of Trustees). The three (3) Medical Staff members shall be recommended annually by the Executive Committee of the Medical Staff.

The Professional Affairs Committee is a Standing Committee of the Board of Trustees and not a committee of the Medical Staff. The Professional Affairs Committee shall be a liaison group to discuss Medical Staff-Trustee affairs. Annually, the Chairperson of the Board of Trustees shall appoint a Chairperson of the Professional Affairs Committee from their membership. The Professional Affairs Committee will consider and make recommendations only on such matters as are directed to it in writing either by the Board of Trustees or by the Executive Committee of the Medical Staff, and shall meet upon the call of said Board or said Committee. If it is necessary for any member of the Professional Affairs Committee to recuse himself/herself from any matters brought before the Committee, the Chairperson of the Board of Trustees shall appoint another individual to replace such recused committee member. When making such appointment, the Chairperson of the Board of Trustees will maintain the same balance as in the first sentence of this Section 12.

Section 13. Quality Management Oversight Committee. The Quality Management Oversight Committee shall consist of (a) at least three (3) physicians, one (1) of whom shall be the President of the Medical Staff, (b) at least two (2) Independent Trustees, and (c) members of management personnel as deemed appropriate by the President/CEO with the concurrence of the chairperson of the Quality Management Oversight Committee. The Quality Management Oversight Committee shall be responsible for the oversight of (a) the credentialing process with respect to new and re-appointed physicians, (b) the Hospital's accreditation review process, (c) the monitoring, evaluation, and oversight of the quality improvement programs at the Hospital, and (d) the monitoring, evaluation, and oversight of patient safety programs at the Hospital, and have such other responsibilities and duties as set forth in its Charter as adopted by the Board of Trustees. The Quality Management Oversight Committee shall report on matters that come before its meetings to the Board of Trustees of the Hospital and the Board of Governors of the Corporate Member.

Section 14. Eligibility Requirements of Committee Chairperson. The Chairperson of each Committee, Standing or Special, shall be a member of the Board of Trustees, unless otherwise specified. A Chairperson of a Subcommittee may, but need not be, a member of the Board of Trustees.

ARTICLE VII
Medical Staff

Section 1. Medical Staff. The Board of Trustees shall appoint a Medical Staff composed of physicians, dentists, podiatrists, and such other professionals as may be categorized in the Medical Staff Bylaws of the Hospital, from time to time (collectively, the "Professionals") who are licensed to practice their professions in the States of Rhode Island and/or Connecticut, as appropriate, and ensure that they are organized into a responsible administrative unit. The Board of Trustees shall accomplish the organization and governance of the Medical Staff through bylaws and rules and regulations adopted by the Medical Staff and approved by the Board of Trustees in accordance with the provisions of Section 8 of this Article. The Board of Trustees shall delegate to the Medical Staff the responsibility for providing appropriate care provided by the Professionals to the Hospital's patients and shall require the Medical Staff to review the Medical Staff's rules and regulations, policies and procedures, including departmental policies and procedures, at least every three (3) years.

Section 2. Professional Review. The Medical Staff shall conduct a continuing review and appraisal of the quality of professional care rendered in the Hospital and shall report such activities and their results, as well as recommendations regarding the Medical Staff's participation in the Hospital's performance-improvement activities, to the Board of Trustees.

Section 3. Risk Management and Peer Review. The Medical Staff shall organize one or more committees and/or delegate responsibilities to existing committees which shall administer an internal risk management program and peer review program in accordance with the provisions of Sections 23-17-24 and 23-17-25 of the Rhode Island General Laws as amended from time to time. In any instance, however, final oversight and decision-making shall remain with the Board of Trustees.

Section 4. Medical Staff Executive Committee. Within a reasonable time after receiving any application for membership on the Hospital's Medical Staff or knowledge of any possible disciplinary or professional competency issue concerning a Medical Staff member, the Executive Committee of the Medical Staff shall make recommendations to the Board of Trustees concerning:

(a) appointments, reappointments, and alterations of Medical Staff status,

(b) granting of clinical privileges,

(c) disciplinary actions, including, but not limited to, the curtailment, suspension and revocation of clinical privileges,

(d) all matters relating to professional competency, and

(e) such specific matters as may be referred to it by the Board of Trustees.

The Board of Trustees in all cases shall make the final determination in all Medical Staff disciplinary actions, including Hospital privileges determinations, and any Medical Staff Fair Hearing decisions in accordance with the Hospital's Fair Hearing procedures. The Executive Committee of the Medical Staff shall, from time to time and when requested by the Board of Trustees, make recommendations to the Board of Trustees regarding the disciplinary process, including the mechanisms by which Medical Staff membership and clinical privileges may be terminated, curtailed or suspended, and the Hospital's Fair Hearing procedures.

Section 5. Medical Staff Membership. The Board of Trustees shall consider and act upon the recommendations of the Executive Committee of the Medical Staff which relate to the appointment to the Medical Staff, in numbers not exceeding the Hospital's needs, of Professionals who meet the qualifications for membership. All applications for appointment to the Medical Staff and requests for clinical privileges shall be in writing and addressed to the President/CEO. All appointments to the Medical Staff and grants of clinical privileges shall be for no more than two (2) years, and shall be renewable at the sole discretion of the Board of Trustees. Each member of the Medical Staff shall have appropriate authority and responsibility for the care of his/her patients, subject to such limitations as are contained in these Bylaws and in the Medical Staff's bylaws and rules and regulations and subject further to any limitations attached to his/her appointment, including the scope of the privileges granted by the Board of Trustees. Only a member of the Medical Staff with admitting privileges may admit a patient to the Hospital, and only a licensed practitioner with clinical privileges shall be directly responsible for a patient's diagnosis and treatment. Each member of the Medical Staff must observe all ethical principles of his/her profession.

Section 6. Professional Liability Insurance. As a prerequisite to being accorded privileges, all applicants to, and members of, the Medical Staff are required to maintain professional liability insurance in such amount as shall be determined by the Board of Trustees from time to time.

Section 7. Medical Staff Procedures. The Medical Staff shall design and implement procedures ensuring that licensed health professionals engaged in rendering patient care within the Hospital other than physicians, dentists, and podiatrists will be qualified by training and experience to exercise such privileges as may be required of such personnel. Such procedures shall provide for credentials review, delineation of clinical and/or administrative privileges and supervision requirements, as well as the development of such recommendations as to the foregoing to the Board of Trustees as will enable the Board of Trustees to take informed action thereon. Such procedures shall assure that the quality and appropriateness of patient care provided are monitored and evaluated as part of the Hospital's quality assurance programs.

Section 8. Medical Staff Bylaws. Medical Staff bylaws, or amendments thereto, and rules and regulations shall be recommended by the Medical Staff for Board of Trustees' approval and shall not be effective until approved by the Board of Trustees. The Medical Staff shall provide in such bylaws a procedure for appellate review for Medical Staff members or prospective Medical Staff members aggrieved by Medical Staff decisions.

Section 9. Exclusive Contracts. The Hospital may contract with one (1) or more physicians to provide medical services to the Hospital and such contract may guarantee exclusivity with regard to such service if such an arrangement is in the patients' best interest. Such contract may condition provision of medical services upon the attainment of Medical Staff privileges. The termination of such contracts for any reason automatically shall result in the termination of all such physicians' membership on the Medical Staff and of their Medical Staff privileges without a hearing or appellate review, unless the Board of Trustees, in its sole and absolute discretion, determines otherwise.

Section 10. Medicoadministrative Positions. Notwithstanding anything to the contrary contained in these Bylaws, any contract entered into between the Hospital and physicians and/or other medical professionals serving in medicoadministrative positions may provide that if any such physician or other medical professional is terminated for reasons other than professional competence, s/he shall immediately forfeit his/her Medical Staff membership and all privileges attendant thereto (including clinical privileges) and shall not be entitled to a hearing, unless the Board of Trustees, in its sole and absolute discretion, determines otherwise.

ARTICLE VIII
Amendments

These Bylaws may only be amended by an affirmative vote of two-thirds (2/3) of the Board of Trustees of the Corporate Member.

ARTICLE IX
Miscellaneous Provisions

Section 1. Annual Report. The Hospital shall publish an Annual Report. The Annual Report shall include the results of the audited financial statement of the Hospital for the previous fiscal year.

Section 2. Notice by Electronic Mail ("Email"). If the Secretary of the Hospital has an email address of an individual entitled to receive any notice under these Bylaws, any such notice required to be given under these Bylaws may be by email, except in cases where the Bylaws specifically require that notice be provided by other means. Any email notice given pursuant to these Bylaws shall be deemed to have been given when the Secretary of the Hospital sends such notice to the email address that the Secretary has for an individual.

Section 3. Conflicts of Interest. Any member of the Board of Trustees, any member of any committee with Board delegated powers, any member of the Medical Staff, and any employee of the Hospital who may influence corporate decisions shall comply with the conflicts of interest and disclosure policies set forth in Article XI of these Bylaws and any other policies as may from time to time be adopted by the Board of Trustees.

Section 4. Opt-Out. Any physician, other person or Hospital employee may elect not to participate in abortion or sterilization procedures in accordance with Section 23-17-11 of the General Laws of Rhode Island.

Section 5. Fiscal Year. Except as from time to time otherwise provided by the Board of Trustees, the Hospital's fiscal year shall end on the last day of September of each year.

Section 6. Corporate Seal. The Board of Trustees shall have the power to adopt and alter the Hospital's seal.

ARTICLE X
Indemnification

Section 1. Agreement of the Hospital. In order to induce Trustees, Officers and others to serve, the Hospital adopts this Article and agrees to provide the Trustees, Officers and other aforesaid parties the benefits contemplated hereby.

Section 2. Acceptance of Indemnified Parties. This Article will apply, and the benefits hereof will be available, to each Indemnified Person who accepts such position.

Section 3. Definitions. As used in this Article X, the following terms will have the following respective meanings:

(a) "Covered Act" means any act or omission by the Indemnified Person in the Indemnified Person's official Hospital capacity while serving in such capacity or while serving at the request of the Hospital as a member of the Board of Trustees or of a Standing or Special Committee or of any subcommittee thereof, or as an officer, employee, or agent of another entity or other enterprise on the Hospital's behalf. An act or omission will be a Covered Act if the claim or proceeding with respect to such act or omission arises after the Indemnified Person ceases to serve the Hospital as an Indemnified Person.

(b) "Excluded Claim" has the meaning set forth in Article X, Section 6, hereof.

(c) "Expenses" means any reasonable expenses incurred by the Indemnified Person in connection with the defense of any claim made against the Indemnified Person for Covered Acts including, without limitation, legal, accounting or investigative fees and expenses (including the expense of bonds necessary to pursue an appeal of an adverse judgment).

(d) "Indemnified Person" means any Trustee, Officer, Standing or Special Committee member or of any subcommittee thereof or employed Hospital vice president who accepts election or appointment as a Trustee, Officer, Standing or Special Committee member or of any subcommittee thereof or employed Hospital vice president and agrees to serve as such in the manner provided in Article X, Section 2 hereof.

(e) "Loss" means any amount which the Indemnified Person is legally obligated to pay as a result of any claim made against the Indemnified Person for Covered Acts including, without limitation, judgments for, and awards of, damages, amounts paid in settlement of any claim, any fine or penalty or, with respect to an employee benefit plan, any excise tax or penalty.

(f) "Proceeding" means any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative.

Section 4. Indemnification. Subject to the exclusions hereinafter set forth, the Hospital will indemnify the Indemnified Person against and hold the Indemnified Person harmless from any Loss or Expenses to the fullest extent permitted by law.

Section 5. Advance Payment of Expenses. The Hospital will pay the Indemnified Person's Expenses in advance of the final disposition of any Proceeding except to the extent that the defense of a claim against the Indemnified Person is undertaken pursuant to any directors' and officers' liability insurance (or equivalent insurance known by another term) maintained by the Hospital. The advance payment of Expenses will be subject to the Indemnified Person's first agreeing in writing with the Hospital to repay the Hospital any sums that it pays hereunder if thereafter it is determined that the Proceeding involved an Excluded Claim or that the Indemnified Person was otherwise not entitled to indemnity under these Bylaws.

Section 6. Exclusions. The Hospital will not be liable to pay any Loss or Expenses (an "Excluded Claim"):

(a) With respect to a Proceeding in which a final non-appealable judgment or other adjudication by a court of competent jurisdiction determines that the Indemnified Person is liable to the Hospital (as distinguished from being liable to a third party) for: (i) any breach of the Indemnified Person's duty of loyalty to the Hospital or to its affiliated entities or undertakings, (ii) acts or omissions constituting gross negligence or which involve intentional misconduct or knowing violation of law

or (iii) any transaction from which the Indemnified Person derived an improper personal benefit; or

(b) If a final, non-appealable judgment or other adjudication by a court of competent jurisdiction determines that such payment is unlawful.

Section 7. Notice to Hospital; Insurance. Promptly after receipt by the Indemnified Person of notice of the commencement of or the threat of commencement of any Proceeding, if indemnification with respect thereto may be sought from the Hospital under these Bylaws, the Indemnified Person shall notify the Hospital of the commencement thereof. Failure to promptly notify the Hospital will not adversely affect the Indemnified Person's right to indemnification hereunder unless and only to the extent that the Hospital is materially prejudiced in its ability to defend against the Proceeding by reason of such failure. If at the time of the receipt of such notice the Hospital has any directors' and officers' liability insurance in effect, the Hospital will promptly notify the insurer of the commencement of such Proceeding in accordance with the procedures set forth in the policy or policies in favor of the Indemnified Person. The Hospital thereafter will take all the necessary or desirable action to cause such insurer to pay, on behalf of the Indemnified Person, all Loss and Expenses payable as a result of such Proceeding in accordance with the terms of such policy or policies. Nothing herein will limit the amount payable to the Indemnified Person to the amount provided by the Hospital's directors' and officers' liability insurance policy then in place.

Section 8. Indemnification Procedures.

(a) Payments on account of the Hospital's indemnity against Loss will be made by the Treasurer except if, in the specific case, a determination is made that the indemnification of the Indemnified Person is not proper under the circumstances because such Loss results from a claim which is an Excluded Claim. If the Hospital so determines that the Loss results from an Excluded Claim (although no such determination is required by the Hospital hereunder prior to payment of a Loss by the Treasurer), the determination shall be made:

(i) By the Board of Trustees by a majority vote of a quorum consisting of Trustees not at the time parties to the Proceeding; or

(ii) If a quorum cannot be obtained for purposes of clause (i), then by a majority vote of a committee of the Board of Trustees duly designated to act in the matter by a majority vote of the full Board of Trustees (in which designation Trustees who are parties to the Proceeding may participate) consisting solely of three (3) or more Trustees not at the time parties to the Proceeding; or

(iii) By independent legal counsel designated:

(A) by the Board of Trustees in the manner described in clause (i) or by a committee of the Board of Trustees established in the manner described in clause (ii), or

(B) if the requisite quorum of the full Board cannot be obtained therefor and a committee cannot be so established, by a majority vote of the full Board (in which designation Trustees who are parties to the Proceeding may participate).

If made, any such determination permitted to be made by this Article X, Section 8(a) will be made within sixty (60) days of the Indemnified Person's written request for payment of a Loss.

(b) Payment of an Indemnified Person's Expenses in advance of the final disposition of any Proceeding will be made by the Treasurer except if, in the specific case, a determination is made pursuant to Article X, Section 8(a) above that indemnification of the Indemnified Person is improper under the circumstances because the Proceeding involved an Excluded Claim.

(c) The Hospital shall endeavor to purchase and maintain insurance on behalf of any Indemnified Person against liability asserted against him/her with respect to any Covered Act, whether the Hospital would have the power to indemnify such Indemnified Person against such liability under the provisions of this Article. The Hospital will be subrogated to the rights of such Indemnified Person to the extent that the Hospital has made any payments to such Indemnified Person in respect to any Loss or Expense as provided herein.

Section 9. Settlement. The Hospital will have no obligation to indemnify the Indemnified Person under this Article for any amounts paid in settlement of any Proceeding effected without the Hospital's prior written consent. The Hospital will not unreasonably withhold or delay its written consent to any proposed settlement. If the Hospital consents to the settlement of any Proceeding, or unreasonably withholds or delays such consent, it will be conclusively and irrebuttably presumed for all purposes that the Loss or Expenses do not constitute an Excluded Claim. If the Hospital reasonably withholds its consent solely on the ground that the Proceeding constitutes an Excluded Claim, the Indemnified Person may accept the settlement without the consent of the Hospital, without prejudice to the Indemnified Person's rights to indemnification in the event the Hospital does not ultimately prevail on the issue of whether the Proceeding constitutes an Excluded Claim.

Section 10. Rights Not Exclusive. The rights provided hereunder will not be deemed exclusive of any other rights to which the Indemnified Person may be entitled under any agreement, vote of disinterested Trustees or otherwise, both as to action in the Indemnified Person's official capacity and as to action in any other capacity on the Hospital's behalf while holding such office,

and will continue after the Indemnified Person ceases to serve the Hospital as an Indemnified Person.

Section 11. Enforcement.

(a) The Indemnified Person's right to indemnification hereunder will be enforceable by the Indemnified Person in any court of competent jurisdiction and will be enforceable notwithstanding that an adverse determination has been made as provided in Article X, Section 8(b).

(b) In the event that any action is instituted by the Indemnified Person under these Bylaws, the Indemnified Person will be entitled to be paid all court costs and expenses, including reasonable attorneys' fees, incurred by the Indemnified Person with respect to such action, unless the court determines that each of the material assertions made by the Indemnified Person as a basis for such action was not made in good faith or was frivolous.

Section 12. Severability. If any provision of this Article X is determined by a court to require the Hospital to perform or to fail to perform an act which is violative of applicable law, this Article shall be limited or modified in its application to the minimum extent necessary to avoid a violation of law and, as so limited or modified, this Article shall be enforceable in accordance with its terms.

Section 13. Successors and Assigns. The provisions of this Article will be (a) binding upon all successors and assigns of the Hospital (including any transferee of all or substantially all of its assets) and (b) binding on and inure to the benefit of the heirs, executors, administrators, and other personal representatives of the Indemnified Person.

Section 14. Amendment. No amendment or termination of this Article X will be effective as to an Indemnified Person without the prior written consent of that Indemnified Person and, in any event, will not be effective as to any Covered Act of the Indemnified Person occurring prior to the aforesaid amendment or termination.

ARTICLE XI
Conflict of Interest Policy

Any contract or other transaction between the Hospital and any one or more of its Trustees, officers, or members of committees of the Hospital, or between the Hospital and any other corporation, firm or association in which one or more of its Trustees, officers or members of committees of the Board of Trustees are officers or Trustees or have a financial interest, shall be voidable unless (i) the material facts as to the interest or relationship are disclosed or are known to the Board of Trustees or committee, and the Board of Trustees or committee authorize, approve, or ratifies the contract or transaction by the affirmative vote of a majority of the disinterested Trustees or members of the committee, even though they are less than a quorum, and (ii) the contract or transaction is fair and reasonable to the Hospital. The Board of Trustees

may adopt and may amend from time to time conflict of interest policies to be applicable to the Hospital and its affiliates.

ARTICLE XII
Policies, Rules and Regulations

In addition to the powers granted by these Bylaws herein contained, the Board of Trustees may adopt such written Hospital policies, rules or regulations as, in its judgment, may prove necessary or desirable for the management of the Hospital. At least a majority of the entire Board of Trustees shall give its approval to permit the adoption of any such policies, rules or regulations.

Maureen L. Carboni Secretary

State of Rhode Island and Providence Plantations

Office of the Secretary of State / State Archives Division

A. Ralph Mollis
Secretary of State

State Archives Division

Phone: 401-222-2353
Fax: 401-222-3199

reference@archives.state.ri.us

RI State Archives

Public Records Administration

State Records Center

Local Government Records Program

Administrative Records (Rules and Regulations)

337 Westminster Street
Providence, RI 02903

Annexed is a true copy of an original document held in the custody of the Rhode Island State Archives

C#00203 – Private Acts, January, 1966, Vol. 131 # 109

1966 S – 1232

AN ACT IN AMENDMENT OF AN ACT ENTITLED "AN ACT AUTHORIZING THE WESTERLY HOSPITAL TO TAKE, HOLD, TRANSMIT AND CONVEY REAL AND PERSONAL ESTATE TO AN AMOUNT NOT EXCEEDING TWO MILLION DOLLARS," PASSED AT THE JANUARY SESSION, 1925, AS AMENDED

R. Gwenn Stearn
State Archivist &
Public Records Administrator

March 26, 2008

RIDOH 0129

E-4

(109)

State of Rhode Island, &c.

IN GENERAL ASSEMBLY

JANUARY SESSION, A. D. 19 66

AN ACT

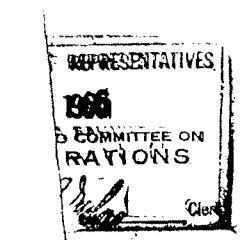
IN AMENDMENT OF AN ACT ENTITLED "AN ACT AUTHORIZING THE WESTERLY HOSPITAL TO TAKE, HOLD, TRANSMIT AND CONVEY REAL AND PERSONAL ESTATE TO AN AMOUNT NOT EXCEEDING TWO MILLION DOLLARS," PASSED AT THE JANUARY SESSION, 1925, AS AMENDED.

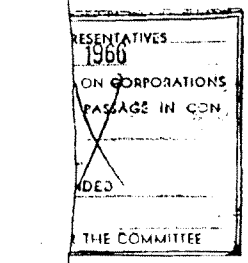
It is enacted by the General Assembly as follows:

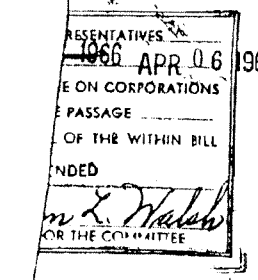
SECTION 1. Section 1 of an act, entitled "An act authorizing the Westerly Hospital to take, hold, transmit and convey real and personal estate to an amount not exceeding two million dollars," passed at the January session, 1925, as amended at the January session, 1928, is hereby further amended to read as follows:

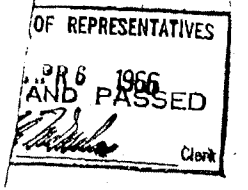
"Section 1. The Westerly Hospital, a corporation created under Article III of chapter 248 of the general laws of 1923, is hereby authorized and empowered to take, hold, transmit and convey real and personal estate to an amount not exceeding ten million dollars ($10,000,000.) and shall not be assessed in the apportionment of any state, city or town tax, nor be liable for any assessment of any annual franchise tax as provided under section 44-12-1 of the general laws of 1956; provided, however, that all real estate held within the town of Westerly by said corporation, not used exclusively for hospital purposes, shall be assessed in the apportionment of the tax of said town."

SEC. 2. This act shall take effect upon its passage, and all acts and parts of acts inconsistent herewith are hereby repealed.









1232

S. H.

AN ACT

IN AMENDMENT OF AN ACT ENTITLED "AN ACT AUTHORIZING THE WESTERLY HOSPITAL TO TAKE, HOLD, TRANSMIT AND CONVEY REAL AND PERSONAL ESTATE TO AN AMOUNT NOT EXCEEDING TWO MILLION DOLLARS," PASSED AT THE JANUARY SESSION, 1925, AS AMENDED

EXECUTIVE DEPARTMENT,
Received APR 6 1966
APPROVED
APR 7 1966
John H Chafee
GOVERNOR

Presented by
Howard B. Bonnin
Vera G Norman

IN THE SENATE APR 6 1966
Read and passed in concurrence under suspension of the rules.
Reading Clerk

READ AND PASSED IN CONCURRENCE, TRANSMITTED TO THE GOVERNOR
APR 6 1966
August P. LaFrance
SECRETARY OF STATE

RIDOH 0131

State of Rhode Island and Providence Plantations

Office of the Secretary of State / State Archives Division

A. Ralph Mollis

Secretary of State

Annexed is a true copy of an original document held in the custody of the Rhode Island State Archives

C#00203 – Private Acts, January, 1966, Vol. 141 # G – 2

1974 S - 2609

AN ACT RELATING TO PROPERTY HELD BY WESTERLY HOSPITAL

State Archives Division

Phone: 401-222-2353
Fax: 401-222-3199

reference@archive.state.ri.us

RI State Archives

Public Records Administration

State Records Center

Local Government Records Program

Administrative Records (Rules and Regulations)

337 Westminster Street
Providence, RI 02903

R. Gwenn Stearn
State Archivist &
Public Records Administrator

March 26, 2008

74S02609

G-2

State of Rhode Island, &c.

IN GENERAL ASSEMBLY

JANUARY SESSION, A. D. 19 74

AN ACT

RELATING TO PROPERTY HELD BY WESTERLY HOSPITAL.

It is enacted by the General Assembly as follows:

SECTION 1. Section 1 of an act, entitled "An act authorizing the Westerly hospital to take, hold, transmit and convey real and personal estate to an amount not exceeding two million dollars," passed at the January session, 1925, as amended at the January session, 1928, and as further amended at the January session, 1966, is hereby further amended to read as follows:

"Section 1. The Westerly Hospital, a corporation created under article III of chapter 248 of the general laws of 1923, is hereby authorized and empowered to take, hold, transmit and convey real and personal estate to an amount not exceeding ~~ten million dollars ($10,000,000.)~~ fifteen million dollars ($15,000,000.) and shall not be assessed in the apportionment of any state, city or town tax, nor be liable for any assessment of any annual franchise tax as provided under section 44-12-1 of the general laws of 1956; provided, however, that all real estate held within the town of Westerly by said corporation, not used exclusively for hospital purposes, shall be assessed in the apportionment of the tax of said town."

SEC. 2. This act shall take effect upon its passage.

(G2)

S. 74S02609 H.

AN ACT

RELATING TO PROPERTY HELD BY WESTERLY HOSPITAL.

Presented by

Senator Gunning

DATE APR 8 1974
and referred to Committee on CORPORATIONS
Reading Clerk

MAY 3 1974
COMMITTEE ON CORPORATIONS
TO THE PASSAGE OF THE WITHIN BILL
FOR THE COMMITTEE

DATE MAY 3 1974
and PASSED
Reading Clerk

MAY 3 1974
COMMITTEE ON CORPORATIONS

EXECUTIVE DEPARTMENT,
Received MAY 3 1974
NO ACTION TAKEN BY THE GOVERNOR
GOVERNOR

IN HOUSE OF REPRESENTATIVES
MAY 3 1974
THE COMMITTEE ON CORPORATIONS RECOMMEND THE PASSAGE IN CONCURRENCE OF THE WITHIN BILL
Harold R Bowen
FOR THE COMMITTEE

MAY 3 1974

RECEIVED [illegible] WITHOUT SIGNATURE

EFFECTIVE MAY 14 1974
IN ACCORDANCE WITH ARTICLE XV OF AMENDMENTS AND OF SECTION 43-1-1 AND 43-1-2 OF THE GENERAL LAWS.
Robert F. Burns
SECRETARY OF STATE

IN HOUSE OF REPRESENTATIVES
MAY 3 1974 19
TRANSMITTED TO THE GOVERNOR
Salvatore R Cesaro
Recording Clerk

RIDOH 0134

State of Rhode Island and Providence Plantations
Office of the Secretary of State / State Archives Division
A. Ralph Mollis
Secretary of State

Annexed is a true copy of an original document held in the custody of the Rhode Island State Archives

C#00203 – Private Acts, January, 1925, Vol. 92 # 40

1925 H – 625

AN ACT AUTHORIZING THE WESTERLY HOSPITAL TO TAKE, HOLD, TRANSMIT AND CONVEY REAL AND PERSONAL ESTATE TO AN AMOUNT NOT EXCEEDING TWO MILLION DOLLARS.

State Archives Division

Phone: 401-222-2353
Fax: 401-222-3199

reference@archives.state.ri.us

RI State Archives

Public Records Administration

State Records Center

Local Government Records Program

Administrative Records (Rules and Regulations)

337 Westminster Street
Providence, RI 02903

R. Gwenn Stearn
State Archivist &
Public Records Administrator

March 26, 2008

State of Rhode Island, &c.

No 224 IN GENERAL ASSEMBLY

JANUARY SESSION, A. D. 192 5.

AN ACT

AUTHORIZING THE WESTERLY HOSPITAL TO TAKE, HOLD, TRANSMIT AND CONVEY REAL AND PERSONAL ESTATE TO AN AMOUNT NOT EXCEEDING TWO MILLION DOLLARS.

It is enacted by the General Assembly as follows:

SECTION 1. The Westerly hospital, a corporation created under article III of chapter 248 of the general laws, is hereby authorized and empowered to take, hold, transmit and convey real and personal estate to an amount not exceeding in all two million dollars, and shall not be assessed in the apportionment of any state, city or town tax, nor be liable for any assessment of any annual franchise tax as provided under section 31 of chapter 38 of the general laws.

SEC. 2. This act shall take effect upon its passage, and all acts and parts of acts inconsistent herewith are hereby repealed.

IN HOUSE OF REPRESENTATIVES.
MAR 17 1925
READ AND PASSED.
[illegible] Clerk.

IN SENATE APR 2 1925
READ AND PASSED IN CONCURRENCE
Ernest L. Sprague CLERK
Secretary of State

No. 34

A

P

H. 625

AN ACT

HORIZING THE WESTERLY HOSPITAL
TAKE, HOLD, TRANSMIT AND CONVEY
L AND PERSONAL ESTATE TO AN
UNT NOT EXCEEDING TWO MILLION
LARS.

ned by

IN REPRESENTATIVES
JAN 21 1925
REFERRED TO COMMITTEE ON
CORPORATIONS
McGauley Clerk

IN HOUSE OF REPRESENTATIVE
March 10th 1925
COMMITTEE ON CORPORATIONS RECOMMENDS PASSAGE OF THE WITHIN ACT.
FOR THE COMMITTEE

IN HOUSE OF REPRESENTATIVES
MAR 10 1925
Received and Ordered to be placed upon the CALENDAR.
McGauley Clerk

IN HOUSE OF REPRESENTATIVES.
MAR 17 1925
READ AND PASSED.
McGauley Clerk

IN SENATE MARCH 27 1925
REFERRED TO COMMITTEE ON CORPORATIONS
Clerk

IN SENATE March 31 1925
THE COMMITTEE ON CORPORATIONS RECOMMEND THE PASSAGE OF THE WITHIN BILL.
FOR THE COMMITTEE
Abraham P. Watson

IN SENATE MAR 31 1925
READ AND ORDERED TO BE PLACED ON CALENDAR

IN SENATE
APR 2 1925
Clerk

IN SENATE
APR 3 1925
Clerk

IN SENATE.
APR - 3 1925
TRANSMITTED TO THE GOVERNOR
Ernest L. Sprague
Secretary of State.

EXECUTIVE DEPARTMENT.
Received APR - 3 1925
APPROVED
APR - 8 1925
GOVERNOR.

RIDOH 0137

State of Rhode Island, &c.

IN GENERAL ASSEMBLY.

January Session, A. D. 19 25.

The Joint Committee on Engrossed Acts, to whom was referred to be engrossed, a bill entitled

H. 625. An Act Authorizing the Westerly Hospital to Take, Hold, Transmit and Convey Real and Personal Estate to an Amount not Exceeding Two Million Dollars.

REPORT

The accompanying bill as truly and rightly engrossed.

For the Committee,

J. Winfield Church,

State of Rhode Island and Providence Plantations

Office of the Secretary of State / State Archives Division

A. Ralph Mollis
Secretary of State

State Archives Division

Phone: 401-222-2353
Fax: 401-222-3159

reference@archive.state.ri.us

RI State Archives

Public Records Administration

State Records Center

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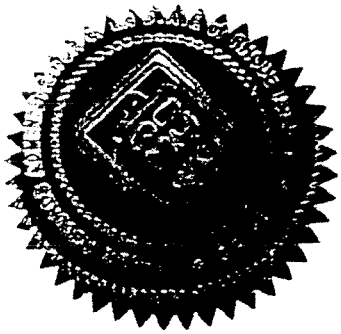
337 Westminster Street
Providence, RI 02903

Annexed is a true copy of an original document held in the custody of the Rhode Island State Archives

C#00203 – Private Acts, January, 1928, Vol. 95 # 29

1928 H – 533, Substitute "A"

AN ACT IN AMENDMENT OF AN ACT, ENTITLED "AN ACT AUTHORIZING THE WESTERLY HOSPITAL TO TAKE, HOLD, TRANSMIT AND CONVEY REAL AND PERSONAL ESTATE TO AN AMOUNT NOT EXCEEDING TWO MILLION DOLLARS," PASSED BY THE GENERAL ASSEMBLY AT ITS JANUARY SESSION, 1925, AND OF ALL ACTS IN AMENDMENT THEREOF AND IN ADDITION THERETO.



R. Gwenn Stearn
State Archivist &
Public Records Administrator

March 26, 2008

State of Rhode Island, &c.

1928.29

IN GENERAL ASSEMBLY

H 533

JANUARY SESSION, A. D. 19 28.

SUBSTITUTE "A"

AN ACT

IN AMENDMENT OF AN ACT, ENTITLED "AN ACT AUTHORIZING THE WESTERLY HOSPITAL TO TAKE, HOLD, TRANSMIT AND CONVEY REAL AND PERSONAL ESTATE TO AN AMOUNT NOT EXCEEDING TWO MILLION DOLLARS," PASSED BY THE GENERAL ASSEMBLY AT ITS JANUARY SESSION, 1925, AND OF ALL ACTS IN AMENDMENT THEREOF AND IN ADDITION THERETO.

It is enacted by the General Assembly as follows:

SECTION 1. Section 1 of an act, entitled "An act authorizing the Westerly Hospital to take, hold, transmit and convey real and personal estate to an amount not exceeding two million dollars," passed by the general assembly at its January session, 1925, is hereby amended to read as follows:

"Section 1. The Westerly Hospital, a corporation created under article III of chapter 248 of the general laws, is hereby authorized and empowered to take, hold, transmit and convey real and personal estate to an amount not exceeding in all three million dollars, and shall not be assessed in the apportionment of any state, city or town tax, nor be liable for any assessment of any annual franchise tax as provided under section 31 of chapter 38 of the general laws; provided, however, that all real estate held within the town of Westerly by said corporation, not used exclusively for hospital purposes, shall be assessed in the apportionment of the tax of said town."

SEC. 2. Said act is further amended by adding thereto the following section:

"Sec. 2. Said corporation may make and put into execution such rules, regulations and by-laws as may be deemed expedient for the government of the institution and for the well ordering, managing and conduction of its affairs. It may establish and maintain a training school for nurses in connection with its hospital and

shall be entitled to all the privileges and immunities set forth in section 95 of chapter 248 of the general laws."

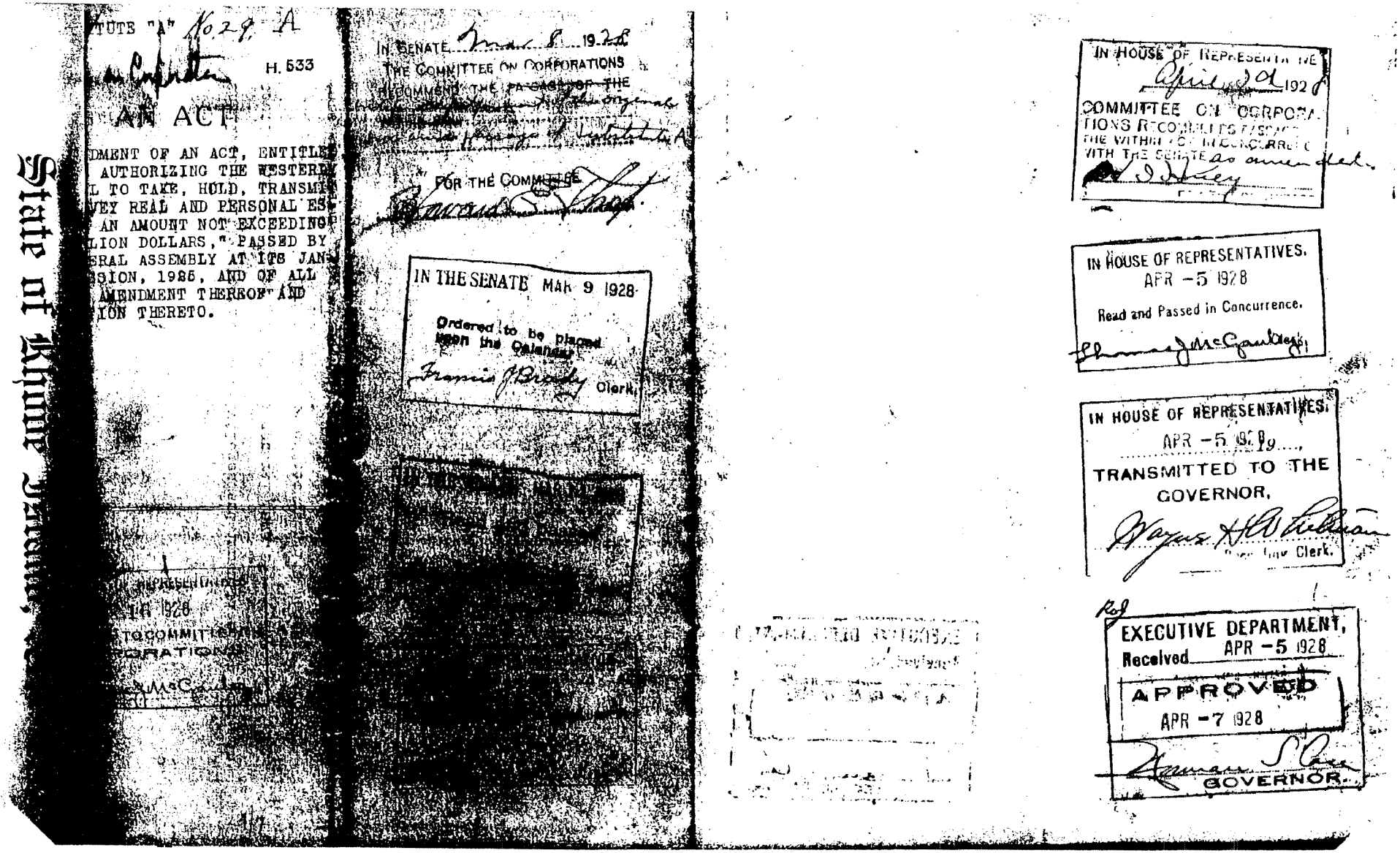
SEC. 3. This act shall take effect upon its passage, and all acts and parts of acts inconsistent herewith are hereby repealed.

IN THE SENATE MAR 14 1928

Read and passed

Ernest L. Sprague
Secty of State

IN HOUSE OF REPRESENTATIVES.
APR -5 1928
Read and Passed in Concurrence.



TUTE "A" 1029 A

Corporation

H. 533

AN ACT

DMENT OF AN ACT, ENTITLED
AUTHORIZING THE WESTERN
L TO TAKE, HOLD, TRANSMIT
VEY REAL AND PERSONAL ES-
AN AMOUNT NOT EXCEEDING
LION DOLLARS," PASSED BY
ERAL ASSEMBLY AT ITS JAN-
SION, 1925, AND OF ALL
AMENDMENT THEREOF AND
ION THERETO.

IN SENATE Mar 8 1928

THE COMMITTEE ON CORPORATIONS
RECOMMEND THE PASSAGE OF THE
original

FOR THE COMMITTEE

IN THE SENATE MAR 9 1928

Ordered to be placed upon the Calendar

Francis J. Brady Clerk.

IN HOUSE OF REPRESENTATIVES
April 2 1928

COMMITTEE ON CORPORATIONS RECOMMENDS PASSAGE OF THE WITHIN AS INCORPORATED WITH THE SENATE as amended

IN HOUSE OF REPRESENTATIVES.
APR -5 1928
Read and Passed in Concurrence.

IN HOUSE OF REPRESENTATIVES.
APR -5 1928
TRANSMITTED TO THE GOVERNOR.

Clerk.

EXECUTIVE DEPARTMENT,
Received APR -5 1928
APPROVED
APR -7 1928
GOVERNOR.

State of Rhode Island

RIDOH 0142

State of Rhode Island, &c.

IN GENERAL ASSEMBLY

JANUARY SESSION, A. D. 1928

AN ACT

IN AMENDMENT OF AN ACT, ENTITLED "AN ACT AUTHORIZING [illegible] HOSPITAL TO TAKE, HOLD, TRANSMIT AND CONVEY REAL AND [illegible] ESTATE TO AN AMOUNT NOT EXCEEDING TWO MILLION DOLLARS", PASSED BY THE GENERAL ASSEMBLY AT ITS JANUARY SESSION 1925, AND OF AN ACT IN AMENDMENT THEREOF AND IN ADDITION THERETO.

It is enacted by the General Assembly as follows:

Section 1. Section 1 of an act entitled "An Act Authorizing the Westerly Hospital to Take, Hold, Transmit and Convey Real and Personal Estate to an Amount Not Exceeding Two Million Dollars", passed by the General Assembly at its January Session, 1925, is hereby amended to read as follows:

"Section 1. The Westerly hospital, a corporation created under article III of chapter 248 of the general laws, is hereby authorized and empowered to take, hold, transmit and convey real and personal estate to an amount not exceeding in all three million dollars, and shall not be assessed in the apportionment of any state, city or town tax, nor be liable for any assessment of any annual franchise tax as provided under section 31 of chapter 38 of the general laws."

Section 2. Said act is further amended by adding the following section:

"Sec. 2. Said corporation may make and put into execution such rules, regulations and by-laws as may be deemed expedient for the government of the institution and for the well ordering, managing and conducting of its affairs. It may establish and maintain a training school for nurses in connection with its hospital and shall be entitled to all the privileges and immunities set forth in Sec. 95 of Chapter 248 of the General Laws of 1923."

Section 3. This act shall take effect upon its passage, and all acts and parts of acts inconsistent herewith are hereby repealed.

IN HOUSE OF REPRESENTATIVES.
FEB - 2 1928
READ AND PASSED.
[illegible] McCoy Clerk.

RIDOH 0143

H. 639

AN ACT

DMENT OF AN ACT, EN-
"AN ACT AUTHORIZING
TERLY HOSPITAL TO TAKE,
RANSMIT AND CONVEY REAL
SONAL ESTATE TO AN
NOT EXCEEDING TWO MIL-
LLARS", PASSED BY THE
ASSEMBLY AT ITS JANUARY
1925, AND OF ALL ACTS
DMENT THEREOF AND IN
N THERETO.

by

[illegible] REPRESENTATIVES
JAN -6 1928
REFERRED TO COMMITTEE ON
CORPORATIONS
[illegible] McGauley Clerk

IN HOUSE OF REPRESENTATIVE
Feb 1st 1928
COMMITTEE ON CORPORATIONS RECOMMENDS PASSAGE OF THE WITHIN ACT)
FOR THE COMMITTEE
H. J. Hurley

IN HOUSE OF REPRESENTATIVES
FEB -1 1928
Received and Ordered to be printed upon the CALENDAR.
[illegible] McGauley Clerk.

IN HOUSE OF REPRESENTATIVES.
FEB -2 1928
READ AND PASSED.
[illegible] McGauley Clerk.

IN THE SENATE FEB 3 1928
Read and referred to the Committee on Corporations
Francis J. Brady Clerk.

IN SENATE March 8 1928
THE COMMITTEE ON CORPORATIONS RECOMMEND THE ~~PASSAGE OF THE~~ indefinite postponement of the WITHIN BILL and passage of substitute A
FOR THE COMMITTEE

IN THE SENATE MAR 14 1928
Read and indefinitely postponed
Francis J. Brady Clerk.

IN HOUSE OF REPRESENTATIVES
APR -5 1928
Ordered to be Indefinately Postponed.
[illegible] McGauley Clerk.

RIDOH 0144

HOSPITAL ASSOCIATION

Officers

CHARLES PERRY, *President*

JOHN O. MILLS, *Treasurer*

EDGAR P. MAXSON, *Secretary*

THE WESTERLY HOSPITAL

WESTERLY, R. I.

TRUSTEES

THOMAS F. LENTHAN
EDWARD E. BRADLEY
ARTHUR M. COTTRELL
THOMAS MCKENZIE
CHARLES A. MORGAN
CHARLES PERRY
A. R. STILLMAN
JOHN O. MILLS
EDGAR P. MAXSON

January 17, 1928.

Representative C. W. Campbell,
Westerly, R. I.

Dear Mr. Campbell:

At a meeting of The Westerly Hospital Corporation held December 9, 1927, the following vote was passed:

"Voted: That the Secretary be authorized to follow the suggestions of Tillinghast and Collins, Providence attorneys, and have the charter of the Hospital granted by the General Assembly."

Their recommendation was a bill which they prepared and which I gave to you, and which you have presented to the General Assembly.

Sincerely yours,

GBU:ER

Sec'y., Pro tem,

THE WESTERLY HOSPITAL.

RIDOH 0145

Filing Fee: $35.00

ID Number: _____

RECEIVED

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
Office of the Secretary of State
Corporations Division
148 W. River Street
Providence, Rhode Island 02904-2615

NON-PROFIT CORPORATION

ARTICLES OF INCORPORATION

The undersigned, acting as incorporator(s) of a corporation under Chapter 7-6 of the General Laws of Rhode Island, 1956, as amended, adopt(s) the following Articles of Incorporation for such corporation:

1. The name of the corporation is **CHOW NewCo, Inc.**

2. The period of its duration is (if perpetual, so state) **Perpetual**

3. The specific purpose or purposes for which the corporation is organized are:
See attached

4. Provisions, if any, not inconsistent with the law, which the incorporators elect to set forth in these articles of incorporation for the regulation of the internal affairs of the corporation are:
See attached

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BY AMF 11:26

Form No. 200
Revised: 12/01

6/1950

5. The address of the initial registered office of the corporation is 25 Wells St
(Street Address, *not* P.O. Box)

Westerly (City/Town), RI 02891 (Zip Code), and the name of its initial registered agent at such address is Charles S. Kinney
(Name of Agent)

6. The number of directors constituting the initial Board of Directors of the Corporation is six
(not less than three directors)

and the names and addresses of the persons who are to serve as the initial directors are:

Name	*Address*
Christopher Lehrach M.D.	34 Sea View Drive, Charlestown, RI 02813
Steven R. Yolen, M.D.	45 Wells St, Suite 103, Westerly RI 02891
Jeanne LaChance	25 Canyon Drive, Westerly, RI 02891
David R. Bailey	89 Hunter's Harbor Rd, Charlestown, RI 02813
Martha McQ Hosp	29 Lincoln Rd, Charlestwon, RI 02813
Charles S. Kinney	11 Links Passage, Westerly, RI 02891

7. The name and address of each incorporator is:

Name	*Address*
same as initial Board	

8. Date when corporate existence is to begin upon the filing of these Articles of Incorporation
(not prior to, nor more than 30 days after, the filing of these Articles of Incorporation)

Under penalty of perjury, I/we declare and affirm that I/we have examined these Articles of Incorporation, including any accompanying attachments, and that all statements contained herein are true and correct.

Date: June 20, 2008

Signature of each Incorporator

Question 3

The specific purpose or purposes for which the corporation is organized are:

To support the advancement of the knowledge and practice of, and education and research in, medicine, surgery, and all other subjects relating to the care, treatment and healing of humans, to improve the health and welfare of all persons, and to develop, sponsor and promote services and programs which are charitable, scientific, or educational and which address the physical and mental needs of the community at large;

To assist, foster, encourage, and promote the mission of The Westerly Hospital and Community Health of Westerly through the further development of the medical staff of The Westerly Hospital, including the recruitment of qualified physicians who meet the standard for The Westerly Hospital's medical staff;

To engage generally in any business which may lawfully be carried on by a corporation formed under Chapter 7-6 of the General Laws of Rhode Island, 1956, as amended, and which is not inconsistent with the Corporation's qualification as an organization described in Section 501(c) of the Internal Revenue Code of 1986, as amended;

To receive in trust or otherwise and from whatever source, and to administer gifts, legacies, and devises, grants, and grants-in-aid, whether unrestricted or for specific purposes; to cooperate with, contribute to, and support other organizations in promoting the purposes of this Corporation; and to do all things incidental to the foregoing; and

To accomplish its purposes through the exercise of all or any of the powers specified for it in these Articles.

Question 4

Provisions, if any, not inconsistent with the law, which the incorporators elect to set forth in these Articles of Incorporation for the regulation of the internal affairs of the corporation are:

(a) The Corporation may sue and be sued.

(b) The Corporation may have a corporate seal which it may alter at pleasure.

(c) The Corporation may elect or appoint directors, officers, employees and other agents, fix their compensation and define their duties and obligations.

(d) The Corporation may purchase, receive, or take by grant, gift, devise, bequest or otherwise, lease, or otherwise acquire, own, hold, improve, employ, use, and otherwise deal in and with, real or personal property, or any interest therein, wherever situated, in an unlimited amount.

(e) The Corporation may solicit and receive contributions from any and all sources and may receive and hold, in trust or otherwise, funds received by gift or bequest.

(f) The Corporation may sell, convey, lease, exchange, transfer, or otherwise dispose of, or mortgage, pledge, encumber, or create a security interest in, all or any of its property, or any interest therein, wherever situated.

(g) The Corporation may purchase, take, receive, subscribe for, or otherwise acquire, own, hold, vote, employ, sell, lend, lease, exchange, transfer, or otherwise dispose of, mortgage, pledge, use and otherwise deal in and with, bonds and other obligations, shares, or other securities, or interests issued by others, whether engaged in similar or different business, governmental, or other activities.

(h) The Corporation may make contracts, give guarantees and incur liabilities, borrow money at such rates of interest as the Corporation may determine, issue its notes, bonds and other obligations, and secure any of its obligations by mortgage, pledge, or encumbrance of, or security interest in, all or any of its property or any interest therein, wherever situated.

(i) The Corporation may lend money, invest, and reinvest its funds, and take and hold real and personal property as security for the payment of funds so loaned or invested.

(j) The Corporation may do business, carry on its operations, and have offices and exercise the powers granted by Chapter 7-6 of the General Laws of Rhode Island, 1956, as amended, in any jurisdiction within or without the United States, although the Corporation shall not be operated for the primary purpose of carrying on for profit a trade or business unrelated to its tax exempt purposes.

(k) The Corporation may pay pensions, establish and carry out pension, savings, thrift, and other retirement and benefit plans, trusts, and provisions for any or all of its directors, officers, and employees.

(l) The Corporation may expend its funds in such amounts and for such reasons as the incorporators, members, or directors shall determine, irrespective of corporate benefit, for the public welfare or for community fund, hospital, charitable, religious, educational, scientific, civic or similar purposes, and in time of war or other national emergency in aid thereof; provided that, as long as the Corporation is entitled to exemption from federal income tax under Section 501(c) of the Internal Revenue Code, it shall make no contribution for other than religious, charitable, scientific, testing for public safety, literary, or educational purposes or for the prevention of cruelty to children or animals.

(m) The Corporation may be an incorporator of other corporations of any type or kind.

(n) The Corporation may be a partner in any business enterprise which it would have power to conduct by itself.

(o) Meetings may be held anywhere in the United States.

(p) To the extent legally permissible and only to the extent that the status of the Corporation as an organization exempt under Section 501(c) of the Internal Revenue Code is not affected thereby:

(1) The Corporation shall indemnify each of its directors and officers (including persons who serve at its request as directors, officers, or directors of another organization in which it has an interest) against all liabilities and expenses, including amounts paid in satisfaction of judgments, in compromise or as fines and penalties, and counsel fees, reasonably incurred by him or her in connection with the defense or disposition of any action, suit, or other proceeding, whether civil or criminal, in which he or she may be involved or with which he or she may be threatened, while in office or thereafter, by reason of his or her being or having been such a director or officer, except with respect to any matter as to which he shall have been adjudicated in any proceeding not to have acted in good faith in the reasonable belief that his or her action was in the best interests of the Corporation; provided, however, that as to any matter disposed of by a compromise payment by such director or officer, pursuant to an consent decree or otherwise, no indemnification either for said payment or for any other expenses shall be provided unless such compromise shall be approved as in the best interests of the Corporation, after notice that it involves such indemnification: (A) by a disinterested majority of the directors then in office; or (B) by a majority of the disinterested directors then in office, provided there has been obtained an opinion in writing of independent legal counsel to the effect that such director or officer appears to have acted in good faith in the reasonable belief that his or her action was in the best interests of the Corporation; or (C) by the members. Expenses, including counsel fees, reasonably incurred by any such director or officer in connection with the defense or disposition of any such action, suit, or other proceeding may be paid from time to time by the Corporation in advance of the final disposition thereof upon receipt of an undertaking by such director or officer to repay the amounts so paid to the Corporation if it is ultimately determined that indemnification is not authorized hereunder. The right of indemnification hereby provided shall not be exclusive of or affect any other rights to which any director or officer may be entitled. Nothing contained herein shall affect any rights to indemnification to which corporate personnel other than directors or officers may be entitled by contract or otherwise under law.

(2) No director or officer of the Corporation shall be personally liable to the Corporation or its members or incorporators for monetary damages for breach of fiduciary duty as a director or officer; provided, however, that this paragraph shall not eliminate or limit the liability of a director or officer of the Corporation (A) for any breach of the director's or officer's duty of loyalty to the Corporation or its members or incorporators, (B) for acts or omissions not in good faith or which involve intentional

misconduct or a knowing violation of law, or (C) for any transaction from which the director or officer derived an improper personal benefit. No amendment, modification, or repeal of this paragraph, directly or by adoption of an inconsistent provision of these Articles of Incorporation, by the incorporators or members of the Corporation, shall apply to or have any effect on the liability or alleged liability of any director or officer of the Corporation for or with respect to any acts or omissions of such director or officer occurring prior to such amendment, modification, or repeal.

As used in this paragraph (p), the terms "directors" and "officers" include their respective heirs, executors, and administrators, and an "interested" director, member, or incorporator is one against whom in such capacity the proceeding in question or another proceeding on the same or similar grounds is then pending.

(q) No person shall be disqualified from holding any office by reason of any interest. In the absence of fraud, any director or officer of the Corporation individually, or any individual having any interest in any concern in which any such directors, officers, or individuals have any interest, may be a party to, or may be pecuniarily or otherwise interested in, any contract, transaction, or other act of the Corporation, and

(1) Such contract, transaction, or act shall not be in any way invalidated or otherwise affected by that fact;

(2) No such director, officer, or individual shall be liable to account to the Corporation for any profit or benefit realized through any such contract, transaction, or act; and

(3) Any such director of the Corporation may be counted in determining the existence of a quorum at any meeting of the directors or of any committee thereof which shall authorize any such contract, transaction, or act, and may vote to authorize the same;

For purposes of this paragraph (q), the term "interest" includes any personal interest and interest as a director, officer, stockholder, shareholder, member, or beneficiary of any concern; and the term "concern" means any corporation, association, trust, partnership, firm, person, or other entity other than the Corporation.

(r) No part of the assets of the Corporation and no part of any net earnings of the Corporation shall be divided among or inure to the benefit of any director or officer of the Corporation or any private individual or be apportioned for any purposes other than the purposes of the Corporation as herein set forth, except that the Corporation 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 these Articles of Incorporation and the Corporation's Bylaws.

(s) No substantial part of the activities of the Corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation except to the extent

that the Corporation makes expenditures for purposes of influencing legislation in conformity with the requirements of Section 501(h) of the Internal Revenue Code.

(t) The Corporation shall not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of any candidate for public office.

(u) It is intended that the Corporation shall be entitled to exemption from federal income tax under Section 501(c) of the Internal Revenue Code and shall not be a private foundation under Section 509(a) of the Internal Revenue Code by reason of its being a supporting organization described in Section 509(a)(3) of the Internal Revenue Code.

(v) Upon dissolution, the Corporation shall, after paying or making provision for the payment of all liabilities of the Corporation, dispose of all its net assets, if any, exclusively for the charitable purposes of the Corporation as set forth in these Articles, in such manner as the Corporation shall determine, or the Corporation shall distribute such net assets exclusively to such charitable or other organizations as shall at that time qualify as an exempt organization under section 501(c)(3) and be described in Section 170(c)(2) of the Internal Revenue Code in such manner as the Corporation shall determine.

(w) In the event that the Corporation is a private foundation as that term is defined in Section 509 of the Internal Revenue Code, then notwithstanding any other provisions of these Articles or of the Bylaws of the Corporation, the following provisions shall apply:

(1) The directors shall distribute the income for each taxable year at such time and in such manner as not to become subject to the tax on undistributed income imposed by Section 4942 of the Internal Revenue Code.

(2) The directors shall not engage in any act of self dealing as defined in Section 4941(d) of the Internal Revenue Code; nor retain any excess business holdings as defined in Section 4943(c) of the Internal Revenue Code; nor make any investments in such manner as to incur tax liability under Section 4944 of the Internal Revenue Code; nor make any taxable expenditures as defined in Section 4945(d) of the Internal Revenue Code.

(x) The Corporation shall have and may exercise all powers necessary or convenient to effect any or all of the purposes for which the Corporation is formed; provided, however, that no such power shall be exercised in a manner inconsistent with Chapter 7-6 of the General Laws of Rhode Island, 1956, as amended, or any other chapter of the General Laws of Rhode Island, 1956, as amended; and provided, further, that the Corporation shall not engage in any activity or exercise any power which would deprive it of any exemption from federal income tax which the Corporation may receive under Section 501(c) of the Internal Revenue Code.

(y) All references in these Articles of Incorporation: (1) to the Internal Revenue Code shall be deemed to refer to the Internal Revenue Code of 1986, as now in force or hereafter amended (2) to the General Laws of Rhode Island, 1956, as amended, or any chapter thereof, shall be deemed to refer to said General Laws or chapter as now in force or hereafter amended; and (3) to particular sections of the Internal Revenue Code or the General Laws of Rhode Island shall be deemed to refer to similar or successor provisions hereafter adopted.

CERTIFICATE OF INCORPORATION

LAWRENCE & MEMORIAL CORPORATION

CERTIFICATE OF AMENDMENT
NONSTOCK CORPORATION

Office of the Secretary of the State
30 Trinity Street / P.O. Box 150470 / Hartford, CT 06115-0470 / Rev. 12/1999

$ FILING 00002717773 PG 01 OF 06 VOL B-00649
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SECRETARY OF THE STATE
CONNECTICUT SECRETARY OF THE STATE

1. NAME OF CORPORATION:

Lawrence and Memorial Corporation

2. THE CERTIFICATE OF INCORPORATION IS (check A, B or C)

____ A. AMENDED

____ B. RESTATED

__X__ C. AMENDED AND RESTATED

The restated certificate consolidates all amendments into a single document.

3. TEXT OF EACH AMENDMENT / RESTATEMENT

See Attachment A

(Please reference an 8 ½ X 11 attachment if additional space is needed)

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SECRETARY OF THE STATE
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Attachment A

Amended and Restated

Certificate of Incorporation

Lawrence & Memorial Corporation

Sec. 1. The name of the corporation is Lawrence & Memorial Corporation (the "Corporation").

Sec. 2. The nature of the activities to be conducted, or the purposes to be promoted or carried out by the Corporation shall be exclusively charitable, scientific and educational within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as the same may be amended from time to time, and the corresponding provisions of any future United States Internal Revenue Law (the "Code") and shall include the following:

(a) To benefit, perform the functions of, carry out the purposes of, and uphold, promote and further the welfare, programs and activities of Lawrence & Memorial Hospital, Inc. (the "Hospital") and the Hospital's subsidiaries:

(i) By initiating, developing, recommending and carrying out for the Hospital goals and priorities for new or expanded programs for the benefit of the Hospital;

(ii) By continuously reevaluating, maintaining and revising a master plan for the programs and facilities of the Hospital;

(iii) By considering and recommending the acquisition of properties or the construction of facilities by or for the use of the Hospital;

(iv) By planning for the acquisition and placement of new facilities and equipment by or for the use of the Hospital; and

(v) By performing public relations work on behalf of the Hospital, and soliciting and receiving subscriptions and gifts for the exclusively charitable purposes of the Hospital.

(b) To initiate, develop, operate and maintain, for the Hospital and for other hospitals and health care facilities, programs directed toward improving the efficiency of utilization of health care facilities and services in the State of Connecticut, and in New London County and surrounding areas in particular, and reducing the cost of health care to the public while maintaining a high quality of such care;

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SECRETARY OF THE STATE
CONNECTICUT SECRETARY OF THE STATE

4. VOTE INFORMATION (check A, B or C.)

_X_ A. The Amendment was duly approved by the members in the manner required by sections 33-1140 to 33-1147 of the Connecticut General Statutes, and by the Certificate of Incorporation.

_____ B. The Amendment was duly approved by the incorporators and member approval was not required.

_____ C. The Amendment was duly approved by the board of directors and member approval was not required.

5. EXECUTION:

Dated this 13th day of April, 2004.

William T. Christopher	President and CEO	
Print or type name of signatory	Capacity of signatory	Signature

(c) To initiate, develop, operate and maintain educational programs for health professionals and for the public, including programs of nursing education, continuing medical education, residency training and community health education;

(d) To initiate, develop and maintain, in cooperation with the Hospital and with other hospitals and health care facilities, and operate directly or through one or more separate corporations, programs for the delivery of health care services to persons other than hospital patients;

(e) To acquire, improve, hold and lease to the Hospital and to other hospitals and health care facilities any real or personal property useful to the accomplishment of the purposes of this Corporation, the Hospital or such other hospitals or health care facilities;

(f) To receive and accept public and private gifts, trusts, donations, grants, loans and other sources of funding to promote the purposes of the Corporation; and generally to do and perform such other acts and to exercise such other powers as may be authorized or permitted under the laws of the State of Connecticut to promote and attain the purposes set forth herein; and

(g) To engage in any lawful act or activity for which a corporation may be organized under the Connecticut Revised Nonstock Corporation Act, as the same may be amended from time to time, and the corresponding provisions of any future Connecticut nonstock corporation law.

Sec. 3. The Corporation is nonprofit and shall not have or issue shares of stock or pay dividends.

Sec. 4. The classes, rights, privileges, qualifications, obligations, and the manner of election or appointment of members are as follows: There shall be only one class of members, consisting of those individuals who shall from time to time be elected or appointed to membership in accordance with the Bylaws. The members shall have the right to vote for the election of members and to vote for the election of the Board of Directors in accordance with the Bylaws, but shall not be entitled to vote on any other matter. The Bylaws may provide that certain persons occupying certain positions within or without the Corporation shall be ex-officio members, who may be counted in determining a quorum and may have the right to vote for the election of members and the directors as may be further provided in the Bylaws.

Sec. 5. The business, property and affairs of the Corporation shall be directed and managed by a Board of Directors in accordance with the Bylaws. As may be further provided in the Bylaws, the terms of directors elected by the members shall be staggered by dividing the total number of these directors into up to five (5) groups, so that approximately an equal number of the total have terms that expire each succeeding year. The Bylaws may provide that certain persons occupying certain positions within or without the Corporation shall be ex-officio directors, who may be counted in determining a quorum and may have the right to vote as may be provided in the Bylaws.

Sec. 6. No part of the net earnings of the Corporation shall inure to the benefit of or be distributable to the Corporation's directors, officers or other private persons, except that the Corporation, subject to the provisions of the Bylaws, shall be authorized and empowered to pay reasonable compensation for services rendered. No substantial part of the activities of the Corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the Corporation shall not participate in, or intervene in (including the publishing or distribution of statements), any political campaign on behalf of any candidate for public office. Notwithstanding any other provision of this Certificate of Incorporation, the Corporation shall not carry on any other activities not permitted to be carried on (a) by a corporation exempt from federal income tax under Section 501(c)(3) of the Code, or (b) by a corporation, contributions to which are deductible under Section 170(c)(2) of the Code.

Sec. 7. Upon any dissolution or termination of the existence of the Corporation, all of its property and assets shall, after payment of the lawful debts of the Corporation and the expenses of its dissolution or termination, be delivered, conveyed and paid over (subject to any restrictions imposed by any applicable will, deed, grant, conveyance, agreement, memorandum, writing or other governing document) to one or more charitable, scientific or educational organizations located in the State of Connecticut and qualified as exempt organizations under Section 501(c)(3) of the Code, in such proportions and for such exclusively charitable, scientific or educational purposes as the Board of Directors may determine.

Sec. 8. In addition to, and not in derogation of, any other rights conferred by law, a director of the Corporation shall not be personally liable for monetary damages for breach of duty as a director of the Corporation in an amount greater than the compensation received by the director for serving the Corporation during the year of the violation if the breach did not (1) involve any knowing and culpable violation of law by the director, (2) enable the director, or an associate of such director as defined by Section 33-840 of the Connecticut General Statutes, to receive an improper personal gain, (3) show a lack of good faith and conscious disregard for the duty of the director to the Corporation under circumstances in which the director was aware that his or her conduct or omission created an unjustifiable risk of serious injury to the Corporation, or (4) constitute a sustained and unexcused pattern of inattention that amounted to an abdication of the director's duty to the Corporation.

Sec. 9. Indemnification

(a) The Corporation shall provide indemnification to any person made a party to a civil, criminal, administrative or investigative proceeding because he or she is or was a director or officer of the Corporation against liability and reasonable expenses incurred in the proceeding; provided however, that the Corporation may not indemnify a director or officer of the Corporation unless a determination has been made, on a case-by-case basis, that such indemnification is permissible under the circumstances, because the director or officer, as the case may be, has met the applicable standard of conduct set forth in Section 33-1117(a) of the Connecticut General Statutes, as such subsection may be amended from time to time. Such determination shall not be made by the court or other tribunal conducting the proceeding, or by

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SECRETARY OF THE STATE
CONNECTICUT SECRETARY OF THE STATE

any other court of competent jurisdiction, but shall instead be made in accordance with Section 33-1121 of the Connecticut General Statutes, as such section may be amended from time to time.

(b) The Corporation may not indemnify a director or officer of the Corporation in connection with a proceeding by or in the right of the Corporation, in which the director or officer, as the case may be, was adjudged liable to the Corporation, or in connection with any other proceeding charging improper benefit to him or her, whether or not involving official capacity, in which he or she was adjudged liable on the basis that personal benefit was received.

(c) Employees or agents of the Corporation who are not directors or officers of the Corporation may be indemnified against liability and reasonable expenses in the same manner as set forth in subsections (a) and (b) above, except that the determination required by subsection (a) may in addition be made by the general counsel of the Corporation, or such additional officer or officers as the Board of Directors may specify. In the case of employees or agents of the Corporation who are not directors or officers, however, the extent of indemnification may be less than the indemnification of directors and officers, even if the standard in subsection (a) is met, depending upon the extent to which the directors, committee, legal counsel, or officers making the determination conclude that the person is fairly and reasonably entitled to indemnification in view of all the relevant circumstances.

Amended and Restated

Certificate of Incorporation

Lawrence and Memorial Corporation

Sec. 1. The name of the corporation is Lawrence and Memorial Corporation (the "Corporation").

Sec. 2. The nature of the activities to be conducted, or the purposes to be promoted or carried out by the Corporation shall be exclusively charitable, scientific and educational within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as the same may be amended from time to time, and the corresponding provisions of any future United States Internal Revenue Law (the "Code") and shall include the following:

(a) To benefit, perform the functions of, carry out the purposes of, and uphold, promote and further the welfare, programs and activities of Lawrence and Memorial Hospital, Inc. (the "Hospital") and the Hospital's subsidiaries:

(i) By initiating, developing, recommending and carrying out for the Hospital goals and priorities for new or expanded programs for the benefit of the Hospital;

(ii) By continuously reevaluating, maintaining and revising a master plan for the programs and facilities of the Hospital;

(iii) By considering and recommending the acquisition of properties or the construction of facilities by or for the use of the Hospital;

(iv) By planning for the acquisition and placement of new facilities and equipment by or for the use of the Hospital; and

(v) By performing public relations work on behalf of the Hospital, and soliciting and receiving subscriptions and gifts for the exclusively charitable purposes of the Hospital.

(b) To initiate, develop, operate and maintain, for the Hospital and for other hospitals and health care facilities, programs directed toward improving the efficiency of utilization of health care facilities and services in the State of Connecticut, and in New London County and surrounding areas in particular, and reducing the cost of health care to the public while maintaining a high quality of such care;

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(c) To initiate, develop, operate and maintain educational programs for health professionals and for the public, including programs of nursing education, continuing medical education, residency training and community health education;

(d) To initiate, develop and maintain, in cooperation with the Hospital and with other hospitals and health care facilities, and operate directly or through one or more separate corporations, programs for the delivery of health care services to persons other than hospital patients;

(e) To acquire, improve, hold and lease to the Hospital and to other hospitals and health care facilities any real or personal property useful to the accomplishment of the purposes of this Corporation, the Hospital or such other hospitals or health care facilities;

(f) To receive and accept public and private gifts, trusts, donations, grants, loans and other sources of funding to promote the purposes of the Corporation; and generally to do and perform such other acts and to exercise such other powers as may be authorized or permitted under the laws of the State of Connecticut to promote and attain the purposes set forth herein; and

(g) To engage in any lawful act or activity for which a corporation may be organized under the Connecticut Revised Nonstock Corporation Act, as the same may be amended from time to time, and the corresponding provisions of any future Connecticut nonstock corporation law.

Sec. 3. The Corporation is nonprofit and shall not have or issue shares of stock or pay dividends.

Sec. 4. The classes, rights, privileges, qualifications, obligations, and the manner of election or appointment of members are as follows: There shall be only one class of members, consisting of those individuals who shall from time to time be elected or appointed to membership in accordance with the Bylaws. The members shall have the right to vote for the election of members and to vote for the election of the Board of Directors in accordance with the Bylaws, but shall not be entitled to vote on any other matter. The Bylaws may provide that certain persons occupying certain positions within or without the Corporation shall be ex-officio members, who may be counted in determining a quorum and may have the right to vote for the election of members and the directors as may be further provided in the Bylaws.

Sec. 5. The business, property and affairs of the Corporation shall be directed and managed by a Board of Directors in accordance with the Bylaws. As may be further provided in the Bylaws, the terms of directors elected by the members shall be staggered by dividing the total number of these directors into up to five (5) groups, so that approximately an equal number of the total have terms that expire each succeeding year. The Bylaws may provide that certain persons occupying certain positions within or without the Corporation shall be ex-officio directors, who may be counted in determining a quorum and may have the right to vote as may be provided in the Bylaws.

Sec. 6. No part of the net earnings of the Corporation shall inure to the benefit of or be distributable to the Corporation's directors, officers or other private persons, except that the Corporation, subject to the provisions of the Bylaws, shall be authorized and empowered to pay reasonable compensation for services rendered. No substantial part of the activities of the Corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the Corporation shall not participate in, or intervene in (including the publishing or distribution of statements), any political campaign on behalf of any candidate for public office. Notwithstanding any other provision of this Certificate of Incorporation, the Corporation shall not carry on any other activities not permitted to be carried on (a) by a corporation exempt from federal income tax under Section 501(c)(3) of the Code, or (b) by a corporation, contributions to which are deductible under Section 170(c)(2) of the Code.

Sec. 7. Upon any dissolution or termination of the existence of the Corporation, all of its property and assets shall, after payment of the lawful debts of the Corporation and the expenses of its dissolution or termination, be delivered, conveyed and paid over (subject to any restrictions imposed by any applicable will, deed, grant, conveyance, agreement, , memorandum, writing or other governing document) to one or more charitable, scientific or educational organizations located in the State of Connecticut and qualified as exempt organizations under Section 501(c)(3) of the Code, in such proportions and for such exclusively charitable, scientific or educational purposes as the Board of Directors may determine.

Sec. 8. In addition to, and not in derogation of, any other rights conferred by law, a director of the Corporation shall not be personally liable for monetary damages for breach of duty as a director of the Corporation in an amount greater than the compensation received by the director for serving the Corporation during the year of the violation if the breach did not (1) involve any knowing and culpable violation of law by the director, (2) enable the director, or an associate of such director as defined by Section 33-840 of the Connecticut General Statutes, to receive an improper personal gain, (3) show a lack of good faith and conscious disregard for the duty of the director to the Corporation under circumstances in which the director was aware that his or her conduct or omission created an unjustifiable risk of serious injury to the Corporation, or (4) constitute a sustained and unexcused pattern of inattention that amounted to an abdication of the director's duty to the Corporation.

Sec. 9. Indemnification

(a) The Corporation shall provide indemnification to any person made a party to a civil, criminal, administrative or investigative proceeding because he or she is or was a director or officer of the Corporation against liability and reasonable expenses incurred in the proceeding; provided however, that the Corporation may not indemnify a director or officer of the Corporation unless a determination has been made, on a case-by-case basis, that such indemnification is permissible under the circumstances, because the director or officer, as the case may be, has met the applicable standard of conduct set forth in Section 33-1117(a) of the Connecticut General Statutes, as such subsection may be amended from time to time. Such determination shall not be made by the court or other tribunal conducting

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the proceeding, or by any other court of competent jurisdiction, but shall instead be made in accordance with Section 33-1121 of the Connecticut General Statutes, as such section may be amended from time to time.

(b) The Corporation may not indemnify a director or officer of the Corporation in connection with a proceeding by or in the right of the Corporation, in which the director or officer, as the case may be, was adjudged liable to the Corporation, or in connection with any other proceeding charging improper benefit to him or her, whether or not involving official capacity, in which he or she was adjudged liable on the basis that personal benefit was received.

(c) Employees or agents of the Corporation who are not directors or officers of the Corporation may be indemnified against liability and reasonable expenses in the same manner as set forth in subsections (a) and (b) above, except that the determination required by subsection (a) may in addition be made by the general counsel of the Corporation, or such additional officer or officers as the Board of Directors may specify. In the case of employees or agents of the Corporation who are not directors or officers, however, the extent of indemnification may be less than the indemnification of directors and officers, even if the standard in subsection (a) is met, depending upon the extent to which the directors, committee, legal counsel, or officers making the determination conclude that the person is fairly and reasonably entitled to indemnification in view of all the relevant circumstances.

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BYLAWS

OF

LAWRENCE & MEMORIAL CORPORATION

ARTICLE I

Members

Section 1.01. Classes of Members. Lawrence & Memorial Corporation (the "Corporation") shall have only one class of Members, consisting of not more than one hundred-seventy-five (175) individuals elected to membership in accordance with these Bylaws (the "Elected Members"), and, in addition, the following ex-officio Members: the President of the Corporation; the President of the Medical Staff of Lawrence & Memorial Hospital (the "Hospital"); the Vice President of the Medical Staff of the Hospital; a representative-at-large of the Medical Staff of the Hospital who ordinarily shall be the immediate past President or a former President of the Medical Staff; the Mayor of the City of New London; the Mayors of each of the Towns of Groton and Ledyard; the First Selectman of each of the Towns of East Lyme, Lyme, Montville, North Stonington, Old Lyme, Salem, Stonington and Waterford; the Superintendent of the United States Coast Guard Academy in New London; and the Commanding Officer of the Naval Hospital in Groton (the "Ex-Officio Members"). Elected Members shall be individuals who reside or work in or around the area served by the Hospital, who have an interest in furthering the purposes of the Corporation and its affiliates and who are willing and continue to meet the requirements of Members, which includes but is not limited to

attendance at meetings. An Elected Member shall be less than seventy-five years of age at the time of his or her election.

Section 1.02. Election. Elected Members shall be elected at any annual or special meeting of the Members from a slate of nominations prepared by the Governance Committee.

Section 1.03. Term; Tenure. The term of each Elected Member shall be until resignation, removal, death, or the fifth annual meeting following such Member's election, whichever first occurs.

Section 1.04. Termination of Membership.

a. Removal. Elected Members may be removed from membership by the affirmative vote of two-thirds (2/3) of the Members present and voting at a meeting of the Members called for the purpose of removing the Elected Member. The notice shall state that the purpose or one of the purposes of the meeting is removal of the Elected Member. Failure to attend three (3) consecutive annual meetings, or permanent removal from the service area of the Hospital shall constitute grounds for removal.

b. Resignation. Elected Members may resign from membership at any time by delivering written notice to the Secretary of the Corporation. The resignation shall be effective when the notice is delivered unless the notice specifies a later effective date.

c. Ex-Officio Members. An Ex-Officio Member's membership shall terminate immediately when the Member ceases to hold the qualifying position or office.

d. Effect of Termination. All rights and privileges of the Member in the Corporation and its property cease immediately upon termination of membership.

Section 1.05 Voting Rights. All Members shall be entitled to vote for the election of Members and the Board of Directors in accordance with these Bylaws, but shall not be entitled to vote on any other matter.

Section 1.06. Annual Meeting. The annual meeting of Members shall be held each year in the month of December or a date to be fixed by the Board of Directors from year to year, at such time and place as shall be determined by the President.

Section 1.07. Special Meetings. Special meetings of the Members may be called by the Chair or by the President, and shall be called within fourteen (14) days after receipt of the written request of any twenty (20) Members. The notice shall state the general purpose or purposes for which a special meeting is called and no other business shall be transacted at the meeting.

Section 1.08. Notice of Meetings. Notice of the date, time, and place of any meeting of the Members shall be given to each Member by mail, electronic mail, telecommunications, telephone, facsimile or in person at least ten (10) days before the meeting date.

Section 1.09. Quorum; Vote Required for Action. The Members who are present in person at a meeting shall constitute a quorum for action at that meeting. The affirmative vote of at least a majority of Members present at a meeting of the Members at which time a vote is taken shall be the act of the Members, unless the vote of a greater number is required by law, the Certificate of Incorporation or these Bylaws.

ARTICLE II

Board of Directors

Section 2.01. Composition. The management of the Corporation and its affairs and property shall be entrusted to the Board of Directors, which shall consist of not less than fifteen (15) nor more than twenty-one (21) individuals serving as Members of the Corporation, the number within the variable-range to be determined by the Members at their annual meeting. At all times, four (4) of these Directors shall serve ex-officio: the President of the Corporation; the President of the Medical Staff of the Hospital; the Vice President of the Medical Staff of the Hospital; and a representative-at-large of the Medical Staff of the Hospital who ordinarily shall be the immediate past President or a former President of the Medical Staff (the "Ex-Officio Directors"). The remainder of the Directors, the "Elected Directors," shall be elected by the Members in accordance with these Bylaws. The Elected Directors shall be divided into three (3) groups, so that approximately one-third (1/3) of the Elected Directors shall have terms that expire annually.

Section 2.02. Election and Terms. Elected Directors shall be elected by the Members at the annual meeting of the Members from a slate of nominations prepared by the Governance Committee in accordance with these Bylaws. No nominations from the floor shall be permitted. Except as otherwise provided in these Bylaws, Elected Directors shall serve a term of three (3) years or until their resignation, removal or death. The Members may elect Directors to serve one-year or two-year terms in order to achieve the groupings required by Section 2.01 of these Bylaws.

Section 2.03. Tenure. An Elected Director shall be eligible for election to three (3) consecutive three-year terms. For the purposes of determining eligibility for re-election, an Elected Director who has served more than one and one half (1 ½) years of a three-year term shall be deemed to have served a full term. An Elected Director may be re-elected for a fourth consecutive term if the Director is also elected as an officer at the beginning of such fourth term. After serving the maximum time permitted under this Section, an Elected Director may be re-elected to the Board of Directors only after the Director has been off the Board of Directors for a period of at least one (1) year.

Section 2.04. Resignation. An Elected Director may resign at any time by delivering written notice to the Secretary of the Corporation. The resignation shall be effective when the notice is delivered, unless the notice specifies a later effective date. If an Ex-Officio Director resigns or is removed from the position from which his or her ex-officio status derives, the Ex-Officio Director will immediately and automatically cease to be a Director without further action by the Board.

Section 2.05. Removal. An Elected Director may be removed with or without cause by the affirmative vote of two-thirds (2/3) of the Directors present and voting at a meeting at which a quorum is present. The notice of such meeting shall state that the purpose or one of the purposes of the meeting is removal of the Director.

Section 2.06. Vacancies. A vacancy of an Elected Director may be filled by the Board of Directors at any regular or special meeting. The individual elected to fill the vacancy shall be a Member of the Corporation and shall serve until the next meeting of the Members at which Directors are elected.

Section 2.07. Duties and Responsibilities. Subject to the rights, powers and privileges accorded to the Members in the Certificate of Incorporation, these Bylaws, or by law, the Board of Directors shall manage and direct the business, property, and affairs of the Corporation, and shall exercise all of the powers of the Corporation in accordance with these Bylaws, including, without limitation:

a. Be responsible for governance of the Corporation, establish policy, promote performance improvement, and provide for organizational management and planning;

b. Elect the officers of the Corporation;

c. Recruit, hire, and if necessary, terminate the employment of the President in accordance with these Bylaws;

d. Evaluate the performance of the President at least annually;

e. Review these Bylaws periodically; and

f. Review and evaluate its own performance.

Section 2.08. Compensation. The Directors shall serve without compensation for their services as Directors but may be reimbursed by the Corporation for their reasonable expenses and disbursements in that capacity on behalf of the Corporation.

ARTICLE III

Meetings of the Board of Directors

Section 3.01. Annual and Regular Meetings. The annual meeting of the Board of Directors shall be held in the month of December on a date to be fixed by the Chair from year to year, immediately following the adjournment of the annual meeting of the Members, unless the

Chair shall designate a different date for the annual meeting of Directors. At the meeting the Board shall transact such business as shall properly come before the meeting. At least two regular meetings of the Board of Directors shall be held each year.

Section 3.02. Notices of Annual and Regular Meetings. The Secretary shall give notice of the date, time and place of the annual meeting and each regular meeting of the Board of Directors by mail, electronic mail, telecommunications, telephone, facsimile, delivery service or in person to each Director at least five (5) days in advance of the meeting, except that no notice need be given of a regular meeting held in accordance with a schedule approved by the Board of Directors.

Section 3.03. Special Meetings. Special meetings of the Board of Directors may be called at any time by the Chair, and shall be called by the Chair within seven (7) days of receipt of the written request of any three (3) Directors. Notice of the date, time, place and purpose of a special meeting shall be given to each Director by mail, electronic mail, telecommunications, telephone, facsimile, delivery or in person at least five (5) days before the scheduled time of the meeting, and no business shall be transacted at such meeting other than that specifically stated in the notice.

Section 3.04. Quorum; Vote Required for Action. A majority of all Directors shall constitute a quorum at all meetings of the Board of Directors. The affirmative vote of a majority of the Directors present at a meeting at which time a vote is taken shall be the act of the Board of Directors, unless the vote of a greater number of Directors is required by the Certificate of Incorporation, these Bylaws or by law. Ex-Officio Directors shall be counted in determining a quorum and shall be entitled to vote.

Section 3.05. Action Without Meeting. If all Directors consent in writing to any action taken or to be taken, the action shall be the same as if authorized at a meeting of the Board of Directors; all written consent(s) shall be included in the corporate minutes or filed with the corporate records.

Section 3.06. Participation by Conference Telephone. Any Director may participate in a meeting by means of a conference telephone or similar communications equipment enabling all Directors participating in the meeting to hear one another, and such participation in a meeting shall constitute presence in person at such meeting.

Section 3.07. Agenda and Records of Meetings. There shall be a written agenda for each meeting of the Board of Directors, and minutes of each meeting shall be prepared and submitted to the Board of Directors for approval by the Secretary or a delegate. Minutes shall reflect attendance at the meeting and shall be dated, signed and maintained in the corporate records following approval.

Section 3.08. Executive Session. The Board of Directors shall meet in executive session at least once during each fiscal year and may meet in executive session at such other times as the Chair may designate. An executive session may be held during any regular or special meeting of the Board and shall be attended only by Directors and other persons invited by the Chair for all or any portion of the executive session, provided that Directors who are employees of the Hospital may at the discretion of the Chair be excluded from all or any portion of an executive session.

ARTICLE IV

Officers

Section 4.01. Officers and Election. The officers shall be a Chair, a President (who shall be Chief Executive Officer), a Secretary, a Treasurer, and such other officers as may from time to time be designated by the Board of Directors. The Chair, Secretary and Treasurer shall be chosen from the members of the Board of Directors. The offices of Chair, President, and Treasurer shall be held by different individuals.

Section 4.02. Term of Office. The officers except for the President shall be chosen by the Board of Directors at its annual meeting, and shall hold office until the next annual meeting or until their earlier resignation, removal or death.

Section 4.03. Vacancies. Any vacancy occurring in any office shall be filled promptly by the Board of Directors at any meeting of the Board of Directors.

Section 4.04. Removal. Any officer may be removed with or without cause at any meeting of the Board of Directors by the vote of two-thirds (2/3) of the Directors present and voting at a meeting of the Board of Directors, provided that a quorum has been obtained and that the notice of the meeting specifically states that the purpose or one of the purposes of the meeting is removal of the officer.

Section 4.05. Duties and Powers. The duties of the officers shall be as follows:

a. Chair: The Chair or a Director who is the Chair's delegate shall preside at all meetings of the Board of Directors and shall perform other duties incident to the office or delegated by the Board of Directors or these Bylaws from time to time. The Chair shall be an ex-officio member of all committees.

b. President: The President shall be the Chief Executive Officer of the Corporation and shall perform all duties incident to the office or delegated by the Board of Directors or these

Bylaws from time to time. The President shall be an ex-officio member of all committees except the Audit and Compliance Committee.

c. Treasurer: The Treasurer shall supervise the receipt and custody of the Corporation's funds, the maintenance of the financial books and records, including full and accurate accounts of receipts and disbursements, and shall perform such other duties incident to the office or as may be assigned by the Board of Directors or these Bylaws from time to time.

d. Secretary: The Secretary shall maintain the minutes of the meetings of the Members, the Board of Directors in the corporate records; give, or cause to be given, all notices required by these Bylaws or by law; serve as custodian of the Members' and the Board's records and make such records available to the Members and the Board upon request; and perform all other duties incident to the office or delegated by the Board of Directors or these Bylaws.

ARTICLE V

President

Section 5.01. President. The Board of Directors shall appoint a President who shall serve as the Chief Executive Officer and who shall be responsible to the Board of Directors and, when said Board is not in session, to the Chair, for the full executive administration of the Corporation, subject only to such policies as may be adopted and such orders as may be issued by the Board of Directors.

Section 5.02. Qualifications for the President. The Board of Directors shall establish a criteria-based process for selecting a qualified and competent President. The President shall have the knowledge and skills necessary to perform the duties required of the Corporation's

senior leader. Among other criteria, education and relevant experience are important qualifications.

Section 5.03. Responsibilities of the President. The President shall be delegated the responsibility for overall management of the Corporation, and shall be given the authority necessary to carry out this responsibility, subject only to such policies as may be adopted by the Board of Directors.

Section 5.04. Attendance at Meetings. The President shall attend all meetings of the Board of Directors and the Executive Committee unless excused by the Chair.

ARTICLE VI

Committees

Section 6.01. Generally. The Board shall have the Standing Committees created in Sections 6.02 of these Bylaws and Additional Committees created by resolution of the Board pursuant to Section 6.03 of these Bylaws.

Section 6.02. Standing Committees. Standing Committees may exercise the power of the Board on those matters delegated to them by these Bylaws or by the Board. These committees, which shall be composed exclusively of Directors, shall be the following:

a. Executive Committee. There shall be an Executive Committee consisting of the Chair, President, Secretary and Treasurer. The Chair shall serve as the chair of the Executive Committee. Acts of the Executive Committee shall be ratified by the Board of Directors at its next regular meeting. Except as otherwise provided by law or these Bylaws, the Executive Committee shall have the same authority as the Board of Directors, but shall meet and exercise such authority only when the Executive Committee determines that (i) action by the Board of

Directors is required on a matter prior to its next regular meeting and (ii) if no such action is taken, the Corporation will be disadvantaged. In addition, the Executive Committee shall perform such other duties as the Board of Directors may delegate to it. The Chair may designate one or more Directors as alternate members of the Executive Committee who may replace any absent or disqualified member. In addition, if any officer is temporarily absent and has not designated another Board member to fulfill the officer's duties during such an absence, the Executive Committee may make such a designation.

b. Governance Committee. There shall be a Governance Committee consisting of three (3) or more members of the Board of Directors appointed by the Board. The Governance Committee shall be responsible for the evaluation of the Board of Directors and its members and how the Board of Directors functions, shall have oversight of these Bylaws, shall serve as the nominating committee for the Members and the Board of Directors, and shall perform such other duties as the Board of Directors may delegate to it from time to time.

c. Audit and Compliance Committee. There shall be an Audit and Compliance Committee consisting of not fewer than three Board members appointed by the Board. The chair of the Committee shall be appointed by the Chair of the Board. Members of the Committee shall be independent of the management of the Corporation and its affiliates, and free of any relationship that would interfere with their exercise of independent judgment. No person who is then serving as chair of the finance committee or equivalent committee of the Corporation, the Hospital, or any other affiliate shall be eligible to serve on the Audit and Compliance Committee. The Committee shall provide assistance to the Board in fulfilling its oversight of the quality and integrity of the Corporation's and Hospital's financial statements, legal and

regulatory requirements, the audit function including selection of the auditor, and internal controls. The Committee shall have a charter that is reviewed annually and updated as required.

d. Standing Committees - Miscellaneous Provisions.

(i) Prohibited Activities. Standing Committees shall not have power to: (i) fill vacancies in the Board of Directors or any Board Committee; (ii) adopt, amend or appeal the Certificate of Incorporation of the Corporation or these Bylaws; (iii) approve a plan of merger, or the sale, lease, exchange or other disposition of all, or substantially all, of the property of the Corporation, other than in the usual and regular course of affairs of the Corporation; (iv) approve a proposal to dissolve the Corporation; or (v) authorize any action inconsistent with the Certificate of Incorporation or these Bylaws.

(ii) Quorum and Voting Requirements. A majority of all members of a Standing Committee shall constitute a quorum at its meetings. The affirmative vote of a majority of the committee members present at the time the vote is taken shall be the act of such committee, unless the vote of a greater number is required by the Certificate of Incorporation, these Bylaws, or by law.

(iii) Notice Requirements. Notice of the date, time and location of a Standing Committee meeting shall be given to each member of such committee by mail, electronic mail, telecommunications, telephone, facsimile, delivery service or in person at least twenty-four (24) hours before the scheduled time of the meeting. Minutes shall be recorded of each meeting of the committee and submitted at the next regular meeting of the Board of Directors. The committee chair or the chair's designee shall make a full report of each meeting of the committee at the next meeting of the Board of Directors.

Section 6.03. Additional Committees. In addition to the Standing Committees established by Section 6.02 of these Bylaws, the Board may from time to time establish other committees ("Additional Committees") for the purposes and with the powers and responsibilities conferred by the Board. Such committees shall exist solely at the pleasure of the Board. Any Additional Committee that is authorized to act on behalf of the Board shall be composed exclusively of Directors, all of whom shall be appointed by the Chair, and shall be subject to the requirements of Section 6.02 d. of these Bylaws. Any Additional Committee that is advisory only and does not have the authority to act on behalf of the Board shall consist of at least one (1) Director and two (2) other individuals who may or may not be Directors, all of whom shall be appointed by the Chair.

ARTICLE VII

Conflict of Interest; Confidentiality

Section 7.01. "Conflict of Interest" Defined; Conflict of Interest and Confidentiality Policies. The Board of Directors expects Directors to exercise good judgment and follow high ethical standards. Individuals serving the Corporation should never permit private interests to conflict in any way with their obligations to the Corporation and to any entities affiliated with the Corporation. In addition, all members of the Board of Directors must honor the confidential nature of Corporation information and strive to maintain its confidentiality. To this end, from time to time the Board of Directors shall adopt a Conflict of Interest Policy and a Confidentiality Policy; such policies shall be as effective as if they were part of these Bylaws. These policies shall be consistent with requirements of state law, the law of tax-exempt organizations, and the

requirements of the Joint Commission on the Accreditation of Healthcare Organizations, and shall address, among other things: the definition of "confidential materials" and "related persons"; disclosure by members of the Board of Directors; the purchase of goods and services; compensation decisions; and procedures to implement and enforce these policies.

Article VIII

Amendments

Section 8.01. Amendment. Except as otherwise provided by the Certificate of Incorporation, these Bylaws, or by law, the Board of Directors may adopt, amend, or repeal these Bylaws at any meeting of the Board of Directors by the affirmative vote of a majority of the Directors, provided that notice of the general nature of the proposed action has been given in the notice of the meeting.

Article IX

Miscellaneous

Section 9.01. Principal Office. The principal office of the Corporation shall be located in New London, Connecticut. The Corporation may have other offices within or without the State of Connecticut as the Board of Directors may from time to time determine.

Section 9.02. Waivers of Notice. Whenever any notice of time, place, purpose or any other matter, including any special notice or form of notice, is required or permitted to be given

to any person by law or under the provisions of the Certificate of Incorporation or these Bylaws, or of a resolution of Members or Directors, a written waiver of notice signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be equivalent to the giving of such notice. The Secretary of the Corporation shall cause any such waiver to be filed with or entered upon the records of the Corporation or, in the case of a waiver of notice of a meeting, the records of the meeting. The attendance of any person at or participation in a meeting waives any required notice to that person of the meeting unless at the beginning of the meeting, or promptly upon such person's arrival, the person objects to the holding of the meeting or the transacting of business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

Revised at Board of Directors Meeting – 9/30/02

Revised at Board of Directors Meeting -11/29/04

Revised at Board of Directors Meeting - 9/29/08

Revised at Board of Directors Meeting – 11/29/10

AMENDED AND RESTATED BYLAWS

OF

LAWRENCE &+ MEMORIAL CORPORATION

****

Copy

ARTICLE I1

~~Members~~
NAME; PURPOSE; DEFINITIONS

Section 1.01. Name. The name of the corporation is **Lawrence + Memorial Corporation** (the "Corporation").

Section 1.02. Purpose. The Corporation is organized and shall be operated for the purposes set forth in the Certificate of Incorporation.

Section 1.03. Definitions. The following terms used in these Bylaws shall have the following meanings:

(a) "Act" shall mean the Connecticut Revised Nonstock Corporation Act, as amended from time to time.

(b) "Certificate of Incorporation" shall mean the Corporation's certificate of incorporation filed with the Connecticut Secretary of the State, as the same may be amended from time to time.

(c) "Hospitals" shall mean L+M Hospital and Westerly Hospital.

(d) "L+M Hospital" shall mean Lawrence + Memorial Hospital, Inc.

(e) "President and CEO" shall mean the President and Chief Executive Officer of the Corporation;

(f) "Subsidiary" or "Subsidiaries" shall mean any entity directly or indirectly controlled by the Corporation. "Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of an entity, whether through the ability to exercise voting power by contract or otherwise. "Controlled" or "Controlling" have correlative meanings. Without limiting the foregoing, each of the following entities shall be considered a Subsidiary: L+M Hospital; Westerly Hospital; L+M Physician Association, Inc.; and Visiting Nurse Association of Southeastern Connecticut, Inc. ("VNASC").

(g) "System" shall mean the comprehensive and integrated health care delivery system operated by the Corporation and its Subsidiaries.

(h) "Westerly Hospital" shall mean LMW Healthcare, Inc., doing business as The Westerly Hospital.

ARTICLE II

MEMBERS

Section 2.01. Classes of Members. ~~Lawrence & Memorial~~The Corporation ~~(the "Corporation")~~ shall have only one class of members (the "Members"), consisting of not more than ~~one~~two hundred ~~seventy~~ twenty-five (~~175~~225) individuals elected to membership in accordance with these Bylaws (the "~~"~~Elected Members~~"~~"), and, in addition, the following ex-officio Members: the President ~~of the Corporation~~and CEO; the President of the L+M Hospital Medical Staff ~~of Lawrence & Memorial Hospital (the "Hospital")~~, the President of the Westerly Hospital Medical Staff; the Vice President of the Medical Staff of each of the ~~Hospital~~Hospitals; a representative-at-large of the Medical Staff of each of the ~~Hospital~~ Hospitals (who ordinarily shall be the immediate past President or a former President of ~~the Medical Staff~~each medical staff); the Mayor of the City of New London; the Mayors of each of the Towns of Groton and Ledyard; the First Selectman of each of the Towns of East Lyme, Lyme, Montville, North Stonington, Old Lyme, Salem, Stonington and Waterford; the Superintendent of the United States Coast Guard Academy in New London; ~~and~~ the Commanding Officer of the Naval Hospital in Groton, and the Town Manager of the Town of Westerly, Rhode Island (the "Ex-Officio Members"). Elected Members shall be individuals who reside or work in or around the ~~area~~areas served by the ~~Hospital~~Hospitals, who have an interest in furthering the purposes of the Corporation and ~~its affiliates~~the System and who are willing and continue to meet the requirements of Members, which includes but is not limited to attendance at meetings. ~~An Elected Member shall be less than seventy-five years of age at the time of his or her election.~~

Section ~~1.02~~2.02. Election. Elected Members shall be elected at any annual or special meeting of the Members from a slate of ~~nominations~~nominees prepared by the Nominating and Governance Committee.

Section ~~1.03~~2.03. Term; Tenure. The term of each ~~Elected~~ Member other than persons serving in an ex-officio capacity shall be until resignation, removal, death, or the fifth annual meeting following such Member's election, whichever first occurs.

Section ~~1.04.~~2.04. Termination of Membership.

a. Removal. Elected Members may be removed from membership by the affirmative vote of two-thirds (2/3) of the Members present and voting at a meeting of the Members called for the purpose of removing the Elected Member. The notice of such meeting shall state that the purpose or one of the purposes of the meeting is removal of the Elected Member. Failure to attend three (3) consecutive annual meetings, or permanent removal from the service area of ~~the~~a Hospital, shall constitute grounds for removal.

b. Resignation. Elected Members may resign from membership at any time by delivering written notice to the Secretary of the Corporation. The resignation shall be effective when the notice is delivered unless the notice specifies a later effective date.

c. Ex-Officio Members. An Ex-Officio Member's membership shall terminate immediately when the Ex-Officio Member ceases to hold the qualifying position or office.

d. Effect of Termination. All rights and privileges of ~~the~~a Member in the Corporation ~~and its property~~ cease immediately upon termination of membership.

Section ~~1.05~~2.05 Voting Rights. All Members shall be entitled to vote for the election of Members and the Board of Directors in accordance with these Bylaws, but shall not be entitled to vote on any other matter.

Section ~~1.06.~~2.06. Annual Meeting. The annual meeting of Members shall be held each year in the month of December or a date to be fixed by the Board of Directors from year to year, at such time and place as shall be determined by the President and CEO.

Section ~~1.07.~~2.07. Special Meetings. Special meetings of the Members may be called by the Chair or by the President and CEO, and shall be called within fourteen (14) days after receipt of the written request of any twenty (20) Members. The notice of such special meeting shall state the general purpose or purposes for which a~~the~~ special meeting is called and no other business shall be transacted at the meeting.

Section ~~1.08.~~2.08. Notice of Meetings. Notice of the date, time, and place of any meeting of the Members shall be given to each Member by mail, electronic mail,

telecommunications, telephone, facsimile or in person at least ten (10) days before the meeting date.

Section ~~1.09.~~2.09. Quorum; Vote Required for Action. The Members who are present in person at a meeting shall constitute a quorum for action at that meeting. The affirmative vote of at least a majority of Members present at a meeting of the Members at which time a vote is taken shall be the act of the Members, unless the vote of a greater number is required by law, the Certificate of Incorporation or these Bylaws.

ARTICLE ~~III~~
~~Board of Directors~~

BOARD OF DIRECTORS

Section ~~2.01~~3.01. Composition. The management of the Corporation and its affairs and property shall be entrusted to the Board of Directors (sometimes referred to as the "Board"), which shall consist of not less than ~~fifteen~~seven (~~15~~7) nor more than ~~twenty-one (21)~~fifteen (15) Directors who shall be individuals serving as Members of the Corporation~~, the number within the variable range to be determined by the Members at their annual meeting~~. At all times, four (4) of these Directors shall serve ex-officio: the President ~~of the Corporation; the President of the Medical Staff of the Hospital; the Vice President of the Medical Staff of the Hospital; and a representative-at-large of the Medical Staff of the Hospital who ordinarily shall be the immediate past President or a former President of the Medical Staff~~and CEO; the Chair of the board of directors of L+M Hospital; the Chair of the board of directors of Westerly Hospital; and the Chair of the board of directors of VNASC (the "Ex-Officio Directors"). The ~~remainder of the Directors, the "Elected Directors,"~~remaining eleven (11) Directors (the "Elected Directors") shall include: (a) one (1) physician from each of the Hospitals selected from a group of five (5) candidates proposed to the Governance Committee by the respective medical staffs, (b) six (6) community members from the L+M Hospital service area, and (c) three (3) community members from the Westerly Hospital service area. The Elected Directors shall be elected by the Members in accordance with these Bylaws. The Elected Directors shall be divided into three (3) groups, comprised of as equal a number of Elected Directors per group as possible, so that approximately one-third (1/3) of the Elected Directors shall have terms that expire annually.

Section ~~2.02~~3.02. Election and Terms. Elected Directors shall be elected by the Members at the annual meeting of the Members from a slate of ~~nominations~~nominees prepared by the Governance Committee in accordance with these Bylaws. No nominations from the floor shall be permitted. Except as otherwise provided in these Bylaws, Elected Directors shall serve a term of three (3) years or until their resignation, removal or death. The Members may elect Directors to serve one-year or two-year terms in order to achieve the groupings required by Section ~~2.01~~3.01 of these Bylaws.

Section ~~2.03.~~3.03. Tenure. An Elected Director shall be eligible for election to three (3) consecutive three-year terms. For the purposes of determining eligibility for re-election, an Elected Director who has served more than one and one ~~-~~half (1 ½) years of a three-year term shall be deemed to have served a full term. An Elected Director may be re-elected for a fourth consecutive term if the Director is also elected as an officer at the beginning of such fourth term. After serving the maximum time permitted under this Section~~:~~ 3.03, an Elected Director may be re-elected to the Board ~~of Directors~~ only after the Director has been off the Board ~~of Directors~~ for a period of at least one (1) year.

Section ~~2.04.~~3.04. Resignation. An Elected Director may resign at any time by delivering written notice to the Secretary of the Corporation. The resignation shall be effective when the notice is delivered, unless the notice specifies a later effective date. If an Ex-Officio Director resigns or is removed from the position from which his or her ex-officio status derives, the Ex-Officio Director will immediately and automatically cease to be a Director without further action by the Board.

Section ~~2.05.~~3.05. Removal. An Elected Director may be removed with or without cause by the affirmative vote of two-thirds (2/3) of the Directors present and voting at a meeting at which a quorum is present. The notice of such meeting shall state that the purpose or one of the purposes of the meeting is removal of the Director.

Section ~~2.06.~~3.06. Vacancies. A vacancy of an Elected Director may be filled by the Board ~~of Directors~~ at any regular or special meeting. The individual elected to fill the vacancy shall be a Member of the Corporation and shall serve until the next annual meeting of the Members at which Directors are elected.

Section ~~2.07.~~3.07. Duties and Responsibilities. Subject to the rights, powers and privileges accorded to the Members in the Certificate of Incorporation, these Bylaws, or by law, the Board ~~of Directors~~ shall manage and direct the business, property, and affairs of the Corporation~~, and~~. The Board shall exercise all of the powers of the Corporation in accordance with these Bylaws~~, including, without limitation~~. Without limiting the foregoing, the Board of Directors shall have the power to:

(a) Approve an overall philosophy, statement of vision and mission for the System;

(b) Approve the philosophy, mission and values of each Subsidiary and any change thereto;

(c) Adopt strategic plans for the Corporation and each Subsidiary;

(d) Approve annual operating and financial targets, major clinical and/or financial initiatives, and financial plans for the Corporation and each of the Subsidiaries (including capital and operating budgets);

(e) Approve the formation or acquisition of new direct or indirect Subsidiaries, joint ventures or affiliations;

~~a. Be responsible for~~(f) Approve the Certificate of Incorporation, Bylaws and other governance documents of the Corporation~~, establish policy, promote performance improvement, and provide for organizational management and planning;~~ and each Subsidiary, and any amendments thereto or restatements thereof;

(g) Approve all core competencies and qualifications required for selection of the Corporation's Directors and the directors of each Subsidiary;

(h) Appoint and remove all Board officers of the Corporation, the President and CEO, and the chief executive officer of each Subsidiary;

(i) Appoint all directors of each Subsidiary, and remove, with or without cause, all directors or board officers of each Subsidiary;

(j) Establish and oversee the System's compliance program;

(k) Select outside executive compensation counsel, approve an executive compensation policy and program, and evaluate executive and physician compensation arrangements to assure compliance with the fair market principles and tests for commercial reasonableness established by the Internal Revenue Service ("IRS");

(l) Approve any change in the Corporation's accounting periods or methods, or those established for the System;

(m) Select and approve any auditor of the annual audited financial statements for the Corporation and its Subsidiaries;

(n) Approve any accounting or debt management programs established for the System, establish any debt limits under such programs, and approve any variances from such programs or limits for the Corporation and the Subsidiaries;

(o) Approve the incurrence of debt or financing by the Corporation or any Subsidiary, other than credit purchases of goods or services in the ordinary course of business, except as included in approved capital or operating budgets or pursuant to other guidelines established by the Corporation;

(p) Oversee each Subsidiary's use, management and investment of its permanent and temporarily restricted endowment funds;

~~b. Elect the officers of the Corporation;~~

~~c. Recruit, hire, and if necessary, terminate the employment of the President in accordance with these Bylaws;~~

~~d. Evaluate the performance of the President at least annually;~~

~~e. Review these Bylaws periodically; and~~

~~f. Review and evaluate its own performance.~~

(q) Approve any voluntary change to the federal income tax exemption granted by the IRS to the Corporation or any Subsidiary under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code");

(r) Initiate or consent to any form of insolvency proceeding of any entity in the System;

(s) Approve all projects, agreements or transactions undertaken by the Corporation or a Subsidiary involving the expenditure of funds or divestiture of assets in excess of [$100,000 - *too limiting*?] or two percent (2%) of [- *total assets*?], whichever is greater and not otherwise included in an approved budget;

(t) Approve the services offered by the Subsidiaries, new service lines or termination of existing service lines not otherwise included in an approved budget or a strategic or financial plan;

(u) Approve any sale, lease, transfer, or substantial change in the use of all or substantially all of the assets of the Corporation or any Subsidiary;

(v) Approve any merger, consolidation, restructuring, change in corporate ownership, dissolution, or liquidation of the Corporation or any Subsidiary;

(w) Approve the acquisition of any real estate or any significant lease arrangement by any Subsidiary, except as otherwise included in a strategic or financial plan or approved budget;

(x) Approve any management contract or outsourcing arrangement for any Subsidiary which would substantially impact or alter its operations, or any settlement agreement or consent decree with any local, state or government authorities;

(y) Approve any change in the primary business name or logo of the Corporation or any entity in the System;

(z) Delegate to the President and CEO any of its powers of review or approval of actions or matters relating to any Subsidiary to the extent permitted by law, the Certificate of Incorporation and these Bylaws; and

(aa) Take such other actions and steps as may be necessary to maintain the long-range financial strength and viability of the System and the Subsidiaries.

Section ~~2.08.~~3.08. Compensation. The Directors shall serve without compensation for their services as Directors but may be reimbursed by the Corporation for their reasonable expenses and disbursements in that capacity on behalf of the Corporation.

ARTICLE ~~III~~IV

~~Meetings of the Board of Directors~~

MEETINGS OF THE BOARD OF DIRECTORS

Section ~~3.01.~~4.01. Annual and Regular Meetings. The annual meeting of the Board ~~of Directors~~ shall be held in the month of December on a date to be fixed by the Chair from year to year, immediately following the adjournment of the annual meeting of the Members, unless the Chair shall designate a different date for the annual meeting of Directors. At the annual meeting, the Board shall appoint the officers of the Corporation and the committee members, and shall transact such other business as shall properly come before the meeting. ~~At least two regular meetings of the~~The Board of Directors shall ~~be held~~hold at least four (4) meetings in each year~~.~~, at least one of which shall be the annual meeting. The Board may hold its meetings, annual, regular or special, at such place or places within or without the State of Connecticut as the Board may from time to time by resolution determine or as shall be specified or fixed in the notice or waiver of notice thereof.

Section ~~3.02.~~4.02. Notices of Annual and Regular Meetings. The Secretary shall give notice of the date, time and place of the annual meeting and each regular meeting of the Board ~~of Directors~~ by mail, electronic mail, telecommunications, telephone, facsimile, delivery service or in person to each Director at least five (5) days in advance of the meeting, except that no notice need be given of a regular meeting held in accordance with a schedule approved by the Board ~~of Directors~~.

Section ~~3.03.~~4.03. Special Meetings. Special meetings of the Board ~~of Directors~~ may be called at any time by the Chair, and shall be called by the Chair within seven (7) days of receipt of the written request of any three (3) Directors. Notice of the date, time, place and purpose of a special meeting shall be given to each Director by mail, electronic mail, telecommunications, telephone, facsimile, delivery or in person at least ~~five~~two (~~5~~2) days before the scheduled time of the meeting, and no business shall be transacted at such meeting other than that specifically stated in the notice.

Section ~~3.04.~~4.04. Quorum; Vote Required for Action. A majority of all Directors then in office shall constitute a quorum at all meetings of the Board of Directors. The affirmative vote of a majority of the Directors present at a meeting at which a quorum is present and at which time a vote is taken shall be the act of the Board of Directors, unless the vote of a greater number of Directors is required by the Certificate of Incorporation, these Bylaws or by law. Ex-Officio Directors shall be counted in determining a quorum and shall be entitled to vote.

Section ~~3.05.~~4.05. Action Without Meeting. If all Directors consent in writing to any action taken or to be taken, the action shall be the same as if authorized at a meeting of the Board ~~of Directors; all~~. All written ~~consent(s)~~consents shall be included in the corporate minutes or filed with the corporate records.

Section ~~3.06.~~4.06. Remote Participation ~~by Conference Telephone~~at a Meeting. Any Director may participate in a meeting by means of a conference telephone or similar communications equipment enabling all Directors participating in the meeting to hear one another, and such participation in a meeting shall constitute presence in person at such meeting.

Section ~~3.07.~~4.07. Agenda and Records of Meetings. There shall be a written agenda for each meeting of the Board of Directors, and minutes of each meeting shall be prepared by the Secretary or a delegate and submitted to the Board ~~of Directors~~ for approval ~~by the Secretary or a delegate~~. Minutes shall reflect attendance at the meeting and shall be dated, signed and maintained in the corporate records following approval.

Section ~~3.08.~~4.08. Executive Session. The Board of Directors ~~shall~~may meet in executive session at least once during each fiscal year and may meet in executive session at such other times as the Chair may designate. An executive session may be held during any regular or special meeting of the Board and shall be attended only by Directors and other persons invited by the Chair for all or any portion of the executive session, provided that Directors who are employees of the ~~Hospital~~Corporation or any Subsidiary may at the discretion of the Chair be excluded from all or any portion of an executive session.

ARTICLE ~~IV~~V

~~Officers~~

OFFICERS

Section ~~4.01.~~5.01. Officers and Election. The officers shall be a Chair, a~~the~~ President ~~(who shall be Chief Executive Officer)~~and CEO, a Secretary, a Treasurer, and such other officers as may from time to time be designated by the Board ~~of Directors~~. The Chair, ~~the~~ Secretary and ~~the~~ Treasurer shall ~~each~~ be chosen from the members of the Board ~~of Directors~~. The offices of Chair, ~~the~~ President ~~and CEO~~, and ~~the~~ Treasurer shall be held by different individuals.

Section ~~4.02.~~5.02. Term of Office. ~~The officers except~~Except for the President and CEO, the officers shall be chosen by the Board ~~of Directors~~ at its annual meeting, and shall hold office until the next annual meeting or until their earlier resignation, removal or death.

Section ~~4.03.~~5.03. Vacancies. Any vacancy occurring in any office shall be filled promptly by the Board of Directors at any meeting of the Board ~~of Directors~~.

Section ~~4.04.~~5.04. Removal. Any officer may be removed with or without cause at any meeting of the Board ~~of Directors~~ by the vote of two-thirds (2/3) of the Directors present and voting at a meeting of the Board ~~of Directors~~, provided that a quorum has been ~~obtained~~established at such meeting and that the notice of the meeting specifically states that the purpose or one of the purposes of the meeting is ~~the~~ removal of the officer.

Section 4.05. Duties and Powers. The duties of the officers shall be as follows:

a. Chair: The Chair, or a~~any~~ Director ~~who is~~designated by the Chair~~'s delegate~~, shall preside at all meetings of the Board ~~of Directors and~~. The Chair shall perform other duties incident to the office or delegated by the Board ~~of Directors~~ or these Bylaws from time to time. The Chair shall be an ex-officio member of all committees.

~~b. President: The President shall be the Chief Executive Officer of the Corporation and shall perform all duties incident to the office or delegated by the Board of Directors or these Bylaws from time to time. The President shall be an ex-officio member of all committees except the Audit and Compliance Committee.~~

~~c.~~b. Treasurer: The Treasurer shall ~~supervise the receipt~~have charge and custody of and be responsible for all the funds and securities of the Corporation~~'s funds, the maintenance of~~

~~the financial books and records, including~~; he or she shall keep full and accurate accounts of the assets, liabilities, receipts and disbursements~~, and shall perform such other~~ and other transactions of the Corporation in books and records belonging to the Corporation; and he or she shall see that all funds and other valuable effects of the Corporation are deposited or invested in the name of and to the credit of the Corporation in such banks or other financial institutions as may be designated by the Board. The Treasurer shall disburse or oversee the disbursement of the funds of the Corporation, and shall render to the President and CEO and to the Board, whenever they may require it, a statement of all his or her transactions as Treasurer and an account of the financial condition of the Corporation. In general, he or she shall perform all duties incident to the office ~~or~~of Treasurer and such other duties as may be assigned by the Board ~~of Directors or these Bylaws~~or by the President and CEO from time to time.

~~d.~~c. Secretary: The Secretary shall ~~maintain the minutes of the~~attend all meetings of the Members~~,~~ and the Board of Directors and maintain the minutes of such meetings and of all committees in the corporate records; give, or cause to be given, all notices required by these Bylaws or by law; serve as custodian of ~~the Members' and the Board's~~ and be responsible for authenticating the corporate records ~~and~~; make such records available to the Members and the Board upon request; and, in general, perform all other duties incident to the office ~~or~~of Secretary and such other duties as from time to time may be delegated by the President and CEO, the Board of Directors or these Bylaws.

d. Other Officers: The Board may from time to time appoint an Assistant Treasurer, Assistant Secretary or such other officers as the Board may deem necessary or advisable for the efficient operation of the Corporation's affairs, each of whom shall hold office for such period, have such authority and perform such duties as the Board of Directors may from time to time determine.

ARTICLE ~~V~~VI
~~President~~

PRESIDENT AND CEO

Section ~~5.01~~6.01. President and CEO. The Board of Directors shall appoint a ~~President who shall serve as the Chief Executive Officer and who~~the President and CEO, who shall serve as the chief executive officer of the Corporation. The Board shall establish the objectives, evaluate the performance, and determine the compensation of the President and CEO.

The removal of the President and CEO shall be at the discretion of the Board. The President and CEO shall have the responsibilities set forth in Section 6.03, and shall be responsible to the Board of Directors ~~and~~, or to the Chair when ~~said~~the Board is not in session~~, to the Chair~~, for the full executive administration of the Corporation, subject ~~only~~ to such policies as may be adopted and such orders as may be issued by the Board of Directors.

Section ~~5.02~~.6.02. Qualifications for the President and CEO. The Board of Directors shall establish a criteria-based process for selecting a qualified and competent individual to serve as the President and CEO. The President and CEO shall have the knowledge and skills necessary to perform the duties required of the Corporation's senior leader. Among other criteria, education and relevant experience are important qualifications.

Section ~~5.03~~.6.03. Responsibilities of the President. ~~The President~~ and CEO. Subject to the powers expressly reserved to the Board, the President and CEO shall, in general, supervise and control all business and affairs of the Corporation. He or she shall have the power to sign, acknowledge and deliver on behalf of the Corporation all deeds, agreements and other formal instruments. The President and CEO shall be delegated the responsibility for overall management of the Corporation, and shall be given the authority necessary to carry out this responsibility, subject only to such policies as may be adopted by the Board of Directors. The President and CEO shall see that all orders and resolutions of the Board are carried into effect. In general, he or she shall perform all duties incident to the office of President and CEO and such other duties as may from time to time be delegated by the Board of Directors or these Bylaws.

Section ~~5.04~~.6.04. Attendance at Meetings. The President and CEO shall attend all meetings of the Board ~~of Directors~~ and the Executive Committee, unless excused by the Chair. The President and CEO shall be an ex-officio member of all committees except the Audit and Compliance Committee and the Executive Compensation Committee.

ARTICLE ~~VI~~VII
~~Committees~~

COMMITTEES

Section ~~6.01~~.7.01. Generally. The Board shall have the Standing Committees created in Sections ~~6.02~~7.02 of these Bylaws and such Additional Committees created by resolution of the Board pursuant to Section ~~6.03~~7.03 of these Bylaws.

Section ~~6.02~~7.02. Standing Committees. Except as otherwise provided in these Bylaws, Standing Committees may exercise the power of the Board on those matters delegated to them by these Bylaws or by the Board. These committees, which shall be composed exclusively of Directors, shall be the following:

~~(a.)~~ Executive Committee. There shall be an Executive Committee consisting of the Chair, the President~~,~~ and CEO, the Secretary, and the Treasurer. The Chair shall serve as the chair of the Executive Committee. Acts of the Executive Committee shall be ratified by the Board of Directors at its next regular meeting. Except as otherwise provided by law or these Bylaws, the Executive Committee shall have the same authority as the Board of Directors~~, but shall meet and exercise such authority only when~~ in the intervals between meetings of the Board for time-sensitive matters that the Executive Committee determines ~~that (i) action by the Board of Directors is required on a matter~~must or should be addressed prior to ~~its~~the next ~~regular meeting and (ii) if no such action is taken, the Corporation will be disadvantaged~~Board meeting. In addition, the Executive Committee shall perform such other duties as the Board of Directors may delegate to it. The Chair may designate one or more Directors as alternate members of the Executive Committee who may replace any absent or disqualified member. In addition, if any officer is temporarily absent and has not designated another Board member to fulfill the officer's duties during such an absence, the Executive Committee may make such a designation.

~~b.~~ (b) Nominating and Governance Committee. There shall be a Nominating and Governance Committee consisting of not fewer than three (3) ~~or more members of the Board of~~ Directors who shall be appointed by the Board~~. The Governance~~ [and shall be determined by the Board to be independent Directors]. The Committee shall review the recommendations it receives pursuant to Section 3.01. Subject to any qualifications and core competencies which it shall develop on behalf of the Board from time to time, the Committee shall identify qualified individuals to serve as Directors of the Corporation and as members of the board of directors of Subsidiaries, or as the President and CEO or as the chief executive officer of any Subsidiary. The Committee shall present a slate of nominees for election at each annual meeting or any meeting at which such Directors will be elected or at which the Board shall elect directors of a Subsidiary. The Committee shall be responsible for the development, education and evaluation activities of the Board of Directors and ~~its members and how the Board of Directors functions, shall have oversight of these Bylaws, shall serve as the nominating committee for the Members and the Board of Directors~~of the board of directors of any Subsidiaries, shall review the corporate governance documents and policies established for the Corporation and its

Subsidiaries, shall oversee and enforce the Corporation's and the Subsidiaries' Conflict of Interest Policy, and shall perform such other duties as the Board of Directors may delegate to it from time to time. The Committee shall have the specific responsibilities and shall follow the procedures set forth in the Nominating and Governance Committee Charter as adopted by the Board and reviewed annually.

(c) Audit and Compliance Committee. There shall be an Audit and Compliance Committee consisting of not fewer than three ~~Board members~~(3) Directors appointed by the Board. The chair of the Committee shall be appointed by the Chair of the Board. Members of the Committee shall be independent of the management of the Corporation and its affiliates, and free of any relationship that would interfere with their exercise of independent judgment. No person who is then serving as chair of the ~~finance committee~~Finance Committee or equivalent committee of the Corporation, either of the ~~Hospital.~~Hospitals or any other ~~affiliate~~Subsidiary shall be eligible to serve on the Audit and Compliance Committee. The Committee shall ~~provide assistance to~~assist the Board in fulfilling its oversight ~~of~~ responsibility relating to (i) the quality and integrity of the Corporation's and ~~Hospital~~each Subsidiary's financial statements, (ii) the effectiveness of the Corporation's and the Subsidiaries' internal control over financial reporting, (iii) the qualification, independence and performance of, and the Corporation's and the Subsidiaries' relationship with its independent auditors, (iv) the performance of the Corporation's and the Subsidiaries' internal audit functions, (v) the review of risk management policies and procedures, (vi) the Corporation's and the Subsidiaries' compliance with applicable legal and regulatory requirements, ~~the audit function including selection of the auditor, and internal controls. The Committee shall have a charter that is reviewed annually and updated as required~~and (vii) the effectiveness of its compliance programs. The Audit Committee shall have the specific responsibilities and shall follow the procedures set forth in the Audit Committee Charter as adopted by the Board and reviewed annually.

(d) Executive Compensation Committee. The Executive Compensation Committee shall be comprised of the Chair of the Board and at least three additional (3) Directors who are selected and are determined to be independent by the Board, one of whom shall serve on the Finance Committee. This Committee will be responsible for (i) developing an executive compensation policy, and (ii) reviewing all aspects of the performance of, and for establishing the compensation of, each senior executive or key employee of the System who may be a "disqualified person" potentially subject to intermediate sanctions under Section 4958 of the Code, all of which shall be subject to Board approval. The Executive Compensation Committee

shall have the specific responsibilities and shall follow the procedures set forth in the Executive Compensation Committee Charter as adopted by the Board.

~~d.~~

(e) Finance Committee. The Finance Committee shall consist of at least three (3) Directors appointed by the Board and such other members as are necessary to properly perform the functions of the Finance Committee. The Treasurer shall be an ex-officio member of the Finance Committee. The Finance Committee may not exercise the authority of the Board, and any acts taken by the Committee shall be solely advisory in nature. The Committee shall be responsible for reviewing the operating and capital budgets of the Corporation and each Subsidiary and make recommendations for the approval such budgets to the Board of Directors. The Committee shall also oversee the management and investment of the endowment and pension funds of the Corporation and each Subsidiary. The Committee shall have the specific responsibilities and shall follow the procedures set forth in the Finance Committee Charter as adopted by the Board.

(f) Standing Committees - Miscellaneous Provisions.

(i) Prohibited Activities. Standing Committees shall not have power to: (i) fill vacancies in the Board of Directors or any Board Committee; (ii) adopt, amend or appeal the Certificate of Incorporation of the Corporation or these Bylaws; (iii) approve a plan of merger, or the sale, lease, exchange or other disposition of all, or substantially all, of the property of the Corporation, other than in the usual and regular course of affairs of the Corporation; (iv) approve a proposal to dissolve the Corporation; or (v) authorize any action inconsistent with the Certificate of Incorporation or these Bylaws.

(ii) Quorum and Voting Requirements. A majority of all members of a Standing Committee shall constitute a quorum at its meetings. The affirmative vote of a majority of the committee members present at the time the vote is taken shall be the act of such committee, unless the vote of a greater number is required by the Certificate of Incorporation, these Bylaws, or by law.

(iii) Notice Requirements. Notice of the date, time and location of a Standing Committee meeting shall be given to each member of such committee by mail, electronic mail, telecommunications, telephone, facsimile, delivery service or in person at least twenty-four (24) hours before the scheduled time of the meeting. Minutes shall be recorded of each meeting of the committee and submitted at

the next regular meeting of the Board of Directors. The committee chair or the chair's designee shall make a full report of each meeting of the committee at the next meeting of the Board of Directors.

Section ~~6.03.~~7.03. Additional Committees. In addition to the Standing Committees established by Section ~~6.02~~ 7.02 of these Bylaws, the Board may from time to time establish other committees ("Additional Committees") for the purposes and with the powers and responsibilities conferred by the Board. Such committees shall exist solely at the pleasure of the Board. Any Additional Committee that is authorized to act on behalf of the Board shall be composed exclusively of Directors, all of whom shall be appointed by the Chair, and shall be subject to the requirements of Section ~~6.02 d.~~7.02(f) of these Bylaws. Any Additional Committee that is advisory only and does not have the authority to act on behalf of the Board shall consist of at least one (1) Director and two (2) other individuals who may or may not be Directors, all of whom shall be appointed by the Chair.

ARTICLE ~~VII~~VIII

~~Conflict of Interest; Confidentiality~~

CONFLICT OF INTEREST; CONFIDENTIALITY

Section ~~7.01.~~8.01. "Conflict of Interest" Defined; Conflict of Interest and Confidentiality Policies. The Board of Directors expects Directors to exercise good judgment and follow high ethical standards. Individuals serving the Corporation should never permit private interests to conflict in any way with their obligations to the Corporation and to any entities affiliated with the Corporation. In addition, all members of the Board of Directors must honor the confidential nature of Corporation information and strive to maintain its confidentiality. To this end, from time to time the Board of Directors shall adopt a Conflict of Interest Policy and a Confidentiality Policy; such policies shall be as effective as if they were part of these Bylaws. These policies shall be consistent with requirements of state law, the law of tax-exempt organizations, and the requirements of the Joint Commission on the Accreditation of Healthcare Organizations, and shall address, among other things: the definition of "confidential materials" and "related persons;" disclosure by members of the Board of Directors; the purchase of goods and services; compensation decisions; and procedures to implement and enforce these policies.

ARTICLE IX

~~Article VIII~~

~~Amendments~~

AMENDMENTS

Section ~~8.01.~~9.01. Amendment. Except as otherwise provided by the Certificate of Incorporation, these Bylaws, or by law, the Board of Directors may adopt, amend, or repeal these Bylaws at any meeting of the Board of Directors by the affirmative vote of a majority of the Directors, provided that notice of the general nature of the proposed action has been given in the notice of the meeting.

ARTICLE X

~~Article IX~~

~~Miscellaneous~~

MISCELLANEOUS

Section ~~9.01.~~10.01. Principal Office. The principal office of the Corporation shall be located in New London, Connecticut. The Corporation may have other offices within or without the State of Connecticut as the Board of Directors may from time to time determine.

Section ~~9.02.~~10.02. Waivers of Notice. Whenever any notice of time, place, purpose or any other matter, including any special notice or form of notice, is required or permitted to be given to any person by law or under the provisions of the Certificate of Incorporation or these Bylaws, or of a resolution of Members or Directors, a written waiver of notice signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be equivalent to the giving of such notice. The Secretary of the Corporation shall cause any such waiver to be filed with or entered upon the records of the Corporation or, in the case of a waiver of notice of a meeting, the records of the meeting. The attendance of any person at or participation in a meeting waives any required notice to that person of the meeting unless at the beginning of the meeting, or promptly upon such person's arrival, the person objects to the holding of the meeting or the transacting of business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

~~Revised~~Adopted at Board of Directors Meeting – ~~9/30/02~~_____, 2012
~~Revised at Board of Directors Meeting 11/29/04~~

~~Revised at Board of Directors Meeting - 9/28/08~~

~~Revised at Board of Directors Meeting - 9/__/10~~

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Document 2 ID	interwovenSite://SGDMS/SG/2450358/6
Description	#2450358v6<SG> - Lawrence & Memorial Corporation - Proposed Amended & Restated Bylaws
Rendering set	standard

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Padding cell	

Statistics:	
	Count
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Moved to	4
Style change	0
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Total changes	467

CERTIFICATE OF INCORPORATION

LAWRENCE & MEMORIAL HOSPITAL, INC.

Adopted: November 24, 1997

CERTIFICATE OF AMENDMENT
NONSTOCK CORPORATION

Office of the Secretary of the State
30 Trinity Street / P.O. Box 150470 / Hartford, CT 06115-0470 / Rev. 12/1999

S FILING #00002717767 PG 01 OF 06 VOL B-00649
FILED 04/14/2004 03:12 PM PAGE 01043
SECRETARY OF THE STATE
CONNECTICUT SECRETARY OF THE STATE

1. NAME OF CORPORATION:

Lawrence and Memorial Hospital, Inc.

2. THE CERTIFICATE OF INCORPORATION IS (check A, B or C)

____ A. AMENDED

____ B. RESTATED

__X__ C. AMENDED AND RESTATED

The restated certificate consolidates all amendments into a single document.

3. TEXT OF EACH AMENDMENT / RESTATEMENT

See Attachment A

(Please reference an 8 ½ X 11 attachment if additional space is needed)

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SECRETARY OF THE STATE
CONNECTICUT SECRETARY OF THE STATE

4. VOTE INFORMATION (check A, B or C.)

__X__ A. The Amendment was duly approved by the members in the manner required by sections 33-1140 to 33-1147 of the Connecticut General Statutes, and by the Certificate of Incorporation.

_____ B. The Amendment was duly approved by the incorporators and member approval was not required.

_____ C. The Amendment was duly approved by the board of directors and member approval was not required.

5. EXECUTION:

Dated this 13th day of April, 2004.

William T. Christopher	President and CEO	
Print or type name of signatory	Capacity of signatory	Signature

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SECRETARY OF THE STATE
CONNECTICUT SECRETARY OF THE STATE

Attachment A

Amended and Restated

Certificate of Incorporation

Lawrence & Memorial Hospital, Inc.

Sec. 1. The name of the corporation is Lawrence & Memorial Hospital, Inc. (the "Hospital").

Sec. 2. The nature of the activities to be conducted, or the purposes to be promoted or carried out by the Hospital shall be exclusively charitable, scientific and educational within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1954, as the same may be amended from time to time, and the corresponding provisions of any future United States Internal Revenue Law (the "Code") and shall include the following:

(a) To establish, maintain and carry on an institution with permanent facilities for inpatients and ambulatory patients, with medical services to provide diagnosis and treatment, to carry on all associated services, and to assure that there is no unlawful discrimination under any program or in any facility of the Hospital;

(b) To participate, so far as circumstances may warrant, in any activity designed and carried on to promote the general health needs of the community;

(c) To conduct and participate in educational and scientific research activities related to providing care to the sick and injured, to the promotion of health, or to the development of personnel in the health professions or occupations, which, in the opinion of the Board of Directors may be justified and supported by the facilities, personnel, funds or other requirements that are or can be made available; and

(d) To engage in any lawful act or activity for which a corporation may be organized under the Connecticut Revised Nonstock Corporation Act, as the same may be amended from time to time, and the corresponding provisions of any future Connecticut nonstock corporation law.

Sec 3. The Hospital is nonprofit and shall not have or issue shares of stock or pay dividends.

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SECRETARY OF THE STATE
CONNECTICUT SECRETARY OF THE STATE

Sec. 4. The Hospital shall have but one member, Lawrence and Memorial Corporation (the "Sole Member"), which shall elect the Board of Directors of the Hospital in accordance with the Bylaws, shall have all of the other rights, powers and privileges usually or by law accorded to the members of a nonstock nonprofit Hospital and not conferred thereby or by the Certificate of Incorporation or Bylaws upon the Board of Directors of the Hospital, and shall have such additional rights, privileges and obligations as may be accorded to the Sole Member in the Certificate of Incorporation or Bylaws from time to time.

Sec. 5. The business, property and affairs of the Hospital shall be directed and managed by a Board of Directors. As may be further provided in the Bylaws, the terms of directors elected by the Sole Member shall be staggered by dividing the total number of these directors into up to five (5) groups, so that approximately an equal number of the total have terms that expire each succeeding year. The Bylaws may provide that certain persons occupying certain positions within or without the Hospital shall be ex-officio directors, who may be counted in determining a quorum and may have the right to vote as may be provided in the Bylaws.

Sec. 6. The Sole Member shall have the sole power, in accordance with the Bylaws, to adopt, amend or repeal the Bylaws.

Sec. 7. In addition to such other rights, powers and privileges as it may have by law, the Sole Member shall have the following rights, powers and privileges:

(a) To accept or reject, after approval by the Board of Directors, the annual operating and capital budgets of the Hospital;

(b) To approve, upon recommendation by the Board of Directors, any programs and expenditures requiring certificate of need approval and plans that materially affect the growth and development of the Hospital;

(c) To approve, upon recommendation by the Board, significant affiliation agreements between the Hospital and other institutions, significant fund raising programs, the sale or disposition of any assets of the Hospital (except sales or dispositions undertaken in the ordinary course of business), and the incurring of any indebtedness for borrowed money except in accordance with an approved operating or capital budget;

(d) To remove any elected member of the Board of Directors with or without cause in accordance with the Hospital's Bylaws;

(e) To vote upon all matters on which Members are entitled to vote under the Connecticut Revised Nonstock Corporation Act; and

(f) To act on any other matters on which action by the sole Member is required or permitted by law or by the Hospital Bylaws.

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SECRETARY OF THE STATE
CONNECTICUT SECRETARY OF THE STATE

Sec. 8. No part of the net earnings of the Hospital shall inure to the benefit of or be distributable to the Hospital's directors, officers or other private persons, except that the Hospital, subject to the provisions of the Bylaws, shall be authorized and empowered to pay reasonable compensation for services rendered. No substantial part of the activities of the Hospital shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the Hospital shall not participate in, or intervene in (including the publishing or distribution of statements), any political campaign on behalf of any candidate for public office. Notwithstanding any other provision of this Certificate of Incorporation, the Hospital shall not carry on any other activities not permitted to be carried on (a) by a corporation exempt from federal income tax under Section 501(c)(3) of the Code, or (b) by a corporation, contributions to which are deductible under Section 170(c)(2) of the Code.

Sec. 9. Upon any dissolution or termination of the existence of the Hospital, all of its property and assets shall, after payment of the lawful debts of the Hospital and the expenses of its dissolution or termination, be delivered, conveyed and paid over (subject to any restrictions imposed by any applicable will, deed, grant, conveyance, agreement, memorandum, writing or other governing document) to Lawrence and Memorial Corporation, so long as it is at that time an organization that qualifies as an exempt organization under Section 501(c)(3) of the Code, or, if at the time of the dissolution or termination of existence of the Hospital, Lawrence and Memorial Corporation is not in existence or does not so qualify, to one or more charitable, scientific or educational organizations located in the State of Connecticut and qualified as exempt organizations under Section 501(c)(3) of the Code, in such proportions and for such exclusively charitable, scientific or educational purposes as the Board of Directors may determine.

Sec. 10. In addition to, and not in derogation of, any other rights conferred by law, a director of the Hospital shall not be personally liable for monetary damages for breach of duty as a director in an amount greater than the compensation received by the director for serving the Hospital during the year of the violation if the breach did not (1) involve any knowing and culpable violation of law by the director, (2) enable the director or an associate, as defined by Section 33-840 of the Connecticut General Statutes, to receive an improper personal gain, (3) show a lack of good faith and conscious disregard for the duty of the director to the Hospital under circumstances in which the director was aware that his conduct or omission created an unjustifiable risk of serious injury to the Hospital, or (4) constitute a sustained and unexcused pattern of inattention that amounted to an abdication of the director's duty to the Hospital.

Sec. 11. Indemnification.

(a) The Hospital shall provide indemnification to any person made a party to a civil, criminal, administrative or investigative proceeding because he or she is or was a director or officer of the Hospital against liability and reasonable expenses incurred in the proceeding;

provided however, that the Hospital may not indemnify a director or officer of the Hospital unless a determination has been made, on a case-by-case basis, that such indemnification is permissible under the circumstances, because the director or the officer, as the case may be, has met the applicable standard of conduct set forth in Section 33-1117(a) of the Connecticut General Statutes, as such subsection may be amended from time to time. Such determination shall not be made by the court or other tribunal conducting the proceeding, or by any other court of competent jurisdiction, but shall instead be made in accordance with Section 33-1121 of the Connecticut General Statutes, as such section may be amended from time to time.

(b) The Hospital may not indemnify a director or officer of the Hospital in connection with a proceeding by or in the right of the Hospital, in which the director or the officer, as the case may be, was adjudged liable to the Hospital, or in connection with any other proceeding charging improper benefit to him or her, whether or not involving official capacity, in which he or she was adjudged liable on the basis that personal benefit was received.

(c) Employees or agents of the Hospital and Hospital medical staff members acting in official medical staff capacity who are not directors or officers of the Hospital may be indemnified against liability and reasonable expenses in the same manner as set forth in subsections (a) and (b) above, except that the determination required by subsection (a) may in addition be made by the general counsel of the Hospital, or such additional officer or officers as the Board of Directors may specify. In the case of employees, agents and medical staff members of the Hospital who are not directors or officers, however, the extent of indemnification may be less than the indemnification of directors and officers, even if the standard in subsection (a) is met, depending upon the extent to which the directors, committee, legal counsel, Sole Member or officers making the determination conclude that the person is fairly and reasonably entitled to indemnification in view of all the relevant circumstances. In no event shall Hospital medical staff members be entitled to indemnification for any malpractice suit, claim (whether or not filed in court), settlement, judgment, verdict or decree arising out of or in connection with medical services rendered (or the failure to render such services).

Amended and Restated

Certificate of Incorporation

Lawrence and Memorial Hospital, Inc.

Sec. 1. The name of the corporation is Lawrence and Memorial Hospital, Inc. (the "Hospital").

Sec. 2. The nature of the activities to be conducted, or the purposes to be promoted or carried out by the Hospital shall be exclusively charitable, scientific and educational within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1954, as the same may be amended from time to time, and the corresponding provisions of any future United States Internal Revenue Law (the "Code") and shall include the following:

(a) To establish, maintain and carry on an institution with permanent facilities for inpatients and ambulatory patients, with medical services to provide diagnosis and treatment, to carry on all associated services, and to assure that there is no unlawful discrimination under any program or in any facility of the Hospital;

(b) To participate, so far as circumstances may warrant, in any activity designed and carried on to promote the general health needs of the community;

(c) To conduct and participate in educational and scientific research activities related to providing care to the sick and injured, to the promotion of health, or to the development of personnel in the health professions or occupations, which, in the opinion of the Board of Directors may be justified and supported by the facilities, personnel, funds or other requirements that are or can be made available; and

(d) To engage in any lawful act or activity for which a corporation may be organized under the Connecticut Revised Nonstock Corporation Act, as the same may be amended from time to time, and the corresponding provisions of any future Connecticut nonstock corporation law.

Sec. 3. The Hospital is nonprofit and shall not have or issue shares of stock or pay dividends.

Sec. 4. The Hospital shall have but one member, Lawrence and Memorial Corporation (the "Sole Member"), which shall elect the Board of Directors of the Hospital in accordance with the Bylaws, shall have all of the other rights, powers and privileges usually

or by law accorded to the members of a nonstock nonprofit Hospital and not conferred thereby or by the Certificate of Incorporation or Bylaws upon the Board of Directors of the Hospital, and shall have such additional rights, privileges and obligations as may be accorded to the Sole Member in the Certificate of Incorporation or Bylaws from time to time.

Sec. 5. The business, property and affairs of the Hospital shall be directed and managed by a Board of Directors. As may be further provided in the Bylaws, the terms of directors elected by the Sole Member shall be staggered by dividing the total number of these directors into up to five (5) groups, so that approximately an equal number of the total have terms that expire each succeeding year. The Bylaws may provide that certain persons occupying certain positions within or without the Hospital shall be ex-officio directors, who may be counted in determining a quorum and may have the right to vote as may be provided in the Bylaws.

Sec. 6. The Sole Member shall have the sole power, in accordance with the Bylaws, to adopt, amend or repeal the Bylaws.

Sec. 7. In addition to such other rights, powers and privileges as it may have by law, the Sole Member shall have the following rights, powers and privileges:

(a) To accept or reject, after approval by the Board of Directors, the annual operating and capital budgets of the Hospital;

(b) To approve, upon recommendation by the Board of Directors, any programs and expenditures requiring certificate of need approval and plans that materially affect the growth and development of the Hospital;

(c) To approve, upon recommendation by the Board, significant affiliation agreements between the Hospital and other institutions, significant fund raising programs, the sale or disposition of any assets of the Hospital (except sales or dispositions undertaken in the ordinary course of business), and the incurring of any indebtedness for borrowed money except in accordance with an approved operating or capital budget;

(d) To remove any elected member of the Board of Directors with or without cause in accordance with the Hospital's Bylaws;

(e) To vote upon all matters on which Members are entitled to vote under the Connecticut Revised Nonstock Corporation Act; and

(f) To act on any other matters on which action by the sole Member is required or permitted by law or by the Hospital Bylaws.

Sec. 8. No part of the net earnings of the Hospital shall inure to the benefit of or be distributable to the Hospital's directors, officers or other private persons, except that the Hospital, subject to the provisions of the Bylaws, shall be authorized and empowered to pay reasonable compensation for services rendered. No substantial part of the activities of the Hospital shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the Hospital shall not participate in, or intervene in (including the publishing or distribution of statements), any political campaign on behalf of any candidate for public office. Notwithstanding any other provision of this Certificate of Incorporation, the Hospital shall not carry on any other activities not permitted to be carried on (a) by a corporation exempt from federal income tax under Section 501(c)(3) of the Code, or (b) by a corporation, contributions to which are deductible under Section 170(c)(2) of the Code.

Sec. 9. Upon any dissolution or termination of the existence of the Hospital, all of its property and assets shall, after payment of the lawful debts of the Hospital and the expenses of its dissolution or termination, be delivered, conveyed and paid over (subject to any restrictions imposed by any applicable will, deed, grant, conveyance, agreement, memorandum, writing or other governing document) to Lawrence and Memorial Corporation, so long as it is at that time an organization that qualifies as an exempt organization under Section 501(c)(3) of the Code, or, if at the time of the dissolution or termination of existence of the Hospital, Lawrence and Memorial Corporation is not in existence or does not so qualify, to one or more charitable, scientific or educational organizations located in the State of Connecticut and qualified as exempt organizations under Section 501(c)(3) of the Code, in such proportions and for such exclusively charitable, scientific or educational purposes as the Board of Directors may determine.

Sec. 10. In addition to, and not in derogation of, any other rights conferred by law, a director of the Hospital shall not be personally liable for monetary damages for breach of duty as a director in an amount greater than the compensation received by the director for serving the Hospital during the year of the violation if the breach did not (1) involve any knowing and culpable violation of law by the director, (2) enable the director or an associate, as defined by Section 33-840 of the Connecticut General Statutes, to receive an improper personal gain, (3) show a lack of good faith and conscious disregard for the duty of the director to the Hospital under circumstances in which the director was aware that his conduct or omission created an unjustifiable risk of serious injury to the Hospital, or (4) constitute a sustained and unexcused pattern of inattention that amounted to an abdication of the director's duty to the Hospital.

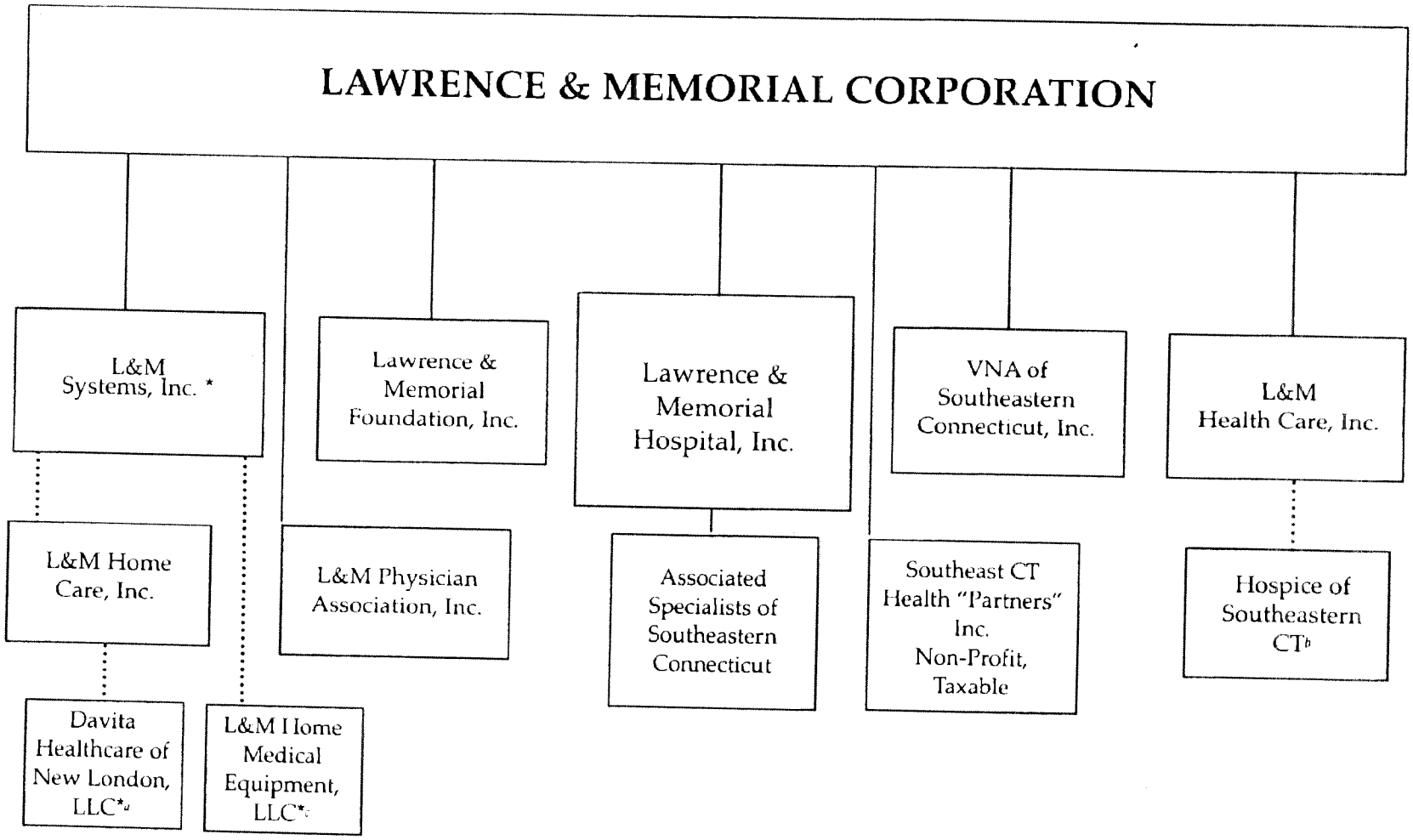
Sec. 11. Indemnification.

(a) The Hospital shall provide indemnification to any person made a party to a civil, criminal, administrative or investigative proceeding because he or she is or was a director or officer of the Hospital against liability and reasonable expenses incurred in the proceeding; provided however, that the Hospital may not indemnify a director or officer of

the Hospital unless a determination has been made, on a case-by-case basis, that such indemnification is permissible under the circumstances, because the director or the officer, as the case may be, has met the applicable standard of conduct set forth in Section 33-1117(a) of the Connecticut General Statutes, as such subsection may be amended from time to time. Such determination shall not be made by the court or other tribunal conducting the proceeding, or by any other court of competent jurisdiction, but shall instead be made in accordance with Section 33-1121 of the Connecticut General Statutes, as such section may be amended from time to time.

(b) The Hospital may not indemnify a director or officer of the Hospital in connection with a proceeding by or in the right of the Hospital, in which the director or the officer, as the case may be, was adjudged liable to the Hospital, or in connection with any other proceeding charging improper benefit to him or her, whether or not involving official capacity, in which he or she was adjudged liable on the basis that personal benefit was received.

(c) Employees or agents of the Hospital and Hospital medical staff members acting in official medical staff capacity who are not directors or officers of the Hospital may be indemnified against liability and reasonable expenses in the same manner as set forth in subsections (a) and (b) above, except that the determination required by subsection (a) may in addition be made by the general counsel of the Hospital, or such additional officer or officers as the Board of Directors may specify. In the case of employees, agents and medical staff members of the Hospital who are not directors or officers, however, the extent of indemnification may be less than the indemnification of directors and officers, even if the standard in subsection (a) is met, depending upon the extent to which the directors, committee, legal counsel, Sole Member or officers making the determination conclude that the person is fairly and reasonably entitled to indemnification in view of all the relevant circumstances. In no event shall Hospital medical staff members be entitled to indemnification for any malpractice suit, claim (whether or not filed in court), settlement, judgment, verdict or decree arising out of or in connection with medical services rendered (or the failure to render such services).



* *for profit*

[a] *Joint Venture with Backus Dialysis Corporation and Davita*

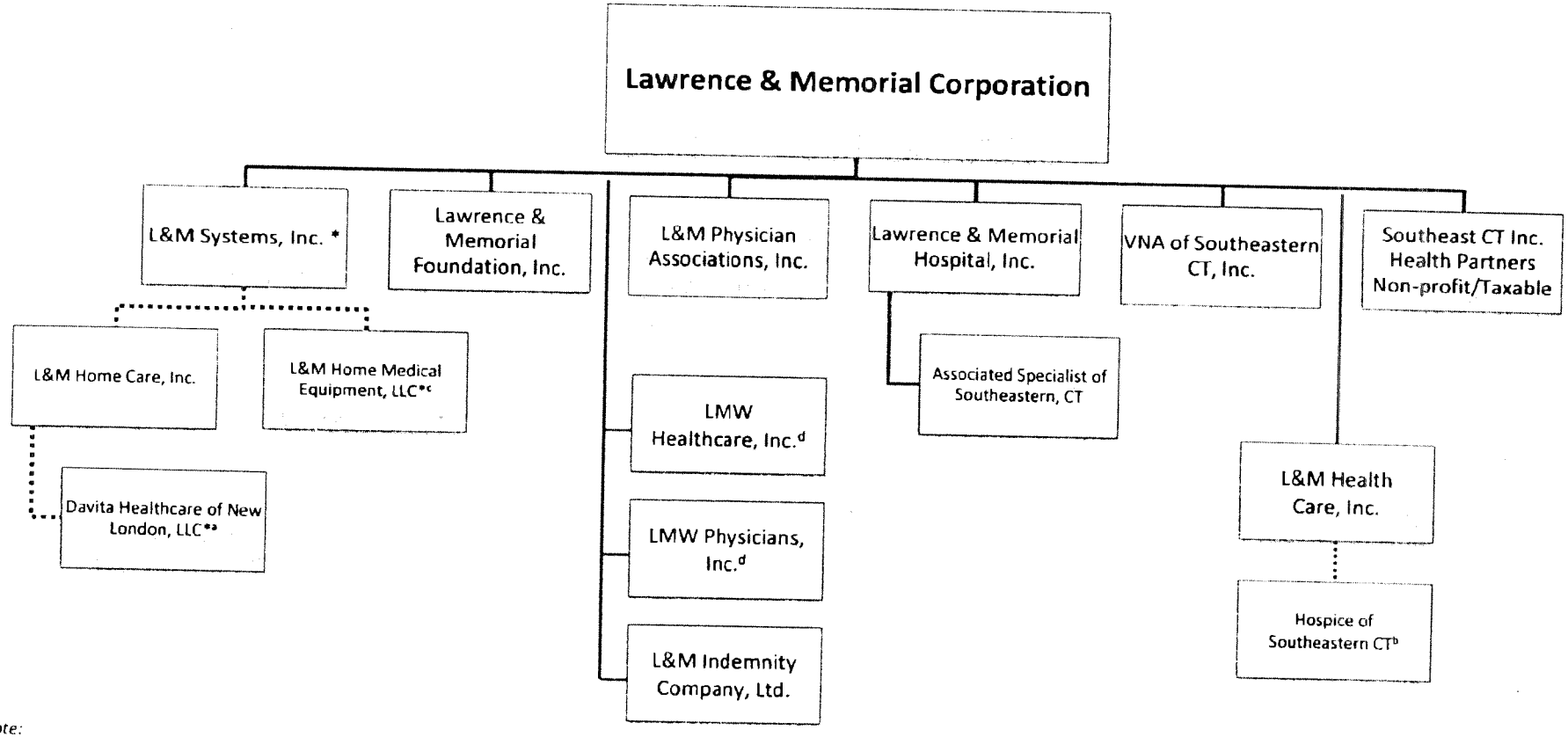
[b] *Corporate Member with Backus Health Care, Inc.*

[c] *Joint venture between L&M Systems and Associated Healthcare Systems, Inc.*

7/11

RIDOH 0212

LAWRENCE +MEMORIAL



Note:
** - for profit*
a – Joint Venture with Backus Dialysis Corporation and Davita
b – Corporate Member with Backus Health Care, Inc.
c – Joint Venture between L&M Systems and Associated Healthcare System, Inc.
d - Rhode Island non-profit companies
[v: 31July2012 Karen Santacroce]

RIDOH 0213

Amended and Restated

Certificate of Incorporation

Lawrence and Memorial Corporation

Sec. 1. The name of the corporation is Lawrence and Memorial Corporation (the "Corporation").

Sec. 2. The nature of the activities to be conducted, or the purposes to be promoted or carried out by the Corporation shall be exclusively charitable, scientific and educational within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as the same may be amended from time to time, and the corresponding provisions of any future United States Internal Revenue Law (the "Code") and shall include the following:

(a) To benefit, perform the functions of, carry out the purposes of, and uphold, promote and further the welfare, programs and activities of Lawrence and Memorial Hospital, Inc. (the "Hospital") and the Hospital's subsidiaries:

(i) By initiating, developing, recommending and carrying out for the Hospital goals and priorities for new or expanded programs for the benefit of the Hospital;

(ii) By continuously reevaluating, maintaining and revising a master plan for the programs and facilities of the Hospital;

(iii) By considering and recommending the acquisition of properties or the construction of facilities by or for the use of the Hospital;

(iv) By planning for the acquisition and placement of new facilities and equipment by or for the use of the Hospital; and

(v) By performing public relations work on behalf of the Hospital, and soliciting and receiving subscriptions and gifts for the exclusively charitable purposes of the Hospital.

(b) To initiate, develop, operate and maintain, for the Hospital and for other hospitals and health care facilities, programs directed toward improving the efficiency of utilization of health care facilities and services in the State of Connecticut, and in New London County and surrounding areas in particular, and reducing the cost of health care to the public while maintaining a high quality of such care;

(c) To initiate, develop, operate and maintain educational programs for health professionals and for the public, including programs of nursing education, continuing medical education, residency training and community health education;

(d) To initiate, develop and maintain, in cooperation with the Hospital and with other hospitals and health care facilities, and operate directly or through one or more separate corporations, programs for the delivery of health care services to persons other than hospital patients;

(e) To acquire, improve, hold and lease to the Hospital and to other hospitals and health care facilities any real or personal property useful to the accomplishment of the purposes of this Corporation, the Hospital or such other hospitals or health care facilities;

(f) To receive and accept public and private gifts, trusts, donations, grants, loans and other sources of funding to promote the purposes of the Corporation; and generally to do and perform such other acts and to exercise such other powers as may be authorized or permitted under the laws of the State of Connecticut to promote and attain the purposes set forth herein; and

(g) To engage in any lawful act or activity for which a corporation may be organized under the Connecticut Revised Nonstock Corporation Act, as the same may be amended from time to time, and the corresponding provisions of any future Connecticut nonstock corporation law.

Sec. 3. The Corporation is nonprofit and shall not have or issue shares of stock or pay dividends.

Sec. 4. The classes, rights, privileges, qualifications, obligations, and the manner of election or appointment of members are as follows: There shall be only one class of members, consisting of those individuals who shall from time to time be elected or appointed to membership in accordance with the Bylaws. The members shall have the right to vote for the election of members and to vote for the election of the Board of Directors in accordance with the Bylaws, but shall not be entitled to vote on any other matter. The Bylaws may provide that certain persons occupying certain positions within or without the Corporation shall be ex-officio members, who may be counted in determining a quorum and may have the right to vote for the election of members and the directors as may be further provided in the Bylaws.

Sec. 5. The business, property and affairs of the Corporation shall be directed and managed by a Board of Directors in accordance with the Bylaws. As may be further provided in the Bylaws, the terms of directors elected by the members shall be staggered by dividing the total number of these directors into up to five (5) groups, so that approximately an equal number of the total have terms that expire each succeeding year. The Bylaws may provide that certain persons occupying certain positions within or without the Corporation shall be ex-officio directors, who may be counted in determining a quorum and may have the right to vote as may be provided in the Bylaws.

Sec. 6. No part of the net earnings of the Corporation shall inure to the benefit of or be distributable to the Corporation's directors, officers or other private persons, except that the Corporation, subject to the provisions of the Bylaws, shall be authorized and empowered to pay reasonable compensation for services rendered. No substantial part of the activities of the Corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the Corporation shall not participate in, or intervene in (including the publishing or distribution of statements), any political campaign on behalf of any candidate for public office. Notwithstanding any other provision of this Certificate of Incorporation, the Corporation shall not carry on any other activities not permitted to be carried on (a) by a corporation exempt from federal income tax under Section 501(c)(3) of the Code, or (b) by a corporation, contributions to which are deductible under Section 170(c)(2) of the Code.

Sec. 7. Upon any dissolution or termination of the existence of the Corporation, all of its property and assets shall, after payment of the lawful debts of the Corporation and the expenses of its dissolution or termination, be delivered, conveyed and paid over (subject to any restrictions imposed by any applicable will, deed, grant, conveyance, agreement, memorandum, writing or other governing document) to one or more charitable, scientific or educational organizations located in the State of Connecticut and qualified as exempt organizations under Section 501(c)(3) of the Code, in such proportions and for such exclusively charitable, scientific or educational purposes as the Board of Directors may determine.

Sec. 8. In addition to, and not in derogation of, any other rights conferred by law, a director of the Corporation shall not be personally liable for monetary damages for breach of duty as a director of the Corporation in an amount greater than the compensation received by the director for serving the Corporation during the year of the violation if the breach did not (1) involve any knowing and culpable violation of law by the director, (2) enable the director, or an associate of such director as defined by Section 33-840 of the Connecticut General Statutes, to receive an improper personal gain, (3) show a lack of good faith and conscious disregard for the duty of the director to the Corporation under circumstances in which the director was aware that his or her conduct or omission created an unjustifiable risk of serious injury to the Corporation, or (4) constitute a sustained and unexcused pattern of inattention that amounted to an abdication of the director's duty to the Corporation.

Sec. 9. Indemnification

(a) The Corporation shall provide indemnification to any person made a party to a civil, criminal, administrative or investigative proceeding because he or she is or was a director or officer of the Corporation against liability and reasonable expenses incurred in the proceeding; provided however, that the Corporation may not indemnify a director or officer of the Corporation unless a determination has been made, on a case-by-case basis, that such indemnification is permissible under the circumstances, because the director or officer, as the case may be, has met the applicable standard of conduct set forth in Section 33-1117(a) of the Connecticut General Statutes, as such subsection may be amended from time to time. Such determination shall not be made by the court or other tribunal conducting

the proceeding, or by any other court of competent jurisdiction, but shall instead be made in accordance with Section 33-1121 of the Connecticut General Statutes, as such section may be amended from time to time.

(b) The Corporation may not indemnify a director or officer of the Corporation in connection with a proceeding by or in the right of the Corporation, in which the director or officer, as the case may be, was adjudged liable to the Corporation, or in connection with any other proceeding charging improper benefit to him or her, whether or not involving official capacity, in which he or she was adjudged liable on the basis that personal benefit was received.

(c) Employees or agents of the Corporation who are not directors or officers of the Corporation may be indemnified against liability and reasonable expenses in the same manner as set forth in subsections (a) and (b) above, except that the determination required by subsection (a) may in addition be made by the general counsel of the Corporation, or such additional officer or officers as the Board of Directors may specify. In the case of employees or agents of the Corporation who are not directors or officers, however, the extent of indemnification may be less than the indemnification of directors and officers, even if the standard in subsection (a) is met, depending upon the extent to which the directors, committee, legal counsel, or officers making the determination conclude that the person is fairly and reasonably entitled to indemnification in view of all the relevant circumstances.

LAWRENCE & MEMORIAL HOSPITAL

LAWRENCE & MEMORIAL HOSPITAL
Bylaws

Adopted: November 24, 1997
Rev., 12/17/01, 9/30/02, 11/29/04, 9/29/08, 11/29/10

BYLAWS
OF
LAWRENCE & MEMORIAL HOSPITAL, INC.

ARTICLE I

Role and Purpose of the Hospital; Sole Member

Section 1.01. Role and Purpose of the Hospital. The role and purpose of Lawrence & Memorial Hospital, Inc. (the "Hospital") shall be as follows:

a. To establish, maintain and carry on an institution with permanent facilities for inpatients and ambulatory patients, with medical services to provide diagnosis and treatment, to carry on all associated services, and to assure that there is no unlawful discrimination under any program or in any facility of the Hospital;

b. To participate, so far as circumstances may warrant, in any activity designed and carried on to promote the general health needs of the community;

c. To conduct and participate in educational and scientific research activities related to providing care to the sick and injured, to the promotion of health, or to the development of personnel in the health professions or occupations, which, in the opinion of the Board of Directors may be justified and supported by the facilities, personnel, funds or other requirements that are or can be made available; and

d. To engage in any lawful act or activity for which a corporation may be organized under the Connecticut Nonstock Corporation Act, as the same may be amended from time to time, and the corresponding provisions of any future Connecticut nonstock corporation law.

Section 1.02. Sole Member; Lawrence & Memorial Corporation. The Hospital shall have but one (1) member, Lawrence & Memorial Corporation (the "Sole Member" or the "Corporation"), which shall elect the Board of Directors of the Hospital (also referred to in these Bylaws as the "Board" or "Board of Directors"), adopt, amend and repeal these Bylaws, and have all of the other rights, powers and privileges usually or by law accorded to the members of a nonstock federally tax-exempt corporation and not conferred by the Certificate of Incorporation or these Bylaws on the Board of Directors of the Hospital. In addition to such other rights, powers and privileges as it may have by law or under the Certificate of Incorporation, the Sole Member shall have the following rights, powers and privileges:

a. To accept or reject, after approval by the Board, the annual operating and capital budgets of the Hospital:

b. To approve, upon recommendation by the Board, any programs and expenditures requiring certificate of need approval and plans that materially affect the growth and development of the Hospital;

c. To approve, upon recommendation by the Board, significant affiliation agreements between the Hospital and other institutions, significant fund raising programs, the sale or disposition of any assets of the Hospital (except sales or dispositions undertaken in the ordinary course of business), and the incurring of any indebtedness for borrowed money except in accordance with an approved operating or capital budget;

d. To remove any elected member of the Board of Directors with or without cause in accordance with these Bylaws;

e. To vote upon all matters on which Members are entitled to vote under the Connecticut Revised Nonstock Corporation Act; and

f. To act on any other matters on which action by the sole Member is required or permitted by these Bylaws.

Section 1.03. Manner of Action by Sole Member. Any action permitted or required of the Sole Member by law, the Certificate of Incorporation or these Bylaws may be taken by vote of its Board of Directors, or by or through any person or persons designated by either its Bylaws or its Board of Directors to act on its behalf. Except as provided in Section 2.05. of these Bylaws, any such action may also be taken without a meeting by written communication of a duly authorized representative of the Sole Member acting within the limits of his/her authority. Any such action by the Sole Member or its duly authorized representative shall be filed with the Secretary of the Corporation. Whenever approval by the Sole Member is required by law, the Certificate of Incorporation or these Bylaws, the Sole Member shall attempt to act on a request for approval within the timeframe set forth in any schedule that may be developed from time to time, or if no such schedule exists, in a timely manner.

ARTICLE II

Board of Directors

Section 2.01. Composition. The Board of Directors shall consist of not less than fifteen (15) nor more than twenty-one (21), individuals, the number within the variable range to be determined by the Sole Member at its annual meeting. At all times, four (4) of these Directors shall serve ex-officio: the President of the Hospital; the President of the Medical Staff; the Vice President of the Medical Staff; and a representative-at-large of the Medical Staff who ordinarily shall be the immediate past President or a former President of the Medical Staff (the "Ex-Officio

Directors"). The remainder of the Directors, the "Elected Directors," shall be Members of Lawrence & Memorial Corporation and elected by the Sole Member in accordance with these Bylaws. The Elected Directors shall be divided into three (3) groups, so that approximately one-third (1/3) of the Directors shall have terms that expire annually. The Elected Directors and the Ex-Officio Directors are together referred to in these Bylaws as the "Directors."

Section 2.02. Election and Terms. Elected Directors shall be elected by the Sole Member at its annual meeting from a slate of nominations prepared by the Governance Committee. No other nominations shall be permitted. Except as provided otherwise in this Section, Elected Directors shall serve a term of three (3) years, or until their resignation, removal or death. The Sole Member may elect Directors to serve one-year or two-year terms in order to achieve the groupings required by Section 2.01. of these Bylaws.

Section 2.03. Tenure. An Elected Director shall be eligible for election to three (3) consecutive three-year terms. For the purposes of determining eligibility for re-election, an Elected Director who has served more than one and one-half (1 ½) years of a three-year term shall be deemed to have served a full term. An Elected Director may be re-elected for a fourth consecutive term if the Director is also elected as an officer at the beginning of such fourth term. After serving the maximum time permitted under this Section, an Elected Director may be re-elected to the Board only after the Director has been off the Board for a period of at least one (1) year.

Section 2.04. Resignation. An Elected Director may resign at any time by delivering written notice to the Secretary of the Hospital. The resignation shall be effective when the notice is delivered, unless the notice specifies a later effective date. If an Ex-Officio Director resigns or is removed from the position from which his or her ex-officio status derives, the Ex-Officio

Director will immediately and automatically cease to be a Director without further action by the Board or the Sole Member.

Section 2.05. Removal. An Elected Director may be removed by the affirmative vote of the Sole Member at a meeting of the Sole Member. The notice of such meeting shall state that the purpose or one of the purposes of the meeting is removal of the Elected Director.

Section 2.06. Vacancies. A vacancy of an Elected Director may be filled by the Sole Member or the Board at any regular or special meeting. If filled by the Board, the individual elected to fill the vacancy shall serve until the next meeting of the Sole Member at which members of the Board of Directors are elected.

Section 2.07. Duties and Responsibilities. Subject to the rights, powers and privileges accorded to the Sole Member in the Certificate of Incorporation, these Bylaws, or by law, the Board of Directors shall manage and direct the business, property, and affairs of the Hospital. The Board of Directors shall:

a. Be responsible for governance of the Hospital, establish policy, promote performance improvement, and provide for organizational management and planning;

b. Recruit, hire, and if necessary, terminate the employment of a President in accordance with the criteria-based selection process established pursuant to these Bylaws;

c. Evaluate the performance of the President at least annually;

d. Establish and appoint the Medical Staff of the Hospital and review and approve the bylaws, rules and regulations governing its organization and operation;

e. Review these Bylaws periodically; and

f. Review and evaluate its own performance.

Section 2.08. Compensation. The Directors shall serve without compensation for their services as Directors but may be reimbursed by the Hospital for their reasonable expenses and disbursements in that capacity on behalf of the Hospital.

Section 2.09. Directors Emeriti. In its discretion, the Sole Member may appoint Directors Emeriti. To be eligible for appointment, an individual shall have contributed lengthy and exemplary service to the Hospital as a Director. From time to time, Directors Emeriti may be invited to attend Board meetings, but shall not vote or be counted towards a quorum. Individuals appointed as Directors Emeriti shall retain such appointments for life.

ARTICLE III

Meetings of the Board of Directors

Section 3.01. Annual and Regular Meetings. The annual meeting of the Board shall be held in the month of December on a date to be fixed by the Chair from year to year. The transaction of business at the annual meeting shall be unlimited except as otherwise specified in these Bylaws. There shall be eight regular meetings of the Board per fiscal year.

Section 3.02. Notice of Annual and Regular Meetings. The Secretary shall give notice of the date, time and place of the annual meeting and each regular meeting of the Board by mail, electronic mail, telecommunications, telephone, facsimile, delivery service or in person to each Director at least five (5) days in advance of the meeting, except that no notice need be given of a regular meeting held in accordance with a schedule approved by the Board.

Section 3.03. Special Meetings. Special meetings may be called at any time by the Chair, and shall be called by the Chair within seven (7) days of receipt of the written request of any

three (3) Board members. Notice of the date, time, place and purpose of a special meeting shall be given to each Director by mail, electronic mail, telecommunications, telephone, facsimile, delivery service or in person at least twenty-four (24) hours before the scheduled time of the meeting and no business shall be transacted at such meeting other than that specifically set forth in the notice.

Section 3.04. Quorum; Vote Required for Action. A majority of all Directors shall constitute a quorum at all meetings of the Board. The affirmative vote of a majority of the Directors present at a meeting at which time a vote is taken shall be the act of the Board, unless the vote of a greater number is required by the Certificate of Incorporation, these Bylaws, or by law. Ex-officio Directors shall be counted in determining a quorum and shall be entitled to vote.

Section 3.05. Action Without Meeting. If all members of the Board consent in writing to any action taken or to be taken, the action shall be the same as if authorized at a meeting of the Board; all written consent(s) shall be included in the corporate minutes or filed with the corporate records.

Section 3.06. Participation by Conference Telephone. Any member of the Board may participate in a meeting by means of a conference telephone or similar communications equipment enabling all members of the Board participating in the meeting to hear one another, and such participation shall constitute presence in person at such meeting.

Section 3.07. Agenda and Records of Meetings. There shall be a written agenda for each meeting of the Board, and minutes of each meeting shall be prepared and submitted to the Board for approval by the Secretary or a delegate. Minutes shall reflect attendance at the meeting, and shall be dated, signed and maintained in the corporate records following approval.

Section 3.08. Executive Session. The Board of Directors shall meet in executive session at least once during each fiscal year and may meet in executive session at such other times as the Chair may designate. An executive session may be held during any regular or special meeting of the Board and shall be attended only by Directors and other persons invited by the Chair for all or any portion of the executive session, provided that Directors who are employees of the Hospital may at the discretion of the Chair be excluded from all or any portion of an executive session.

ARTICLE IV

Officers

Section 4.01. Officers. The officers shall be a Chair, the President (who shall be Chief Executive Officer), a Secretary, a Treasurer, and such other officers as may from time to time be designated by the Board. The Chair, Secretary and Treasurer shall be chosen from the members of the Board. The offices of Chair, President, and Treasurer shall be held by different individuals.

Section 4.02. Election. The officers except for the President shall be chosen by the Board at its annual meeting, and shall hold office until the next annual meeting.

Section 4.03. Vacancies. Any vacancy occurring in any office shall be filled promptly by the Board at any Board meeting.

Section 4.04. Removal. Any officer may be removed with or without cause at any meeting of the Board by the vote of two-thirds (2/3) of the members of the Board present and

voting, provided that the notice of the meeting specifically states that the purpose or one of the purposes of the meeting is removal of the officer.

Section 4.05. Duties. The duties of the officers shall be as follows:

a. Chair. The Chair or in the Chair's absence a Director who is the Chair's delegate or who is appointed by the Board shall preside at all meetings of the Board and shall perform other duties incident to the office or delegated by the Board or these Bylaws. The Chair shall be an ex-officio member of all committees.

b. President. The President shall be the Chief Executive Officer of the Hospital and shall perform such other duties incident to that office or delegated by the Board or these Bylaws. The President shall be an ex-officio member of all committees except the Audit and Compliance Committee and the Compensation Committee.

c. Secretary. The Secretary shall maintain the minutes of the meetings of the Board in the corporate records; give or cause to be given all notices required by these Bylaws or by law; serve as custodian of the Board's records; make such records available to the Board upon its request; and perform all other duties incident to the office or delegated by the Board or these Bylaws.

d. Treasurer. The Treasurer shall supervise the receipt and custody of the Hospital's funds and investments; render a full account and statement of the condition of the Hospital's finances at each annual meeting of the Board and at such other times as requested by the Board; and perform other duties incident to the office or as may be delegated by the Board or these Bylaws.

ARTICLE V

President

Section 5.01. Appointment. The Board shall appoint a President in accordance with these Bylaws. Other executive management staff shall be appointed by the President with the approval of the Board.

Section 5.02. Qualifications for the President. The Board shall establish a criteria-based process for selecting a President. The President shall have the knowledge and skills necessary to perform the duties required of the Hospital's senior leader. Among other criteria, education and relevant experience are important qualifications.

Section 5.03. Responsibilities of the President. The President shall be delegated the responsibility for overall management of the Hospital, and shall be given the authority necessary to carry out this responsibility, subject only to such policies as may be adopted by the Board.

Section 5.04. Attendance at Meetings. The President shall attend all meetings of the Board unless excused by the Chair.

ARTICLE VI

Committees

Section 6.01. Generally. The Board shall have the Standing Committees created in Sections 6.02 and 6.03 of these Bylaws. Standing Committees shall be divided into two categories: (a) Board Committees as described in Section 6.02, and (b) Board Advisory Committees as described in Section 6.03. In addition to Standing Committees, the Board may have such Additional Committees as it creates by resolution pursuant to Section 6.04 of these Bylaws.

Section 6.02. Board Committees. Board Committees may exercise the power of the Board on those matters delegated to them by these Bylaws or by the Board. These committees, which shall be composed exclusively of Directors and appointed by the Chair, are the following:

a. The Governance Committee. The Governance Committee shall consist of nine (9) or more Directors, including the Chairs of the Audit and Compliance, Development and Community Relations, Finance and Performance Improvement. Committees, two (2) or more Directors appointed by the Chair, and, as provided in Section 4.05 of these Bylaws, the President and the Chair of the Board, who shall serve ex-officio. The Governance Committee shall be responsible for the evaluation of the Board and its members and how the Board functions, shall have oversight of these Bylaws, shall serve as the nominating committee for the Board of Directors and develop a slate of officers, shall provide oversight on strategic human resource issues and work with internal committees to monitor and support changes in the work place that will improve the Hospital, and shall perform such other duties as the Board of Directors may delegate to it from time to time. Except as otherwise provided by law or by these Bylaws, the Governance Committee shall have the same authority as the Board, but shall meet and exercise such authority only when the Committee determines that (i) Board action is required on a matter prior to its next regular meeting, and (ii) if no such action is taken, the Hospital will be disadvantaged. Acts of the Committee when it exercises Board authority on action required before the next regular meeting shall be ratified by the Board at its next regular meeting.

b. Audit and Compliance Committee. The Audit and Compliance Committee of the Board of Directors of the Corporation constitutes the Audit and Compliance Committee of the Hospital, which the Chair of the Board shall be deemed to have appointed. The Chair of the Finance Committee described in Section 6.04(a) of these Bylaws shall not be eligible to serve on

the Audit and Compliance Committee. The Committee shall provide assistance to the Board in fulfilling its oversight of the quality and integrity of the Hospital's financial statements, legal and regulatory requirements, the audit function including selection of the auditor, and internal controls. The Committee shall have a charter that is reviewed annually and updated as required.

c. Board Committees – Miscellaneous Provisions.

(i) Prohibited Activities. Board Committees shall not have power to: (i) fill vacancies in the Board of Directors or Board Committees; (ii) adopt, amend or repeal the Certificate of Incorporation of the Hospital or these Bylaws; (iii) approve a plan of merger, or the sale, lease, exchange or other disposition of all, or substantially all, of the property of the Hospital, other than in the usual and regular course of affairs of the Hospital; (iv) approve a proposal to dissolve the Hospital; or (v) authorize any action inconsistent with the Certificate of Incorporation or these Bylaws.

(ii) Quorum and Voting Requirements. A majority of all members of a Board Committee shall constitute a quorum at its meetings. The affirmative vote of a majority of the members present at the time the vote is taken shall be the act of such Committee, unless the vote of a greater number is required by the Certificate of Incorporation, these Bylaws, or by law.

(iii) Notice Requirements. Notice of the date, time and location of a Board Committee meeting shall be given to each member of such Committee by mail, electronic mail, telecommunications, telephone, facsimile, delivery service or in person at least twenty-four (24) hours before the scheduled time of the meeting. Minutes shall be recorded of each meeting of the Committee and submitted at the next regular meeting of the Board. The committee chair or the chair's designee shall make a full report of each meeting of the committee at the next meeting of the Board.

Section 6.03. Board Advisory Committees. Board Advisory Committees may not exercise the authority of the Board, and any acts taken by them shall be solely advisory in nature. Except as otherwise provided by this Section 6.03, the members and chairs of each Board Advisory Committee shall be appointed by the Chair of the Board, and each such committee shall consist of at least one (1) Director and two (2) other individuals who may or may not be Directors. The Board Advisory Committees shall include:

a. Finance Committee. The Finance Committee shall recommend policies and procedures regarding: (i) preparation and monitoring of the annual operating and capital budgets; (ii) management of endowment and trust funds; and (iii) control of hospital costs. The Finance Committee shall be chaired by the Treasurer of the Board.

b. Compensation Committee. The Compensation Committee shall be responsible for matters relating to executive compensation and benefit programs. The Committee shall make recommendations to the Board concerning the compensation of the President and Chief Executive Officer, consult with the President and Chief Executive Officer on the compensation of other Hospital executives, and have such other duties as the Board may from time to time determine. The Committee shall consist of at least three (3) Directors, all of whom shall be independent and free of any conflicts of interest as defined by the Hospital's Policy on Conflicts of Interest.

c. Performance Improvement Committee. The Performance Improvement Committee, which shall also be known as the Quality Council, shall be responsible for insuring that a total quality management process is in place at the Hospital including a review of medical and administrative quality reports from Medical Staff and Hospital Departments.

d. Development and Community Relations Committee. The Development and Community Relations Committee shall promote the image of and stimulate interest in the Hospital among members of the community; inform the community of activities, goals and objectives of the Hospital; periodically assess public and patient opinion of the Hospital; report on public relations issues and activities; and recommend public relations programs.

e. Joint Conference Committee. The Board from time to time may establish or convene a Joint Conference Committee that consists of the President and an equal number of representatives of the Board and the Medical Staff. The Committee will perform such advisory functions as may be required by the Board.

f. Board Advisory Committees – Miscellaneous Provisions. The Chair may designate one or more officers of the Hospital to serve as ex-officio members of these committees. Each such committee shall adopt and follow rules and procedures for its organization and operation. A majority of the members of a Board Advisory Committee shall constitute a quorum, and the act of the majority of those members present and voting shall be the act of the committee.

Section 6.04 Additional Committees. In addition to the Standing Committees established by Sections 6.02 and 6.03, the Board may from time to time establish other committees ("Additional Committees") for the purposes and with the powers and responsibilities conferred by the Board. Such committees shall exist solely at the pleasure of the Board. Any such committee that is authorized to act on behalf of the Board shall be composed exclusively of Directors, all of whom shall be appointed by the Board, and shall be subject to the requirements of Section 6.02 c. of these Bylaws. Any such committee that is advisory only and does not have

the authority to act on behalf of the Board shall consist of at least one (1) Director and two (2) other individuals who may or may not be Directors, all of whom shall be appointed by the Chair.

Section 6.05 "Medical Review Committees". Any committee or subcommittee referred to in or otherwise established in accordance with the provisions of these Bylaws, as well as the Board itself, when engaged in any peer review activity, is intended to be a "medical review committee" within the meaning of that term as set forth in Chapter 368a of the Connecticut General Statutes, as amended from time to time.

ARTICLE VII

Medical Staff

Section 7.01. The Appointment and Governance of the Medical Staff. The Board of Directors shall appoint all members of the Hospital's Medical Staff, approve each member's delineated clinical privileges, and be responsible for the organization and activities of the Medical Staff. The Board shall adopt and from time to time review the bylaws and rules and regulations of the Medical Staff. The Board shall assure that the Medical Staff complies with such bylaws, rules and regulations, and shall have and regularly consult with a liaison of the Medical Staff.

Section 7.02. Recommendations of The Medical Staff Executive Committee. The Board shall accept and review, for possible adoption by the Board, specific recommendations from the Medical Staff executive committee, made in accordance with the provisions of the Medical Staff bylaws, and relating to:

a. The structure of the Medical Staff;

b. The process designed for reviewing credentials and delineating individual clinical privileges;

c. Recommendations for Medical Staff membership;

d. The organization of the Medical Staff's performance-improvement activities, as well as the process designed for conducting, evaluating and revising such activities;

e. The process by which Medical Staff membership may be terminated; and

f. The fair-hearing process.

ARTICLE VIII

Conflict of Interest; Confidentiality

Section 8.01. "Conflict of Interest" Defined; Conflict of Interest and Confidentiality Policies. The Board expects the Directors to exercise good judgment and follow high ethical standards. Individuals serving the Hospital should never permit private interests to conflict in any way with their obligations to the Hospital and to any entities affiliated with the Hospital. In addition, all Directors must honor the confidential nature of Hospital information and strive to maintain its confidentiality. To this end, from time to time the Board shall adopt a Conflict of Interest Policy and a Confidentiality Policy; such policies shall be as effective as if they were part of these Bylaws. These policies shall be consistent with requirements of state law, the law of tax exempt organizations, and the requirements of the Joint Commission on the Accreditation of Healthcare Organizations, and shall address, among other things: the definition of "confidential materials" and "related persons", disclosure by Board members; the purchase of goods and services; compensation decisions; and procedures to implement and enforce these policies.

ARTICLE IX

Amendments

Section 9.01. Amendments. Except as otherwise provided by the Certificate of Incorporation, or by law, the Sole Member may adopt, amend or repeal these Bylaws.

ARTICLE X

Auxiliary

Section 10.01. Auxiliary. There may be an auxiliary known as "The Auxiliary of Lawrence & Memorial Hospital." It shall be a unit of the Hospital and shall be governed and operated under bylaws approved by the Board with the approval of the members of the Auxiliary. All funds of the Auxiliary shall be subject to the direction and control of the Board, consistent with the approved bylaws of the Auxiliary.

ARTICLE XI

Miscellaneous

Section 11.01. Principal Office. The principal office of the Hospital shall be located in New London, Connecticut.

Section 11.02. Waivers of Notice. Whenever any notice of time, place, purpose or any other matter, including any special notice or form of notice, is required or permitted to be given

to any person by law or under the provisions of the Certificate of Incorporation or these Bylaws, or of a resolution of the Sole Member or the Board of Directors, a written waiver of notice signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be equivalent to the giving of such notice. The Secretary of the Hospital shall cause any such waiver to be filed with or entered upon the records of the Hospital or, in the case of a waiver of notice of a meeting, the records of the meeting. The attendance of any person at or participation in a meeting waives any required notice to that person of the meeting unless at the beginning of the meeting, or promptly upon the person's arrival, the person objects to the holding of the meeting or the transacting of business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

Revised 09/30/02

Revised 11/29/04

Revised 9/29/08

Revised 11/29/10

LAWRENCE & MEMORIAL HOSPITAL

Lawrence &~~+~~ Memorial Hospital
Bylaws

Adopted: ~~November 24, 1997~~ _____, 2012
~~Rev., 12/17/01, 9/30/02, 11/29/04, / /08~~

AMENDED AND RESTATED BYLAWS

OF

LAWRENCE &+ MEMORIAL HOSPITAL, INC.

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ARTICLE I

Role and Purpose of the Hospital; ~~Sole~~ Member

Section 1.01. Role and Purpose of the Hospital. The role and purpose of Lawrence &+ Memorial Hospital, Inc. (the "~~"~~Hospital~~"~~") shall be as follows:

a. To establish, maintain and carry on an institution within the health care delivery system (the "System") administered by Lawrence + Memorial Corporation, with permanent facilities for inpatients and ambulatory patients, with medical services to provide diagnosis and treatment, to carry on all associated services, and to assure that there is no unlawful discrimination under any program or in any facility of the Hospital;

b. To participate, so far as circumstances may warrant, in any activity designed and carried on to promote the general health needs of the community;

c. To conduct and participate in educational and scientific research activities related to providing care to the sick and injured, to the promotion of health, or to the development of personnel in the health professions or occupations, which, in the opinion of the Board of Directors may be justified and supported by the facilities, personnel, funds or other requirements that are or can be made available; and

d. To engage in any lawful act or activity for which a corporation may be organized under the Connecticut Revised Nonstock Corporation Act (the "Act"), as the same may be amended from time to time, and the corresponding provisions of any future Connecticut nonstock corporation law.

Section 1.02. ~~Sole~~ Member; Lawrence & Memorial Corporation. The Hospital shall have but one (1) member, Lawrence &+ Memorial Corporation (the ~~"Sole~~ "Member~~" or the "Corporation"~~"), which shall elect the Board of Directors of the Hospital (also referred to in these Bylaws as the "~~"~~Board~~"~~" or "~~"~~Board of Directors~~"~~"), adopt, amend and repeal these

Bylaws, and have all of the other rights, powers and privileges usually or by law accorded to the members of a nonstock federally tax-exempt corporation and not conferred by the Certificate of Incorporation or these Bylaws on the Board of Directors of the Hospital. In addition to ~~such~~any other rights, powers and privileges as it may have by law or under the Certificate of Incorporation, the ~~Sole~~ Member shall have the ~~following rights, powers~~right and ~~privileges~~power to:

~~a. To accept or reject, after approval by the Board, the annual operating and capital budgets of the Hospital;~~

~~b. To approve, upon recommendation by the Board, any programs and expenditures requiring certificate of need approval and plans that materially affect the growth and development of the Hospital;~~

~~c. To approve, upon recommendation by the Board, significant affiliation agreements between the Hospital and other institutions, significant fund raising programs, the sale or disposition of any assets of the Hospital (except sales or dispositions undertaken in the ordinary course of business), and the incurring of any indebtedness for borrowed money except in accordance with an approved operating or capital budget;~~

(a) Approve the philosophy, mission and values of the Hospital and any change thereto;

(b) Adopt strategic plans for the Hospital;

(c) Approve the Hospital's annual operating and financial targets, major clinical and/or financial initiatives, and financial plans (including capital and operating budgets);

(d) Approve the formation or acquisition by the Hospital of any new direct or indirect subsidiaries, joint ventures or affiliations;

(e) Approve the Certificate of Incorporation, Bylaws and other governance documents of the Hospital, and any amendments thereto or restatements thereof;

(f) Approve all core competencies and qualifications required for selection of the Hospital's Directors;

~~d. To remove any elected member~~(g) In consultation with and upon recommendation of the Board ~~of~~, appoint all Directors of the Hospital, and remove, with or

without cause ~~in accordance with these Bylaws~~, all Directors or board officers of the Hospital;

~~e. To vote upon all matters on which Members are entitled to vote under the Connecticut Revised Nonstock Corporation Act; and~~

~~f. To act on any other matters on which action by the sole Member is required or permitted by these Bylaws.~~

(h) In consultation with and upon recommendation of the Board, appoint and remove, determine the compensation for, and conduct the evaluation of, the President and Chief Executive Officer of the Hospital (the "President and CEO");

(i) Select and approve any auditor of the annual audited financial statements for the Hospital;

(j) Approve any accounting or debt management programs, establish any debt limits under such programs, approve any variances from such programs or limits for the Hospital, and incur or assume any debt on behalf of the Hospital;

(k) Approve the incurrence of debt or financing by the Hospital, other than credit purchases of goods or services in the ordinary course of business, except as included in approved capital or operating budgets;

(l) Oversee the Hospital's use, management and investment of its permanent and temporarily restricted endowment funds;

(m) Approve any voluntary change to the federal income tax exemption granted by the IRS to the Hospital under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code");

(n) Initiate or consent to any form of insolvency proceeding undertaken by the Hospital or any direct or indirect subsidiary of the Hospital;

(o) Approve all projects, agreements or transactions undertaken by the Hospital involving the expenditure of funds or divestiture of assets in excess of $100,000 or two percent (2%) of the Hospital's total assets, whichever is greater and not otherwise included in an approved budget;

(p) Approve the services offered by the Hospital, new service lines or termination of existing service lines not otherwise included in an approved budget or a strategic or financial plan;

(q) Approve any sale, lease, transfer, or substantial change in the use of all or substantially all of the assets of the Hospital or any direct or indirect subsidiary of the Hospital;

(r) Approve any merger, consolidation, restructuring, change in corporate ownership, dissolution, or liquidation of the Hospital or any direct or indirect subsidiary or the Hospital;

(s) Approve the acquisition of any real estate or any significant lease arrangement by the Hospital, except as otherwise included in a strategic or financial plan or approved budget;

(t) Approve any management contract or outsourcing arrangement for the Hospital which would substantially impact or alter its operations, or any settlement agreement or consent decree with any local, state or government authorities; and

(u) Approve any change in the primary business name or logo of the Hospital.

Section 1.03. Manner of Action by ~~Sole~~ Member. Any action permitted or required of the ~~Sole~~ Member by law, the Certificate of Incorporation or these Bylaws may be taken by vote of its ~~Board~~board of ~~Directors~~directors, or by or through any person or persons designated by either its ~~Bylaws~~bylaws or its ~~Board~~board of ~~Directors~~directors to act on its behalf. Except as provided in Section 2.05. of these Bylaws, any such action may also be taken without a meeting by written communication of a duly authorized representative of the ~~Sole~~ Member acting within the limits of his/her authority. Any such action by the ~~Sole~~ Member or its duly authorized representative shall be filed with the Secretary of the ~~Corporation~~Hospital. Whenever approval by the ~~Sole~~ Member is required by law, the Certificate of Incorporation or these Bylaws, the ~~Sole~~ Member shall attempt to act on a request for approval within the timeframe set forth in any schedule that may be developed from time to time, or if no such schedule exists, in a timely manner.

ARTICLE II

Board of Directors

Section 2.01. Composition. The Board of Directors shall consist of not less than ~~fifteen~~five (~~15~~5) nor more than ~~twenty (21) individuals, the~~eleven (11) Directors, such number within the variable range to be determined by the ~~Sole~~ Member at its annual meeting. At all times, ~~four~~up to five (45) of these Directors shall serve ex-officio: the President ~~of the Hospital;~~and CEO; the President and Chief Executive Officer of the

Member (if such individual is not also concurrently serving as the Hospital's President and CEO), the President of the Medical Staff; the Vice President of the Medical Staff; and a representative-at-large of the Medical Staff who ordinarily shall be the immediate past President or a former President of the Medical Staff (the "Ex-Officio Directors"). The remainder of the Directors, the ~~"~~"Elected Directors,~~"~~" shall be ~~Members of Lawrence& Memorial Corporation~~members of the Member and elected by the ~~Sole~~ Member in accordance with these Bylaws. The Elected Directors shall be divided into three (3) groups, so that approximately one-third (1/3) of the Directors shall have terms that expire annually. The Elected Directors and the Ex-Officio Directors are together referred to in these Bylaws as the "Directors."

Section 2.02. Election and Terms. Elected Directors shall be elected by the ~~Sole~~ Member at its annual meeting from a slate of ~~nominations~~nominees prepared by ~~the~~its Governance Committee. No other nominations shall be permitted. Except as provided otherwise in ~~this Section~~these Bylaws, Elected Directors shall serve a term of three (3) years, or until their resignation, removal or death. The ~~Sole~~ Member may elect Directors to serve one-year or two-year terms in order to achieve the groupings required by Section 2.01. of these Bylaws.

Section 2.03. Tenure. An Elected Director shall be eligible for election to three (3) consecutive three-year terms. For the purposes of determining eligibility for re-election, an Elected Director who has served more than one and one-half (1 ½) years of a three-year term shall be deemed to have served a full term. An Elected Director may be re-elected for a fourth consecutive term if the Director is also elected as an officer at the beginning of such fourth term. After serving the maximum time permitted under this Section, an Elected Director may be re-elected to the Board only after the Director has been off the Board for a period of at least one (1) year.

Section 2.04. Resignation. An Elected Director may resign at any time by delivering written notice to the Secretary of the Hospital. The resignation shall be effective when the notice is delivered, unless the notice specifies a later effective date. If an Ex-Officio Director resigns or is removed from the position from which his or her ex-officio status derives, the Ex-Officio Director will immediately and automatically cease to be a Director without further action by the Board or the ~~Sole~~ Member.

Section 2.05. Removal. An Elected Director may be removed by the affirmative vote of the ~~Sole~~ Member at a meeting of the ~~Sole~~ Member's board of directors. The notice of such meeting shall state that the purpose or one of the purposes of the meeting is removal of the Elected Director.

Section 2.06. Vacancies. A vacancy of an Elected Director may be filled by the ~~Sole~~ Member or the Board at any regular or special meeting. If filled by the Board, the individual elected to fill the vacancy shall serve until the next meeting of the ~~Sole~~ Member at which ~~members of the Board of~~ Directors are elected.

Section 2.07. Duties and Responsibilities. Subject to the rights, powers and privileges accorded to the ~~Sole~~ Member in the Certificate of Incorporation, these Bylaws, or by law, the Board ~~of Directors~~ shall manage and direct the business, property, and affairs of the Hospital. The Board shall exercise all of the powers of the Hospital in accordance with these Bylaws. Without limiting the foregoing, the Board shall have the power to:

(a) Develop and recommend to the Member the philosophy, mission and values of the Hospital and any changes thereto;

(b) Develop and recommend to the Member the Hospital's strategic plans;

(c) Develop and recommend to the Member the Hospital's annual operating and financial targets, major clinical and/or financial initiatives, and financial plans (including capital and operating budgets);

(d) Annually assess the Hospital's performance against approved budgets, initiatives and strategic plans adopted by the Member;

(e) Recommend to the Member the sale, transfer or substantial change in use of all or substantially all of the assets, the divestiture, dissolution and/or disposition of assets, closure, merger, consolidation, change in corporate membership or ownership or corporate reorganization of the Hospital or any direct or indirect subsidiary of the Hospital;

(f) Recommend to the Member the formation or acquisition by the Hospital of any new direct or indirect subsidiaries, joint ventures or affiliations;

(g) Recommend to the Member the introduction or termination of any services to be offered by the Hospital not otherwise included in an approved budget or a strategic or financial plan, or the filing of an application for a certificate of need with the State of Connecticut by the Hospital or any subsidiary;

(h) Approve any consent decree or settlements from state and federal authorities, following consultation with the Member;

(i) Recommend to the Member changes to the Hospital's Certificate of Incorporation and Bylaws;

(j) Recommend to the Member nominations for and removal of Directors ~~shall:~~

~~a. Be responsible for governance~~ of the Hospital~~, establish policy, promote performance improvement, and provide for organizational management and planning~~;

~~b. Recruit, hire, and if necessary, terminate the employment of a President in accordance with the criteria-based selection process established pursuant to these Bylaws;~~

~~c. Evaluate the performance of the President at least annually;~~

~~d. Establish and appoint the Medical Staff of the Hospital and review and approve the bylaws, rules and regulations governing its organization and operation;~~

~~e. Review these Bylaws periodically; and~~

~~f. Review and evaluate its own performance.~~

(k) Elect officers of the Board, and recommend to the Member the removal of any officer of the Board;

(l) Recommend to the Member the selection, evaluation and compensation of the President and CEO;

(m) Approve business transactions or material contracts, subject to the rights of the Member set forth in Section 1.02, not otherwise included in an approved budget or a strategic or financial plan;

(n) Approve any incurrence or assumption of debt by the Hospital in accordance with the guidelines for accounting and debt management programs established by the Member;

(o) Periodically assess the Hospital's Quality Initiatives, including tracking and reporting on the Hospital's performance under quality measures, quality and patient safety programs and initiatives, patient satisfaction and cultural competence initiatives;

(p) Periodically assess the Hospital's policies and programs to assure corporate and regulatory compliance, including all required state and federal license and generally recommended accreditations and certifications;

(q) Periodically assess the Hospital's policies and programs relating to human relations and labor relations;

(r) Periodically assess the Hospital's Development Plans and its Planned Giving Plans;

(s) Periodically assess the Hospital's Community Relations Initiatives and Community Outreach Programs;

(t) Plan and implement policies and programs relating to the Hospital's use, management and investment of its permanent and temporarily restricted endowment funds, annual appeal funds, and net proceeds from special fundraising events;

(u) Approve actions with respect to the privileges and credentials of members of the Hospital's medical staff in accordance with state and federal law, applicable accreditation standards, the Hospital's Medical Staff Bylaws and any System guidelines established by the Member;

(v) Evaluate the Board's performance, including the performance of the Chair and the Vice Chair; and

(w) Recommend to the Member the appointment and removal of the President and CEO.

Section 2.08. Compensation. The Directors shall serve without compensation for their services as Directors but may be reimbursed by the Hospital for their reasonable expenses and disbursements in that capacity on behalf of the Hospital.

Section 2.09. Directors Emeriti. In its discretion, the ~~Sole~~ Member may appoint Directors Emeriti. To be eligible for appointment, an individual shall have contributed lengthy and exemplary service to the Hospital as a Director. From time to time, Directors Emeriti may be invited to attend Board meetings, but shall not vote or be counted towards a quorum. Individuals appointed as Directors Emeriti shall retain such appointments for life.

ARTICLE III

Meetings of the Board of Directors

Section 3.01. Annual and Regular Meetings. The annual meeting of the Board shall be held in the month of December on a date to be fixed by the Chair from year to year, unless the Chair shall designate a different date for the annual meeting of the Board. The transaction of business at the annual meeting shall be unlimited except as otherwise specified in these Bylaws. There shall be ~~eight~~up to twelve (12) regular meetings of the Board per fiscal year, with a schedule of such meetings to be adopted by resolution of the Board.

Section 3.02. Notice of Annual and Regular Meetings. The Secretary shall give notice of the date, time and place of the annual meeting and each regular meeting of the Board by mail, electronic mail, telecommunications, telephone, facsimile, delivery service or in person to each Director at least five (5) days in advance of the meeting, except that no notice need be given of a regular meeting held in accordance with a schedule approved by the Board.

Section 3.03. Special Meetings. Special meetings may be called at any time by the Chair, and shall be called by the Chair within seven (7) days of receipt of the written request of any three (3) ~~Board members.~~ Directors. Notice of the date, time, place and purpose of a special meeting shall be given to each Director by mail, electronic mail, telecommunications, telephone, facsimile, delivery service or in person at least twenty-four (24) hours before the scheduled time of the meeting and no business shall be transacted at such meeting other than that specifically set forth in the notice.

Section 3.04. Quorum; Vote Required for Action. A majority of all Directors shall constitute a quorum at all meetings of the Board. The affirmative vote of a majority of the Directors present at a meeting at which time a vote is taken shall be the act of the Board, unless the vote of a greater number is required by the Certificate of Incorporation, these Bylaws, or by law. Ex-officio Directors shall be counted in determining a quorum and shall be entitled to vote.

Section 3.05. Action Without Meeting. If all members of the Board consent in writing to any action taken or to be taken, the action shall be the same as if authorized at a meeting of the Board; all written consent(s) shall be included in the corporate minutes or filed with the corporate records.

Section 3.06. Participation by Conference Telephone. Any member of the Board may participate in a meeting by means of a conference telephone or similar communications equipment enabling all members of the Board participating in the meeting to hear one another, and such participation shall constitute presence in person at such meeting.

Section 3.07. Agenda and Records of Meetings. There shall be a written agenda for each meeting of the Board, and minutes of each meeting shall be prepared and submitted to the Board for approval by the Secretary or a delegate. Minutes shall reflect attendance at the meeting, and shall be dated, signed and maintained in the corporate records following approval.

Section 3.08. Executive Session. The Board of Directors shall meet in executive session at least once during each fiscal year and may meet in executive session at such other times as the Chair may designate. An executive session may be held during any regular or special meeting of the Board and shall be attended only by Directors and other persons invited by the Chair for all or any portion of the executive session, provided that Directors who are employees of the Hospital may at the discretion of the Chair be excluded from all or any portion of an executive session.

ARTICLE IV

Officers

Section 4.01. Officers. The officers shall be a Chair, the President ~~(who shall be Chief Executive Officer)~~and CEO, a Secretary, a Treasurer, and such other officers as may from time to time be designated by the Board. The Chair, Secretary and Treasurer shall be chosen from the members of the Board. The offices of Chair, President and CEO, and Treasurer shall be held by different individuals.

Section 4.02. Election. The officers, except for the President and CEO, shall be chosen by the Board at its annual meeting, and shall hold office until the next annual meeting.

Section 4.03. Vacancies. Any vacancy occurring in any office shall be filled promptly by the Board at any Board meeting.

Section 4.04. Removal. Any officer may be removed with or without cause by the Member at any meeting of the ~~Board by the vote of two-thirds (2/3) of the members of the Board present and voting~~board of directors of the Member, provided that the notice of the meeting specifically states that the purpose or one of the purposes of the meeting is removal of the officer.

Section 4.05. Duties. The duties of the officers shall be as follows:

a. Chair. The Chair or in the Chair's absence a Director who is the Chair's delegate or who is appointed by the Board shall preside at all meetings of the Board and

shall perform other duties incident to the office or delegated by the Board or these Bylaws. The Chair shall be an ex-officio member of all committees.

b. President and CEO. The President and CEO shall be the ~~Chief Executive Officer~~chief executive officer of the Hospital and shall perform such other duties incident to that office or delegated by the Member, the Board or these Bylaws. The Hospital's President and CEO shall be an ex-officio member of all committees ~~except the Audit and Compliance Committee and the Compensation Committee~~established by the Board. The Member shall appoint the President and CEO, who shall serve until his or her death, resignation, disability, or removal in accordance with these Bylaws.

c. Secretary. The Secretary shall maintain the minutes of the meetings of the Board in the corporate records; give or cause to be given all notices required by these Bylaws or by law; serve as custodian of the Board's records; make such records available to the Board upon its request; and perform all other duties incident to the office or delegated by the Board or these Bylaws.

d. Treasurer. The Treasurer shall supervise the receipt and custody of the Hospital's funds and investments; render a full account and statement of the condition of the Hospital's finances at each annual meeting of the Board and at such other times as requested by the Board; and perform other duties incident to the office or as may be delegated by the Board or these Bylaws.

e. Other Officers: The Board may from time to time appoint an Assistant Treasurer, Assistant Secretary or such other officers as the Board may deem necessary or advisable for the efficient operation of the Corporation's affairs, each of whom shall hold office for such period, have such authority and perform such duties as the Board of Directors may from time to time determine.

ARTICLE V

President and CEO

Section 5.01. Appointment. The ~~Board~~Member shall appoint a President and CEO in accordance with these Bylaws. Other executive management staff shall be appointed by the President and CEO with the approval of the Board. The removal of the President and CEO shall be at the discretion of the Member.

Section 5.02. Qualifications for the President and CEO. The Board shall ~~establish~~develop and recommend to the Member a criteria-based process for selecting a President. ~~The President shall have the knowledge and skills necessary to perform the duties required of the Hospital's senior leader~~ and CEO. Among other criteria, education and relevant experience are important qualifications. The Board shall also develop and recommend to the Member any performance objectives, evaluations and compensation programs for the President and CEO. The President and CEO shall have the knowledge and skills necessary to perform the duties required of the Hospital's senior leader.

~~Section 5.03. Responsibilities of the President. The President shall be delegated the responsibility for overall management of the Hospital, and shall be given the authority necessary to carry out this responsibility, subject only to such policies as may be adopted by the Board.~~

Section 5.03. Responsibilities of the President. The President and CEO shall be the chief executive officer of the Hospital. Subject to the powers expressly reserved to the Board or the Member, the President and CEO shall, in general, supervise and control all the business and affairs of the Hospital and shall have the power to sign, acknowledge and deliver on behalf of the Hospital all deeds, agreements and other formal instruments. If no Chair or Vice Chair has been appointed or in the absence of the Chair or Vice Chair, the President and CEO shall, in general, supervise and control all of the business and affairs of the Hospital and shall have the power to sign, acknowledge and deliver on behalf of the Hospital all deeds, agreements and other formal instruments. The President and CEO shall see that all orders and resolutions of the Board and of the committees of the Board are carried into effect. In general, he or she shall perform all duties incident to the office of President and CEO and such other duties as may from time to time be assigned to the President and CEO by these Bylaws, by the Board, or by the Member.

Section 5.04. Attendance at Meetings. The President shall attend all meetings of the Board unless excused by the Chair.

ARTICLE VI

Committees

Section 6.01. Generally. The Board may establish ad hoc committees from time to time as the Board may deem necessary to carry out special fund raising events or other initiatives of the Board. Committees may not exercise the authority of the Board, and any acts taken by them shall be solely advisory in nature. The members and chairs of each committee shall be appointed by the Board, and each such committee shall consist of at least one (1) Director and two (2) other individuals who may or may not be Directors. Each committee established by the Board shall be chaired by a Director of the Board. Committee members shall serve at the pleasure of the Board and until their successors are elected.

~~Section 6.01. Generally. The Board shall have the Standing Committees created in Sections 6.02 and 6.03 of these Bylaws. Standing Committees shall be divided into two categories: (a) Board Committees as described in Section 6.02, and (b) Board Advisory Committees as described in Section 6.03. In addition to Standing Committees, the Board may have such Additional Committees as it creates by resolution pursuant to Section 6.04 of these Bylaws.~~

Section 6.02. ~~Board Committees. Board Committees may exercise the power of the Board on those matters delegated to them by these Bylaws or by the Board. These committees, which shall be composed exclusively of Directors and appointed by the Chair, are the following:~~

~~a. The Governance Committee. The Governance Committee shall consist of nine (9) or more Directors, including the Chairs of the Audit and Compliance, Development and Community Relations, Finance, and Performance Improvement Committees, two (2) or more Directors appointed by the Chair, and, as provided in Section 4.05 of these Bylaws, the President and the Chair of the Board, who shall serve ex-officio. The Governance Committee shall be responsible for the evaluation of the Board and its members and how the Board functions, shall have oversight of these Bylaws, shall serve as the nominating~~

committee for the Board of Directors and develop a slate of officers, shall provide oversight on strategic human resource issues and work with internal committees to monitor and support changes in the work place that will improve the Hospital, and shall perform such other duties as the Board of Directors may delegate to it from time to time. Except as otherwise provided by law or by these Bylaws, the Governance Committee shall have the same authority as the Board, but shall meet and exercise such authority only when the Committee determines that (i) Board action is required on a matter prior to its next regular meeting, and (ii) if no such action is taken, the Hospital will be disadvantaged. Acts of the Committee when it exercises Board authority on action required before the next regular meeting shall be ratified by the Board at its next regular meeting.

b. Audit and Compliance Committee. The Audit and Compliance Committee of the Board of Directors of the Corporation constitutes the Audit and Compliance Committee of the Hospital, which the Chair of the Board shall be deemed to have appointed. The Chair of the Finance Committee described in Section 6.04(a) of these Bylaws shall not be eligible to serve on the Audit and Compliance Committee. The Committee shall provide assistance to the Board in fulfilling its oversight of the quality and integrity of the Hospital's financial statements, legal and regulatory requirements, the audit function including selection of the auditor, and internal controls. The Committee shall have a charter that is reviewed annually and updated as required.

c. Board Committees – Miscellaneous Provisions.

(i) Prohibited Activities. Board Committees shall not have power to: (i) fill vacancies in the Board of Directors or Board Committees; (ii) adopt, amend or repeal the

~~Certificate of Incorporation of the Hospital or these Bylaws; (iii) approve a plan of merger, or the sale, lease, exchange or other disposition of all, or substantially all, of the property of the Hospital, other than in the usual and regular course of affairs of the Hospital; (iv) approve a proposal to dissolve the Hospital; or (v) authorize any action inconsistent with the Certificate of Incorporation or these Bylaws.~~

~~(ii) Quorum and Voting Requirements. A majority of all members of a Board Committee shall constitute a quorum at its meetings. The affirmative vote of a majority of the members present at the time the vote is taken shall be the act of such Committee, unless the vote of a greater number is required by the Certificate of Incorporation, these Bylaws, or by law. (iii) Notice Requirements~~Committee Procedures. Notice of the date, time and location of a ~~Board Committee~~committee meeting shall be given to each member of such ~~Committee~~committee by mail, electronic mail, telecommunications, telephone, facsimile, delivery service or in person at least twenty-four (24) hours before the scheduled time of the meeting. Minutes shall be recorded of each meeting of the ~~Committee~~committee and submitted at the next regular meeting of the Board. The committee chair or the chair's designee shall make a full report of each meeting of the committee at the next meeting of the Board.

Section 6.03. ~~Board Advisory Committees. Board Advisory Committees may not exercise the authority of the Board, and any acts taken by them shall be solely advisory in nature. Except as otherwise provided by this Section 6.03, the members and chairs of each Board Advisory Committee shall be appointed by the Chair of the Board, and each such committee shall consist of at least one (1) Director and two (2) other individuals who may or may not be Directors. The Board Advisory Committees shall include:~~

~~a. Finance Committee. The Finance Committee shall recommend policies and procedures regarding: (i) preparation and monitoring of the annual operating and capital~~

budgets; (ii) management of endowment and trust funds; and (iii) control of hospital costs. The Finance Committee shall be chaired by the Treasurer of the Board.

b. Compensation Committee. The Compensation Committee shall be responsible for matters relating to executive compensation and benefit programs. The Committee shall make recommendations to the Board concerning the compensation of the President and Chief Executive Officer, consult with the President and Chief Executive Officer on the compensation of other Hospital executives, and have such other duties as the Board may from time to time determine. The Committee shall consist of at least three (3) Directors, all of whom shall be independent and free of any conflicts of interest as defined by the Hospital's Policy on Conflicts of Interest.

c. Performance Improvement Committee. The Performance Improvement Committee, which shall also be known as the Quality Council, shall be responsible for insuring that a total quality management process is in place at the Hospital including a review of medical and administrative quality reports from Medical Staff and Hospital Departments.

d. Development and Community Relations Committee. The Development and Community Relations Committee shall promote the image of and stimulate interest in the Hospital among members of the community; inform the community of activities, goals and objectives of the Hospital; periodically assess public and patient opinion of the Hospital; report on public relations issues and activities; and recommend public relations programs.

e. Joint Conference Committee. The Board from time to time may establish or convene a Joint Conference Committee that consists of the President and an equal number of

Section 7.01. The Appointment and Governance of the Medical Staff. The Board ~~of Directors~~ shall appoint all members of the Hospital's Medical Staff, approve each member's delineated clinical privileges, and be responsible for the organization and activities of the Medical Staff. The Board shall adopt and from time to time review the bylaws and rules and regulations of the Medical Staff. The Board shall assure that the Medical Staff complies with such bylaws, rules and regulations, and shall have and regularly consult with a liaison of the Medical Staff.

Section 7.02. Recommendations of The Medical Staff Executive Committee. The Board shall accept and review, for possible adoption by the Board, specific recommendations from the Medical Staff executive committee, made in accordance with the provisions of the Medical Staff bylaws, and relating to:

a. The structure of the Medical Staff;

b. The process designed for reviewing credentials and delineating individual clinical privileges;

c. Recommendations for Medical Staff membership;

d. The organization of the Medical Staff's performance-improvement activities, as well as the process designed for conducting, evaluating and revising such activities;

e. The process by which Medical Staff membership may be terminated; and

f. The fair-hearing process.

ARTICLE VIII

Conflict of Interest; Confidentiality

Section 8.01. "Conflict of Interest" Defined; Conflict of Interest and Confidentiality Policies. The Board expects the Directors to exercise good judgment and follow high ethical standards. Individuals serving the Hospital should never permit private interests to conflict in any way with their obligations to the Hospital and to any entities affiliated with the Hospital. In addition, all Directors must honor the confidential nature of Hospital information and strive to maintain its confidentiality. To this end, from time to time the

Board shall adopt a Conflict of Interest Policy and a Confidentiality Policy; such policies shall be as effective as if they were part of these Bylaws. These policies shall be consistent with requirements of state law, the law of tax-exempt organizations, and the requirements of the Joint Commission on the Accreditation of Healthcare Organizations, and shall address, among other things: the definition of "confidential materials" and "related persons"; disclosure by Board members; the purchase of goods and services; compensation decisions; and procedures to implement and enforce these policies.

ARTICLE IX

Amendments

Section 9.01. Amendments. Except as otherwise provided by the Certificate of Incorporation, or by law, the ~~Sole~~ Member may adopt, amend or repeal these Bylaws.

ARTICLE X

Auxiliary

Section 10.01. Auxiliary. There may be an auxiliary known as "The Auxiliary of Lawrence & Memorial Hospital." It shall be a unit of the Hospital and shall be governed and operated under bylaws approved by the Board with the approval of the members of the Auxiliary. All funds of the Auxiliary shall be subject to the direction and control of the Board, consistent with the approved bylaws of the Auxiliary.

ARTICLE XI

Miscellaneous

Section 11.01. Principal Office. The principal office of the Hospital shall be located in New London, Connecticut.

Section 11.02. Waivers of Notice. Whenever any notice of time, place, purpose or any other matter, including any special notice or form of notice, is required or permitted to be given to any person by law or under the provisions of the Certificate of Incorporation or these Bylaws, or of a resolution of the ~~Sole~~ Member or the Board ~~of Directors~~, a written waiver of notice signed by the person or persons entitled to such notice, whether before or

after the time stated therein, shall be equivalent to the giving of such notice. The Secretary of the Hospital shall cause any such waiver to be filed with or entered upon the records of the Hospital or, in the case of a waiver of notice of a meeting, the records of the meeting. The attendance of any person at or participation in a meeting waives any required notice to that person of the meeting unless at the beginning of the meeting, or promptly upon the person's arrival, the person objects to the holding of the meeting or the transacting of business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

~~**Revised 09/30/02**~~

~~**Revised 11/29/04**~~

~~**Revised / /08**~~
Adopted by the Board of Directors of
Lawrence & Memorial Corporation on , 2012

Document comparison by Workshare Professional on Tuesday, October 16, 2012 12:33:15 PM

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Rendering set	standard

Legend:	
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Padding cell	

Statistics:	
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Moved from	8
Moved to	8
Style change	0
Format changed	0
Total changes	277

Filing Fee: $35.00

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
Office of the Secretary of State
Division of Business Services
148 W. River Street
Providence, Rhode Island 02904-2615

NON-PROFIT CORPORATION

ARTICLES OF INCORPORATION

The undersigned, acting as incorporator(s) of a corporation under Chapter 7-6 of the General Laws of Rhode Island, 1956, as amended adopt(s) the following Articles of Incorporation for such corporation:

1. The name of the corporation is LMW Healthcare, Inc.

2. The period of its duration is (if perpetual, so state) Perpetual

3. The specific purpose or purposes for which the corporation is organized are:

The Corporation is formed and shall be operated exclusively for scientific, educational, and charitable purposes, as qualified under Section 501(c)(3) of the Internal Revenue Code of 1986 (as now in effect or may hereafter be amended)(the "Code"). The purpose is to establish, maintain and carry on an institution with permanent facilities for inpatients and ambulatory patients, with medical services to provide diagnosis and treatment, to carry on all associated services, and to engage in any lawful act or activity for which a corporation may be organized under the Rhode Island Nonprofit Corporation Act, as the same may be amended from time to time.

4. Provisions, if any, not inconsistent with the law, which the incorporators elect to set forth in these articles of incorporation for the regulation of the internal affairs of the corporation are:

See Exhibit A attached hereto

Form No. 200
Revised 12/05

5. The address of the initial registered office of the corporation is:

One Citizens Plaza, Suite 500
(Street Address, not P.O. Box)

Providence, RI 02903 and the name of its initial registered agent at
(City/Town) (Zip Code)

such address is Stephen D. Zubiago, Esq.
(Name of Agent)

6. The number of directors constituting the initial Board of Directors of the Corporation is 3 (not less than 3 directors)

and the names and address of the persons who are to serve as the initial directors are:

Name	*Address*
Bruce D. Cummings	901 Pequot Avenue, New London, CT 06320
Marilyn Malerba	4 Glen Craig Place, Uncasville, CT 06382
Ulysses B. Hammond	8 Susan Terrace, Waterford, CT 06385

7. The name and address of each incorporator is:

Name	*Address*
Bruce D. Cummings	901 Pequot Avenue, New London, CT 06320

8. These Articles of Incorporation shall be effective upon filing unless a specified date is provided which shall be no later than the 30th day after the date of this filing Upon Filing

Under penalty of perjury, I/we declare and affirm that I/we have examined these Articles of Incorporation, including any accompanying attachments, and that all statements contained herein are true and correct.

Date: _____

_____

_____

_____

_____

_____

Signature of each Incorporator

Attachment to
Articles of Incorporation for:
LMW Healthcare, Inc.

4. **Provisions, if any, not inconsistent with the law, which the incorporators elect to set forth in these articles of incorporation for the regulation of the internal affairs of the corporation are:**

(a) No part of the net earnings of the Corporation shall inure to the benefit of any director or officer of the Corporation or any private individual, except that reasonable compensation may be paid for services rendered to or for the Corporation. No director or officer of the Corporation or any private individual shall be entitled to share in the distribution of any of the corporate assets on dissolution of the Corporation.

(b) No substantial part of the activities of the Corporation shall be carrying on propaganda, or otherwise attempting to influence legislation, except as otherwise provided by Section 501(h) of the Code. The Corporation shall not participate or intervene (including the publication or distribution of statements) in any political campaign on behalf of or in opposition to any candidate for public office.

(c) Notwithstanding any other provision of these articles, the Corporation is organized exclusively for one or more of the following purposes: religious, charitable, scientific, testing for public safety, literary, or educational purposes, as specified in Section 501(c)(3) of the Code. The Corporation shall not carry on any 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.

(d) In the event of the liquidation, dissolution, or winding up of the Corporation, whether voluntary or involuntary or by operation of law, all of the remaining assets and property of the Corporation shall after necessary expenses thereof be distributed to one or more organizations which are then qualified under Section 501(c)(3) of the Code to be used in such manner as will best accomplish the general purposes for which this Corporation was formed, to be determined in the discretion of the Board of Directors.

AMENDED AND RESTATED BYLAWS
OF
LMW HEALTHCARE, INC.
d/b/a The Westerly Hospital

ARTICLE I
Role and Purpose of the Hospital; Member

Section 1.01 Role and Purpose of the Hospital. LMW Healthcare, Inc. (the "Hospital") shall be organized and operated exclusively for charitable purposes within the meaning of the Internal Revenue Code of 1986, as now in effect or as may hereafter be amended (the "Code"). The Corporation shall not conduct or carry on any activities not permitted to be conducted or carried on by an organization exempt under Section 501(c)(3) of the Code. The role and purpose of the Corporation shall include the following:

a. To establish, maintain and carry on an institution within the health care delivery system (the "System") administered by Lawrence + Memorial Corporation, with permanent facilities for inpatients and ambulatory patients, with medical services to provide diagnosis and treatment, to carry on all associated services, and to assure that there is no unlawful discrimination under any program or in any facility of the Hospital;

b. To participate, so far as circumstances may warrant, in any activity designed and carried on to promote the general health needs of the community;

c. To conduct and participate in educational and scientific research activities related to providing care to the sick and injured, to the promotion of health, or to the development of personnel in the health professions or occupations, which, in the opinion of the Board of Directors may be justified and supported by the facilities, personnel, funds or other requirements that are or can be made available; and

d. To engage in any lawful act or activity for which a corporation may be organized under the Rhode Island Revised Nonprofit Corporation Act (the "Act"), as now in effect and as the same may be amended from time to time.

Section 1.02 Member; Lawrence + Memorial Corporation. The Hospital shall have but one (1) member, Lawrence + Memorial Corporation (the " Member"), which shall elect the Board of Directors of the Hospital (also referred to in these Bylaws as the Board or Board of Directors), adopt, amend and repeal these Bylaws, and have all of the other rights, powers and privileges usually or by law accorded to the members of a nonprofit federally tax-exempt corporation and not conferred by the Certificate of Incorporation or these Bylaws on the Board of Directors of the Hospital. In addition to any other rights, powers and privileges as it may have by law or under the Certificate of Incorporation, the Member shall have the right and power to:

(a) Approve the philosophy, mission and values of the Hospital and any change thereto;

(b) Adopt strategic plans for the Hospital;

(c) Approve the Hospital's annual operating and financial targets, major clinical and/or financial initiatives, and financial plans (including capital and operating budgets);

(d) Approve the formation or acquisition by the Hospital of any new direct or indirect subsidiaries, joint ventures or affiliations;

(e) Approve the Certificate of Incorporation, Bylaws and other governance documents of the Hospital, and any amendments thereto or restatements thereof;

(f) Approve all core competencies and qualifications required for selection of the Hospital's Directors;

(g) In consultation with and upon recommendation of the Board, appoint all Directors of the Hospital, and remove, with or without cause all Directors or board officers of the Hospital;

(h) In consultation with and upon recommendation of the Board, appoint and remove, determine the compensation for, and conduct the evaluation of, the President and Chief Executive Officer of the Hospital (the "President and CEO");

(i) Select and approve any auditor of the annual audited financial statements for the Hospital;

(j) Approve any accounting or debt management programs, establish any debt limits under such programs, approve any variances from such programs or limits for the Hospital, and incur or assume any debt on behalf of the Hospital;

(k) Approve the incurrence of debt or financing by the Hospital, other than credit purchases of goods or services in the ordinary course of business, except as included in approved capital or operating budgets;

(l) Oversee the Hospital's use, management and investment of its permanent and temporarily restricted endowment funds;

(m) Approve any voluntary change to the federal income tax exemption granted by the IRS to the Hospital under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code");

(n) Initiate or consent to any form of insolvency proceeding undertaken by the Hospital or any direct or indirect subsidiary of the Hospital;

(o) Approve all projects, agreements or transactions undertaken by the Hospital involving the expenditure of funds or divestiture of assets in excess of $100,000 or two percent (2%) of the Hospital's total assets, whichever is greater and not otherwise included in an approved budget;

(p) Approve the services offered by the Hospital, new service lines or termination of existing service lines not otherwise included in an approved budget or a strategic or financial plan;

(q) Approve any sale, lease, transfer, or substantial change in the use of all or substantially all of the assets of the Hospital or any direct or indirect subsidiary of the Hospital;

(r) Approve any merger, consolidation, restructuring, change in corporate ownership, dissolution, or liquidation of the Hospital or any direct or indirect subsidiary of the Hospital;

(s) Approve the acquisition of any real estate or any significant lease arrangement by the Hospital, except as otherwise included in a strategic or financial plan or approved budget;

(t) Approve any management contract or outsourcing arrangement for the Hospital which would substantially impact or alter its operations, or any settlement agreement or consent decree with any local, state or government authorities; and

(u) Approve any change in the primary business name or logo of the Hospital.

Section 1.03 Manner of Action by Member. Any action permitted or required of the Member by law, the Certificate of Incorporation or these Bylaws may be taken by vote of its board of directors, or by or through any person or persons designated by either its bylaws or its board of directors to act on its behalf. Except as provided in Section 2.05 of these Bylaws, any such action may also be taken without a meeting by written communication of a duly authorized representative of the Member acting within the limits of his/her authority. Any such action by the Member or its duly authorized representative shall be filed with the Secretary of the Hospital. Whenever approval by the Member is required by law, the Certificate of Incorporation or these Bylaws, the Member shall attempt to act on a request for approval within the timeframe set forth in any schedule that may be developed from time to time, or if no such schedule exists, in a timely manner.

ARTICLE II

Board of Directors

Section 2.01 Composition. Following the first annual meeting (as set forth in Section 3.01 below) or at such earlier time as determined in the discretion of the initial Board of Directors, the Board of Directors shall consist of not less than three (3) nor more than eleven (11) Directors, such number within the variable range to be determined by the Member at its annual meeting. At all times, up to five (5) of these Directors shall serve ex-officio: the President and CEO, the President and Chief Executive Officer of the Member (if such individual is not also concurrently serving as the Hospital's President and CEO), the President of the Medical Staff; the Vice President of the Medical Staff; and a representative-at-large of the Medical Staff who ordinarily shall be the immediate past President or a former President of the Medical Staff (the "Ex-Officio Directors"). The remainder of the Directors, the "Elected Directors," shall be members of the Member and elected by the Member in accordance with these Bylaws. The Elected Directors shall be divided into three (3) groups, so that approximately one-third (1/3) of the Directors shall have terms that expire annually. The Elected Directors and the Ex-Officio Directors are together referred to in these Bylaws as the "Directors."

Section 2.02 Election and Terms. Elected Directors shall be elected by the Sole Member at its annual meeting from a slate of nominations nominees prepared by its Governance Committee. No other nominations shall be permitted. Except as provided otherwise in these Bylaws, Elected Directors shall serve a term of three (3) years, or until their resignation, removal or death. The Member may elect Directors to serve one-year or two-year terms in order to achieve the groupings required by Section 2.01 of these Bylaws.

Section 2.03 Tenure. An Elected Director shall be eligible for election to three (3) consecutive three-year terms. For the purposes of determining eligibility for re-election, an Elected Director who has served more than one and one-half (1 ½) years of a three-year term shall be deemed to have served a full term. An Elected Director may be re-elected for a fourth consecutive term if the Director is also elected as an officer at the beginning of such fourth term. After serving the maximum time permitted under this Section, an Elected Director may be re-elected to the Board only after the Director has been off the Board for a period of at least one (1) year.

Section 2.04 Resignation. An Elected Director may resign at any time by delivering written notice to the Secretary of the Hospital. The resignation shall be effective when the notice is delivered, unless the notice specifies a later effective date. If an Ex-Officio Director resigns or is removed from the position from which his or her ex-officio status derives, the Ex-Officio Director will immediately and automatically cease to be a Director without further action by the Board or the Member.

Section 2.05 Removal. An Elected Director may be removed by the affirmative vote of the Member at a meeting of the Member's board of directors. The notice of such meeting shall state that the purpose or one of the purposes of the meeting is removal of the Elected Director.

Section 2.06 Vacancies. A vacancy of an Elected Director may be filled by the Member or the Board at any regular or special meeting. If filled by the Board, the individual

elected to fill the vacancy shall serve until the next meeting of the Member at which Directors are elected.

Section 2.07 Duties and Responsibilities. Subject to the rights, powers and privileges accorded to the Member in the Certificate of Incorporation, these Bylaws, or by law, the Board shall manage and direct the business, property, and affairs of the Hospital. The Board of Directors shall exercise all of the powers of the Hospital in accordance with these Bylaws. Without limiting the foregoing, the Board shall have the power to:

(a) Develop and recommend to the Member the philosophy, mission and values of the Hospital and any changes thereto;

(b) Develop and recommend to the Member the Hospital's strategic plans;

(c) Develop and recommend to the Member the Hospital's annual operating and financial targets, major clinical and/or financial initiatives, and financial plans (including capital and operating budgets);

(d) Annually assess the Hospital's performance against approved budgets, initiatives and strategic plans adopted by the Member;

(e) Recommend to the Member the sale, transfer or substantial change in use of all or substantially all of the assets, the divestiture, dissolution and/or disposition of assets, closure, merger, consolidation, change in corporate membership or ownership or corporate reorganization of the Hospital or any direct or indirect subsidiary of the Hospital;

(f) Recommend to the Member the formation or acquisition by the Hospital of any new direct or indirect subsidiaries, joint ventures or affiliations;

(g) Recommend to the Member the introduction or termination of any services to be offered by the Hospital not otherwise included in an approved budget or a strategic or financial plan, or the filing of an application for a certificate of need with the State of Connecticut by the Hospital or any subsidiary;

(h) Approve any consent decree or settlements from state and federal authorities, following consultation with the Member;

(i) Recommend to the Member changes to the Hospital's Certificate of Incorporation and Bylaws;

(j) Recommend to the Member nominations for and removal of Directors of the Hospital;

(k) Elect officers of the Board, and recommend to the Member the removal of any officer of the Board;

(l) Recommend to the Member the selection, evaluation and compensation of the President and CEO;

(m) Approve business transactions or material contracts, subject to the rights of the Member set forth in Section 1.02, not otherwise included in an approved budget or a strategic or financial plan;

(n) Approve any incurrence or assumption of debt by the Hospital in accordance with the guidelines for accounting and debt management programs established by the Member;

(o) Periodically assess the Hospital's Quality Initiatives, including tracking and reporting on the Hospital's performance under quality measures, quality and patient safety programs and initiatives, patient satisfaction and cultural competence initiatives;

(p) Periodically assess the Hospital's policies and programs to assure corporate and regulatory compliance, including all required state and federal license and generally recommended accreditations and certifications;

(q) Periodically assess the Hospital's policies and programs relating to human relations and labor relations;

(r) Periodically assess the Hospital's Development Plans and its Planned Giving Plans;

(s) Periodically assess the Hospital's Community Relations Initiatives and Community Outreach Programs;

(t) Plan and implement policies and programs relating to the Hospital's use, management and investment of its permanent and temporarily restricted endowment funds, annual appeal funds, and net proceeds from special fundraising events;

(u) Approve actions with respect to the privileges and credentials of members of the Hospital's medical staff in accordance with state and federal law, applicable accreditation standards, the Hospital's Medical Staff Bylaws and any System guidelines established by the Member; and

of any three (3) Directors. Notice of the date, time, place and purpose of a special meeting shall be given to each Director by mail, electronic mail, telecommunications, telephone, facsimile, delivery service or in person at least twenty-four (24) hours before the scheduled time of the meeting and no business shall be transacted at such meeting other than that specifically set forth in the notice.

Section 3.04 Quorum; Vote Required for Action. A majority of all Directors shall constitute a quorum at all meetings of the Board. The affirmative vote of a majority of the Directors present at a meeting at which time a vote is taken shall be the act of the Board, unless the vote of a greater number is required by the Certificate of Incorporation, these Bylaws, or by law. Ex-officio Directors shall be counted in determining a quorum and shall be entitled to vote.

Section 3.05 Action Without Meeting. If all members of the Board consent in writing to any action taken or to be taken, the action shall be the same as if authorized at a meeting of the Board; all written consent(s) shall be included in the corporate minutes or filed with the corporate records.

Section 3.06 Participation by Conference Telephone. Any member of the Board may participate in a meeting by means of a conference telephone or similar communications equipment enabling all members of the Board participating in the meeting to hear one another, and such participation shall constitute presence in person at such meeting.

Section 3.07 Agenda and Records of Meetings. There shall be a written agenda for each meeting of the Board, and minutes of each meeting shall be prepared and submitted to the Board for approval by the Secretary or a delegate. Minutes shall reflect attendance at the meeting, and shall be dated, signed and maintained in the corporate records following approval.

Section 3.08 Executive Session. The Board of Directors shall meet in executive session at least once during each fiscal year and may meet in executive session at such other times as the Chair may designate. An executive session may be held during any regular or

special meeting of the Board and shall be attended only by Directors and other persons invited by the Chair for all or any portion of the executive session, provided that Directors who are employees of the Hospital may at the discretion of the Chair be excluded from all or any portion of an executive session.

ARTICLE IV
Officers

Section 4.01 Officers. The officers shall be a Chair, the President and CEO, a Secretary, a Treasurer, and such other officers as may from time to time be designated by the Board. The Chair, Secretary and Treasurer shall be chosen from the members of the Board. The offices of Chair, President and CEO and Secretary shall be held by different individuals.

Section 4.02 Election. The officers except for the President and CEO shall be chosen by the Board at its annual meeting, and shall hold office until the next annual meeting.

Section 4.03 Vacancies. Any vacancy occurring in any office shall be filled promptly by the Board at any Board meeting.

Section 4.04 Removal. Any officer may be removed with or without cause by the Member at any meeting of the board of directors of the Member, provided that the notice of the meeting specifically states that the purpose or one of the purposes of the meeting is removal of the officer.

Section 4.05 Duties. The duties of the officers shall be as follows:

a. Chair. The Chair or in the Chair's absence a Director who is the Chair's delegate or who is appointed by the Board shall preside at all meetings of the Board and shall perform other duties incident to the office or delegated by the Board or these Bylaws. The Chair shall be an ex-officio member of all committees.

b. President and CEO. The President and CEO shall be the chief executive officer of the Hospital and shall perform such other duties incident to that office or delegated by the Member, the Board or these Bylaws. The Hospital's President and CEO shall be an ex-officio member of all committees established by the Board. The Member shall appoint the President and CEO, who shall serve until his or her death, resignation, disability, or removal in accordance with these Bylaws.

c. Secretary. The Secretary shall maintain the minutes of the meetings of the Board in the corporate records; give or cause to be given all notices required by these Bylaws or by law; serve as custodian of the Board's records; make such records available to the Board upon its request; and perform all other duties incident to the office or delegated by the Board or these Bylaws.

d. Treasurer. The Treasurer shall supervise the receipt and custody of the Hospital's funds and investments; render a full account and statement of the condition of the Hospital's finances at each annual meeting of the Board and at such other times as requested by the Board; and perform other duties incident to the office or as may be delegated by the Board or these Bylaws.

e. Other Officers: The Board may from time to time appoint an Assistant Treasurer, Assistant Secretary or any such other officers as the Board may deem necessary or advisable for the efficient operation of the Corporation's affairs, each of whom shall hold office for such period, have such authority and perform such duties as the Board of Directors may from time to time determine.

ARTICLE V
President and CEO

Section 5.01 Appointment. The Member shall appoint a President and CEO in accordance with these Bylaws. Other executive management staff shall be appointed by the President and CEO with the approval of the Board. The removal of the President and CEO shall be at the discretion of the Member.

Section 5.02 Qualifications for the President and CEO. The Board shall develop and recommend to the member a criteria-based process for selecting a President and CEO. Among other criteria, education and relevant experience are important qualifications. The Board shall also develop and recommend to the Member any performance objectives, evaluations and compensation programs for the President and CEO. The President and CEO shall have the knowledge and skills necessary to perform the duties required of the Hospital's senior leader.

Section 5.03 Responsibilities of the President. The President and CEO shall be the chief executive officer of the Hospital. Subject to the powers expressly reserved to the Board or the Member, the President and CEO shall, in general, supervise and control all the business and affairs of the Hospital and shall have the power to sign, acknowledge and deliver on behalf of the Hospital all deeds, agreements and other formal instruments. If no Chair or Vice Chair has been appointed or in the absence of the Chair or Vice Chair, the President and CEO shall, in general, supervise and control all of the business and affairs of the Hospital, all deeds, agreements and other formal instruments. The President and CEO shall see that all orders and resolutions of the Board and of the committees of the Board are carried into effect. In general, he or she shall perform all duties incident to the office of President and CEO and such other duties as may from time to time be assigned to the President and CEO by these Bylaws, by the Board, or by the Member.

Section 5.04 Attendance at Meetings. The President shall attend all meetings of the Board unless excused by the Chair.

ARTICLE VI
Committees

Section 6.01 Generally. The Board may establish ad hoc committees from time to time as the Board may deem necessary to carry out special find raising events or other initiatives of the Board. Committees may not exercise the authority of the Board, and any acts taken by them shall be solely advisory in nature. The members and chair of each

committee shall be appointed by the Board, and each such committee shall consist of at least one (1) Director and two (2) other individuals who may or may not be Directors. Each committee established by the Board shall be chaired by a Director of the Board. Committee members shall serve at the pleasure of the Board and until their successors are elected.

Section 6.02. Committee Procedures. Notice of the date, time and location of a committee meeting shall be given to each member of such committee by mail, electronic mail, telecommunications, telephone, facsimile, delivery service or in person at least twenty-four (24) hours before the scheduled time of the meeting. Minutes shall be recorded of each meeting of the committee and submitted at the next regular meeting of the Board. The committee chair or the chair's designee shall make a full report of each meeting of the committee at the next meeting of the Board.

Section 6.03 Committees - Miscellaneous Provisions. The Chair may designate one or more officers of the Hospital to serve as ex-officio members of a committee. Each such committee shall adopt and follow rules and procedures for its organization and operation.

Section 6.04 "Medical Review Committees". Any committee or subcommittee referred to in or otherwise established in accordance with the provisions of these Bylaws, as well as the Board itself, when engaged in any peer review activity, is intended to be a "peer review board" within the meaning of that term as set forth in Rhode Island General Laws § 5-37-1, as may be amended from time to time.

ARTICLE VII
Medical Staff

Section 7.01 The Appointment and Governance of the Medical Staff. The Board shall appoint all members of the Hospital's Medical Staff, approve each member's delineated clinical privileges, and be responsible for the organization and activities of the Medical Staff. The Board shall adopt and from time to time review the bylaws and rules and regulations of the Medical Staff. The Board shall assure that the Medical Staff complies

with such bylaws, rules and regulations, and shall have and regularly consult with a liaison of the Medical Staff.

Section 7.02 Recommendations of The Medical Staff Executive Committee. The Board shall accept and review, for possible adoption by the Board, specific recommendations from the Medical Staff executive committee, made in accordance with the provisions of the Medical Staff bylaws, and relating to:

a. The structure of the Medical Staff;

b. The process designed for reviewing credentials and delineating individual clinical privileges;

c. Recommendations for Medical Staff membership;

d. The organization of the Medical Staff's performance-improvement activities, as well as the process designed for conducting, evaluating and revising such activities;

e. The process by which Medical Staff membership may be terminated; and

f. The fair-hearing process.

ARTICLE VIII

Conflict of Interest; Confidentiality

Section 8.01 "Conflict of Interest" Defined; Conflict of Interest and Confidentiality Policies. The Board expects the Directors to exercise good judgment and follow high ethical standards. Individuals serving the Hospital should never permit private interests to conflict in any way with their obligations to the Hospital and to any entities affiliated with the Hospital. In addition, all Directors must honor the confidential nature of Hospital information and strive to maintain its confidentiality. To this end, from time to time the Board shall adopt a Conflict of Interest Policy and a Confidentiality Policy; such policies shall be as effective as if they were part of these Bylaws. These policies shall be consistent with requirements of state law, the law of tax-exempt organizations, and the requirements of the Joint Commission on the Accreditation of Healthcare Organizations, and shall address, among other things: the definition of "confidential materials" and "related persons";

disclosure by Board members; the purchase of goods and services; compensation decisions; and procedures to implement and enforce these policies.

ARTICLE IX

Amendments

Section 9.01 Amendments. Except as otherwise provided by the Certificate of Incorporation, or by law, the Member may adopt, amend or repeal these Bylaws.

ARTICLE X

Miscellaneous

Section 10.01. Principal Office. The principal office of the Hospital shall be located in Westerly, Rhode Island.

Section 10.02. Waivers of Notice. Whenever any notice of time, place, purpose or any other matter, including any special notice or form of notice, is required or permitted to be given to any person by law or under the provisions of the Certificate of Incorporation or these Bylaws, or of a resolution of the Member or the Board, a written waiver of notice signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be equivalent to the giving of such notice. The Secretary of the Hospital shall cause any such waiver to be filed with or entered upon the records of the Hospital or, in the case of a waiver of notice of a meeting, the records of the meeting. The attendance of any person at or participation in a meeting waives any required notice to that person of the meeting unless at the beginning of the meeting, or promptly upon the person's arrival, the person objects to the holding of the meeting or the transacting of business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

Filing Fee: $35.00

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
Office of the Secretary of State
Division of Business Services
148 W. River Street
Providence, Rhode Island 02904-2615

2012 MAY 29 PM 4:01
RECEIVED
STATE OF RHODE ISLAND
CORPORATIONS
AND SECURITIES

NON-PROFIT CORPORATION

ARTICLES OF INCORPORATION

The undersigned, acting as incorporator(s) of a corporation under Chapter 7-6 of the General Laws of Rhode Island, 1956, as amended, adopt(s) the following Articles of Incorporation for such corporation:

1. The name of the corporation is LMW Physicians, Inc.

2. The period of its duration is (if perpetual, so state) Perpetual

3. The specific purpose or purposes for which the corporation is organized are

The Corporation shall be organized and operated exclusively for charitable purposes within the meaning of the Internal Revenue Code of 1986, as now in effect or as may hereafter be amended (the "Code"). Notwithstanding any other provisions of this certificate, the Corporation shall not conduct or carry on any activities not permitted to be conducted or carried on by an organization exempt under Section 501(c)(3) of the Code. The Purpose is to integrate some of the various physicians and healthcare professionals under contract with LMW Healthcare, Inc. into a more efficient and cost effective entity, and to engage in any lawful act or activity for which a corporation may be organized under the RI Nonprofit Corporation Act, as the same may be amended from time to time.

4. Provisions, if any, not inconsistent with the law, which the incorporators elect to set forth in these articles of incorporation for the regulation of the internal affairs of the corporation are:

See Exhibit A attached hereto

Form No. 200
Revised: 12/05

5. The address of the initial registered office of the corporation is:

One Citizens Plaza, Suite 500
(Street Address, not P.O. Box)

Providence, RI 02903
(City/Town) (Zip Code)

and the name of its initial registered agent at such address is Stephen D. Zublago, Esq.
(Name of Agent)

6. The number of directors constituting the initial Board of Directors of the Corporation is 3
(not less than 3 directors)

and the names and address of the persons who are to serve as the initial directors are:

Name	*Address*
Bruce D. Cummings	901 Pequot Avenue, New London, CT 06320
Marilyn Malerba	4 Glen Craig Place, Uncasville, CT 06382
Ulysses B. Hammond	8 Susan Terrace, Waterford, CT 06385

7. The name and address of each incorporator is:

Name	*Address*
Bruce D. Cummings	901 Pequot Avenue, New London, CT 06320

8. These Articles of Incorporation shall be effective upon filing unless a specified date is provided which shall be no later than the 30th day after the date of this filing Upon Filing

Under penalty of perjury, I/we declare and affirm that I/we have examined these Articles of Incorporation, including any accompanying attachments, and that all statements contained herein are true and correct.

Date: _____

_____

_____

_____

_____

_____

Signature of each Incorporator

Attachment to
Articles of Incorporation for:
LMW Physicians, Inc.

4. **Provisions, if any, not inconsistent with the law, which the incorporators elect to set forth in these articles of incorporation for the regulation of the internal affairs of the corporation are:**

(a) No part of the net earnings of the Corporation shall inure to the benefit of any director or officer of the Corporation or any private individual, except that reasonable compensation may be paid for services rendered to or for the Corporation. No director or officer of the Corporation or any private individual shall be entitled to share in the distribution of any of the corporate assets on dissolution of the Corporation.

(b) No substantial part of the activities of the Corporation shall be carrying on propaganda, or otherwise attempting to influence legislation, except as otherwise provided by Section 501(h) of the Code. The Corporation shall not participate or intervene (including the publication or distribution of statements) in any political campaign on behalf of or in opposition to any candidate for public office.

(c) Notwithstanding any other provision of these articles, the Corporation is organized exclusively for one or more of the following purposes: religious, charitable, scientific, testing for public safety, literary, or educational purposes, as specified in Section 501(c)(3) of the Code. The Corporation shall not carry on any 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.

(d) In the event of the liquidation, dissolution, or winding up of the Corporation, whether voluntary or involuntary or by operation of law, all of the remaining assets and property of the Corporation shall after necessary expenses thereof be distributed to one or more organizations which are then qualified under Section 501(c)(3) of the Code to be used in such manner as will best accomplish the general purposes for which this Corporation was formed, to be determined in the discretion of the Board of Directors.

BYLAWS

OF

LMW PHYSICIANS, INC.

ARTICLE I

Name

Section 1.01 Name of Corporation. The name of this Corporation is LMW Physicians, Inc., and it shall be referred to throughout these Bylaws as the "Corporation."

ARTICLE II

ROLE AND PURPOSE OF THE CORPORATION; SOLE MEMBER

Section 2.01 Role and Purpose of the Corporation. The Corporation shall be organized and operated exclusively for charitable purposes within the meaning of the Internal Revenue Code of 1986, as now in effect or as may hereafter be amended (the **"Code"**). The Corporation shall not conduct or carry on any activities not permitted to be conducted or carried on by an organization exempt under Section 501(c)(3) of the Code. The role and purpose of the Corporation shall include the following:

a. to integrate, from time to time, some of the various physicians and other health care professionals employed by or under contract with LMW Healthcare, Inc. d/b/a Westerly Hospital (the **"Hospital"**) (the parent corporation to this Corporation) into a more efficient and cost effective entity permitting better organizational control of the myriad physician or other health care professional clinical services offered to the community by such physicians and health care professionals;

b. to benefit the health status of the community served by the Hospital by improving the quality and cost effectiveness of a significant portion of its health care delivery systems through integrating into one entity some of the various physicians and other health care professionals employed by or under contract with the Hospital who render clinical services on or off the Hospital campus and in connection therewith, establishing integrated information and billing systems that provide data and education to the consumers, payors and health care providers;

c. receiving and accepting public and private gifts, trusts, donations, grants, loans and other sources of funding to promote the purposes of the Corporation; and generally undertaking and performing such other acts and exercising such other powers as may be authorized or permitted under the laws of the state of Rhode Island to promote and attain the purposes set forth herein; and

d. engaging in any lawful act or activity for which a corporation may be organized under the Rhode Island Nonprofit Corporation Act, as now in effect and as the same may be amended from time to time.

Section 2.02 Sole Member; LMW Healthcare, Inc. The Corporation shall have but one (1) member, LMW Healthcare, Inc. (the **"Sole Member"**), which shall appoint the Board of Directors of the Corporation (also referred to in these Bylaws as the **"Board"** or **"Board of Directors"**), adopt, amend and repeal these Bylaws, and have all of the other rights, powers and privileges usually or by law accorded to the members of a nonprofit federally tax-exempt corporation and not conferred by these Bylaws on the Board of Directors of the Corporation. In addition to such other rights, powers and privileges as it may have by law, the Sole Member shall have the following rights, powers and privileges:

a. To appoint all the Directors to the Board of Directors;

b. To accept or reject, after approval by the Board, the annual operating and capital budgets of the Corporation;

c. To approve, upon recommendation by the Board, any plans that materially affect the growth and development of the Corporation;

d. To approve, upon recommendation by the Board, significant fund raising programs, the sale or disposition of any assets of the Corporation (except sales or dispositions undertaken in the ordinary course of business), and the incurring of any indebtedness for borrowed money except in accordance with an approved operating or capital budget;

e. To remove any elected member of the Board of Directors with or without cause in accordance with these Bylaws;

f. To vote upon all matters on which Members are entitled to vote under the Rhode Island nonprofit Corporation Act; and

g. To act on any other matters on which action by the Sole Member is required or permitted by these Bylaws.

ARTICLE III

Board of Directors

Section 3.01 Composition. The Board of Directors shall consist of no less than three (3) and no more than fifteen (15) individuals to be determined by the Sole Member at its annual meeting. The Directors shall be divided into three (3) groups, so that approximately one-third (1/3) of the Directors shall have terms that expire annually.

Section 3.02 Election and Terms. Directors shall be elected by the Sole Member at its annual meeting. Except as provided otherwise in this Section, Directors shall serve a term of three (3) years, or until their resignation, removal or death. The Sole Member may elect Directors to serve one-year, two-year or three-year terms in order to achieve the groupings required by Section 3.01 of these Bylaws.

Section 3.03 Resignation. A Director may resign at any time by delivering written notice to the Secretary of the Corporation. The resignation shall be effective when the notice is delivered, unless the notice specifies a later effective date.

Section 3.04 Removal. A Director may be removed by the Sole Member at any time, with or without cause.

Section 3.05 Vacancies. A vacancy of a Director shall be filled for the balance of the vacated term by the Sole Member.

Section 3.06 Duties and Responsibilities. Subject to the rights, powers and privileges accorded to the Sole Member in the Certificate of Incorporation, these Bylaws, or by law, the Board of Directors shall manage and direct the business, property, and affairs of the Hospital. The Board of Directors shall:

a. Enter into contractual agreements with the Hospital and affiliated institutions;

b. Coordinate with the Hospital and affiliated institutions to ensure that the highest possible quality medical care is offered to all patients;

c. Establish the short-range and long-range goals and objectives of the Corporation;

d. Review and adopt policies and programs reasonably calculated to achieve the established goals and purposes of the Corporation;

e. Establish administrative and fiscal controls sufficient to ensure successful implementation of the aforementioned policies and programs;

f. Arrange for physical plant and equipment for immediate and future needs of the Corporation;

g. Appoint and manage qualified executive and other staff as may be required for the efficient administration and operation of the Corporation;

h. Maintain sound fiscal policies for the Corporation, review and adopt its annual operating and capital budgets, manage endowments and implement charitable programs as required to ensure adequate financial support; and

i. Cooperate with the Hospital and other affiliated institutions and other area hospitals and human service agencies, with the Town of Westerly, and with local, state and regional federal health agencies and health planning groups to ensure efficient, orderly and economic delivery of health care, consistent with the short-term and long-term needs of the community served by the Corporation.

Section 3.07 Compensation. The Directors shall serve without compensation for their services as Directors but may be reimbursed by the Corporation for their reasonable expenses and disbursements in that capacity on behalf of the Corporation.

ARTICLE IV

Meetings of the Board of Directors

Section 4.01 Annual and Regular Meetings. The annual meeting of the Board shall be held on the second Saturday of December at such time and place as shall be determined in advance by the President. The transaction of business at the annual meeting shall be unlimited except as otherwise specified in these Bylaws.

Section 4.02 Notice of Annual and Regular Meetings. The Secretary shall give notice of the date, time and place of the annual meeting and each regular meeting of the Board by mail, electronic mail, telecommunications, telephone, facsimile or in person to each member of the Board at least five (5) days in advance of the meeting, except that no notice need be given of a regular meeting held in accordance with a schedule approved by the Board.

Section 4.03 Special Meetings. Special meetings may be called at any time by the Chairman, and shall be called by the Chairman within seven (7) days of receipt of the written request of any three (3) Board members. Notice of the date, time, place and purpose of a special meeting shall be given to each member by mail, electronic mail, telecommunications, telephone, facsimile or in person at least twenty-four (24) hours before the scheduled date of the meeting and no business shall be transacted at such meeting other than that specifically set forth in the notice.

Section 4.04 Quorum; Vote Required for Action. A majority of all Directors shall constitute a quorum at all meetings of the Board. The affirmative vote of a majority of the Directors present at a meeting at which time a vote is taken shall be the act of the Board, unless the vote of a greater number is required by the Certificate of Incorporation, these Bylaws, or by law.

Section 4.05 Action Without Meeting. If all members of the Board consent in writing to any action taken or to be taken, the action shall be the same as if authorized at a meeting of the Board; all written consent(s) shall be included in the corporate minutes or filed with the corporate records.

Section 4.06 Participation by Conference Telephone. Any member of the Board may participate in a meeting by means of a conference telephone or similar communications equipment enabling all members of the Board participating in the meeting to hear one another, and such participation shall constitute presence in person at such meeting.

Section 4.07 Agenda and Records of Meetings. There shall be a written agenda for each meeting of the Board, and minutes of each meeting shall be prepared and submitted to the Board for approval by the Secretary or a delegate. Minutes shall reflect attendance at the meeting, and shall be dated, signed and maintained in the corporate records following approval.

ARTICLE V

Officers

Section 5.01 Officers. The officers shall be the Chairman, a Secretary, a Treasurer, a President, and such other officers as may from time to time be designated by the Board. The Chairman, Secretary and Treasurer shall be chosen from the members of the Board. The President may be chosen from the members of the Board.

Section 5.02 Election. The officers shall be chosen by the Board at its annual meeting, and shall hold office until the next annual meeting.

Section 5.03 Vacancies. Any vacancy occurring in any office shall be filled promptly by the Board at any Board meeting.

Section 5.04 Removal. Any officer may be removed with or without cause at any meeting of the Board by the vote of two-thirds (2/3) of the members of the Board present and voting, provided that the notice of the meeting specifically states that the purpose or one of the purposes of the meeting is removal of the officer.

Section 5.05 Duties. The duties of the officers shall be as follows:

a. President. The President shall be the chief executive officer of the Corporation and shall direct all of the activities of the Corporation and shall see that the objectives, policies and orders of the Board are properly executed. The President shall also perform such other duties incident to that office or delegated by the Board or these Bylaws.

b. Chairman. The Chairman shall preside at all meetings of the Board. The Chairman shall be an ex-officio member of all committees.

c. Secretary. The Secretary shall: maintain the minutes of the meetings of the Board in the corporate records; give or cause to be given all notices required by these Bylaws or by law; serve as custodian of the Board's records; make such records available to the Board upon its request; and perform all other duties incident to the office or delegated by the Board or these Bylaws.

d. Treasurer. The Treasurer shall: supervise the receipt and custody of the Hospital's funds and investments; render a full account and statement of the condition of the Hospital's finances at each annual meeting and at such other times as requested by the Board; and perform other duties incident to the office or as may be delegated by the Board or these Bylaws.

ARTICLE VI

Committees

Section 6.01 Committees. The Board may create such committees with such duties and powers as it may deem appropriate to assist it in carrying on the business and furthering the

purposes of the Corporation, and it may appoint persons who are not Directors to serve on or consult with such committees.

Section 6.02 Committee Procedures; Action by Committee. Each committee may fix rules of procedure for its business. A majority of the members of a committee shall constitute a quorum for the transaction of business and the act of a majority of those present at a meeting at which a quorum is present shall be the act of the committee. Any action required or permitted to be taken at a meeting of a committee may be taken without a meeting, if a unanimous written consent which sets forth the action is signed by each member of the committee and filed with the minutes of the committee. The members of a committee may conduct any meeting thereof by conference telephone in accordance with the provisions of Section 4.06.

ARTICLE VII

Conflict of Interest; Confidentiality

Section 7.01 "Conflict of Interest" Defined; Conflict of Interest and Confidentiality Policies. The Board expects its members to exercise good judgment and follow high ethical standards. Individuals serving the Corporation should never permit private interests to conflict in any way with their obligations to the Corporation and to any entities affiliated with the Corporation. In addition, all members of the Board must honor the confidential nature of Corporation information and strive to maintain its confidentiality. To this end, from time to time the Board shall adopt a Conflict of Interest Policy and a Confidentiality Policy; such policies shall be deemed by this reference to be a part of these Bylaws. These policies shall be consistent with requirements of state law and the law of tax-exempt organizations, and shall address, among other things: the definition of "confidential materials" and "related persons"; disclosure by Board members; the purchase of goods and services; compensation decisions; and procedures to implement and enforce these policies.

ARTICLE VIII

Amendments

Section 8.01 Amendments. Except as otherwise provided by the Certificate of Incorporation, or by law, the Sole Member may adopt, amend or repeal these Bylaws.

ARTICLE IX

Miscellaneous

Section 9.01 Principal Office. The principal office of the Corporation shall be located in Westerly, Rhode Island.

Section 9.02 Waivers of Notice. Whenever any notice of time, place, purpose or any other matter, including any special notice or form of notice, is required or permitted to be given to any person by law or under the provisions of the Certificate of Incorporation or these Bylaws, or of a resolution of the Sole Member or the Board of Directors, a written waiver of notice signed by the person or persons entitled to such notice, whether before or after the time stated

therein, shall be equivalent to the giving of such notice. The Secretary of the Corporation shall cause any such waiver to be filed with or entered upon the records of the Corporation or, in the case of a waiver of notice of a meeting, the records of the meeting. The attendance of any person at or participation in a meeting waives any required notice to that person of the meeting unless at the beginning of the meeting, or promptly upon the person's arrival, the person objects to the holding of the meeting or the transacting of business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

Supplemental Exhibit 2(a)

Supplemental Exhibit 2(a).

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Supplemental Exhibit 2(c)

THE WESTERLY HOSPITAL BYLAWS
AMENDED AND RESTATED IN ITS ENTIRETY
JUNE 6, 2011

THE WESTERLY HOSPITAL BYLAWS
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THE WESTERLY HOSPITAL
AMENDED AND RESTATED BYLAWS

ARTICLE I
Title and Definitions

Section 1. Name. The name of this corporation shall be The Westerly Hospital (hereinafter referred to as the "Hospital").

Section 2. Definitions. The following terms, whenever used herein, shall have the meanings hereinafter assigned to them:

(a) "Articles of Association" shall mean the Articles of Association of The Westerly Hospital dated June 16, 1921, as amended.

(b) "Board of Trustees" shall mean the Board of Trustees of the Hospital.

(c) "Chairperson" shall mean the Chairperson of the Board of Trustees of the Hospital.

(d) "Corporate Member" shall mean Westerly Hospital Healthcare, Inc. when acting in its capacity as sole member of the Hospital.

(e) "Executive Committee" shall mean the Executive Committee of the Hospital appointed pursuant to ARTICLE VI, Section 11 of these Bylaws.

(f) "Executive Officers" shall mean the President/CEO and any Executive Vice President, Senior Vice President, and Vice President of the Hospital.

(g) "Executive Session" shall mean a meeting of the Board of Trustees, exclusive of (i) any invitees; (ii) management; and (iii) Trustees required to recuse themselves by the Chairperson. The attorney for the Board of Trustees or any committee or any other individual may attend an Executive Session at the request of the Chairperson.

(h) "Independent," when used in reference to a Trustee or an individual who is a member of a committee or subcommittee of the Board of Trustees, shall mean a person who:

(i) is not a member of the Medical Staff of the Hospital;
(ii) is not currently nor for the past three (3) years has been, an executive officer or employee of the Hospital, or any affiliated company of the Hospital:
(iii) is not, and does not have a spouse, parent, child, sibling, or other family member, whether by blood, marriage or adoption, nor have any person residing in such Trustee's or individual's home, who is, a partner in, or controlling shareholder, director, or executive officer of, any organization

(a) to which the Hospital, or any affiliated company of the Hospital, made, or from which the Hospital, or any affiliated company of the Hospital, received, payments for property or services in the current or any of the past three (3) fiscal years that exceed 5% of the recipient's consolidated gross revenues for that year, or $200,000, whichever is greater; or

(b) that had any credit arrangements with the Hospital or any of its affiliated companies in excess of $2,500,000 for that year.

(iv) does not have a relationship which, in the opinion of the Board of Trustees, would interfere with the exercise of his/her independent judgment in carrying out the responsibilities of a Trustee.

The Audit Committee shall annually review each Trustee's Annual Disclosure Statement to determine whether a Trustee is Independent and may modify the criteria described in subsection (iii) above as economic conditions may change from year to year.

(i) "President/CEO" shall mean the Hospital's President and Chief Executive Officer.

ARTICLE II
Objectives

Section 1. Establishment. To establish and maintain an institution, or institutions, within or without the state of Rhode Island, with permanent facilities that include, without limitation, inpatient beds and medical services to provide for diagnosis and treatment of patients (and associated services such as, without limitation, extended care, outpatient care, domiciliary care, and home care).

Section 2. Educational Activities. To carry on any educational activities related to rendering care to the sick and injured, or to the promotion of health, that in the opinion of the Board of Trustees may be justified by the facilities, personnel, funds, and other requirements that are, or can be made, available.

Section 3. Scientific Research. To promote and carry on scientific research related to the care of the sick and injured insofar as, in the opinion of the Board of Trustees, such research can be carried on in connection with the Hospital.

Section 4. General Health. To participate so far as circumstances may warrant in any activity designed and carried on to promote the general health of the community.

Section 5. Charitable, Scientific, Educational Purposes. This Hospital is exclusively for charitable, scientific, and educational purposes, as a tax-exempt, non-profit corporation, and its activities shall be conducted for the aforesaid purposes in such manner that no part of its net earnings shall inure to the benefit of or be distributable to any Trustee, officer or other private persons, except that the Hospital shall be authorized and empowered to pay reasonable expenses incurred in furtherance of the purposes set forth in its Articles of Association and in these

Bylaws. In the event of any liquidation or dissolution of the Hospital, no Trustee or officer shall be entitled to any distribution or division of the Hospital's property or the proceeds thereof.

ARTICLE III
Membership

Section 1. Corporate Member. Westerly Hospital Healthcare, Inc., a tax-exempt, non-profit corporation organized on December 6, 1983, acting through its Board of Trustees shall be the sole member of the Hospital.

Section 2. Corporate Member's Powers. The Corporate Member shall have only those powers as may be specified in the Articles of Association and these Bylaws, and the Bylaws of the Corporate Member.

ARTICLE IV
Board of Trustees and Officers

Section 1. Number. There shall be a Board of Trustees, which shall consist of not more than Nineteen (19) nor fewer than eleven (11) individuals.

Section 2. Term. Trustees shall be appointed by the Board of Trustees of the Corporate Member to serve for three (3) year terms. No Trustees shall serve for longer than three (3) consecutive three (3) year terms with the following exceptions:

(a) Any individual who has been elected to fill a vacancy on the Board of Trustees pursuant to Section 15 of this Article IV may, when that unexpired term is completed, be elected for three (3) consecutive three (3) year terms.

(b) Any Trustee who is serving as an officer following the end of his/her third successive three (3) year term and who has been nominated by the Board of Trustees to continue to serve as an officer in the following year may continue to serve as a Trustee.

Section 3. Powers of the Board of Trustees.

(a) Subject to the powers reserved to the Corporate Member in (b) below, the management and control of the Hospital's property, business and affairs shall be vested in the Board of Trustees which shall have the power and authority to do and perform all acts and functions not inconsistent with these Bylaws.

(b) The authority of the Board of Trustees to exercise the following powers is conditioned on the approval of the Corporate Member:

(i) any voluntary dissolution, merger or consolidation of the Hospital, the sale or transfer of all or substantially all of the Hospital's assets;

(ii) the addition of new Corporate Members;

(iii) the guaranty by the Corporate Member of any indebtedness of the Hospital; and

Section 4. Annual Board Meeting. The Annual Meeting of the Board of Trustees shall be held in December, following the Annual Meeting of the Corporate Member.

Section 5. Regular Board Meetings. The Board of Trustees shall hold at least ten (10) regular meetings in each year at the Hospital, or at another location within or out of the State of Rhode Island specified in the written notice of meeting. The Chairperson may, or, upon any three (3) Trustees' request, shall call for an Executive Session prior to the conclusion of an ongoing meeting or prior to the next meeting of the Board of Trustees. Executive Sessions shall be held as necessary to discuss compensation, audit, compliance and other matters.

Section 6. Special Board Meetings. Special meetings of the Board of Trustees may be called by the Chairperson, or in his/her absence, by, in order of seniority in succession, the First, Second, or Third Vice Chairperson, or shall be called at the written request of one third (1/3) of the members of the Board of Trustees.

Section 7. Meeting Notice. Written notice of all meetings of the Board of Trustees shall be mailed, faxed or e-mailed to each Trustee at least five (5) days before the date thereof. The notice of any special meeting or Executive Session shall state the business for the transaction of which the special meeting or Executive Session has been called and no business other than that stated in the notice shall be transacted at such special meeting or Executive Session.

Section 8. Waiver of Notice. The requirement of notice to any Trustee may be waived (a) by a written waiver of notice, executed before or after the meeting or meetings and filed with the records of the meeting, or (b) by the Trustee's attendance at the meeting without protesting his/her lack of notice prior thereto.

Section 9. Quorum. Unless otherwise required by law, the Articles of Association or these Bylaws, a majority of all Trustees then in office shall constitute a quorum to transact Hospital business at any meeting of the Board of Trustees. Any Board of Trustees' meeting may be adjourned by a majority of the votes cast upon the question.

Section 10. Voting. When a quorum is present at any Board of Trustees' meeting, a majority of the votes properly cast upon any question shall decide such question, except where a larger vote is required by law, the Articles of Association or these Bylaws. The assent in writing of any Trustee to any vote or action of the Trustees taken at any meeting, whether a quorum was present and whether the Trustee had or waived notice of the meeting, shall have the same effect as if the Trustee so assenting was present at such meeting, voted in favor of such vote or action and was considered for the purpose of constituting a quorum.

Section 11. Telephonic Participation in Meetings. Trustees, whether at a Board of Trustees meeting or at a meeting of a committee of the Board of Trustees, may participate in such meeting

by means of a conference telephone call or similar communications equipment by means of which all persons participating in the meeting can communicate with each other. Participation by such means shall constitute presence in person at a meeting.

Section 12. Attendance Requirements. Each Trustee shall attend not fewer than seventy-five percent (75%) of all regularly scheduled meetings of the Board of Trustees in each year. A Trustee who fails to meet the foregoing attendance requirement without being excused by the Chairperson shall be deemed conclusively to have resigned from the Board of Trustees.

Section 13. Resignation. A Trustee may resign at any time by giving written notice of his/her resignation to the Chairperson. The resignation shall be effective at the time specified in such notice and, unless otherwise specified in such notice, acceptance shall not be necessary to make it effective. A resignation from the Board of Trustees shall be deemed an automatic resignation from the Board of Trustees of the Corporate Member.

Section 14. Removal. A Trustee may be removed from the Board of Trustees, for cause, at any time by the affirmative vote of two-thirds of the members of the Board of Trustees at a meeting of the Board of Trustees called for that purpose, upon notice duly given, at which meeting such Trustee shall have been given the opportunity to be heard. Removal from the Board of Trustees shall be deemed automatic removal from the Board of Trustees of the Corporate Member.

Section 15. Vacancies. Any vacancy occurring on the Board of Trustees or in any office shall be filled by the Board of Trustees. A person elected to fill a vacancy on the Board of Trustees or any office will serve for the unexpired term of his/her predecessor in office. Any vacancy occurring on the Board of Trustees for any reason shall constitute a vacancy on the Board of Trustees of the Corporate Member.

Section 16. Action Without Meeting. Any action required or permitted to be taken at any meeting of the Trustees or any committee thereof may be taken without a meeting if a consent in writing, setting forth the action taken, is signed by all of the Trustees and the written consents are filed with the records of meetings of the Board of Trustees. Such consents shall have the same force and effect as a unanimous vote.

Section 17. Honorary Trustees. The Board of Trustees may, at its discretion, create an Honorary Trustee category. Appointments made to Honorary Trusteeship shall not affect the above named consistency of the Board of Trustees. Appointments to Honorary Trusteeship may be made by the Board of Trustees among those current or former Trustees who have diligently and faithfully served on the Board of Trustees and who, for some reason, are unable to continue to actively participate on the Board of Trustees. Honorary Trustees shall not (i) be entitled to attend Board of Trustee meetings, (ii) be counted for purposes of quorum, or (iii) vote on any matter before the Board of Trustees.

Section 18. Trustee Orientation. Within two (2) months of taking office, each new member of the Board of Trustees shall participate in an orientation program designed to expose the new member to basic information necessary to effectively discharge his/her duties as a Trustee. The orientation program shall include, at a minimum, the following elements: (a) an overview of the

responsibilities of a Trustee; (b) a review of the schedule of meetings of the Board of Trustees; (c) an overview of the Hospital's Bylaws and Charters for each of the Standing Committees; (d) a review of the roster of members of the Board of Trustees; (e) an overview of the Hospital's organizational chart; (f) an overview of patients' rights; (g) an overview of the structure of the Medical Staff and its Bylaws and Rules and Regulations; (h) an overview of the Hospital's quality improvement program(s); (i) a review of the Hospital's compliance program and code of ethical behavior; and (j) a review of the Hospital's conflict of interest disclosure requirements.

Section 19. Board Performance Review. The Board of Trustees shall periodically evaluate the effectiveness of its oversight and direction in improving the Hospital's performance in relation to the Hospital's stated vision, mission, and goals. This evaluation shall consider, but not necessarily be limited to, the areas of strategic planning, patient care and safety, regulatory compliance, and fiscal management.

Section 20. Hospital Officers. At the annual meeting of the Board of Trustees, the Board of Trustees shall elect the President of the Medical Staff and shall elect, for one-year terms, the officers of the Hospital: a Chairperson and Vice Chairpersons not to exceed three, titled, as the case may be, First Vice Chairperson, Second Vice Chairperson, and Third Vice Chairperson, designating their order of succession of the office of Chairperson, each of whom shall be a Trustee; and a Treasurer and Secretary, each of whom may, but need not be a Trustee, and such additional officers as the Trustees may from time to time elect or appoint who need not be Trustees. Any officer may resign at any time by giving written notice of his/her resignation to the Chairperson. The resignation shall take effect at the time specified in such notice and, unless otherwise specified in such notice, acceptance shall not be necessary to make it effective. Any officer who is an employee of the Hospital shall cease to be an officer upon termination of his/her employment with the Hospital. An officer may be removed from office, for cause, at any time by the affirmative vote of two-thirds (2/3) of the members of the Board of Trustees at a meeting of the Board of Trustees called for that purpose, upon notice duly given, at which meeting such officer shall have been given the opportunity to be heard. Termination of service of any officer whether voluntary of involuntary by either the Corporate Member or the Hospital shall immediately constitute termination of service of such officer to the other organization.

Section 21. Officers' Duties. The officers shall have the powers and perform the duties customarily belonging to their respective offices including the powers and duties set forth herein:

(a) The Chairperson shall preside at all meetings of the Board of Trustees and of the Executive Committee and shall be an ex officio member with vote of all Standing and Special Committees.

(b) In the absence of the Chairperson, in order of seniority in succession, the First, Second, or Third Vice Chairpersons, shall preside at all meetings of the Board of Trustees and of its Executive Committee and during the absence of the Chairperson, perform the duties of the Chairperson, and such other duties as may be required by the Board of Trustees.

(c) The Secretary shall act as Secretary of the Board of Trustees, shall send appropriate notices of and prepare agendas for all meetings of the Board of Trustees, shall act as custodian of all records and reports and shall be responsible for the keeping and reporting of adequate records of all meetings of the Board of Trustees. The Secretary also shall send required notices to the Corporate Member and maintain records of the proceedings of the Corporate Member in a separate book kept for that purpose.

(d) The Treasurer shall have general responsibility for the fiscal affairs of the Hospital.

ARTICLE V
Executive Officers

Section 1. President/CEO and Other Executive Officers. The Board of Trustees shall select and employ a President/CEO, who shall be its direct executive representative in the management of the Hospital and shall provide leadership and overall direction and administration of the Hospital. The President/CEO shall have the knowledge, skill, education and experience necessary to perform the duties inherent in the office. He/She shall be given the necessary authority and be held responsible for Hospital administration and all of its activities and departments, subject only to such policies as may be adopted, and such orders as may be issued by the Board of Trustees or by any of its Standing or Special Committees to which it has delegated power for such action. The President/CEO shall act as the duly authorized representative of the Board of Trustees in all matters in which the Board of Trustees has not formally designated some other person for that specific purpose. At the recommendation of the President/CEO, the Board of Trustees may select and employ Executive Vice Presidents, Senior Vice Presidents, and Vice Presidents who shall have such responsibilities and authority as determined by the Board of Trustees.

Section 2. President/CEO's Duties. The President/CEO shall be the Chief Executive Officer of the Hospital and shall be responsible for the general administration of the Hospital's activities, actively managing its business and affairs, including maintaining the Hospital's compliance with applicable laws and regulations. He/She shall be its direct executive representative for:

(a) carrying out all policies and directives established by the Board of Trustees,

(b) developing and submitting to the Board of Trustees for its approval a plan of organization for employees and for others concerned with the Hospital operation and submitting any change in the organizational structure relating to Executive Officers to the Board of Trustees for its approval,

(c) preparing an annual operating and capital budget showing the Hospital's expected receipts and expenditures as required by the Finance Committee of the Board of Trustees,

(d) selecting, employing, controlling, and discharging all Hospital employees, in accordance with the organizational chart, and developing and maintaining all Hospital personnel policies and practices,

(e) maintaining Hospital physical properties in a good state of repair and operating condition,

(f) supervising Hospital business affairs to insure that funds are collected and expended to the best possible advantage,

(g) cooperating with the Medical Staff and with all others involved in rendering professional services to the end that high quality care is rendered to patients,

(h) presenting to the Board of Trustees or its authorized committees periodic reports reflecting Hospital professional services and financial activities and preparing and submitting such special reports as may be required by the Board of Trustees,

(i) attending all meetings of the Board of Trustees, serving as an ex officio member with full voting power,

(j) serving as a voting member on any Standing or Special Committee, unless such Committee is limited to Independent Trustees, if so appointed by the Chairperson,

(k) attending, as requested, all Committee meetings,

(l) serving as the liaison officer and channel of communications for all official communication between the Board of Trustees or any of its Standing or Special Committees and the Medical Staff,

(m) performing other duties that may be necessary in the best interest of the Hospital,

(n) overseeing the Hospital's compliance program, and ensuring prompt review and response to inquiries, reports and recommendations from planning, regulatory and inspecting agencies.

The duties and authority of the President/CEO shall be prepared in written form and reviewed and approved by the Board of Trustees periodically. The Board of Trustees shall also periodically evaluate the performance of the President/CEO.

ARTICLE VI
Committees of the Board of Trustees

Section 1. Committees. The Board may delegate such of its powers as it considers advisable, except those powers which by law, the Articles of Association or these Bylaws may not be so delegated, to such committees as the Board of Trustees or these Bylaws from time to time may establish. The committees of the Board of Trustees shall be either a Standing Committee or a

Special Committee. Standing Committees shall be the Executive Committee, Audit Committee, Corporate Compliance Committee, Finance Committee, Professional Affairs Committee, and Quality Management Oversight Committee. Other Standing Committees may be established, from time to time, by a majority vote of the Board of Trustees. In addition, Special Committees may be appointed by the Chairperson of the Board of Trustees with the Board of Trustees' concurrence for specific, discrete tasks as circumstances warrant. All Special Committees shall consist of at least three (3) Trustees.

No Committee shall have the authority to (a) amend, alter or repeal any resolution of the Board of Trustees regardless of whether such resolution provides, by its terms, that it cannot be amended, altered or repealed, by a Committee, (b) elect, appoint or remove any member of the Board of Trustees or on any of its Standing or Special Committees or any officer of the Hospital, (c) amend the Articles of Association of the Hospital, restate such Articles of Association, (d) adopt, amend or repeal the Bylaws, (e) adopt or approve a plan of merger or consolidation of the Hospital, (f) approve the voluntary dissolution of the Hospital or revoke proceedings for a voluntary dissolution of the Hospital or adopt a plan for the distribution of all the Hospital's assets, or (g) approve a sale, lease, exchange, or mortgage or other disposition of all, or substantially all, of the property and/or assets of the Hospital. Except for such duties as have been delegated by the Board of Trustees or established by these Bylaws, no Standing or Special Committee may make any final determinations. Each Committee shall report and make recommendations to the Board of Trustees, and the minutes of all Committee meetings shall be distributed to the Board of Trustees for review at the next meeting of the Board of Trustees.

The Chairperson of each Committee shall periodically prepare for ratification by the Board of Trustees a charter for his/her Committee stating such Committee's membership, duties and responsibilities.

Committees may appoint Subcommittees as they determine necessary to assist them with specific undertakings. Subcommittees shall report to the Committees appointing them except as otherwise described herein.

Unless otherwise stated in these Bylaws or the Committee's Charter, all Committee and Subcommittee members shall be members of the Board of Trustees. Committees and Subcommittees shall have the authority, subject to the approval of the Board of Trustees, to engage such consultants as may be necessary to assist them in the performance of specific undertakings.

Section 2. Appointment. All Chairpersons of Committees shall be appointed by the Chairperson of the Board of Trustees and shall be approved by a majority of the Trustees at a Board of Trustees' meeting in which a quorum is present.

Section 3. Term. Each Committee member shall serve until the next annual meeting of the Board of Trustees and until his/her successor is appointed, unless such Committee member shall sooner resign or be removed from the Committee.

Section 4. Meeting and Notice. Meetings of Committees may be called by the Chairperson or by the Committee Chairperson. Each Committee shall meet as often as necessary and appropriate to perform its duties. Notice of the date, time and place of each Committee meeting shall be given at such time and in such manner as to provide Committee members reasonable notice of the meeting. Each Committee shall keep minutes of its proceedings.

Section 5. Removal and Vacancies. The Chairperson, with the Board of Trustees' approval, may remove any Committee member or Chairperson for cause. Committee vacancies may be filled by the Chairperson with Board of Trustees' approval. Failure to attend any two (2) consecutive Committee meetings without being excused by the Committee Chairperson may subject such Committee member to removal.

Section 6. Quorum and Vote. Unless otherwise provided for by the Board of Trustees or by these Bylaws, each Committee member shall have one (1) vote. A majority of the whole Committee shall constitute a quorum and the act of a majority of the members present at a Committee meeting at which a quorum is present shall be the act of the Committee.

Section 7. Action Without Meeting. Any action required or permitted to be taken at any meeting of any Committee may be taken without a meeting if all the Committee members consent to the action in writing and the consent shall be treated for all purposes as a vote at a meeting.

Section 8. Audit Committee. The Audit Committee shall consist of at least three (3) Trustees, all of whom shall be Independent Trustees, and shall be responsible for engaging a well-qualified and independent auditor. At least one of the members of the Audit Committee shall have a background in finance, and experience working with complex financial and accounting matters. The Audit Committee shall assist the Board in the oversight and monitoring of the integrity of the Hospital's financial statements and its affiliated companies, as appropriate. The Audit Committee shall have such other responsibilities and duties as are set forth in its Charter as adopted by the Board of Trustees.

Section 9. Corporate Compliance Committee. The Corporate Compliance Committee shall consist of at least three (3) Independent Trustees and the President/CEO or his/her nominee. The Corporate Compliance Committee shall be responsible for overseeing the compliance program of the Hospital and its affiliated companies, as appropriate, with respect to applicable rules and regulations regarding reimbursements, patient care and any other areas within the scope of regulatory authorities and such other responsibilities and duties as set forth in its Charter as adopted by the Board. The Corporate Compliance Committee may enlist the assistance of other Hospital managers and employees, as well as outside professionals, as may be necessary to implement action plans, audits or similar initiatives as part of the ongoing operation of the Hospital's compliance program. The Board of Trustees and the President/CEO shall have the ultimate responsibility for the oversight and operation of the Hospital's compliance program.

Section 10. Executive Committee. The Executive Committee shall consist of the Chairperson of the Board of Trustees as Chairperson, all Vice Chairpersons, the President of the Medical Staff, the President/CEO ex officio with vote and such additional Trustees as may be appointed annually by the Chairperson. The Chairperson may also appoint the Chief Financial Officer and/or the Treasurer to serve as members of the Executive Committee. The Executive Committee shall only meet between Board of Trustee meetings, when action of the Board of Trustees is needed to be taken and a quorum of the Board of Trustees cannot be obtained in the time necessary to approve such immediate action of the Hospital, and its affiliated companies as appropriate. The Executive Committee shall have the power to transact all regular business of the Hospital, and its affiliated companies, as appropriate, provided any action taken by it shall not conflict with the policies and expressed wishes of the Board of Trustees. Any action taken by the Executive Committee shall be reported to the Board of Trustees at its next succeeding meeting for ratification thereof.

Section 11. Finance Committee. The Finance Committee shall consist of the Chairperson of the Board of Trustees, all Vice-Chairpersons of the Board of Trustees, the President/CEO of the Hospital, the Chief Financial Officer of the Hospital, if one, without a vote, the Treasurer of the Hospital, if one, without a vote, at least two (2) additional members of the Board of Trustees, and such additional persons, who may, but need not be Trustees, as may be appointed by the Chairperson of the Board of Trustees. The Finance Committee shall be responsible for reviewing the financial performance of the Hospital, and supervising the management of all Hospital funds. The Finance Committee shall report to the Board at least quarterly thereon, and have such other duties and responsibilities as set forth in its Charter as adopted by the Board of Trustees. The Finance Committee shall also review and make recommendations to the Board of Trustees with respect to any financing proposals. The Chairperson of the Finance Committee may appoint Subcommittees of the Finance Committee.

Section 12. Professional Affairs Committee. The Professional Affairs Committee shall consist of six (6) members, three (3) of whom shall be Independent Trustees and three (3) of whom shall be members of the Medical Staff (but not necessarily members of the Board of Trustees). The three (3) Medical Staff members shall be recommended annually by the Executive Committee of the Medical Staff.

The Professional Affairs Committee is a Standing Committee of the Board of Trustees and not a committee of the Medical Staff. The Professional Affairs Committee shall be a liaison group to discuss Medical Staff-Trustee affairs. Annually, the Chairperson of the Board of Trustees shall appoint a Chairperson of the Professional Affairs Committee from their membership. The Professional Affairs Committee will consider and make recommendations only on such matters as are directed to it in writing either by the Board of Trustees or by the Executive Committee of the Medical Staff, and shall meet upon the call of said Board or said Committee. If it is necessary for any member of the Professional Affairs Committee to recuse himself/herself from any matters brought before the Committee, the Chairperson of the Board of Trustees shall appoint another individual to replace such recused committee member. When making such appointment, the Chairperson of the Board of Trustees will maintain the same balance as in the first sentence of this Section 12.

Section 13. Quality Management Oversight Committee. The Quality Management Oversight Committee shall consist of (a) at least three (3) physicians, one (1) of whom shall be the President of the Medical Staff, (b) at least two (2) Independent Trustees, and (c) members of management personnel as deemed appropriate by the President/CEO with the concurrence of the chairperson of the Quality Management Oversight Committee. The Quality Management Oversight Committee shall be responsible for the oversight of (a) the credentialing process with respect to new and re-appointed physicians, (b) the Hospital's accreditation review process, (c) the monitoring, evaluation, and oversight of the quality improvement programs at the Hospital, and (d) the monitoring, evaluation, and oversight of patient safety programs at the Hospital, and have such other responsibilities and duties as set forth in its Charter as adopted by the Board of Trustees. The Quality Management Oversight Committee shall report on matters that come before its meetings to the Board of Trustees of the Hospital and the Board of Governors of the Corporate Member.

Section 14. Eligibility Requirements of Committee Chairperson. The Chairperson of each Committee, Standing or Special, shall be a member of the Board of Trustees, unless otherwise specified. A Chairperson of a Subcommittee may, but need not be, a member of the Board of Trustees.

ARTICLE VII
Medical Staff

Section 1. Medical Staff. The Board of Trustees shall appoint a Medical Staff composed of physicians, dentists, podiatrists, and such other professionals as may be categorized in the Medical Staff Bylaws of the Hospital, from time to time (collectively, the "Professionals") who are licensed to practice their professions in the States of Rhode Island and/or Connecticut, as appropriate, and ensure that they are organized into a responsible administrative unit. The Board of Trustees shall accomplish the organization and governance of the Medical Staff through bylaws and rules and regulations adopted by the Medical Staff and approved by the Board of Trustees in accordance with the provisions of Section 8 of this Article. The Board of Trustees shall delegate to the Medical Staff the responsibility for providing appropriate care provided by the Professionals to the Hospital's patients and shall require the Medical Staff to review the Medical Staff's rules and regulations, policies and procedures, including departmental policies and procedures, at least every three (3) years.

Section 2. Professional Review. The Medical Staff shall conduct a continuing review and appraisal of the quality of professional care rendered in the Hospital and shall report such activities and their results, as well as recommendations regarding the Medical Staff's participation in the Hospital's performance-improvement activities, to the Board of Trustees.

Section 3. Risk Management and Peer Review. The Medical Staff shall organize one or more committees and/or delegate responsibilities to existing committees which shall administer an internal risk management program and peer review program in accordance with the provisions of Sections 23-17-24 and 23-17-25 of the Rhode Island General Laws as amended from time to time. In any instance, however, final oversight and decision-making shall remain with the Board of Trustees.

Section 4. Medical Staff Executive Committee. Within a reasonable time after receiving any application for membership on the Hospital's Medical Staff or knowledge of any possible disciplinary or professional competency issue concerning a Medical Staff member, the Executive Committee of the Medical Staff shall make recommendations to the Board of Trustees concerning:

(a) appointments, reappointments, and alterations of Medical Staff status,

(b) granting of clinical privileges,

(c) disciplinary actions, including, but not limited to, the curtailment, suspension and revocation of clinical privileges,

(d) all matters relating to professional competency, and

(e) such specific matters as may be referred to it by the Board of Trustees.

The Board of Trustees in all cases shall make the final determination in all Medical Staff disciplinary actions, including Hospital privileges determinations, and any Medical Staff Fair Hearing decisions in accordance with the Hospital's Fair Hearing procedures. The Executive Committee of the Medical Staff shall, from time to time and when requested by the Board of Trustees, make recommendations to the Board of Trustees regarding the disciplinary process, including the mechanisms by which Medical Staff membership and clinical privileges may be terminated, curtailed or suspended, and the Hospital's Fair Hearing procedures.

Section 5. Medical Staff Membership. The Board of Trustees shall consider and act upon the recommendations of the Executive Committee of the Medical Staff which relate to the appointment to the Medical Staff, in numbers not exceeding the Hospital's needs, of Professionals who meet the qualifications for membership. All applications for appointment to the Medical Staff and requests for clinical privileges shall be in writing and addressed to the President/CEO. All appointments to the Medical Staff and grants of clinical privileges shall be for no more than two (2) years, and shall be renewable at the sole discretion of the Board of Trustees. Each member of the Medical Staff shall have appropriate authority and responsibility for the care of his/her patients, subject to such limitations as are contained in these Bylaws and in the Medical Staff's bylaws and rules and regulations and subject further to any limitations attached to his/her appointment, including the scope of the privileges granted by the Board of Trustees. Only a member of the Medical Staff with admitting privileges may admit a patient to the Hospital, and only a licensed practitioner with clinical privileges shall be directly responsible for a patient's diagnosis and treatment. Each member of the Medical Staff must observe all ethical principles of his/her profession.

Section 6. Professional Liability Insurance. As a prerequisite to being accorded privileges, all applicants to, and members of, the Medical Staff are required to maintain professional liability insurance in such amount as shall be determined by the Board of Trustees from time to time.

Section 7. Medical Staff Procedures. The Medical Staff shall design and implement procedures ensuring that licensed health professionals engaged in rendering patient care within the Hospital other than physicians, dentists, and podiatrists will be qualified by training and experience to exercise such privileges as may be required of such personnel. Such procedures shall provide for credentials review, delineation of clinical and/or administrative privileges and supervision requirements, as well as the development of such recommendations as to the foregoing to the Board of Trustees as will enable the Board of Trustees to take informed action thereon. Such procedures shall assure that the quality and appropriateness of patient care provided are monitored and evaluated as part of the Hospital's quality assurance programs.

Section 8. Medical Staff Bylaws. Medical Staff bylaws, or amendments thereto, and rules and regulations shall be recommended by the Medical Staff for Board of Trustees' approval and shall not be effective until approved by the Board of Trustees. The Medical Staff shall provide in such bylaws a procedure for appellate review for Medical Staff members or prospective Medical Staff members aggrieved by Medical Staff decisions.

Section 9. Exclusive Contracts. The Hospital may contract with one (1) or more physicians to provide medical services to the Hospital and such contract may guarantee exclusivity with regard to such service if such an arrangement is in the patients' best interest. Such contract may condition provision of medical services upon the attainment of Medical Staff privileges. The termination of such contracts for any reason automatically shall result in the termination of all such physicians' membership on the Medical Staff and of their Medical Staff privileges without a hearing or appellate review, unless the Board of Trustees, in its sole and absolute discretion, determines otherwise.

Section 10. Medicoadministrative Positions. Notwithstanding anything to the contrary contained in these Bylaws, any contract entered into between the Hospital and physicians and/or other medical professionals serving in medicoadministrative positions may provide that if any such physician or other medical professional is terminated for reasons other than professional competence, s/he shall immediately forfeit his/her Medical Staff membership and all privileges attendant thereto (including clinical privileges) and shall not be entitled to a hearing, unless the Board of Trustees, in its sole and absolute discretion, determines otherwise.

ARTICLE VIII
Amendments

These Bylaws may only be amended by an affirmative vote of two-thirds (2/3) of the Board of Trustees of the Corporate Member.

ARTICLE IX
Miscellaneous Provisions

Section 1. Annual Report. The Hospital shall publish an Annual Report. The Annual Report shall include the results of the audited financial statement of the Hospital for the previous fiscal year.

Section 2. Notice by Electronic Mail ("Email"). If the Secretary of the Hospital has an email address of an individual entitled to receive any notice under these Bylaws, any such notice required to be given under these Bylaws may be by email, except in cases where the Bylaws specifically require that notice be provided by other means. Any email notice given pursuant to these Bylaws shall be deemed to have been given when the Secretary of the Hospital sends such notice to the email address that the Secretary has for an individual.

Section 3. Conflicts of Interest. Any member of the Board of Trustees, any member of any committee with Board delegated powers, any member of the Medical Staff, and any employee of the Hospital who may influence corporate decisions shall comply with the conflicts of interest and disclosure policies set forth in Article XI of these Bylaws and any other policies as may from time to time be adopted by the Board of Trustees.

Section 4. Opt-Out. Any physician, other person or Hospital employee may elect not to participate in abortion or sterilization procedures in accordance with Section 23-17-11 of the General Laws of Rhode Island.

Section 5. Fiscal Year. Except as from time to time otherwise provided by the Board of Trustees, the Hospital's fiscal year shall end on the last day of September of each year.

Section 6. Corporate Seal. The Board of Trustees shall have the power to adopt and alter the Hospital's seal.

ARTICLE X
Indemnification

Section 1. Agreement of the Hospital. In order to induce Trustees, Officers and others to serve, the Hospital adopts this Article and agrees to provide the Trustees, Officers and other aforesaid parties the benefits contemplated hereby.

Section 2. Acceptance of Indemnified Parties. This Article will apply, and the benefits hereof will be available, to each Indemnified Person who accepts such position.

Section 3. Definitions. As used in this Article X, the following terms will have the following respective meanings:

(a) "Covered Act" means any act or omission by the Indemnified Person in the Indemnified Person's official Hospital capacity while serving in such capacity or while serving at the request of the Hospital as a member of the Board of Trustees or of a Standing or Special Committee or of any subcommittee thereof, or as an officer, employee, or agent of another entity or other enterprise on the Hospital's behalf. An act or omission will be a Covered Act if the claim or proceeding with respect to such act or omission arises after the Indemnified Person ceases to serve the Hospital as an Indemnified Person.

(b) "Excluded Claim" has the meaning set forth in Article X, Section 6, hereof.

(c) "Expenses" means any reasonable expenses incurred by the Indemnified Person in connection with the defense of any claim made against the Indemnified Person for Covered Acts including, without limitation, legal, accounting or investigative fees and expenses (including the expense of bonds necessary to pursue an appeal of an adverse judgment).

(d) "Indemnified Person" means any Trustee, Officer, Standing or Special Committee member or of any subcommittee thereof or employed Hospital vice president who accepts election or appointment as a Trustee, Officer, Standing or Special Committee member or of any subcommittee thereof or employed Hospital vice president and agrees to serve as such in the manner provided in Article X, Section 2 hereof.

(e) "Loss" means any amount which the Indemnified Person is legally obligated to pay as a result of any claim made against the Indemnified Person for Covered Acts including, without limitation, judgments for, and awards of, damages, amounts paid in settlement of any claim, any fine or penalty or, with respect to an employee benefit plan, any excise tax or penalty.

(f) "Proceeding" means any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative.

Section 4. Indemnification. Subject to the exclusions hereinafter set forth, the Hospital will indemnify the Indemnified Person against and hold the Indemnified Person harmless from any Loss or Expenses to the fullest extent permitted by law.

Section 5. Advance Payment of Expenses. The Hospital will pay the Indemnified Person's Expenses in advance of the final disposition of any Proceeding except to the extent that the defense of a claim against the Indemnified Person is undertaken pursuant to any directors' and officers' liability insurance (or equivalent insurance known by another term) maintained by the Hospital. The advance payment of Expenses will be subject to the Indemnified Person's first agreeing in writing with the Hospital to repay the Hospital any sums that it pays hereunder if thereafter it is determined that the Proceeding involved an Excluded Claim or that the Indemnified Person was otherwise not entitled to indemnity under these Bylaws.

Section 6. Exclusions. The Hospital will not be liable to pay any Loss or Expenses (an "Excluded Claim"):

(a) With respect to a Proceeding in which a final non-appealable judgment or other adjudication by a court of competent jurisdiction determines that the Indemnified Person is liable to the Hospital (as distinguished from being liable to a third party) for: (i) any breach of the Indemnified Person's duty of loyalty to the Hospital or to its affiliated entities or undertakings, (ii) acts or omissions constituting gross negligence or which involve intentional misconduct or knowing violation of law

or (iii) any transaction from which the Indemnified Person derived an improper personal benefit; or

(b) If a final, non-appealable judgment or other adjudication by a court of competent jurisdiction determines that such payment is unlawful.

Section 7. Notice to Hospital; Insurance. Promptly after receipt by the Indemnified Person of notice of the commencement of or the threat of commencement of any Proceeding, if indemnification with respect thereto may be sought from the Hospital under these Bylaws, the Indemnified Person shall notify the Hospital of the commencement thereof. Failure to promptly notify the Hospital will not adversely affect the Indemnified Person's right to indemnification hereunder unless and only to the extent that the Hospital is materially prejudiced in its ability to defend against the Proceeding by reason of such failure. If at the time of the receipt of such notice the Hospital has any directors' and officers' liability insurance in effect, the Hospital will promptly notify the insurer of the commencement of such Proceeding in accordance with the procedures set forth in the policy or policies in favor of the Indemnified Person. The Hospital thereafter will take all the necessary or desirable action to cause such insurer to pay, on behalf of the Indemnified Person, all Loss and Expenses payable as a result of such Proceeding in accordance with the terms of such policy or policies. Nothing herein will limit the amount payable to the Indemnified Person to the amount provided by the Hospital's directors' and officers' liability insurance policy then in place.

Section 8. Indemnification Procedures.

(a) Payments on account of the Hospital's indemnity against Loss will be made by the Treasurer except if, in the specific case, a determination is made that the indemnification of the Indemnified Person is not proper under the circumstances because such Loss results from a claim which is an Excluded Claim. If the Hospital so determines that the Loss results from an Excluded Claim (although no such determination is required by the Hospital hereunder prior to payment of a Loss by the Treasurer), the determination shall be made:

(i) By the Board of Trustees by a majority vote of a quorum consisting of Trustees not at the time parties to the Proceeding; or

(ii) If a quorum cannot be obtained for purposes of clause (i), then by a majority vote of a committee of the Board of Trustees duly designated to act in the matter by a majority vote of the full Board of Trustees (in which designation Trustees who are parties to the Proceeding may participate) consisting solely of three (3) or more Trustees not at the time parties to the Proceeding; or

(iii) By independent legal counsel designated:

(A) by the Board of Trustees in the manner described in clause (i) or by a committee of the Board of Trustees established in the manner described in clause (ii), or

(B) if the requisite quorum of the full Board cannot be obtained therefor and a committee cannot be so established, by a majority vote of the full Board (in which designation Trustees who are parties to the Proceeding may participate).

If made, any such determination permitted to be made by this Article X, Section 8(a) will be made within sixty (60) days of the Indemnified Person's written request for payment of a Loss.

(b) Payment of an Indemnified Person's Expenses in advance of the final disposition of any Proceeding will be made by the Treasurer except if, in the specific case, a determination is made pursuant to Article X, Section 8(a) above that indemnification of the Indemnified Person is improper under the circumstances because the Proceeding involved an Excluded Claim.

(c) The Hospital shall endeavor to purchase and maintain insurance on behalf of any Indemnified Person against liability asserted against him/her with respect to any Covered Act, whether the Hospital would have the power to indemnify such Indemnified Person against such liability under the provisions of this Article. The Hospital will be subrogated to the rights of such Indemnified Person to the extent that the Hospital has made any payments to such Indemnified Person in respect to any Loss or Expense as provided herein.

Section 9. Settlement. The Hospital will have no obligation to indemnify the Indemnified Person under this Article for any amounts paid in settlement of any Proceeding effected without the Hospital's prior written consent. The Hospital will not unreasonably withhold or delay its written consent to any proposed settlement. If the Hospital consents to the settlement of any Proceeding, or unreasonably withholds or delays such consent, it will be conclusively and irrebuttably presumed for all purposes that the Loss or Expenses do not constitute an Excluded Claim. If the Hospital reasonably withholds its consent solely on the ground that the Proceeding constitutes an Excluded Claim, the Indemnified Person may accept the settlement without the consent of the Hospital, without prejudice to the Indemnified Person's rights to indemnification in the event the Hospital does not ultimately prevail on the issue of whether the Proceeding constitutes an Excluded Claim.

Section 10. Rights Not Exclusive. The rights provided hereunder will not be deemed exclusive of any other rights to which the Indemnified Person may be entitled under any agreement, vote of disinterested Trustees or otherwise, both as to action in the Indemnified Person's official capacity and as to action in any other capacity on the Hospital's behalf while holding such office,

and will continue after the Indemnified Person ceases to serve the Hospital as an Indemnified Person.

Section 11. Enforcement.

(a) The Indemnified Person's right to indemnification hereunder will be enforceable by the Indemnified Person in any court of competent jurisdiction and will be enforceable notwithstanding that an adverse determination has been made as provided in Article X, Section 8(b).

(b) In the event that any action is instituted by the Indemnified Person under these Bylaws, the Indemnified Person will be entitled to be paid all court costs and expenses, including reasonable attorneys' fees, incurred by the Indemnified Person with respect to such action, unless the court determines that each of the material assertions made by the Indemnified Person as a basis for such action was not made in good faith or was frivolous.

Section 12. Severability. If any provision of this Article X is determined by a court to require the Hospital to perform or to fail to perform an act which is violative of applicable law, this Article shall be limited or modified in its application to the minimum extent necessary to avoid a violation of law and, as so limited or modified, this Article shall be enforceable in accordance with its terms.

Section 13. Successors and Assigns. The provisions of this Article will be (a) binding upon all successors and assigns of the Hospital (including any transferee of all or substantially all of its assets) and (b) binding on and inure to the benefit of the heirs, executors, administrators, and other personal representatives of the Indemnified Person.

Section 14. Amendment. No amendment or termination of this Article X will be effective as to an Indemnified Person without the prior written consent of that Indemnified Person and, in any event, will not be effective as to any Covered Act of the Indemnified Person occurring prior to the aforesaid amendment or termination.

ARTICLE XI
Conflict of Interest Policy

Any contract or other transaction between the Hospital and any one or more of its Trustees, officers, or members of committees of the Hospital, or between the Hospital and any other corporation, firm or association in which one or more of its Trustees, officers or members of committees of the Board of Trustees are officers or Trustees or have a financial interest, shall be voidable unless (i) the material facts as to the interest or relationship are disclosed or are known to the Board of Trustees or committee, and the Board of Trustees or committee authorize, approve, or ratifies the contract or transaction by the affirmative vote of a majority of the disinterested Trustees or members of the committee, even though they are less than a quorum, and (ii) the contract or transaction is fair and reasonable to the Hospital. The Board of Trustees

may adopt and may amend from time to time conflict of interest policies to be applicable to the Hospital and its affiliates.

ARTICLE XII
Policies, Rules and Regulations

In addition to the powers granted by these Bylaws herein contained, the Board of Trustees may adopt such written Hospital policies, rules or regulations as, in its judgment, may prove necessary or desirable for the management of the Hospital. At least a majority of the entire Board of Trustees shall give its approval to permit the adoption of any such policies, rules or regulations.

Maureen L. Carbon, Secretary

WESTERLY HOSPITAL HEALTHCARE, INC. BYLAWS
AMENDED AND RESTATED IN ITS ENTIRETY
JUNE 6, 2011

And Further Amended On:
August 24, 2011

WESTERLY HOSPITAL HEALTHCARE, INC. BYLAWS
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WESTERLY HOSPITAL HEALTHCARE, INC.
AMENDED AND RESTATED BYLAWS

ARTICLE 1
Title and Definitions

Section 1. Name. The name of this Corporation shall be Westerly Hospital Healthcare, Inc. (hereinafter referred to as the "Corporation").

Section 2. Definitions. The following terms, whenever used herein, shall have the meanings hereinafter assigned to them:

(a) "Articles of Association" shall mean the Articles of Association of the Corporation, dated December 6, 1983, as amended.

(b) "Board of Trustees" shall mean the Board of Trustees of the Corporation.

(c) "Chairperson" shall mean the Chairperson of the Corporation.

(d) "Executive Session" shall mean a meeting of the Board of Trustees, exclusive of (i) any invitees; (ii) management of the Corporation or any of its affiliated companies; and (iii) Trustees required to recuse themselves by the Chairperson. The attorney for the Board of Trustees or any Committee or any other individual may attend an Executive Session at the request of the Chairperson.

(e) "Independent" when used in reference to a Trustee or an individual who is a member of a Committee or Subcommittee of the Board of Trustees shall mean a person who:

(i) is not a member of the Medical Staff of The Westerly Hospital,
(ii) is not currently, nor for the past three (3) years has been, an executive officer or employee of the Corporation, The Westerly Hospital, or any affiliated company of the Corporation;
(iii) is not, and does not have a spouse, parent, child, sibling, or other family member, whether by blood, marriage or adoption, nor have any person residing in such Trustee's or individual's home, who is a partner in, or a controlling shareholder, director or executive officer of, any organization
(a) to which the Corporation, or any affiliated company of the Corporation, made, or from which the Corporation, or any affiliated company of the Corporation, received, payments for property or services in the current or any of the past three (3) fiscal years that exceed 5 percent of the recipient's

consolidated gross revenues for that year, or $200,000, whichever is greater; or

(b) that had any credit arrangements with the Corporation or any of its affiliated companies in excess of $2,500,000 for that year.

(iv) does not have a relationship which, in the opinion of the Board of Trustees, would interfere with the exercise of his/her independent judgment in carrying out the responsibilities of a Trustee.

The Audit Committee shall annually review each Trustee's Annual Disclosure Statement to determine whether a Trustee is Independent and may modify the criteria described in subsection (iii) above as economic conditions may change from year to year.

(f) "The Westerly Hospital" shall mean that non- profit corporation, formed on June 16, 1921, of which the Corporation is the sole member.

ARTICLE II
Purposes

The purposes of the Corporation shall be to support the advancement of the knowledge and practice of, and education and research in, medicine, surgery, nursing, and all other subjects relating to the care, treatment and healing of humans, to improve the health and welfare of all persons, and to sponsor, develop, and promote services and programs which are charitable, scientific, or educational and which address the physical and mental needs of the southwestern Rhode Island and southeastern Connecticut communities at large, provided, however, that the Corporation shall not engage in the practice of medicine, and provided further, that it shall operate for the benefit and support of The Westerly Hospital and other affiliated entities now in existence or to be formed so long as such organizations are organizations described in Internal Revenue Code Sections 501(c)(3) and 509(a)(1) or (2). Notwithstanding the foregoing, the Corporation may also serve as a member or stockholder of such other entities or organizations as may, from time to time, be approved by the Board of Trustees of the Corporation.

ARTICLE III
Corporators

Section 1. Corporators. The Corporation's Corporators shall consist of the following individuals.

(a) Those individuals who were Corporators as of July 6, 2009.

(b) Those individuals who have been asked by the Nominating Committee to become Corporators and have accepted such invitation.

(c) Those individuals in any fiscal year who have qualified to be members of the Founders Society of The Westerly Hospital Foundation in that fiscal

year, and who have not indicated that they do not wish to be Corporators. Such individuals shall be sent a letter thanking them for their gift to The Westerly Hospital Foundation, and stating that, unless they return the enclosed card indicating their declination to become Corporators, they shall automatically be Corporators for that fiscal year.

Section 2. Term.

(a) The term of Corporators who are such as a result of Article III, Section 1 (a) and (b) above shall not expire until such Corporators resign in writing or are deceased.

(b) The term of Corporators who are such as a result of Article III, Section 1 (c) above shall be for the fiscal year in which they are members of the Founders Society of The Westerly Hospital Foundation.

Section 3. Powers. Each Corporator shall be qualified and take part in the discussion of any subject that may properly come before any meeting of the Corporation, and to hold any office in the Corporation to which he/she may be appointed and qualified. Corporators shall vote to elect the Board of Trustees of the Corporation at the Annual Meeting of the Corporation.

ARTICLE IV
Meetings of the Corporation

Section 1. Annual Meeting of the Corporation. The Annual Meeting of the Corporation shall be held at a place and hour to be designated by the Chairperson in the call of the Annual Meeting in December, in every year. At the Annual Meeting, the Corporators shall vote on the slate of Trustees proposed by the Nominating Committee and set forth in the Meeting Notice set forth in Article IV, Section 3 below. Nominations for Trustees will not be accepted from the floor.

If the Annual Meeting is not held as herein provided, a special meeting of the Corporation may be held in place thereof with the same force and effect as the Annual Meeting, and in such case all references in these Bylaws, except in this Article IV, Section 1, to the Annual Meeting of the Corporation shall be deemed to refer to such special meeting.

Section 2. Special Meetings of the Corporation. Special meetings of the Corporation may be called by the Chairperson of the Corporation or, in his/her absence, by a Vice-Chairperson, or shall be called at the written request of not fewer than fifteen (15) Corporators.

Section 3. Meeting Notice. Written notice of the Annual Meeting and any special meeting of the Corporation shall be mailed, faxed or emailed to each Corporator at least five (5) days before the date thereof.

The notice of any meeting shall state the business for the transaction of which the meeting has been called and no other business other than that stated in the notice shall be transacted at such meeting.

Section 4. Waiver of Notice. The requirement of notice to any Corporator may be waived by (a) a written waiver of notice, executed before or after the meeting or meetings and filed with the records of the meeting, or (b) the Corporator's attendance at the meeting without protesting his/her lack of notice prior thereto.

Section 5. Quorum. A quorum for the transaction of business at the Annual Meeting or any special meeting of the Corporation shall consist of not fewer than one-tenth (1/10) of the Corporators present in person or by proxy, and each Corporator shall be entitled to one (1) vote. Any action may be taken by vote of a majority of the Corporators present and voting, in person or by proxy, at any meeting at which a quorum exists.

Section 6. Voting. Corporators may vote either in person or by written proxy dated not more than eleven (11) months before the meeting named therein, which proxy shall be filed before being recorded by the Secretary of the Corporation or other person responsible for recording the proceedings of the meeting. Unless otherwise specifically limited by their terms, such proxies shall entitle the holders thereof to vote at any adjournment of the meeting, but the proxy shall terminate after the final adjournment of such meeting.

ARTICLE V
Board of Trustees and Officers

Section 1. Number. There shall be a Board of Trustees, which shall consist of not more than nineteen (19) nor fewer than eleven (11) individuals.

Section 2. Term. Trustees shall be elected to serve for three (3) year terms. No Trustee shall serve for longer than three (3) consecutive three (3) year terms with the following exceptions:

(a) any individual who has been elected to fill a vacancy on the Board of Trustees, pursuant to Section 15 of this Article V may, when that unexpired term is completed, be elected for three (3) consecutive three (3) year terms; and

(b) any Trustee who is serving as an officer of the Corporation following the end of his/her third successive three (3) year term and who has been nominated by the Board of Trustees to continue to serve as an officer in the following year may continue to serve as a Trustee.

Section 3. Powers of the Board of Trustees.

(a) Upon election to the Board of Trustees by the Corporators, those individuals shall automatically be appointed by the Board of Trustees to the Board of Trustees of The Westerly Hospital and no further action shall be required by the Corporation or The Westerly Hospital.

(b) The management and control of the Corporation's property, business and affairs shall be vested in the Board of Trustees, which shall have the power and authority to do and perform all acts and functions not inconsistent with these Bylaws or the Bylaws of The Westerly Hospital.

Section 4. Annual Board Meeting The Annual Meeting of the Board of Trustees shall be held in December, following the Annual Meeting of the Corporation.

Section 5. Regular Board Meetings. The Board of Trustees shall hold at least ten (10) regular meetings in each year at The Westerly Hospital, or at another location within or without the State of Rhode Island specified in the written notice of meeting. The Chairperson may, or upon any three (3) Trustees' request, shall, call for an Executive Session prior to the conclusion of an ongoing meeting or prior to the next meeting of the Board of Trustees. Executive Sessions shall be held as necessary to discuss compensation, audit, compliance and other matters.

Section 6. Special Board Meetings. Special meetings of the Board of Trustees may be called by the Chairperson, or in his/her absence, by a Vice-Chairperson, or shall be called at the written request of one third (1/3) of the members of the Board of Trustees.

Section 7. Meeting Notice. Written notice of all meetings of the Board of Trustees shall be mailed, faxed or emailed to each Trustee at least five (5) days before the date thereof. The notice of any special meeting shall state the business for the transaction of which the special meeting has been called and no business other than that stated in the notice shall be transacted at such special meeting.

Section 8. Waiver of Notice. The requirement of notice to any Trustee may be waived by (a) a written waiver of notice, executed before or after the meeting or meetings and filed with the records of the meeting, or (b) the Trustee's attendance at the meeting without protesting his/her lack of notice prior thereto.

Section 9. Quorum. Unless otherwise required by law, the Articles of Association or these Bylaws, a majority of all Trustees then in office shall constitute a quorum to transact business at any meeting of the Board of Trustees. Any meeting of the Board of Trustees may be adjourned by a majority of the votes cast upon the question.

Section 10. Voting. When a quorum is present at any meeting of the Board of Trustees, a majority of the votes properly cast upon any question shall decide such question, except where a larger vote is required by law, the Articles of Association or these Bylaws. The

assent in writing of any Trustee to any vote or action of the Trustees taken at any meeting, whether a quorum was present and whether the Trustee had received or waived notice of such meeting, shall have the same effect as if the Trustee so assenting was present at such meeting, voted in favor of such vote or action and was considered for the purpose of constituting a quorum.

Section 11. Telephonic Participation in Meetings. Trustees may participate in a meeting of the Board of Trustees or at a meeting of a committee of the Board of Trustees by means of a conference telephone call or similar communications equipment by means of which all persons participating in the meeting can communicate with each other. Participation by such means shall constitute presence in person at a meeting.

Section 12. Attendance Requirements. Each Trustee shall attend not fewer than seventy-five percent (75%) of all regularly scheduled meetings of the Board of Trustees in each year. A Trustee who fails to meet the foregoing attendance requirement without being excused by the Chairperson shall be deemed conclusively to have resigned from the Board of Trustees.

Section 13. Resignation. A Trustee may resign at any time by giving written notice of his/her resignation to the Chairperson. The resignation shall be effective at the time specified in such notice, and, unless otherwise specified in such notice, acceptance shall not be necessary to make it effective. A resignation from the Board of Trustees shall be deemed an automatic resignation from the Board of Trustees of The Westerly Hospital.

Section 14. Removal. A Trustee may be removed from the Board of Trustees, for cause, at any time by the affirmative vote of two-thirds (2/3) of the Board of Trustees at a meeting of the Board of Trustees called for that purpose, upon notice duly given, at which meeting such Trustee shall have been given the opportunity to be heard. Removal from the Board of Trustees shall be deemed automatic removal from the Board of Trustees of The Westerly Hospital.

Section 15. Vacancy. Any vacancy occurring on the Board of Trustees or in any office shall be filled by the Board of Trustees. An individual elected to fill a vacancy on the Board of Trustees or any office will serve for the unexpired term of his/her predecessor in office. Any vacancy occurring on the Board of Trustees for any reason shall constitute a vacancy on the Board of Trustees of The Westerly Hospital.

Section 16. Action Without Meeting. Any action required or permitted to be taken at any meeting of the Board of Trustees or any committee thereof, may be taken without a meeting if a consent in writing, setting forth the action taken is signed by all of the members of the Board of Trustees and the written consents are filed with the records of the meetings of the Board of Trustees. Such consents shall have the same force and effect as a unanimous vote.

Section 17. Honorary Trustees. The Board of Trustees may, at its discretion, create an Honorary Trustee category. Appointments made to Honorary Trustee shall not affect the

above named consistency of the Board of Trustees. Appointments to Honorary Trusteeship may be made by the Board of Trustees among those current or former Trustees who have diligently and faithfully served on the Board of Trustees and who, for some reason, are unable to continue to actively participate on the Board of Trustees. Honorary Trustees shall not (i) be entitled to attend Board of Trustees meetings, (ii) be counted for purposes of quorum, or (iii) vote on any matter before the Board of Trustees.

Section 18. Trustee Orientation. Within two (2) months of taking office, each new member of the Board of Trustees shall participate in an orientation program designed to expose the new member to basic information necessary to effectively discharge his/her duties as a Trustee. The orientation program shall include, at a minimum, the following elements: (a) an overview of the responsibilities of a Trustee, (b) a review of the schedule of meetings of the Board of Trustees, (c) an overview of the Corporation's Bylaws and Charters for each Standing Committee, (d) a review of the roster of the Board of Trustees, (e) an overview of the Corporation's organizational chart, (f) an overview of the Corporation's subsidiaries, (g) an overview of the quality improvement programs of the Corporation and its subsidiaries, (h) a review of the Corporation's compliance program and code of ethical behavior, and (i) the Corporation's conflict of interest disclosure requirements.

Section 19. Board Performance Review. The Board of Trustees shall periodically evaluate the effectiveness of its oversight and direction in improving the Corporation's performance in relation to the Corporation's stated vision, mission and goals. This evaluation shall consider, but not necessarily be limited to, the areas of strategic planning, patient care and safety, regulatory compliance and fiscal management.

Section 20. Officers. At the Annual Meeting of the Board of Trustees, the Board of Trustees shall elect, for one-year terms, the officers of the Corporation who shall be a Chairperson and Vice Chairpersons not to exceed three, titled, as the case may be, First Vice Chairperson, Second Vice Chairperson, and Third Vice Chairperson, designating their order of succession to the office of Chairperson, each of whom shall be a Trustee; a President who shall be a Trustee, a Treasurer, and Secretary, each of whom may, but need not be a Trustee, and such additional officers as the Board of Trustees may from time to time elect or appoint who need not be Trustees. Any officer may resign at any time by giving written notice of his/her resignation to the Chairperson. The resignation shall take effect at the time specified in such notice, and, unless otherwise specified in such notice, acceptance shall not be necessary to make it effective. Any officer who is an employee of the Corporation shall cease to be an officer upon termination of his/her employment with the Corporation. An officer may be removed from office, for cause, at any time by the affirmative vote of two-thirds (2/3) of the members of the Board of Trustees at a meeting of the Board of Trustees called for that purpose, upon notice duly given, at which meeting such officer shall have been given the opportunity to be heard. Termination of service of any officer whether voluntary or involuntary by either the Corporation or The Westerly Hospital or any other affiliated company of the Corporation shall immediately constitute termination of service of such officer to the other organization. Officers may be re-elected for successive terms.

Section 21. Officers' Duties. The officers of the Corporation shall have the powers and perform the duties customarily belonging to their respective offices including the powers and duties set forth herein:

(a) The Chairperson shall preside at all meetings of the Corporation and the Board of Trustees and shall be an ex officio member with vote of all committees.

(b) In the absence of the Chairperson, a Vice-Chairperson shall preside at all meetings of the Corporation or the Board of Trustees, and during the absence of the Chairperson, perform the duties of the Chairperson and such other duties as may be required by the Board of Trustees.

(c) The President shall act as the duly authorized representative of the Board of Trustees in all matters in which the Board of Trustees has not formally designated some other person for that specific purpose. The President shall carry out all policies and directives established by the Board of Trustees. The President shall attend all meetings of the Board of Trustees, serving as an ex officio member with full voting power.

(d) The Secretary shall act as Secretary of the Board of Trustees, shall send appropriate notices of and prepare agendas for all meetings of the Corporation and of the Board of Trustees, shall act as custodian of all records and reports, and shall be responsible for keeping and reporting of adequate records of all meetings of the Corporation and of the Board of Trustees.

(e) The Treasurer shall have general responsibility for the fiscal affairs of the Corporation.

ARTICLE VI
Committees of the Board of Trustees

Section 1. Committees. The Board of Trustees may delegate such of its powers as it considers advisable, except those powers which by law, the Articles of Association or these Bylaws may not be so delegated, to such Committees as the Board of Trustees or these Bylaws from time to time may establish. The Committees of the Board of Trustees shall be either a Standing Committee or a Special Committee. Standing Committees shall be the Audit Committee, Corporate Compliance Committee, Corporate Governance Committee, Executive Committee, Executive Compensation Committee, Finance Committee, Nominating Committee, and the Strategic Planning Committee. Other Standing Committees may be established, from time to time, by a majority vote of the Board of Trustees. In addition, Special Committees may be appointed by the Chairperson with the Board of Trustees' concurrence for specific, discrete tasks as

circumstances warrant. All Special Committees shall consist of at least three (3) Trustees.

No Committee shall have the authority to (a) amend, alter or repeal any resolution of the Board of Trustees regardless of whether such resolution provides, by its terms, that it cannot be amended, altered or repealed, by a Committee, (b) elect, appoint or remove any member of the Board of Trustees or any of any of its Standing or Special Committees or any officer of the Corporation, (c) amend the Articles of Association of the Corporation or restate such Articles of Association, (d) adopt, amend or repeal the Bylaws, (e) adopt or approve a plan of merger or consolidation of the Corporation, (f) approve the voluntary dissolution of the Corporation or revoke proceedings for a voluntary dissolution of the Corporation or adopt a plan for the distribution of all the Corporation's assets, or (g) approve a sale, lease, exchange or mortgage or other disposition of all, or substantially all, of the property and/or assets of the Corporation. Except for such duties as have been delegated by the Board of Trustees or established by these Bylaws, no Standing or Special Committee may make any final determinations. Each Committee shall report and make recommendations to the Board of Trustees, and the minutes of all Committee meetings shall be distributed to the Board of Trustees for review at the next meeting of the Board of Trustees.

The Chairperson of each Committee shall periodically prepare for ratification by the Board of Trustees, a charter for his/her Committee stating such Committee's membership, duties and responsibilities.

Committees may appoint Subcommittees as they determine necessary to assist them with specific undertakings. Subcommittees shall report to the Committees appointing them except as otherwise described herein.

Unless otherwise stated in these Bylaws or the Committee's Charter, all Committee and Subcommittee members shall be members of the Board of Trustees. Committees and Subcommittees shall have the authority, subject to the approval of the Board of Trustees, to engage such consultants as may be necessary to assist them in the performance of specific undertakings.

Section 2. Appointment. All Chairpersons of Committees shall be appointed by the Chairperson of the Board of Trustees and shall be approved by a majority of the Trustees at a Board of Trustees' meeting at which a quorum is present.

Section 3. Term. Each Committee member shall serve until the next Annual Meeting of the Board of Trustees and until his/her successor is appointed, unless such Committee member shall sooner resign or be removed from the Committee.

Section 4. Meeting and Notice. Meetings of Committees may be called by the Chairperson of the Board of Trustees or by the Committee Chairperson. Each Committee shall meet as often as necessary and appropriate to perform its duties. Notice of the date, time and place of each Committee meeting shall be given at such time and in such

manner as to provide Committee members reasonable notice of the meeting. Each Committee shall keep minutes of its proceedings.

Section 5. Removal and Vacancy. The Chairperson of the Board of Trustees, with the Board of Trustees' approval, may remove any Committee member or Chairperson for cause. Committee vacancies may be filled by the Chairperson of the Board of Trustees with the Board of Trustees' approval. Failure to attend any two (2) consecutive Committee meetings without being excused by the Committee Chairperson may subject such Committee member to removal.

Section 6. Quorum and Vote. Unless otherwise provided for by the Board of Trustees or by these Bylaws, each Committee member shall have one (1) vote. A majority of the whole Committee shall constitute a quorum and the act of a majority of the members present at a Committee meeting at which a quorum is present shall be the act of the Committee.

Section 7. Action Without Meeting. Any action required or permitted to be taken at any meeting of any Committee may be taken without a meeting if all the Committee members consent to the action in writing and the consent shall be treated for all purposes as a vote at a meeting.

Section 8. Audit Committee. The Audit Committee shall consist of at least three (3) Trustees, all of whom shall be Independent Trustees, and shall be responsible for engaging a well-qualified and independent auditor. At least one member of the Audit Committee shall have a background in finance, and experience working with complex financial and accounting matters. The Audit Committee shall assist the Board in the oversight and monitoring of the integrity of the Corporation's financial statements and its affiliated companies, as appropriate. The Audit Committee shall have such other responsibilities and duties as are set forth in its Charter as adopted by the Board of Trustees.

Section 9. Corporate Compliance Committee. The Corporate Compliance Committee shall consist of at least three (3) Independent Trustees and the President of the Corporation or his/her nominee. The Corporate Compliance Committee shall be responsible for overseeing the compliance program of the Corporation and its affiliated companies, as appropriate, with respect to applicable rules and regulations regarding reimbursements, patient care and any other areas within the scope of regulatory authorities and such other responsibilities and duties assigned to it by the Board of Trustees. The Corporate Compliance Committee may enlist the assistance of the Corporation's managers and employees, as well as outside professionals, as may be necessary to implement action plans, audits or similar initiatives as part of the ongoing operation of the Corporation's compliance program. The Board of Trustees and the President of the Corporation shall have the ultimate responsibility for the oversight and operation of the Corporation's compliance program.

Section 10. Corporate Governance Committee. The Corporate Governance Committee shall consist of the past Chairperson of the Corporate Governance Committee, at least two (2) Independent Trustees, other Trustees as appointed by the Chairperson of the Board of Trustees, and the President of the Corporation. The Corporate Governance Committee shall periodically review the Bylaws and governance structure of the Corporation and its affiliated companies, as appropriate, and make recommendations with respect thereto, and shall have such other responsibilities and duties as are assigned to it by the Board of Trustees.

Section 11. Executive Committee. The Executive Committee shall consist of the Chairperson of the Board of Trustees as Chairperson, all Vice Chairpersons of the Board of Trustees, the President of the Medical Staff of The Westerly Hospital, and the President of the Corporation, ex officio, with vote, and such other Trustees as may be appointed annually by the Chairperson. The Chairperson may also appoint the Chief Financial Officer and/or Treasurer of the Corporation to serve as members of the Executive Committee. The Executive Committee shall only meet between meetings of the Board of Trustees, when action of the Board of Trustees is needed to be taken, and a quorum of the Board of Trustees cannot be obtained in the time necessary to approve such immediate action of the Corporation and/or its affiliated companies. The Executive Committee shall have the power to transact all regular business of the Corporation and its affiliated companies, as appropriate, provided any action taken by it shall not conflict with the policies and expressed wishes of the Board of Trustees. Any action taken by the Executive Committee shall be reported to the Board of Trustees at its next succeeding meeting for ratification thereof.

Section 12. Executive Compensation Committee. The Executive Compensation Committee shall consist of at least three (3) Trustees. All members of the Executive Compensation Committee shall be Independent Trustees. The Executive Compensation Committee shall review and make recommendations to the Board of Trustees with respect to compensation plans for Officers of the Corporation, the Officers of the Hospital, and the Officers and Executive Directors, if any, of the Corporation's other affiliated companies. The Executive Compensation Committee shall have such other responsibilities and duties as are assigned to it by the Board of Trustees.

Section 13. Finance Committee. The Finance Committee shall consist of the Chairperson of the Board of Trustees, all Vice Chairpersons of the Board of Trustees, the President of the Corporation, the Chief Financial Officer of the Corporation, if one, without a vote, the Treasurer of the Corporation, if one, without a vote, at least two (2) additional members of the Board of Trustees, and such additional persons, who may, but need not be Trustees, as may be appointed by the Chairperson of the Board of Trustees. The Finance Committee shall be responsible for reviewing the financial performance of the Corporation and its affiliated companies, and supervising the management of all funds in the Corporation's system. The Finance Committee shall report to the Board of Trustees at least quarterly thereon, and have such other responsibilities and duties as set forth in its Charter as adopted by the Board of Trustees. The Finance Committee shall also review and make recommendations to the Board of Trustees with respect to any

financing proposals involving the Corporation or any of its affiliated companies. In addition, the Finance Committee shall review and make recommendations to the Board of Trustees with respect to the acquisition of physician practices, and physician recruitment and retention programs. The Chairperson of the Finance Committee may appoint subcommittees of the Finance Committee.

The Finance Committee shall appoint an Investment Subcommittee, which shall consist of at least three (3) Trustees and such additional members who need not be Trustees, as may be appointed by the Finance Committee. The Chairperson of the Investment Subcommittee need not be a member of the Board of Trustees. The Investment Subcommittee shall meet at least quarterly. The Investment Subcommittee shall provide that all endowment and trust funds of the Corporation and its affiliated companies be deposited with responsible trust companies or comparable businesses for investment. Further, the Investment Subcommittee shall oversee the performance of the investment managers engaged to handle the endowment funds and recommend appropriate changes to the Finance Committee when warranted.

Section 14. Nominating Committee. The Board of Trustees shall have a Nominating Committee. The Nominating Committee shall consist of at least three (3) Trustees, the past Chairperson of the Board of Trustees, all Vice Chairpersons of the Board of Trustees, the President of the Medical Staff of the Hospital, and such additional members, who may, but need not be Trustees, as may be appointed by the Chairperson of the Board of Trustees. The President of the Corporation and the President/Chief Executive Officer of the Hospital shall not be members of the Nominating Committee. The Nominating Committee shall assist the Board of Trustees in identifying and recommending for nomination individuals qualified to serve as Corporators, Trustees and officers of the Corporation, and as Trustees, directors and officers of all the Corporation's affiliated companies. The Nominating Committee shall present at the Annual Meeting of the Corporation nominations for Corporators and for individuals to serve on the Board of Trustees, which recommended nominations shall have been sent to the Corporators in advance of the Annual Meeting.

Section 15. Strategic Planning Committee. The Strategic Planning Committee shall consist of at least three (3) members of the Board of Trustees, at least two (2) members of the Medical Staff of the Hospital, and such additional persons, who may, but need not be Trustees, as may be appointed by the Chairperson of the Board of Trustees. The Chairperson of the Strategic Planning Committee need not be a member of the Board of Trustees. The Strategic Planning Committee shall establish, evaluate and update the Corporation's strategic goals and objectives and the strategic goals and objectives of the Corporation's affiliated companies. The Strategic Planning Committee shall cause to be prepared a long-term strategic plan for the development of programs and facilities within the framework of the total healthcare community, and review on a periodic basis the Corporation's physician adequacy, taking into account geographic and demographic factors. The Strategic Planning Committee shall oversee the Corporation's plans with respect to the use and occupancy of the physical plant and facilities within the

Corporation's healthcare system, and shall perform such other responsibilities and duties as are assigned to it by the Board of Trustees.

Section 16. Special Committees. Special committees or task committees may be appointed annually by the Chairperson for such special tasks as circumstances warrant.

Section 17. Eligibility Requirements of Committee Chairpersons. The Chairperson of each Committee, Standing or Special, or Subcommittee, shall be a member of the Board of Governors, unless otherwise stated in these Bylaws.

ARTICLE VII
Amendments

These Bylaws may be amended by the affirmative vote of two-thirds (2/3) of the Trustees at any meeting of the Board of Trustees at which a quorum is present, provided that any proposed amendment be sent to the Trustees with the notice of the meeting at which it is to be considered.

ARTICLE VIII
Miscellaneous Provisions

Section 1. Annual Report. The Corporation shall prepare an Annual Report. The Annual Report shall include the results of the audited financial statements of the Corporation for the previous fiscal year.

Section 2. Notice by Electronic Mail ("Email"). If the Secretary of the Corporation has an email address of an individual entitled to receive any notice under these Bylaws, any such notice required to be given under these Bylaws may be by email, except in cases where these Bylaws specifically require that notice be provided by other means. Any email notice given pursuant to these Bylaws shall be deemed to have been given when the Secretary of the Corporation sends such notice to the email address that the Secretary has for an individual.

Section 3. Conflict of Interest. Any member of the Board of Trustees, any member of any committee with Board delegated powers, and any employee of the Corporation who may influence corporate decisions shall comply with the conflict of interest and disclosure policies as set forth in Article X of these Bylaws and any other policies as may from time to time be adopted by the Board of Trustees.

Section 4. Fiscal Year. Except as from time to time otherwise provided by the Board of Trustees, the Corporation's fiscal year shall end on the last day of September of each year.

Section 5. Corporate Seal. The Board of Trustees shall have the power to adopt and alter the Corporation's seal.

ARTICLE IX
Indemnification

Section 1. Agreement of the Corporation. In order to induce the Trustees, officers and others to serve as such, the Corporation adopts this Article and agrees to provide the Trustees, officers and the aforesaid parties the benefits contemplated hereby.

Section 2. Acceptance of Trustee or Officer. This Article will apply, and the benefits hereof will be available, to each Indemnified Person who accepts such position.

Section 3. Definitions. As used in this Article IX, the following terms will have the following respective meanings:

(a) "Covered Act" means any act or omission by the Indemnified Person in the Indemnified Person's official capacity with the Corporation while serving in such capacity or while serving at the request of the Corporation as a member of the Board of Trustees or of a Standing or special committee or of any subcommittee thereof, or as an officer, employee, or agent of another entity or other enterprise on the Corporation's behalf. An act or omission will be a Covered Act if the claim or proceeding with respect to such act or omission arises after the Indemnified Person ceases to serve the Corporation as an Indemnified Person.

(b) "Excluded Claim" has the meaning set forth in Article IX, Section 6 hereof.

(c) "Expenses" means any reasonable expenses incurred by the Indemnified Person in connection with the defense of any claim made against the Indemnified Person for Covered Acts including, without being limited to, legal, accounting, or investigative fees and expenses (including the expense of bonds necessary to pursue an appeal of an adverse judgment).

(d) "Indemnified Person" means any Trustee, officer, Standing or special committee member or of any subcommittee thereof who accepts election or appointment as a Trustee, officer or Standing or special committee member or of any subcommittee thereof and agrees to serve as such in the manner provided in Article IX, Section 2 hereof.

(e) "Loss" means any amount which the Indemnified Person is legally obligated to pay as a result of any claim made against the Indemnified Person for Covered Acts including, without limitation, judgments for, and awards of, damages, amounts paid in settlement of any claim, any fine or penalty or, with respect to an employee benefit plan, any excise tax or penalty.

(f) "Proceeding" means any threatened, pending or completed action suit, or proceeding whether civil, criminal, administrative, or investigative.

Section 4. Indemnification. Subject to the exclusions hereinafter set forth, the Corporation will indemnify the Indemnified Person against and hold the Indemnified Person harmless from any Loss of Expenses to the fullest extent permitted by law.

Section 5. Advance Payment of Expenses. The Corporation will pay the Indemnified Person's Expenses in advance of the final disposition of any Proceeding except to the extent that the defense of a claim against the Indemnified Person is undertaken pursuant to any director's and officers' liability insurance (or equivalent insurance known by another term) maintained by the Corporation. The advance payment of Expenses will be subject to the Indemnified Person's first agreeing in writing with the Corporation to repay the Corporation any sums it pays hereunder if thereafter it is determined that the Proceeding involved an Excluded Claim or that the Indemnified Person was otherwise not entitled to indemnity under these Bylaws.

Section 6. Exclusions. The Corporation will not be liable to pay any Loss or Expenses (an "Excluded Claim"):

(a) With respect to a Proceeding in which a final non-appealable judgment or other adjudication by a court of competent jurisdiction determines that the Indemnified Person is liable to the Corporation (as distinguished from being liable to a third party) for: (i) any breach of the Indemnified Person's duty of loyalty to the Corporation or to its affiliated entities or undertakings; (ii) acts or omission constituting gross negligence or which involve intentional misconduct or knowing violation of law; or (iii) any transaction from which the Indemnified Person derived an improper personal benefit; or

(b) If a final, non-appealable judgment or other adjudication by a court of competent jurisdiction determines that such payment is unlawful.

Section 7. Notice to Corporation; Insurance. Promptly after receipt by the Indemnified Person of notice of the commencement of or the threat of commencement of any Proceeding, if indemnification with respect thereto may be sought from the Corporation under these Bylaws, the Indemnified Person shall notify the Corporation of the commencement thereof. Failure to promptly notify the Corporation will not adversely affect the Indemnified Person's right to indemnification hereunder unless and only to the extent that the Corporation is materially prejudiced in its ability to defend against the Proceeding by reason of such failure. If, at the time of the receipt of such notice, the Corporation has any directors' and officers' liability insurance in effect, the Corporation will promptly notify the insurer of the commencement of such Proceeding in accordance with the procedures set forth in the policy or policies in favor of the Indemnified Person. The Corporation thereafter will take all the necessary or desirable action to cause such insurer to pay, on behalf of the Indemnified Person, all Loss and Expenses payable as a result of such Proceeding in accordance with the terms of such policy or policies. Nothing herein will limit the amount payable to the Indemnified Person to the amount

provided by the Corporation's directors' and officers' liability insurance policy then in place.

Section 8. Indemnification Procedures:

(a) Payments on account of the Corporation's indemnity against Loss will be made by the Treasurer except if, in the specific case, a determination is made that the indemnification of the Indemnified Person is not proper under the circumstances because such Loss results from a claim which is an Excluded Claim. If the Corporation so determines that the Loss results from an Excluded Claim (although no such determination is required by the Corporation hereunder prior to payment of a Loss by the Treasurer), the determination shall be made:

(i) By the Board of Trustees by a majority vote of a quorum consisting of Trustees not at the time parties to the Proceeding; or

(ii) If a quorum cannot be obtained for purposes of Article IX, Section 8(a)(i), then by a majority vote of a committee of the Board of Trustees duly designated to act in the matter by a majority vote of the full Board of Trustees (in which designation Trustees who are parties to the Proceeding may participate) consisting solely of three (3) or more Trustees not at the time parties to the Proceeding; or

(iii) By independent legal counsel designated:

(A) by the Board of Trustees in the manner described in Article IX, Section 8(a)(i) or by a committee of the Board of Trustees established in the manner described in Article IX, Section 8(a)(ii), or

(B) if the requisite quorum of the full Board cannot be obtained therefor and a committee cannot be so established, by a majority vote of the full Board (in which designation Trustees who are parties to the Proceeding may participate).

If made, any such determination permitted to be made by this Article IX, Section 8(a) will be made within sixty (60) days of the Indemnified Person's written request for payment of a Loss.

(b) Payment of an Indemnified Person's Expenses in advance of the final disposition of any Proceeding will be made by the Treasurer except if, in

the specific case, a determination is made pursuant to Article IX, Section 8(a) above that indemnification of the Indemnified Person is improper under the circumstances because the Proceeding involved an Excluded Claim.

(c) The Corporation shall endeavor to purchase and maintain insurance on behalf of any Indemnified Person against liability asserted against him/her with respect to any Covered Act, whether or not the Corporation would have the power to indemnify such Indemnified Person against such liability under the provisions of this Article. The Corporation will be subrogated to the rights of such Indemnified Person to the extent that the Corporation has made any payments to such Indemnified Person in respect to any Loss or Expense as provided herein.

Section 9. Settlement. The Corporation will have no obligation to indemnify the Indemnified Person under this Article for any amounts paid in settlement of any Proceeding effected without the Corporation's prior written consent. The Corporation will not unreasonably withhold or delay its written consent to any proposed settlement. If the Corporation so consents to the settlement of any Proceeding, or unreasonably withholds or delays such consent, it will be conclusively and irrebuttably presumed for all purposes that the Loss or Expenses do not constitute an Excluded Claim. If the Corporation reasonably withholds its consent solely on the ground that the Proceeding constitutes an Excluded Claim, the Indemnified Person may accept the settlement without the consent of the Corporation, without prejudice to the Indemnified Person's rights to indemnification in the event the Corporation does not ultimately prevail on the issue of whether the Proceeding constitutes an Excluded Claim.

Section 10. Rights Not Exclusive. The rights provided hereunder will not be deemed exclusive of any other rights to which the Indemnified Person may be entitled under any agreement, vote of disinterested Trustees or otherwise, both as to action in the Indemnified Person's official capacity and as to action in any other capacity on the Corporation's behalf while holding such office, and will continue after the Indemnified Person ceases to serve the Corporation as an Indemnified Person.

Section 11. Enforcement.

(a) The Indemnified Person's right to indemnification hereunder will be enforceable by the Indemnified Person in any court of competent jurisdiction and will be enforceable notwithstanding that an adverse determination has been made as provided in Article IX, Section (8).

(b) In the event that any action is instituted by the Indemnified Person under these Bylaws, the Indemnified Person will be entitled to be paid all court costs and expenses including reasonable attorneys' fees, incurred by the Indemnified Person with respect to such action, unless the court determines that each of the material assertions made by the Indemnified

Person as a basis for such action was not made in good faith or was frivolous.

Section 12. Severability. If any provision of this Article IX is determined by a court to require the Corporation to perform or to fail to perform an act which is violative of applicable law, this Article shall be limited or modified in its application to the minimum extent necessary to avoid a violation of law, and, as to limited or modified, this Article shall be enforceable in accordance with its terms.

Section 13. Successors and Assigns. The provisions of this Article will be (a) binding upon all successors and assigns of the Corporation (including any transferee of all or substantially all of its assets), and (b) binding on and inure to the benefit of the heirs, executors, administrators, and other personal representatives of the Indemnified Person.

Section 14. Amendment. No amendment or termination of this Article IX will be effective as to an Indemnified Person without the prior written consent of that Indemnified Person, and in any event, will not be effective as to any Covered Act of the Indemnified Person occurring prior to the aforesaid amendment or termination.

ARTICLE X
Conflict of Interest Policy

Any contract or other transaction between the Corporation and any one or more of its Trustees officers, or members of committees of the Corporation, or between the Corporation and any other corporation, firm or association in which one or more of its Trustees, officers or members of committees of the Board of Trustees are officers or Trustees or have a financial interest, shall be voidable unless (i) the material facts as to the interest or relationship are disclosed or are known to the Board of Trustees or committee, and the Board of Trustees or committee authorize, approve, or ratifies the contract or transaction by the affirmative vote of a majority of the disinterested Trustees or members of the committee, even though they are less than a quorum, and (ii) the contract or transaction is fair and reasonable to the Corporation. The Board of Trustees may adopt and may amend from time to time conflict of interest policies to be applicable to the Corporation and its affiliates.

ARTICLE XI
Policies, Rules and Regulations

In addition to the powers granted by these Bylaws herein contained, the Board of Trustees may adopt such written policies, rules or regulations as, in its judgment, may prove necessary or desirable for the management of the Corporation. At least a majority of the Board of Trustees shall give its approval to permit the adoption of any such policies, rules or regulations.

Maureen L. Carboni, Secretary

Amended August 24, 2011 Article III - Corporators, Section 3. Powers and Article VII - Amendments

WESTERLY HOSPITAL HEALTHCARE, INC. BYLAWS
AMENDED AND RESTATED IN ITS ENTIRETY
JUNE 6, 2011

WESTERLY HOSPITAL HEALTHCARE, INC. BYLAWS
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WESTERLY HOSPITAL HEALTHCARE, INC.
AMENDED AND RESTATED BYLAWS

ARTICLE I
Title and Definitions

Section 1. Name. The name of this Corporation shall be Westerly Hospital Healthcare, Inc. (hereinafter referred to as the "Corporation").

Section 2. Definitions. The following terms, whenever used herein, shall have the meanings hereinafter assigned to them:

(a) "Articles of Association" shall mean the Articles of Association of the Corporation, dated December 6, 1983, as amended.

(b) "Board of Trustees" shall mean the Board of Trustees of the Corporation.

(c) "Chairperson" shall mean the Chairperson of the Corporation.

(d) "Executive Session" shall mean a meeting of the Board of Trustees, exclusive of (i) any invitees; (ii) management of the Corporation or any of its affiliated companies; and (iii) Trustees required to recuse themselves by the Chairperson. The attorney for the Board of Trustees or any Committee or any other individual may attend an Executive Session at the request of the Chairperson.

(e) "Independent" when used in reference to a Trustee or an individual who is a member of a Committee or Subcommittee of the Board of Trustees shall mean a person who:

(i) is not a member of the Medical Staff of The Westerly Hospital,

(ii) is not currently, nor for the past three (3) years has been, an executive officer or employee of the Corporation, The Westerly Hospital, or any affiliated company of the Corporation;

(iii) is not, and does not have a spouse, parent, child, sibling, or other family member, whether by blood, marriage or adoption, nor have any person residing in such Trustee's or individual's home, who is a partner in, or a controlling shareholder, director or executive officer of, any organization

(a) to which the Corporation, or any affiliated company of the Corporation, made, or from which the Corporation, or any affiliated company of the Corporation, received, payments for property or services in the current or any of the past three (3) fiscal years that exceed 5 percent of the recipient's

consolidated gross revenues for that year, or $200,000, whichever is greater; or

(b) that had any credit arrangements with the Corporation or any of its affiliated companies in excess of $2,500,000 for that year.

(iv) does not have a relationship which, in the opinion of the Board of Trustees, would interfere with the exercise of his/her independent judgment in carrying out the responsibilities of a Trustee.

The Audit Committee shall annually review each Trustee's Annual Disclosure Statement to determine whether a Trustee is Independent and may modify the criteria described in subsection (iii) above as economic conditions may change from year to year.

(f) "The Westerly Hospital" shall mean that non- profit corporation, formed on June 16, 1921, of which the Corporation is the sole member.

ARTICLE II
Purposes

The purposes of the Corporation shall be to support the advancement of the knowledge and practice of, and education and research in, medicine, surgery, nursing, and all other subjects relating to the care, treatment and healing of humans, to improve the health and welfare of all persons, and to sponsor, develop, and promote services and programs which are charitable, scientific, or educational and which address the physical and mental needs of the southwestern Rhode Island and southeastern Connecticut communities at large, provided, however, that the Corporation shall not engage in the practice of medicine, and provided further, that it shall operate for the benefit and support of The Westerly Hospital and other affiliated entities now in existence or to be formed so long as such organizations are organizations described in Internal Revenue Code Sections 501(c)(3) and 509(a)(1) or (2). Notwithstanding the foregoing, the Corporation may also serve as a member or stockholder of such other entities or organizations as may, from time to time, be approved by the Board of Trustees of the Corporation.

ARTICLE III
Corporators

Section 1. Corporators. The Corporation's Corporators shall consist of the following individuals.

(a) Those individuals who were Corporators as of July 6, 2009.

(b) Those individuals who have been asked by the Nominating Committee to become Corporators and have accepted such invitation.

(c) Those individuals in any fiscal year who have qualified to be members of the Founders Society of The Westerly Hospital Foundation in that fiscal

year, and who have not indicated that they do not wish to be Corporators. Such individuals shall be sent a letter thanking them for their gift to The Westerly Hospital Foundation, and stating that, unless they return the enclosed card indicating their declination to become Corporators, they shall automatically be Corporators for that fiscal year.

Section 2. Term.

(a) The term of Corporators who are such as a result of Article III, Section 1 (a) and (b) above shall not expire until such Corporators resign in writing or are deceased.

(b) The term of Corporators who are such as a result of Article III, Section 1 (c) above shall be for the fiscal year in which they are members of the Founders Society of The Westerly Hospital Foundation.

Section 3. Powers. Each Corporator shall be qualified to originate and take part in the discussion of any subject that may properly come before any meeting of the Corporation, to vote on such subject, and to hold any office in the Corporation to which he/she may be appointed and qualified. Corporators shall vote to elect the Board of Trustees of the Corporation at the Annual Meeting of the Corporation.

ARTICLE IV
Meetings of the Corporation

Section 1. Annual Meeting of the Corporation. The Annual Meeting of the Corporation shall be held at a place and hour to be designated by the Chairperson in the call of the Annual Meeting in December, in every year. At the Annual Meeting, the Corporators shall vote on the slate of Trustees proposed by the Nominating Committee and set forth in the Meeting Notice set forth in Article IV, Section 3 below. Nominations for Trustees will not be accepted from the floor.

If the Annual Meeting is not held as herein provided, a special meeting of the Corporation may be held in place thereof with the same force and effect as the Annual Meeting, and in such case all references in these Bylaws, except in this Article IV, Section 1, to the Annual Meeting of the Corporation shall be deemed to refer to such special meeting.

Section 2. Special Meetings of the Corporation. Special meetings of the Corporation may be called by the Chairperson of the Corporation or, in his/her absence, by a Vice-Chairperson, or shall be called at the written request of not fewer than fifteen (15) Corporators.

Section 3. Meeting Notice. Written notice of the Annual Meeting and any special meeting of the Corporation shall be mailed, faxed or emailed to each Corporator at least five (5) days before the date thereof.

The notice of any meeting shall state the business for the transaction of which the meeting has been called and no other business other than that stated in the notice shall be transacted at such meeting.

Section 4. Waiver of Notice. The requirement of notice to any Corporator may be waived by (a) a written waiver of notice, executed before or after the meeting or meetings and filed with the records of the meeting, or (b) the Corporator's attendance at the meeting without protesting his/her lack of notice prior thereto.

Section 5. Quorum. A quorum for the transaction of business at the Annual Meeting or any special meeting of the Corporation shall consist of not fewer than one-tenth (1/10) of the Corporators present in person or by proxy, and each Corporator shall be entitled to one (1) vote. Any action may be taken by vote of a majority of the Corporators present and voting, in person or by proxy, at any meeting at which a quorum exists.

Section 6. Voting. Corporators may vote either in person or by written proxy dated not more than eleven (11) months before the meeting named therein, which proxy shall be filed before being recorded by the Secretary of the Corporation or other person responsible for recording the proceedings of the meeting. Unless otherwise specifically limited by their terms, such proxies shall entitle the holders thereof to vote at any adjournment of the meeting, but the proxy shall terminate after the final adjournment of such meeting.

ARTICLE V
Board of Trustees and Officers

Section 1. Number. There shall be a Board of Trustees, which shall consist of not more than nineteen (19) nor fewer than eleven (11) individuals.

Section 2. Term. Trustees shall be elected to serve for three (3) year terms. No Trustee shall serve for longer than three (3) consecutive three (3) year terms with the following exceptions:

(a) any individual who has been elected to fill a vacancy on the Board of Trustees, pursuant to Section 15 of this Article V may, when that unexpired term is completed, be elected for three (3) consecutive three (3) year terms; and

(b) any Trustee who is serving as an officer of the Corporation following the end of his/her third successive three (3) year term and who has been nominated by the Board of Trustees to continue to serve as an officer in the following year may continue to serve as a Trustee.

Section 3. Powers of the Board of Trustees.

(a) Upon election to the Board of Trustees by the Corporators, those individuals shall automatically be appointed by the Board of Trustees to the Board of Trustees of The Westerly Hospital and no further action shall be required by the Corporation or The Westerly Hospital.

(b) The management and control of the Corporation's property, business and affairs shall be vested in the Board of Trustees, which shall have the power and authority to do and perform all acts and functions not inconsistent with these Bylaws or the Bylaws of The Westerly Hospital.

Section 4. Annual Board Meeting The Annual Meeting of the Board of Trustees shall be held in December, following the Annual Meeting of the Corporation.

Section 5. Regular Board Meetings. The Board of Trustees shall hold at least ten (10) regular meetings in each year at The Westerly Hospital, or at another location within or without the State of Rhode Island specified in the written notice of meeting. The Chairperson may, or upon any three (3) Trustees' request, shall, call for an Executive Session prior to the conclusion of an ongoing meeting or prior to the next meeting of the Board of Trustees. Executive Sessions shall be held as necessary to discuss compensation, audit, compliance and other matters.

Section 6. Special Board Meetings. Special meetings of the Board of Trustees may be called by the Chairperson, or in his/her absence, by a Vice-Chairperson, or shall be called at the written request of one third (1/3) of the members of the Board of Trustees.

Section 7. Meeting Notice. Written notice of all meetings of the Board of Trustees shall be mailed, faxed or emailed to each Trustee at least five (5) days before the date thereof. The notice of any special meeting shall state the business for the transaction of which the special meeting has been called and no business other than that stated in the notice shall be transacted at such special meeting.

Section 8. Waiver of Notice. The requirement of notice to any Trustee may be waived by (a) a written waiver of notice, executed before or after the meeting or meetings and filed with the records of the meeting, or (b) the Trustee's attendance at the meeting without protesting his/her lack of notice prior thereto.

Section 9. Quorum. Unless otherwise required by law, the Articles of Association or these Bylaws, a majority of all Trustees then in office shall constitute a quorum to transact business at any meeting of the Board of Trustees. Any meeting of the Board of Trustees may be adjourned by a majority of the votes cast upon the question.

Section 10. Voting. When a quorum is present at any meeting of the Board of Trustees, a majority of the votes properly cast upon any question shall decide such question, except where a larger vote is required by law, the Articles of Association or these Bylaws. The

assent in writing of any Trustee to any vote or action of the Trustees taken at any meeting, whether a quorum was present and whether the Trustee had received or waived notice of such meeting, shall have the same effect as if the Trustee so assenting was present at such meeting, voted in favor of such vote or action and was considered for the purpose of constituting a quorum.

Section 11. Telephonic Participation in Meetings. Trustees may participate in a meeting of the Board of Trustees or at a meeting of a committee of the Board of Trustees by means of a conference telephone call or similar communications equipment by means of which all persons participating in the meeting can communicate with each other. Participation by such means shall constitute presence in person at a meeting.

Section 12. Attendance Requirements. Each Trustee shall attend not fewer than seventy-five percent (75%) of all regularly scheduled meetings of the Board of Trustees in each year. A Trustee who fails to meet the foregoing attendance requirement without being excused by the Chairperson shall be deemed conclusively to have resigned from the Board of Trustees.

Section 13. Resignation. A Trustee may resign at any time by giving written notice of his/her resignation to the Chairperson. The resignation shall be effective at the time specified in such notice, and, unless otherwise specified in such notice, acceptance shall not be necessary to make it effective. A resignation from the Board of Trustees shall be deemed an automatic resignation from the Board of Trustees of The Westerly Hospital.

Section 14. Removal. A Trustee may be removed from the Board of Trustees, for cause, at any time by the affirmative vote of two-thirds (2/3) of the Board of Trustees at a meeting of the Board of Trustees called for that purpose, upon notice duly given, at which meeting such Trustee shall have been given the opportunity to be heard. Removal from the Board of Trustees shall be deemed automatic removal from the Board of Trustees of The Westerly Hospital.

Section 15. Vacancy. Any vacancy occurring on the Board of Trustees or in any office shall be filled by the Board of Trustees. An individual elected to fill a vacancy on the Board of Trustees or any office will serve for the unexpired term of his/her predecessor in office. Any vacancy occurring on the Board of Trustees for any reason shall constitute a vacancy on the Board of Trustees of The Westerly Hospital.

Section 16. Action Without Meeting. Any action required or permitted to be taken at any meeting of the Board of Trustees or any committee thereof, may be taken without a meeting if a consent in writing, setting forth the action taken is signed by all of the members of the Board of Trustees and the written consents are filed with the records of the meetings of the Board of Trustees. Such consents shall have the same force and effect as a unanimous vote.

Section 17. Honorary Trustees. The Board of Trustees may, at its discretion, create an Honorary Trustee category. Appointments made to Honorary Trustee shall not affect the

above named consistency of the Board of Trustees. Appointments to Honorary Trusteeship may be made by the Board of Trustees among those current or former Trustees who have diligently and faithfully served on the Board of Trustees and who, for some reason, are unable to continue to actively participate on the Board of Trustees. Honorary Trustees shall not (i) be entitled to attend Board of Trustees meetings, (ii) be counted for purposes of quorum, or (iii) vote on any matter before the Board of Trustees.

Section 18. Trustee Orientation. Within two (2) months of taking office, each new member of the Board of Trustees shall participate in an orientation program designed to expose the new member to basic information necessary to effectively discharge his/her duties as a Trustee. The orientation program shall include, at a minimum, the following elements: (a) an overview of the responsibilities of a Trustee, (b) a review of the schedule of meetings of the Board of Trustees, (c) an overview of the Corporation's Bylaws and Charters for each Standing Committee, (d) a review of the roster of the Board of Trustees, (e) an overview of the Corporation's organizational chart, (f) an overview of the Corporation's subsidiaries, (g) an overview of the quality improvement programs of the Corporation and its subsidiaries, (h) a review of the Corporation's compliance program and code of ethical behavior, and (i) the Corporation's conflict of interest disclosure requirements.

Section 19. Board Performance Review. The Board of Trustees shall periodically evaluate the effectiveness of its oversight and direction in improving the Corporation's performance in relation to the Corporation's stated vision, mission and goals. This evaluation shall consider, but not necessarily be limited to, the areas of strategic planning, patient care and safety, regulatory compliance and fiscal management.

Section 20. Officers. At the Annual Meeting of the Board of Trustees, the Board of Trustees shall elect, for one-year terms, the officers of the Corporation who shall be a Chairperson and Vice Chairpersons not to exceed three, titled, as the case may be, First Vice Chairperson, Second Vice Chairperson, and Third Vice Chairperson, designating their order of succession to the office of Chairperson, each of whom shall be a Trustee; a President who shall be a Trustee, a Treasurer, and Secretary, each of whom may, but need not be a Trustee, and such additional officers as the Board of Trustees may from time to time elect or appoint who need not be Trustees. Any officer may resign at any time by giving written notice of his/her resignation to the Chairperson. The resignation shall take effect at the time specified in such notice, and, unless otherwise specified in such notice, acceptance shall not be necessary to make it effective. Any officer who is an employee of the Corporation shall cease to be an officer upon termination of his/her employment with the Corporation. An officer may be removed from office, for cause, at any time by the affirmative vote of two-thirds (2/3) of the members of the Board of Trustees at a meeting of the Board of Trustees called for that purpose, upon notice duly given, at which meeting such officer shall have been given the opportunity to be heard. Termination of service of any officer whether voluntary or involuntary by either the Corporation or The Westerly Hospital or any other affiliated company of the Corporation shall immediately constitute termination of service of such officer to the other organization. Officers may be re-elected for successive terms.

Section 21. Officers' Duties. The officers of the Corporation shall have the powers and perform the duties customarily belonging to their respective offices including the powers and duties set forth herein:

(a) The Chairperson shall preside at all meetings of the Corporation and the Board of Trustees and shall be an ex officio member with vote of all committees.

(b) In the absence of the Chairperson, a Vice-Chairperson shall preside at all meetings of the Corporation or the Board of Trustees, and during the absence of the Chairperson, perform the duties of the Chairperson and such other duties as may be required by the Board of Trustees.

(c) The President shall act as the duly authorized representative of the Board of Trustees in all matters in which the Board of Trustees has not formally designated some other person for that specific purpose. The President shall carry out all policies and directives established by the Board of Trustees. The President shall attend all meetings of the Board of Trustees, serving as an ex officio member with full voting power.

(d) The Secretary shall act as Secretary of the Board of Trustees, shall send appropriate notices of and prepare agendas for all meetings of the Corporation and of the Board of Trustees, shall act as custodian of all records and reports, and shall be responsible for keeping and reporting of adequate records of all meetings of the Corporation and of the Board of Trustees.

(e) The Treasurer shall have general responsibility for the fiscal affairs of the Corporation.

ARTICLE VI
Committees of the Board of Trustees

Section 1. Committees. The Board of Trustees may delegate such of its powers as it considers advisable, except those powers which by law, the Articles of Association or these Bylaws may not be so delegated, to such Committees as the Board of Trustees or these Bylaws from time to time may establish. The Committees of the Board of Trustees shall be either a Standing Committee or a Special Committee. Standing Committees shall be the Audit Committee, Corporate Compliance Committee, Corporate Governance Committee, Executive Committee, Executive Compensation Committee, Finance Committee, Nominating Committee, and the Strategic Planning Committee. Other Standing Committees may be established, from time to time, by a majority vote of the Board of Trustees. In addition, Special Committees may be appointed by the Chairperson with the Board of Trustees' concurrence for specific, discrete tasks as

circumstances warrant. All Special Committees shall consist of at least three (3) Trustees.

No Committee shall have the authority to (a) amend, alter or repeal any resolution of the Board of Trustees regardless of whether such resolution provides, by its terms, that it cannot be amended, altered or repealed, by a Committee, (b) elect, appoint or remove any member of the Board of Trustees or any of any of its Standing or Special Committees or any officer of the Corporation, (c) amend the Articles of Association of the Corporation or restate such Articles of Association, (d) adopt, amend or repeal the Bylaws, (e) adopt or approve a plan of merger or consolidation of the Corporation, (f) approve the voluntary dissolution of the Corporation or revoke proceedings for a voluntary dissolution of the Corporation or adopt a plan for the distribution of all the Corporation's assets, or (g) approve a sale, lease, exchange or mortgage or other disposition of all, or substantially all, of the property and/or assets of the Corporation. Except for such duties as have been delegated by the Board of Trustees or established by these Bylaws, no Standing or Special Committee may make any final determinations. Each Committee shall report and make recommendations to the Board of Trustees, and the minutes of all Committee meetings shall be distributed to the Board of Trustees for review at the next meeting of the Board of Trustees.

The Chairperson of each Committee shall periodically prepare for ratification by the Board of Trustees, a charter for his/her Committee stating such Committee's membership, duties and responsibilities.

Committees may appoint Subcommittees as they determine necessary to assist them with specific undertakings. Subcommittees shall report to the Committees appointing them except as otherwise described herein.

Unless otherwise stated in these Bylaws or the Committee's Charter, all Committee and Subcommittee members shall be members of the Board of Trustees. Committees and Subcommittees shall have the authority, subject to the approval of the Board of Trustees, to engage such consultants as may be necessary to assist them in the performance of specific undertakings.

Section 2. Appointment. All Chairpersons of Committees shall be appointed by the Chairperson of the Board of Trustees and shall be approved by a majority of the Trustees at a Board of Trustees' meeting at which a quorum is present.

Section 3. Term. Each Committee member shall serve until the next Annual Meeting of the Board of Trustees and until his/her successor is appointed, unless such Committee member shall sooner resign or be removed from the Committee.

Section 4. Meeting and Notice. Meetings of Committees may be called by the Chairperson of the Board of Trustees or by the Committee Chairperson. Each Committee shall meet as often as necessary and appropriate to perform its duties. Notice of the date, time and place of each Committee meeting shall be given at such time and in such

manner as to provide Committee members reasonable notice of the meeting. Each Committee shall keep minutes of its proceedings.

Section 5. Removal and Vacancy. The Chairperson of the Board of Trustees, with the Board of Trustees' approval, may remove any Committee member or Chairperson for cause. Committee vacancies may be filled by the Chairperson of the Board of Trustees with the Board of Trustees' approval. Failure to attend any two (2) consecutive Committee meetings without being excused by the Committee Chairperson may subject such Committee member to removal.

Section 6. Quorum and Vote. Unless otherwise provided for by the Board of Trustees or by these Bylaws, each Committee member shall have one (1) vote. A majority of the whole Committee shall constitute a quorum and the act of a majority of the members present at a Committee meeting at which a quorum is present shall be the act of the Committee.

Section 7. Action Without Meeting. Any action required or permitted to be taken at any meeting of any Committee may be taken without a meeting if all the Committee members consent to the action in writing and the consent shall be treated for all purposes as a vote at a meeting.

Section 8. Audit Committee. The Audit Committee shall consist of at least three (3) Trustees, all of whom shall be Independent Trustees, and shall be responsible for engaging a well-qualified and independent auditor. At least one member of the Audit Committee shall have a background in finance, and experience working with complex financial and accounting matters. The Audit Committee shall assist the Board in the oversight and monitoring of the integrity of the Corporation's financial statements and its affiliated companies, as appropriate. The Audit Committee shall have such other responsibilities and duties as are set forth in its Charter as adopted by the Board of Trustees.

Section 9. Corporate Compliance Committee. The Corporate Compliance Committee shall consist of at least three (3) Independent Trustees and the President of the Corporation or his/her nominee. The Corporate Compliance Committee shall be responsible for overseeing the compliance program of the Corporation and its affiliated companies, as appropriate, with respect to applicable rules and regulations regarding reimbursements, patient care and any other areas within the scope of regulatory authorities and such other responsibilities and duties assigned to it by the Board of Trustees. The Corporate Compliance Committee may enlist the assistance of the Corporation's managers and employees, as well as outside professionals, as may be necessary to implement action plans, audits or similar initiatives as part of the ongoing operation of the Corporation's compliance program. The Board of Trustees and the President of the Corporation shall have the ultimate responsibility for the oversight and operation of the Corporation's compliance program.

Section 10. Corporate Governance Committee. The Corporate Governance Committee shall consist of the past Chairperson of the Corporate Governance Committee, at least two (2) Independent Trustees, other Trustees as appointed by the Chairperson of the Board of Trustees, and the President of the Corporation. The Corporate Governance Committee shall periodically review the Bylaws and governance structure of the Corporation and its affiliated companies, as appropriate, and make recommendations with respect thereto, and shall have such other responsibilities and duties as are assigned to it by the Board of Trustees.

Section 11. Executive Committee. The Executive Committee shall consist of the Chairperson of the Board of Trustees as Chairperson, all Vice Chairpersons of the Board of Trustees, the President of the Medical Staff of The Westerly Hospital, and the President of the Corporation, ex officio, with vote, and such other Trustees as may be appointed annually by the Chairperson. The Chairperson may also appoint the Chief Financial Officer and/or Treasurer of the Corporation to serve as members of the Executive Committee. The Executive Committee shall only meet between meetings of the Board of Trustees, when action of the Board of Trustees is needed to be taken, and a quorum of the Board of Trustees cannot be obtained in the time necessary to approve such immediate action of the Corporation and/or its affiliated companies. The Executive Committee shall have the power to transact all regular business of the Corporation and its affiliated companies, as appropriate, provided any action taken by it shall not conflict with the policies and expressed wishes of the Board of Trustees. Any action taken by the Executive Committee shall be reported to the Board of Trustees at its next succeeding meeting for ratification thereof.

Section 12. Executive Compensation Committee. The Executive Compensation Committee shall consist of at least three (3) Trustees. All members of the Executive Compensation Committee shall be Independent Trustees. The Executive Compensation Committee shall review and make recommendations to the Board of Trustees with respect to compensation plans for Officers of the Corporation, the Officers of the Hospital, and the Officers and Executive Directors, if any, of the Corporation's other affiliated companies. The Executive Compensation Committee shall have such other responsibilities and duties as are assigned to it by the Board of Trustees.

Section 13. Finance Committee. The Finance Committee shall consist of the Chairperson of the Board of Trustees, all Vice Chairpersons of the Board of Trustees, the President of the Corporation, the Chief Financial Officer of the Corporation, if one, without a vote, the Treasurer of the Corporation, if one, without a vote, at least two (2) additional members of the Board of Trustees, and such additional persons, who may, but need not be Trustees, as may be appointed by the Chairperson of the Board of Trustees. The Finance Committee shall be responsible for reviewing the financial performance of the Corporation and its affiliated companies, and supervising the management of all funds in the Corporation's system. The Finance Committee shall report to the Board of Trustees at least quarterly thereon, and have such other responsibilities and duties as set forth in its Charter as adopted by the Board of Trustees. The Finance Committee shall also review and make recommendations to the Board of Trustees with respect to any

financing proposals involving the Corporation or any of its affiliated companies. In addition, the Finance Committee shall review and make recommendations to the Board of Trustees with respect to the acquisition of physician practices, and physician recruitment and retention programs. The Chairperson of the Finance Committee may appoint subcommittees of the Finance Committee.

The Finance Committee shall appoint an Investment Subcommittee, which shall consist of at least three (3) Trustees and such additional members who need not be Trustees, as may be appointed by the Finance Committee. The Chairperson of the Investment Subcommittee need not be a member of the Board of Trustees. The Investment Subcommittee shall meet at least quarterly. The Investment Subcommittee shall provide that all endowment and trust funds of the Corporation and its affiliated companies be deposited with responsible trust companies or comparable businesses for investment. Further, the Investment Subcommittee shall oversee the performance of the investment managers engaged to handle the endowment funds and recommend appropriate changes to the Finance Committee when warranted.

Section 14. Nominating Committee. The Board of Trustees shall have a Nominating Committee. The Nominating Committee shall consist of at least three (3) Trustees, the past Chairperson of the Board of Trustees, all Vice Chairpersons of the Board of Trustees, the President of the Medical Staff of the Hospital, and such additional members, who may, but need not be Trustees, as may be appointed by the Chairperson of the Board of Trustees. The President of the Corporation and the President/Chief Executive Officer of the Hospital shall not be members of the Nominating Committee. The Nominating Committee shall assist the Board of Trustees in identifying and recommending for nomination individuals qualified to serve as Corporators, Trustees and officers of the Corporation, and as Trustees, directors and officers of all the Corporation's affiliated companies. The Nominating Committee shall present at the Annual Meeting of the Corporation nominations for Corporators and for individuals to serve on the Board of Trustees, which recommended nominations shall have been sent to the Corporators in advance of the Annual Meeting.

Section 15. Strategic Planning Committee. The Strategic Planning Committee shall consist of at least three (3) members of the Board of Trustees, at least two (2) members of the Medical Staff of the Hospital, and such additional persons, who may, but need not be Trustees, as may be appointed by the Chairperson of the Board of Trustees. The Chairperson of the Strategic Planning Committee need not be a member of the Board of Trustees. The Strategic Planning Committee shall establish, evaluate and update the Corporation's strategic goals and objectives and the strategic goals and objectives of the Corporation's affiliated companies. The Strategic Planning Committee shall cause to be prepared a long-term strategic plan for the development of programs and facilities within the framework of the total healthcare community, and review on a periodic basis the Corporation's physician adequacy, taking into account geographic and demographic factors. The Strategic Planning Committee shall oversee the Corporation's plans with respect to the use and occupancy of the physical plant and facilities within the

Corporation's healthcare system, and shall perform such other responsibilities and duties as are assigned to it by the Board of Trustees.

Section 16. Special Committees. Special committees or task committees may be appointed annually by the Chairperson for such special tasks as circumstances warrant.

Section 17. Eligibility Requirements of Committee Chairpersons. The Chairperson of each Committee, Standing or Special, or Subcommittee, shall be a member of the Board of Governors, unless otherwise stated in these Bylaws.

ARTICLE VII
Amendments

These Bylaws may be amended by the affirmative vote of a two-thirds (2/3) of the Trustees; provided that any proposed amendment be sent to the Trustees with the notice of the meeting at which it is to be considered, and provided further, that any material changes be discussed and voted upon at a second meeting for which notice was duly given.

ARTICLE VIII
Miscellaneous Provisions

Section 1. Annual Report. The Corporation shall prepare an Annual Report. The Annual Report shall include the results of the audited financial statements of the Corporation for the previous fiscal year.

Section 2. Notice by Electronic Mail ("Email"). If the Secretary of the Corporation has an email address of an individual entitled to receive any notice under these Bylaws, any such notice required to be given under these Bylaws may be by email, except in cases where these Bylaws specifically require that notice be provided by other means. Any email notice given pursuant to these Bylaws shall be deemed to have been given when the Secretary of the Corporation sends such notice to the email address that the Secretary has for an individual.

Section 3. Conflict of Interest. Any member of the Board of Trustees, any member of any committee with Board delegated powers, and any employee of the Corporation who may influence corporate decisions shall comply with the conflict of interest and disclosure policies as set forth in Article X of these Bylaws and any other policies as may from time to time be adopted by the Board of Trustees.

Section 4. Fiscal Year. Except as from time to time otherwise provided by the Board of Trustees, the Corporation's fiscal year shall end on the last day of September of each year.

Section 5. Corporate Seal. The Board of Trustees shall have the power to adopt and alter the Corporation's seal.

ARTICLE IX
Indemnification

Section 1. Agreement of the Corporation. In order to induce the Trustees, officers and others to serve as such, the Corporation adopts this Article and agrees to provide the Trustees, officers and the aforesaid parties the benefits contemplated hereby.

Section 2. Acceptance of Trustee or Officer. This Article will apply, and the benefits hereof will be available, to each Indemnified Person who accepts such position.

Section 3. Definitions. As used in this Article IX, the following terms will have the following respective meanings:

(a) "Covered Act" means any act or omission by the Indemnified Person in the Indemnified Person's official capacity with the Corporation while serving in such capacity or while serving at the request of the Corporation as a member of the Board of Trustees or of a Standing or special committee or of any subcommittee thereof, or as an officer, employee, or agent of another entity or other enterprise on the Corporation's behalf. An act or omission will be a Covered Act if the claim or proceeding with respect to such act or omission arises after the Indemnified Person ceases to serve the Corporation as an Indemnified Person.

(b) "Excluded Claim" has the meaning set forth in Article IX, Section 6 hereof.

(c) "Expenses" means any reasonable expenses incurred by the Indemnified Person in connection with the defense of any claim made against the Indemnified Person for Covered Acts including, without being limited to, legal, accounting, or investigative fees and expenses (including the expense of bonds necessary to pursue an appeal of an adverse judgment).

(d) "Indemnified Person" means any Trustee, officer, Standing or special committee member or of any subcommittee thereof who accepts election or appointment as a Trustee, officer or Standing or special committee member or of any subcommittee thereof and agrees to serve as such in the manner provided in Article IX, Section 2 hereof.

(e) "Loss" means any amount which the Indemnified Person is legally obligated to pay as a result of any claim made against the Indemnified Person for Covered Acts including, without limitation, judgments for, and awards of, damages, amounts paid in settlement of any claim, any fine or penalty or, with respect to an employee benefit plan, any excise tax or penalty.

(f) "Proceeding" means any threatened, pending or completed action suit, or proceeding whether civil, criminal, administrative, or investigative.

Section 4. Indemnification. Subject to the exclusions hereinafter set forth, the Corporation will indemnify the Indemnified Person against and hold the Indemnified Person harmless from any Loss of Expenses to the fullest extent permitted by law.

Section 5. Advance Payment of Expenses. The Corporation will pay the Indemnified Person's Expenses in advance of the final disposition of any Proceeding except to the extent that the defense of a claim against the Indemnified Person is undertaken pursuant to any director's and officers' liability insurance (or equivalent insurance known by another term) maintained by the Corporation. The advance payment of Expenses will be subject to the Indemnified Person's first agreeing in writing with the Corporation to repay the Corporation any sums it pays hereunder if thereafter it is determined that the Proceeding involved an Excluded Claim or that the Indemnified Person was otherwise not entitled to indemnity under these Bylaws.

Section 6. Exclusions. The Corporation will not be liable to pay any Loss or Expenses (an "Excluded Claim"):

(a) With respect to a Proceeding in which a final non-appealable judgment or other adjudication by a court of competent jurisdiction determines that the Indemnified Person is liable to the Corporation (as distinguished from being liable to a third party) for: (i) any breach of the Indemnified Person's duty of loyalty to the Corporation or to its affiliated entities or undertakings; (ii) acts or omission constituting gross negligence or which involve intentional misconduct or knowing violation of law; or (iii) any transaction from which the Indemnified Person derived an improper personal benefit; or

(b) If a final, non-appealable judgment or other adjudication by a court of competent jurisdiction determines that such payment is unlawful.

Section 7. Notice to Corporation; Insurance. Promptly after receipt by the Indemnified Person of notice of the commencement of or the threat of commencement of any Proceeding, if indemnification with respect thereto may be sought from the Corporation under these Bylaws, the Indemnified Person shall notify the Corporation of the commencement thereof. Failure to promptly notify the Corporation will not adversely affect the Indemnified Person's right to indemnification hereunder unless and only to the extent that the Corporation is materially prejudiced in its ability to defend against the Proceeding by reason of such failure. If, at the time of the receipt of such notice, the Corporation has any directors' and officers' liability insurance in effect, the Corporation will promptly notify the insurer of the commencement of such Proceeding in accordance with the procedures set forth in the policy or policies in favor of the Indemnified Person. The Corporation thereafter will take all the necessary or desirable action to cause such insurer to pay, on behalf of the Indemnified Person, all Loss and Expenses payable as a

result of such Proceeding in accordance with the terms of such policy or policies. Nothing herein will limit the amount payable to the Indemnified Person to the amount provided by the Corporation's directors' and officers' liability insurance policy then in place.

Section 8. Indemnification Procedures:

(a) Payments on account of the Corporation's indemnity against Loss will be made by the Treasurer except if, in the specific case, a determination is made that the indemnification of the Indemnified Person is not proper under the circumstances because such Loss results from a claim which is an Excluded Claim. If the Corporation so determines that the Loss results from an Excluded Claim (although no such determination is required by the Corporation hereunder prior to payment of a Loss by the Treasurer), the determination shall be made:

(i) By the Board of Trustees by a majority vote of a quorum consisting of Trustees not at the time parties to the Proceeding; or

(ii) If a quorum cannot be obtained for purposes of Article IX, Section 8(a)(i), then by a majority vote of a committee of the Board of Trustees duly designated to act in the matter by a majority vote of the full Board of Trustees (in which designation Trustees who are parties to the Proceeding may participate) consisting solely of three (3) or more Trustees not at the time parties to the Proceeding; or

(iii) By independent legal counsel designated:

(A) by the Board of Trustees in the manner described in Article IX, Section 8(a)(i) or by a committee of the Board of Trustees established in the manner described in Article IX, Section 8(a)(ii), or

(B) if the requisite quorum of the full Board cannot be obtained therefor and a committee cannot be so established, by a majority vote of the full Board (in which designation Trustees who are parties to the Proceeding may participate).

If made, any such determination permitted to be made by this Article IX, Section 8(a) will be made within sixty (60) days of the Indemnified Person's written request for payment of a Loss.

(b) Payment of an Indemnified Person's Expenses in advance of the final disposition of any Proceeding will be made by the Treasurer except if, in the specific case, a determination is made pursuant to Article IX, Section 8(a) above that indemnification of the Indemnified Person is improper under the circumstances because the Proceeding involved an Excluded Claim.

(c) The Corporation shall endeavor to purchase and maintain insurance on behalf of any Indemnified Person against liability asserted against him/her with respect to any Covered Act, whether or not the Corporation would have the power to indemnify such Indemnified Person against such liability under the provisions of this Article. The Corporation will be subrogated to the rights of such Indemnified Person to the extent that the Corporation has made any payments to such Indemnified Person in respect to any Loss or Expense as provided herein.

Section 9. Settlement. The Corporation will have no obligation to indemnify the Indemnified Person under this Article for any amounts paid in settlement of any Proceeding effected without the Corporation's prior written consent. The Corporation will not unreasonably withhold or delay its written consent to any proposed settlement. If the Corporation so consents to the settlement of any Proceeding, or unreasonably withholds or delays such consent, it will be conclusively and irrebuttably presumed for all purposes that the Loss or Expenses do not constitute an Excluded Claim. If the Corporation reasonably withholds its consent solely on the ground that the Proceeding constitutes an Excluded Claim, the Indemnified Person may accept the settlement without the consent of the Corporation, without prejudice to the Indemnified Person's rights to indemnification in the event the Corporation does not ultimately prevail on the issue of whether the Proceeding constitutes an Excluded Claim.

Section 10. Rights Not Exclusive. The rights provided hereunder will not be deemed exclusive of any other rights to which the Indemnified Person may be entitled under any agreement, vote of disinterested Trustees or otherwise, both as to action in the Indemnified Person's official capacity and as to action in any other capacity on the Corporation's behalf while holding such office, and will continue after the Indemnified Person ceases to serve the Corporation as an Indemnified Person.

Section 11. Enforcement.

(a) The Indemnified Person's right to indemnification hereunder will be enforceable by the Indemnified Person in any court of competent jurisdiction and will be enforceable notwithstanding that an adverse determination has been made as provided in Article IX, Section (8).

(b) In the event that any action is instituted by the Indemnified Person under these Bylaws, the Indemnified Person will be entitled to be paid all court costs and expenses including reasonable attorneys' fees, incurred by the

Indemnified Person with respect to such action, unless the court determines that each of the material assertions made by the Indemnified Person as a basis for such action was not made in good faith or was frivolous.

Section 12. Severability. If any provision of this Article IX is determined by a court to require the Corporation to perform or to fail to perform an act which is violative of applicable law, this Article shall be limited or modified in its application to the minimum extent necessary to avoid a violation of law, and, as to limited or modified, this Article shall be enforceable in accordance with its terms.

Section 13. Successors and Assigns. The provisions of this Article will be (a) binding upon all successors and assigns of the Corporation (including any transferee of all or substantially all of its assets), and (b) binding on and inure to the benefit of the heirs, executors, administrators, and other personal representatives of the Indemnified Person.

Section 14. Amendment. No amendment or termination of this Article IX will be effective as to an Indemnified Person without the prior written consent of that Indemnified Person, and in any event, will not be effective as to any Covered Act of the Indemnified Person occurring prior to the aforesaid amendment or termination.

ARTICLE X
Conflict of Interest Policy

Any contract or other transaction between the Corporation and any one or more of its Trustees officers, or members of committees of the Corporation, or between the Corporation and any other corporation, firm or association in which one or more of its Trustees, officers or members of committees of the Board of Trustees are officers or Trustees or have a financial interest, shall be voidable unless (i) the material facts as to the interest or relationship are disclosed or are known to the Board of Trustees or committee, and the Board of Trustees or committee authorize, approve, or ratifies the contract or transaction by the affirmative vote of a majority of the disinterested Trustees or members of the committee, even though they are less than a quorum, and (ii) the contract or transaction is fair and reasonable to the Corporation. The Board of Trustees may adopt and may amend from time to time conflict of interest policies to be applicable to the Corporation and its affiliates.

ARTICLE XI
Policies, Rules and Regulations

In addition to the powers granted by these Bylaws herein contained, the Board of Trustees may adopt such written policies, rules or regulations as, in its judgment, may prove necessary or desirable for the management of the Corporation. At least a majority of the Board of Trustees shall give its approval to permit the adoption of any such policies, rules or regulations.

Maureen L. Carboni, Secretary

Supplemental Exhibit 2(d)

may adopt and may amend from time to time conflict of interest policies to be applicable to the Hospital and its affiliates.

ARTICLE XII
Policies, Rules and Regulations

In addition to the powers granted by these Bylaws herein contained, the Board of Trustees may adopt such written Hospital policies, rules or regulations as, in its judgment, may prove necessary or desirable for the management of the Hospital. At least a majority of the entire Board of Trustees shall give its approval to permit the adoption of any such policies, rules or regulations.

Maureen L. Carboni Secretary

Supplemental Exhibit 2(e)

AMENDED AND RESTATED BYLAWS
OF
LMW HEALTHCARE, INC.
d/b/a The Westerly Hospital

ARTICLE I
Role and Purpose of the Hospital; Member

Section 1.01 Role and Purpose of the Hospital. LMW Healthcare, Inc. (the "Hospital") shall be organized and operated exclusively for charitable purposes within the meaning of the Internal Revenue Code of 1986, as now in effect or as may hereafter be amended (the "Code"). The Corporation shall not conduct or carry on any activities not permitted to be conducted or carried on by an organization exempt under Section 501(c)(3) of the Code. The role and purpose of the Corporation shall include the following:

a. To establish, maintain and carry on an institution within the health care delivery system (the "System") administered by Lawrence + Memorial Corporation, with permanent facilities for inpatients and ambulatory patients, with medical services to provide diagnosis and treatment, to carry on all associated services, and to assure that there is no unlawful discrimination under any program or in any facility of the Hospital;

b. To participate, so far as circumstances may warrant, in any activity designed and carried on to promote the general health needs of the community;

c. To conduct and participate in educational and scientific research activities related to providing care to the sick and injured, to the promotion of health, or to the development of personnel in the health professions or occupations, which, in the opinion of the Board of Directors may be justified and supported by the facilities, personnel, funds or other requirements that are or can be made available; and

d. To engage in any lawful act or activity for which a corporation may be organized under the Rhode Island Revised Nonprofit Corporation Act (the "Act"), as now in effect and as the same may be amended from time to time.

Section 1.02 Member: Lawrence + Memorial Corporation. The Hospital shall have but one (1) member, Lawrence + Memorial Corporation (the " Member"), which shall elect the Board of Directors of the Hospital (also referred to in these Bylaws as the Board or Board of Directors), adopt, amend and repeal these Bylaws, and have all of the other rights, powers and privileges usually or by law accorded to the members of a nonprofit federally tax-exempt corporation and not conferred by the Certificate of Incorporation or these Bylaws on the Board of Directors of the Hospital. In addition to any other rights, powers and privileges as it may have by law or under the Certificate of Incorporation, the Member shall have the right and power to:

(a) Approve the philosophy, mission and values of the Hospital and any change thereto;

(b) Adopt strategic plans for the Hospital;

(c) Approve the Hospital's annual operating and financial targets, major clinical and/or financial initiatives, and financial plans (including capital and operating budgets);

(d) Approve the formation or acquisition by the Hospital of any new direct or indirect subsidiaries, joint ventures or affiliations;

(e) Approve the Certificate of Incorporation, Bylaws and other governance documents of the Hospital, and any amendments thereto or restatements thereof;

(f) Approve all core competencies and qualifications required for selection of the Hospital's Directors;

(g) In consultation with and upon recommendation of the Board, appoint all Directors of the Hospital, and remove, with or without cause all Directors or board officers of the Hospital;

(h) In consultation with and upon recommendation of the Board, appoint and remove, determine the compensation for, and conduct the evaluation of, the President and Chief Executive Officer of the Hospital (the "President and CEO");

(i) Select and approve any auditor of the annual audited financial statements for the Hospital;

(j) Approve any accounting or debt management programs, establish any debt limits under such programs, approve any variances from such programs or limits for the Hospital, and incur or assume any debt on behalf of the Hospital;

(k) Approve the incurrence of debt or financing by the Hospital, other than credit purchases of goods or services in the ordinary course of business, except as included in approved capital or operating budgets;

(l) Oversee the Hospital's use, management and investment of its permanent and temporarily restricted endowment funds;

(m) Approve any voluntary change to the federal income tax exemption granted by the IRS to the Hospital under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code");

(n) Initiate or consent to any form of insolvency proceeding undertaken by the Hospital or any direct or indirect subsidiary of the Hospital;

(o) Approve all projects, agreements or transactions undertaken by the Hospital involving the expenditure of funds or divestiture of assets in excess of $~~10~~250,000 ~~or two percent (2%) of the Hospital's total assets, whichever is greater~~ and not otherwise included in an approved budget;

(p) Approve the services offered by the Hospital, new service lines or termination of existing service lines not otherwise included in an approved budget or a strategic or financial plan;

(q) Approve any sale, lease, transfer, or substantial change in the use of all or substantially all of the assets of the Hospital or any direct or indirect subsidiary of the Hospital;

(r) Approve any merger, consolidation, restructuring, change in corporate ownership, dissolution, or liquidation of the Hospital or any direct or indirect subsidiary of the Hospital;

(s) Approve the acquisition of any real estate or any significant lease arrangement by the Hospital, except as otherwise included in a strategic or financial plan or approved budget;

(t) Approve any management contract or outsourcing arrangement for the Hospital which would substantially impact or alter its operations~~, or any settlement agreement or consent decree with any local, state or government authorities~~; and

(u) Approve any change in the primary business name or logo of the Hospital.

Section 1.03 Manner of Action by Member. Any action permitted or required of the Member by law, the Certificate of Incorporation or these Bylaws may be taken by vote of its board of directors, or by or through any person or persons designated by either its bylaws or its board of directors to act on its behalf. Except as provided in Section 2.05 of these Bylaws, any such action may also be taken without a meeting by written communication of a duly authorized representative of the Member acting within the limits of his/her authority. Any such action by the Member or its duly authorized representative shall be filed with the Secretary of the Hospital. Whenever approval by the Member is required by law, the Certificate of Incorporation or these Bylaws, the Member shall attempt to act on a request for approval within the timeframe set forth in any schedule that may be developed from time to time, or if no such schedule exists, in a timely manner.

ARTICLE II

Board of Directors

Section 2.01 Composition. Following the first annual meeting (as set forth in Section 3.01 below) or at such earlier time as determined in the discretion of the initial Board of Directors, the Board of Directors shall consist of not less than three (3) nor more than eleven (11) Directors, such number within the variable range to be determined by the Member at its annual meeting. At all times, up to five (5) of these Directors shall serve ex-officio: the President and CEO, the President and Chief Executive Officer of the Member (if such individual is not also concurrently serving as the Hospital's President and CEO), the President of the Medical Staff; the Vice President of the Medical Staff; and a representative-at-large of the Medical Staff who ordinarily shall be the immediate past President or a former President of the Medical Staff (the "Ex-Officio Directors"). The remainder of the Directors, the "Elected Directors," shall be members of the Member and elected by the Member in accordance with these Bylaws. The Elected Directors shall be divided into three (3) groups, so that approximately one-third (1/3) of the Directors shall have terms that expire annually. The Elected Directors and the Ex-Officio Directors are together referred to in these Bylaws as the "Directors."

Section 2.02 Election and Terms. Elected Directors shall be elected by the ~~Sole~~ Member at its annual meeting from a slate of ~~nominations~~ nominees prepared by its Governance Committee. No other nominations shall be permitted. Except as provided otherwise in these Bylaws, Elected Directors shall serve a term of three (3) years, or until their resignation, removal or death. The Member may elect Directors to serve one-year or two-year terms in order to achieve the groupings required by Section 2.01 of these Bylaws.

Section 2.03 Tenure. An Elected Director shall be eligible for election to three (3) consecutive three-year terms. For the purposes of determining eligibility for re-election, an Elected Director who has served more than one and one-half (1 ½) years of a three-year term shall be deemed to have served a full term. An Elected Director may be re-elected for a fourth consecutive term if the Director is also elected as an officer at the beginning of such fourth term. After serving the maximum time permitted under this Section, an Elected Director may be re-elected to the Board only after the Director has been off the Board for a period of at least one (1) year.

Section 2.04 Resignation. An Elected Director may resign at any time by delivering written notice to the Secretary of the Hospital. The resignation shall be effective when the notice is delivered, unless the notice specifies a later effective date. If an Ex-Officio Director resigns or is removed from the position from which his or her ex-officio status derives, the Ex-Officio Director will immediately and automatically cease to be a Director without further action by the Board or the Member.

Section 2.05 Removal. An Elected Director may be removed by the affirmative vote of the Member at a meeting of the Member's board of directors. The notice of such meeting shall state that the purpose or one of the purposes of the meeting is removal of the Elected Director.

Section 2.06 Vacancies. A vacancy of an Elected Director may be filled by the Member or the Board at any regular or special meeting. If filled by the Board, the individual

elected to fill the vacancy shall serve until the next meeting of the Member at which Directors are elected.

Section 2.07 Duties and Responsibilities. Subject to the rights, powers and privileges accorded to the Member in the Certificate of Incorporation, these Bylaws, or by law, the Board shall manage and direct the business, property, and affairs of the Hospital. The Board of Directors shall exercise all of the powers of the Hospital in accordance with these Bylaws. Without limiting the foregoing, the Board shall have the power to:

(a) Develop and recommend to the Member the philosophy, mission and values of the Hospital and any changes thereto;

(b) Develop and recommend to the Member the Hospital's strategic plans;

(c) Develop and recommend to the Member the Hospital's annual operating and financial targets, major clinical and/or financial initiatives, and financial plans (including capital and operating budgets);

(d) Annually assess the Hospital's performance against approved budgets, initiatives and strategic plans adopted by the Member;

(e) Recommend to the Member the sale, transfer or substantial change in use of all or substantially all of the assets, the divestiture, dissolution and/or disposition of assets, closure, merger, consolidation, change in corporate membership or ownership or corporate reorganization of the Hospital or any direct or indirect subsidiary of the Hospital;

(f) Recommend to the Member the formation or acquisition by the Hospital of any new direct or indirect subsidiaries, joint ventures or affiliations;

(g) Recommend to the Member the introduction or termination of any services to be offered by the Hospital not otherwise included in an approved budget or a strategic or financial plan~~, or the filing of an application for a certificate of need with the State of Connecticut by the Hospital or any subsidiary~~;

(h) Approve any consent decree or settlements from state and federal authorities, following consultation with the Member;

(i) Recommend to the Member changes to the Hospital's Certificate of Incorporation and Bylaws;

(j) Recommend to the Member nominations for and removal of Directors of the Hospital;

(k) Elect officers of the Board, and recommend to the Member the removal of any officer of the Board;

(l) Recommend to the Member the selection, evaluation and compensation of the President and CEO;

(m) Approve business transactions or material contracts, subject to the rights of the Member set forth in Section 1.02, not otherwise included in an approved budget or a strategic or financial plan;

(n) Approve any incurrence or assumption of debt by the Hospital in accordance with the guidelines for accounting and debt management programs established by the Member;

(o) Periodically assess the Hospital's Quality Initiatives, including tracking and reporting on the Hospital's performance under quality measures, quality and patient safety programs and initiatives, patient satisfaction and cultural competence initiatives;

(p) Periodically assess the Hospital's policies and programs to assure corporate and regulatory compliance, including all required state and federal license and generally recommended accreditations and certifications;

(q) Periodically assess the Hospital's policies and programs relating to human relations and labor relations;

(r) Periodically assess the Hospital's Development Plans and its Planned Giving Plans;

(s) Periodically assess the Hospital's Community Relations Initiatives and Community Outreach Programs;

(t) Plan and implement policies and programs relating to the Hospital's use, management and investment of its permanent and temporarily restricted endowment funds, annual appeal funds, and net proceeds from special fundraising events;

(u) Approve actions with respect to the privileges and credentials of members of the Hospital's medical staff in accordance with state and federal law, applicable accreditation standards, the Hospital's Medical Staff Bylaws and any System guidelines established by the Member;

(v) Evaluate the Board's performance; and

(w) Recommend to the Member the appointment and removal of the President and CEO.

Section 2.08 Compensation. The Directors shall serve without compensation for their services as Directors but may be reimbursed by the Hospital for their reasonable expenses and disbursements in that capacity on behalf of the Hospital.

Section 2.09 Directors Emeriti. In its discretion, the Member may appoint Directors Emeriti. To be eligible for appointment, an individual shall have contributed lengthy and exemplary service to the Hospital as a Director. From time to time, Directors Emeriti may be invited to attend Board meetings, but shall not vote or be counted towards a quorum. Individuals appointed as Directors Emeriti shall retain such appointments for life.

ARTICLE III
Meetings of the Board of Directors

Section 3.01 Annual and Regular Meetings. The annual meeting of the Board shall be held in the month of December on a date to be fixed by the Chair from year to year, unless the Chair shall designate a different date for the annual meeting of the Board. The transaction of business at the annual meeting shall be unlimited except as otherwise specified in these Bylaws. There shall be up to twelve (12) regular meetings of the Board per fiscal year, with a schedule of such meetings to be adopted by resolution of the Board.

Section 3.02 Notice of Annual and Regular Meetings. The Secretary shall give notice of the date, time and place of the annual meeting and each regular meeting of the Board by mail, electronic mail, telecommunications, telephone, facsimile, delivery service or in person to each Director at least five (5) days in advance of the meeting, except that no notice need be given of a regular meeting held in accordance with a schedule approved by the Board.

Section 3.03 Special Meetings. Special meetings may be called at any time by the Chair, and shall be called by the Chair within seven (7) days of receipt of the written request of any three (3) Directors. Notice of the date, time, place and purpose of a special meeting shall be given to each Director by mail, electronic mail, telecommunications, telephone, facsimile, delivery service or in person at least twenty-four (24) hours before the scheduled time of the meeting and no business shall be transacted at such meeting other than that specifically set forth in the notice.

Section 3.04 Quorum; Vote Required for Action. A majority of all Directors shall constitute a quorum at all meetings of the Board. The affirmative vote of a majority of the Directors present at a meeting at which time a vote is taken shall be the act of the Board, unless the vote of a greater number is required by the Certificate of Incorporation, these Bylaws, or by law. Ex-officio Directors shall be counted in determining a quorum and shall be entitled to vote.

Section 3.05 Action Without Meeting. If all members of the Board consent in writing to any action taken or to be taken, the action shall be the same as if authorized at a meeting of the Board; all written consent(s) shall be included in the corporate minutes or filed with the corporate records.

Section 3.06 Participation by Conference Telephone. Any member of the Board may participate in a meeting by means of a conference telephone or similar communications equipment enabling all members of the Board participating in the meeting to hear one another, and such participation shall constitute presence in person at such meeting.

Section 3.07 Agenda and Records of Meetings. There shall be a written agenda for each meeting of the Board, and minutes of each meeting shall be prepared and submitted to the Board for approval by the Secretary or a delegate. Minutes shall reflect attendance at the meeting, and shall be dated, signed and maintained in the corporate records following approval.

Section 3.08 Executive Session. The Board of Directors shall meet in executive session at least once during each fiscal year and may meet in executive session at such other times as the Chair may designate. An executive session may be held during any regular or special meeting of the Board and shall be attended only by Directors and other persons invited by the Chair for all or any portion of the executive session, provided that Directors who are employees of the Hospital may at the discretion of the Chair be excluded from all or any portion of an executive session.

ARTICLE IV
Officers

Section 4.01 Officers. The officers shall be a Chair, the President and CEO, a Secretary, a Treasurer, and such other officers as may from time to time be designated by the Board. The Chair, Secretary and Treasurer shall be chosen from the members of the Board and the Chair must qualify as an independent member of the Board under applicable IRS and Corporation guidelines. The offices of Chair, President and CEO and Secretary shall be held by different individuals.

Section 4.02 Election. The officers except for the President and CEO shall be chosen by the Board at its annual meeting, and shall hold office until the next annual meeting.

Section 4.03 Vacancies. Any vacancy occurring in any office shall be filled promptly by the Board at any Board meeting.

Section 4.04 Removal. Any officer may be removed with or without cause by the Member at any meeting of the board of directors of the Member, provided that the notice of the meeting specifically states that the purpose or one of the purposes of the meeting is removal of the officer.

Section 4.05 Duties. The duties of the officers shall be as follows:

a. Chair. The Chair or in the Chair's absence a Director who is the Chair's delegate or who is appointed by the Board shall preside at all meetings of the Board and shall perform other duties incident to the office or delegated by the Board or these Bylaws. The Chair shall be an ex-officio member of all committees.

b. President and CEO. The President and CEO shall be the chief executive officer of the Hospital and shall perform such other duties incident to that office or delegated by the Member, the Board or these Bylaws. The Hospital's President and CEO shall be an ex-officio member of all committees established by the Board. The Member shall appoint the President and CEO, who shall serve until his or her death, resignation, disability, or removal in accordance with these Bylaws.

c. Secretary. The Secretary shall maintain the minutes of the meetings of the Board in the corporate records; give or cause to be given all notices required by these Bylaws or by law; serve as custodian of the Board's records; make such records available to the Board upon its request; and perform all other duties incident to the office or delegated by the Board or these Bylaws.

d. Treasurer. The Treasurer shall supervise the receipt and custody of the Hospital's funds and investments; render a full account and statement of the condition of the Hospital's finances at each annual meeting of the Board and at such other times as requested by the Board; and perform other duties incident to the office or as may be delegated by the Board or these Bylaws.

e. Other Officers: The Board may from time to time appoint an Assistant Treasurer, Assistant Secretary or any such other officers as the Board may deem necessary or advisable for the efficient operation of the Corporation's affairs, each of whom shall hold office for such period, have such authority and perform such duties as the Board of Directors may from time to time determine.

ARTICLE V

President and CEO

Section 5.01 Appointment. The Member shall appoint a President and CEO in accordance with these Bylaws. Other executive management staff shall be appointed by the

President and CEO with the approval of the Board. The removal of the President and CEO shall be at the discretion of the Member.

Section 5.02 Qualifications for the President and CEO. The Board shall develop and recommend to the member a criteria-based process for selecting a President and CEO. Among other criteria, education and relevant experience are important qualifications. The Board shall also develop and recommend to the Member any performance objectives, evaluations and compensation programs for the President and CEO. The President and CEO shall have the knowledge and skills necessary to perform the duties required of the Hospital's senior leader.

Section 5.03 Responsibilities of the President. The President and CEO shall be the chief executive officer of the Hospital. Subject to the powers expressly reserved to the Board or the Member, the President and CEO shall, in general, supervise and control all the business and affairs of the Hospital and shall have the power to sign, acknowledge and deliver on behalf of the Hospital all deeds, agreements and other formal instruments. If no Chair or Vice Chair has been appointed or in the absence of the Chair or Vice Chair, the President and CEO shall, in general, supervise and control all of the business and affairs of the Hospital, all deeds, agreements and other formal instruments. The President and CEO shall see that all orders and resolutions of the Board and of the committees of the Board are carried into effect. In general, he or she shall perform all duties incident to the office of President and CEO and such other duties as may from time to time be assigned to the President and CEO by these Bylaws, by the Board, or by the Member.

Section 5.04 Attendance at Meetings. The President shall attend all meetings of the Board unless excused by the Chair.

ARTICLE VI

Committees

Section 6.01 Generally. The Board may establish ad hoc committees from time to time as the Board may deem necessary to carry out special find raising events or other initiatives of the Board. Committees may not exercise the authority of the Board, and any acts taken by them shall be solely advisory in nature. The members and chair of each committee shall be appointed by the Board, and each such committee shall consist of at least one (1) Director and two (2) other individuals who may or may not be Directors. Each committee established by the Board shall be chaired by a Director of the Board. Committee members shall serve at the pleasure of the Board and until their successors are elected.

Section 6.02. Committee Procedures. Notice of the date, time and location of a committee meeting shall be given to each member of such committee by mail, electronic mail, telecommunications, telephone, facsimile, delivery service or in person at least twenty-four (24) hours before the scheduled time of the meeting. Minutes shall be recorded of each meeting of the committee and submitted at the next regular meeting of the Board. The committee chair or the chair's designee shall make a full report of each meeting of the committee at the next meeting of the Board.

Section 6.03 Committees - Miscellaneous Provisions. The Chair may designate one or more officers of the Hospital to serve as ex-officio members of a committee. Each such committee shall adopt and follow rules and procedures for its organization and operation.

Section 6.04 "Medical Review Committees". Any committee or subcommittee referred to in or otherwise established in accordance with the provisions of these Bylaws, as well as the Board itself, when engaged in any peer review activity, is intended to be a "peer review board" within the meaning of that term as set forth in Rhode Island General Laws § 5-37-1, as may be amended from time to time.

ARTICLE VII

Medical Staff

Section 7.01 The Appointment and Governance of the Medical Staff. The Board shall appoint all members of the Hospital's Medical Staff, approve each member's delineated clinical privileges, and be responsible for the organization and activities of the Medical Staff. The Board shall adopt and from time to time review the bylaws and rules and regulations of the Medical Staff. The Board shall assure that the Medical Staff complies with such bylaws, rules and regulations, and shall have and regularly consult with a liaison of the Medical Staff.

Section 7.02 Recommendations of The Medical Staff Executive Committee. The Board shall accept and review, for possible adoption by the Board, specific recommendations from the Medical Staff executive committee, made in accordance with the provisions of the Medical Staff bylaws, and relating to:

a. The structure of the Medical Staff;

b. The process designed for reviewing credentials and delineating individual clinical privileges;

c. Recommendations for Medical Staff membership;

d. The organization of the Medical Staff's performance-improvement activities, as well as the process designed for conducting, evaluating and revising such activities;

e. The process by which Medical Staff membership may be terminated; and

f. The fair-hearing process.

ARTICLE VIII

Conflict of Interest; Confidentiality

Section 8.01 "Conflict of Interest" Defined; Conflict of Interest and Confidentiality Policies. The Board expects the Directors to exercise good judgment and follow high ethical standards. Individuals serving the Hospital should never permit private interests to conflict in any way with their obligations to the Hospital and to any entities affiliated with the

Hospital. In addition, all Directors must honor the confidential nature of Hospital information and strive to maintain its confidentiality. To this end, from time to time the Board shall adopt a Conflict of Interest Policy and a Confidentiality Policy; such policies shall be as effective as if they were part of these Bylaws. These policies shall be consistent with requirements of state law, the law of tax-exempt organizations, and the requirements of the Joint Commission on the Accreditation of Healthcare Organizations, and shall address, among other things: the definition of "confidential materials" and "related persons"; disclosure by Board members; the purchase of goods and services; compensation decisions; and procedures to implement and enforce these policies.

ARTICLE IX

Amendments

Section 9.01 Amendments. Except as otherwise provided by the Certificate of Incorporation, or by law, the Member may adopt, amend or repeal these Bylaws.

ARTICLE X

Miscellaneous

Section 10.01. Principal Office. The principal office of the Hospital shall be located in Westerly, Rhode Island.

Section 10.02. Waivers of Notice. Whenever any notice of time, place, purpose or any other matter, including any special notice or form of notice, is required or permitted to be given to any person by law or under the provisions of the Certificate of Incorporation or these Bylaws, or of a resolution of the Member or the Board, a written waiver of notice signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be equivalent to the giving of such notice. The Secretary of the Hospital shall cause any such waiver to be filed with or entered upon the records of the Hospital or, in the case of a waiver of notice of a meeting, the records of the meeting. The attendance of any person at or participation in a meeting waives any required notice to that person of the meeting unless at the beginning of the meeting, or promptly upon the person's arrival, the

person objects to the holding of the meeting or the transacting of business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

Adopted by the ~~Executive Committee of the~~ Board of Directors of Lawrence + Memorial Corporation as of ~~October~~ November 26, 2012.

Supplemental Exhibit 2(h)

BYLAWS

OF

L&M PHYSICIAN ASSOCIATION, INC.

ARTICLE I.

Name

Section 1.01 Name of Corporation. The name of this Corporation is as set forth in the Certificate of Incorporation, and it shall be referred to throughout these Bylaws as the "Corporation."

ARTICLE II.

Role and Purpose of the Corporation; Sole Member

Section 2.01 Role and Purpose of the Corporation. The role and purpose of Corporation shall be as set forth in its Certificate of Incorporation, as may be amended.

Section 2.02 Sole Member; Lawrence & Memorial Corporation. The Corporation shall have but one (1) member, Lawrence & Memorial Corporation (the "**Sole Member**"), which shall appoint the Board of Directors of the Corporation (also referred to in these Bylaws as the "**Board**" or "**Board of Directors**"), adopt, amend and repeal these Bylaws, and have all of the other rights, powers and privileges usually or by law accorded to the members of a nonstock federally tax-exempt corporation and not conferred by these Bylaws on the Board of Directors of the Corporation. In addition to such other rights, powers and privileges as it may have by law, the Sole Member shall have the following rights, powers and privileges:

(a) To appoint all the Directors to the Board of Directors;

(b) To accept or reject, after approval by the Board, the annual operating and capital budgets of the Corporation;

(c) To approve, upon recommendation by the Board, any plans that materially affect the growth and development of the Corporation;

(d) To approve, upon recommendation by the Board, significant fund raising programs, the sale or disposition of any assets of the Corporation (except sales or dispositions undertaken in the ordinary course of business), and the incurring of any indebtedness for borrowed money except in accordance with an approved operating or capital budget;

(e) To remove any elected member of the Board of Directors with or without cause in accordance with these Bylaws;

(f) To vote upon all matters on which Members are entitled to vote under the Connecticut Nonstock Corporation Act; and

(g) To act on any other matters on which action by the Sole Member is required or permitted by these Bylaws.

ARTICLE III.

Board of Directors

Section 3.01 Composition. The Board of Directors shall consist of no less than five (5) and no more than fifteen (15) individuals to be determined by the Sole Member at its annual meeting. The Board of Directors shall have three (3) categories of directors:

(a) Administrator Directors. Administrator Directors shall consist of individuals employed by the Sole Member or its affiliate organizations; provided, however, that the Corporation shall not be considered an affiliate organization for these purposes. The Chief Medical Officer of Lawrence & Memorial Hospital (the "Hospital") shall serve *ex officio* as an Administrator Director.

(b) Physician Directors. Physician Directors shall consist of physicians participating in the medical practice of the Corporation or having medical staff privileges (other than honorary privileges) at the Hospital.

(c) Community Directors. Community Directors shall consist of individuals that do not qualify as (i) Administrator Directors: (ii) Physician Directors; (iii) individuals, such as employees or contractors, who receive compensation from the Corporation; or (iv) members of the families of or persons having a financial interest in the businesses of persons described in (i) – (iii) above.

At all times, the Board shall consist of an equal number of Administrator and Physician Directors as well as at least one (1) Community Director.

Section 3.02 Election and Terms. Except as provided otherwise in this Article, Directors shall serve a term of three (3) years, or until their resignation, removal or death. Directors shall be divided into three (3) classes of approximately equal size with approximately equal representation from each Director category. One class of Directors shall be elected by the Sole Member at each annual meeting.

Section 3.03 Resignation. A Director may resign at any time by delivering written notice to the Secretary of the Corporation. The resignation shall be effective when the notice is delivered, unless the notice specifies a later effective date.

Section 3.04 Removal. A Director may be removed by the Sole Member at any time, with or without cause.

Section 3.05 Vacancies. A vacancy of a Director shall be filled for the balance of the vacated term by the Sole Member.

Section 3.06 Duties and Responsibilities. Subject to the rights, powers and privileges accorded to the Sole Member in the Certificate of Incorporation, these Bylaws, or by law, the Board of Directors shall manage and direct the business, property, and affairs of the Corporation, including, but not limited to the following:

(a) Enter into contractual agreements with the Sole Member, the Hospital and affiliated institutions;

(b) Coordinate with the Sole Member, the Hospital and affiliated institutions to ensure that the highest possible quality medical care is offered to all patients;

(c) Establish the short-range and long-range goals and objectives of the Corporation;

(d) Review and adopt policies and programs reasonably calculated to achieve the established goals and purposes of the Corporation;

(e) Establish administrative and fiscal controls sufficient to ensure successful implementation of the aforementioned policies and programs;

(f) Arrange for physical plant and equipment for immediate and future needs of the Corporation;

(g) Appoint and manage qualified executive and other staff as may be required for the efficient administration and operation of the Corporation;

(h) Maintain sound fiscal policies for the Corporation, review and adopt its annual operating and capital budgets, manage endowments and implement charitable programs as required to ensure adequate financial support; and

(i) Cooperate with the Sole Member, the Hospital and other affiliated institutions and other area hospitals and human service agencies, with the City of New London, and with local, state and regional federal health agencies and health planning groups to ensure efficient, orderly and economic delivery of health care, consistent with the short-term and long-term needs of the community served by the Corporation.

Section 3.07 Compensation. The Directors shall serve without compensation for their services as Directors but may be reimbursed by the Corporation for their reasonable expenses and disbursements in that capacity on behalf of the Corporation.

ARTICLE IV.

Meetings of the Board of Directors

Section 4.01 Annual and Regular Meetings. The annual meeting of the Board shall be held on the second Saturday of December or at such other time as shall be determined in advance by the Chair. The transaction of business at the annual meeting shall be unlimited except as otherwise specified in these Bylaws.

Section 4.02 Notice of Annual and Regular Meetings. The Secretary shall give notice of the date, time and place of the annual meeting and each regular meeting of the Board by mail, electronic mail, telecommunications, telephone, facsimile or in person to each member of the Board at least five (5) days in advance of the meeting, except that no notice need be given of a regular meeting held in accordance with a schedule approved by the Board.

Section 4.03 Special Meetings. Special meetings may be called at any time by the Chair, and shall be called by the Chair within seven (7) days of receipt of the written request of any three (3) Board members. Notice of the date, time, place and purpose of a special meeting shall be given to each member by mail, electronic mail, telecommunications, telephone, facsimile or in person at least twenty-four (24) hours before the scheduled date of the meeting and no business shall be transacted at such meeting other than that specifically set forth in the notice.

Section 4.04 Quorum; Vote Required for Action. A majority of all Directors shall constitute a quorum at all meetings of the Board; provided further that at least one (1) Administrator Director and one (1) Physician Director must also be present. The affirmative vote of a majority of the Directors present at a meeting at which time a vote is taken shall be the act of the Board, unless the vote of a greater number is required by the Certificate of Incorporation, these Bylaws, or by law.

Section 4.05 Action Without Meeting. If all members of the Board consent in writing to any action taken or to be taken, the action shall be the same as if authorized at a meeting of the Board; all written consent(s) shall be included in the corporate minutes or filed with the corporate records.

Section 4.06 Participation by Conference Telephone. Any member of the Board may participate in a meeting by means of a conference telephone or similar communications equipment enabling all members of the Board participating in the meeting to hear one another, and such participation shall constitute presence in person at such meeting.

Section 4.07 Agenda and Records of Meetings. There shall be a written agenda for each meeting of the Board, and minutes of each meeting shall be prepared and submitted to the Board for approval by the Secretary or a delegate. Minutes shall reflect attendance at the meeting, and shall be dated, signed and maintained in the corporate records following approval.

ARTICLE V.

Officers

Section 5.01 Officers. The officers shall be the Chair, an Executive Director, a Secretary, a Treasurer and such other officers as may from time to time be designated by the Board. The Chair, Secretary and Treasurer shall be chosen from the members of the Board.

Section 5.02 Election. The officers shall be chosen by the Board at its annual meeting, and shall hold office until the next annual meeting.

Section 5.03 Vacancies. Any vacancy occurring in any office shall be filled promptly by the Board at any Board meeting.

Section 5.04 Removal. Any officer may be removed with or without cause at any meeting of the Board by the vote of two-thirds (2/3) of the members of the Board present and voting, provided that the notice of the meeting specifically states that the purpose or one of the purposes of the meeting is removal of the officer.

Section 5.05 Duties. The duties of the officers shall be as follows:

(a) Chair. The Chair shall preside at all meetings of the Board and shall be an *ex officio* member of all committees and shall perform other duties incident to the office or delegated by the Board or these Bylaws. In the event of the Chair's absence or disability, a director who is the Chair's delegate or who is appointed by the Board shall perform the duties of the Chair.

(b) Executive Director. The Executive Director shall be the chief executive officer of the Corporation and shall direct all of the activities of the Corporation and shall see that the objectives, policies and orders of the Board are properly executed. The Executive Director shall also perform such other duties incident to that office or delegated by the Board or these Bylaws.

(c) Secretary. The Secretary shall: maintain the minutes of the meetings of the Board in the corporate records; give or cause to be given all notices required by these Bylaws or by law; serve as custodian of the Board's records; make such records available to the Board upon its request; and perform all other duties incident to the office or delegated by the Board or these Bylaws.

(d) Treasurer. The Treasurer shall: supervise the receipt and custody of the Corporation's funds and investments; render a full account and statement of the condition of the Corporation's finances at each annual meeting and at such other times as requested by the Board; and perform other duties incident to the office or as may be delegated by the Board or these Bylaws.

ARTICLE VI.

Committees

Section 6.01 Committees. The Board may create such committees with such duties and powers as it may deem appropriate to assist it in carrying on the business and furthering the purposes of the Corporation, and it may appoint persons who are not Directors to serve on or consult with such committees.

Section 6.02 Committee Procedures; Action by Committee. Each committee may fix rules of procedure for its business. A majority of the members of a committee shall constitute a quorum for the transaction of business and the act of a majority of those present at a meeting at

which a quorum is present shall be the act of the committee. Any action required or permitted to be taken at a meeting of a committee may be taken without a meeting, if a unanimous written consent which sets forth the action is signed by each member of the committee and filed with the minutes of the committee. The members of a committee may conduct any meeting thereof by conference telephone in accordance with the provisions of Section 4.06.

Section 6.03 Compensation Committee. The Board shall designate a Compensation Committee which will review and recommend appropriate compensation levels for physicians employed by or under contract to the Corporation. Such rates of compensation will reflect competitive fair market value rates for medical services and will not exceed reasonable compensation for services obtained. The Compensation Committee may recommend recruitment incentives for new physicians which represent reasonable compensation and which are also reasonable in relation to the value of the recruited physician to the community served by the Corporation and by the Sole Member within applicable legal requirements for such incentives. The Board may designate the Compensation Committee to be the Compensation Committee of the Hospital provided that such committee is composed of members, none of whom are physicians with a current or prior affiliation with the Corporation or the Hospital, including, but not limited to, affiliation by employment, contracting, or election as an officer or Director of the Corporation.

ARTICLE VII.

Conflict of Interest; Confidentiality

Section 7.01 "Conflict of Interest" Defined; Conflict of Interest and Confidentiality Policies. The Board expects its members to exercise good judgment and follow high ethical standards. Individuals serving the Corporation should never permit private interests to conflict in any way with their obligations to the Corporation and to any entities affiliated with the Corporation. In addition, all members of the Board must honor the confidential nature of Corporation information and strive to maintain its confidentiality. To this end, from time to time the Board shall adopt a Conflict of Interest Policy and a Confidentiality Policy; such policies shall be deemed by this reference to be a part of these Bylaws. These policies shall be consistent with requirements of state law and the law of tax-exempt organizations, and shall address, among other things: the definition of "confidential materials" and "related persons"; disclosure by Board members; the purchase of goods and services; compensation decisions; and procedures to implement and enforce these policies.

ARTICLE VIII.

Miscellaneous

Section 8.01 Principal Office. The principal office of the Corporation shall be located in New London, Connecticut.

Section 8.02 Waivers of Notice. Whenever any notice of time, place, purpose or any other matter, including any special notice or form of notice, is required or permitted to be given to any person by law or under the provisions of the Certificate of Incorporation or these Bylaws,

or of a resolution of the Sole Member or the Board of Directors, a written waiver of notice signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be equivalent to the giving of such notice. The Secretary of the Corporation shall cause any such waiver to be filed with or entered upon the records of the Corporation or, in the case of a waiver of notice of a meeting, the records of the meeting. The attendance of any person at or participation in a meeting waives any required notice to that person of the meeting unless at the beginning of the meeting, or promptly upon the person's arrival, the person objects to the holding of the meeting or the transacting of business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

ARTICLE IX.

Amendments

Section 9.01 Amendments. Except as otherwise provided by the Certificate of Incorporation, or by law, the Sole Member may adopt, amend or repeal these Bylaws.

BYLAWS

OF

L&~~+~~M PHYSICIAN ASSOCIATION, INC.

ARTICLE I~~ARTICLE I.~~

Name

Section 1.01 Name of Corporation. The name of this Corporation is ~~as set forth in the Certificate of Incorporation~~**L+M Physician Association, Inc.**, and it shall be referred to throughout these Bylaws as the "Corporation."

ARTICLE II~~ARTICLE II.~~

Role and Purpose of the Corporation; Sole Member

Section 2.01 Role and Purpose of the Corporation. The ~~role and purpose of Corporation shall be as set forth in its~~Corporation is organized and shall be operated exclusively for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as now in effect or as may hereafter be amended (the "**Code**"), which purposes are set forth in the Corporation's Certificate of Incorporation, as the same may be amended~~.~~ from time to time. The Corporation's primary role and purpose is to practice medicine and provide health care services to the public as a medical foundation, pursuant to Chapter 594b of the Connecticut General Statutes, within the health care delivery system administered by Lawrence + Memorial Corporation.

Section 2.02 Sole Member; Lawrence &~~+~~ Memorial Corporation. The Corporation shall have but one (1) member, Lawrence &~~+~~ Memorial Corporation (the "**~~Sole~~ Member**"), which shall appoint the Board of Directors of the Corporation (also referred to in these Bylaws as the "**Board**" or "**Board of Directors**"), adopt, amend and repeal these Bylaws, and have all of the other rights, powers and privileges usually or by law accorded to the members of a nonstock federally tax-exempt corporation and not conferred by these Bylaws on the Board of Directors of the Corporation. In addition to such other rights, powers and privileges as it may have by law, the ~~Sole~~ Member shall have the ~~following rights, powers~~right and ~~privileges~~power to:

~~(a) To appoint all the Directors to the Board of Directors;~~

(a) Approve the philosophy, mission and values of the Corporation and any change thereto;

(b) Adopt strategic plans for the Corporation;

~~(b) To accept or reject, after approval by the Board, the~~(c) Approve the Corporation's annual operating and ~~capital budgets of the Corporation~~financial targets, major clinical and/or financial initiatives, and financial plans (including capital and operating budgets);

~~(c) To approve, upon recommendation by the Board, any plans that materially affect the growth and development of the Corporation;~~

~~(d) To approve, upon recommendation by the Board, significant fund raising programs, the sale or disposition of any assets of the Corporation (except sales or dispositions undertaken~~

(d) Approve the formation or acquisition by the Corporation of any new direct or indirect subsidiaries, joint ventures or affiliations;

(e) Approve the Certificate of Incorporation, Bylaws and other governance documents of the Corporation, and any amendments thereto or restatements thereof;

(f) Approve all core competencies and qualifications required for selection of the Corporation's Directors;

(g) In consultation with and upon recommendation of the Board, appoint all Directors of the Corporation, and remove, with or without cause, all Directors or board officers of the Corporation;

(h) In consultation with and upon recommendation of the Board, appoint and remove, determine the compensation for, and conduct the evaluation of, the Executive Director of the Corporation;

(i) Select and approve any auditor of the annual audited financial statements for the Corporation;

(j) Approve any accounting or debt management programs, establish any debt limits under such programs, approve any variances from such programs or limits for the Corporation, and incur or assume any debt on behalf of the Corporation;

(k) Approve the incurrence of debt or financing by the Corporation, other than credit purchases of goods or services in the ordinary course of business~~), and the incurring of any indebtedness for borrowed money except in accordance with an approved operating or capital~~, except as included in approved capital or operating budgets;

(l) Oversee the Corporation's use, management and investment of its permanent and temporarily restricted endowment funds;

(m) Approve any voluntary change to the federal income tax exemption granted by the IRS to the Corporation under Section 501(c)(3) of the Code;

(n) Initiate or consent to any form of insolvency proceeding undertaken by the Corporation or any direct or indirect subsidiary of the Corporation;

(o) Approve all projects, agreements or transactions undertaken by the Corporation involving the expenditure of funds or divestiture of assets in excess of $100,000 or two percent (2%) of the Corporation's total assets, whichever is greater and not otherwise included in an approved budget;

~~(e) To remove any elected member of the Board of Directors with or without cause in accordance with these Bylaws;~~

~~(f) To vote upon all matters on which Members are entitled to vote under the Connecticut Nonstock Corporation Act; and~~

~~(g) To act on any other matters on which action by the Sole Member is required or permitted by these Bylaws.~~

(p) Approve the services offered by the Corporation, new service lines or termination of existing service lines not otherwise included in an approved budget or a strategic or financial plan;

(q) Approve any sale, lease, transfer, or substantial change in the use of all or substantially all of the assets of the Corporation or any direct or indirect subsidiary of the Corporation;

(r) Approve any merger, consolidation, restructuring, change in corporate ownership, dissolution, or liquidation of the Corporation or any direct or indirect subsidiary or the Corporation;

(s) Approve the acquisition of any real estate or any significant lease arrangement by the Corporation, except as otherwise included in a strategic or financial plan or approved budget;

(t) Approve any management contract or outsourcing arrangement for the Corporation which would substantially impact or alter its operations, or any settlement agreement or consent decree with any local, state or government authorities; and

(u) Approve any change in the primary business name or logo of the Corporation.

Section 2.03 Manner of Action by Member. Any action permitted or required of the Member by law, the Certificate of Incorporation or these Bylaws may be taken by vote of its board of directors, or by or through any person or persons designated by either its bylaws or its board of directors to act on its behalf. Any such action may also be taken without a meeting by written communication of a duly authorized representative of the Member acting within the limits of his/her authority. Any such action by the Member or its duly authorized representative shall be filed with the Secretary of the Corporation. Whenever approval by the Member is required by law, the Certificate of Incorporation or these Bylaws, the Member shall attempt to act on a request for approval within the timeframe set forth in any schedule that may be developed from time to time, or if no such schedule exists, in a timely manner.

ARTICLE III~~ARTICLE III.~~

Board of Directors

Section 3.01 Composition. The Board of Directors shall consist of ~~no less than five (5) and no more than fifteen (15) individuals~~nine (9) Directors, including *ex officio* Directors, to be determined by the ~~Sole~~ Member at its annual meeting. The Board of Directors shall have three (3) categories of directors:

(a) Administrator Directors. There shall be four (4) Administrator Directors serving on the Board. Administrator Directors shall consist of individuals employed by the ~~Sole~~ Member or its affiliate organizations~~; provided, however, that the Corporation shall not be considered an affiliate organization for these purposes. The Chief Medical Officer of Lawrence & Memorial Hospital (the "Hospital"),~~ including one (1) senior executive of the Corporation, and the President and Chief Executive Officer of the Member who shall serve *ex officio* ~~as an Administrator Director~~with a vote.

(b) Physician Directors. There shall be four (4) Physician Directors serving on the Board. Physician Directors shall consist of physicians participating in the medical practice of the Corporation or having medical staff privileges (other than honorary privileges) at Lawrence + Memorial Hospital (the "Hospital").

(c) Community Directors. There shall be one (1) Community Director serving on the Board. Community Directors shall consist of individuals ~~that~~who do not qualify as ~~(i)~~ Administrator Directors~~; (ii)~~ or Physician Directors~~; (iii) individuals, such as employees or contractors, who receive compensation from the Corporation; or (iv) members of the families of or persons having a financial interest in the businesses of persons described in (i) – (iii) above~~, and who are (i) members of the community served by the Corporation or retired physicians, and (ii) medicare beneficiaries.

~~At all times, the Board shall consist of an equal number of Administrator and Physician Directors as well as at least one (1) Community Director.~~

Section 3.02 Election and Terms. Except individuals serving *ex officio* on the Board or as provided otherwise in this Article III, Directors shall serve a term of three (3) years, or until their resignation, removal or death. Directors shall be divided into three (3) classes of approximately equal size with approximately equal representation from each Director category. One class of Directors shall be elected by the ~~Sole~~ Member at each annual meeting from a slate of nominees prepared by the Member's Governance Committee.

Section 3.03 Resignation. A Director may resign at any time by delivering written notice to the Secretary of the Corporation. The resignation shall be effective when the notice is delivered, unless the notice specifies a later effective date.

Section 3.04 Removal. A Director may be removed by the ~~Sole~~ Member at any time, with or without cause.

Section 3.05 Vacancies. A vacancy of a Director shall be filled for the balance of the vacated term by the ~~Sole~~ Member.

Section 3.06 Duties and Responsibilities. Subject to the rights, powers and privileges accorded to the ~~Sole~~ Member in the Certificate of Incorporation, these Bylaws, or by law, the Board of Directors shall manage and direct the business, property, and affairs of the Corporation~~, including, but not limited to the following~~. The Board shall exercise all of the powers of the Corporation in accordance with these Bylaws. Without limiting the foregoing, the Board shall have the power to:

~~(a) Enter into contractual agreements with the Sole Member, the Hospital and affiliated institutions;~~

~~(b) Coordinate with the Sole Member, the Hospital and affiliated institutions to ensure that the highest possible quality medical care is offered to all patients;~~

~~(c) Establish the short-range and long-range goals and objectives of the Corporation;~~

~~(d) Review and adopt policies and programs reasonably calculated to achieve the established goals and purposes of the Corporation;~~

~~(e) Establish administrative and fiscal controls sufficient to ensure successful implementation of the aforementioned policies and programs;~~

~~(f) Arrange for physical plant and equipment for immediate and future needs of the Corporation;~~

~~(g) Appoint and manage qualified executive and other staff as may be required for the efficient administration and~~ operation of the Corporation;

(a) Develop and recommend to the Member the philosophy, mission and values of the Corporation and any changes thereto;

(b) Develop and recommend to the Member the Corporation's strategic plans;

~~(h) Maintain sound fiscal policies for~~(c) Develop and recommend to the Member the Corporation~~, review and adopt its annual operating and capital budgets, manage endowments and implement charitable programs as required to ensure adequate financial support; and~~'s annual operating and financial targets, major clinical and/or financial initiatives, and financial plans (including capital and operating budgets);

~~(i) Cooperate with the Sole Member, the Hospital and other affiliated institutions and other area hospitals and human service agencies, with the City of New London, and with local, state and regional federal health agencies and health planning groups to ensure efficient, orderly and economic delivery of health care, consistent with the short-term and long-term needs of the community served by the Corporation.~~

(d) Annually assess the Corporation's performance against approved budgets, initiatives and strategic plans adopted by the Member;

(e) Recommend to the Member the sale, transfer or substantial change in use of all or substantially all of the assets, the divestiture, dissolution and/or disposition of assets, closure, merger, consolidation, change in corporate membership or ownership or corporate reorganization of the Corporation or any direct or indirect subsidiary of the Corporation;

(f) Recommend to the Member the formation or acquisition by the Corporation of any new direct or indirect subsidiaries, joint ventures or affiliations;

(g) Recommend to the Member the introduction or termination of any services to be offered by the Corporation not otherwise included in an approved budget or a strategic or financial plan, or the filing of an application for a certificate of need with the State of Connecticut by the Corporation or any subsidiary;

(h) Approve any consent decree or settlements from state and federal authorities, following consultation with the Member;

(i) Recommend to the Member changes to the Corporation's Certificate of Incorporation and Bylaws;

(j) Recommend to the Member nominations for and removal of Directors of the Corporation;

(k) Elect officers of the Board, and recommend to the Member the removal of any officer of the Board;

(l) Recommend to the Member the selection, evaluation and compensation of the Executive Director;

(m) Approve business transactions or material contracts, subject to the rights of the Member set forth in Section 2.02, not otherwise included in an approved budget or a strategic or financial plan;

(n) Approve any incurrence or assumption of debt by the Corporation in accordance with the guidelines for accounting and debt management programs established by the Member;

(o) Periodically assess the Corporation's Quality Initiatives, including tracking and reporting on the Corporation's performance under quality measures, quality and patient safety programs and initiatives, patient satisfaction and cultural competence initiatives;

(p) Periodically assess the Corporation's policies and programs to assure corporate and regulatory compliance, including all required state and federal license and generally recommended accreditations and certifications;

(q) Periodically assess the Corporation's policies and programs relating to human relations and labor relations;

(r) Periodically assess the Corporation's Development Plans and its Planned Giving Plans;

(s) Periodically assess the Corporation's Community Relations Initiatives and Community Outreach Programs;

(t) Plan and implement policies and programs relating to the Corporation's use, management and investment of its permanent and temporarily restricted endowment funds, annual appeal funds, and net proceeds from special fundraising events;

(u) Approve actions with respect to the privileges and credentials of members of the Corporation's medical staff in accordance with state and federal law, applicable accreditation standards, the Corporation's Medical Staff Bylaws and any guidelines established by the Member;

(v) Evaluate the Board's performance, including the performance of the Chair; and

(w) Recommend to the Member the appointment and removal of the Executive Director.

Section 3.07 Compensation. The Directors shall serve without compensation for their services as Directors but may be reimbursed by the Corporation for their reasonable expenses and disbursements in that capacity on behalf of the Corporation.

ARTICLE IV~~ARTICLE IV.~~

Meetings of the Board of Directors

Section 4.01 Annual and Regular Meetings. The annual meeting of the Board shall be held on the second Saturday of December or at such other time as shall be determined in advance by the Chair. The transaction of business at the annual meeting shall be unlimited except as otherwise specified in these Bylaws. There shall be up to twelve (12) regular meetings of the Board per fiscal year, with a schedule of such meetings to be adopted by resolution of the Board.

Section 4.02 Notice of Annual and Regular Meetings. The Secretary shall give notice of the date, time and place of the annual meeting and each regular meeting of the Board by mail, electronic mail, telecommunications, telephone, facsimile or in person to each member of the Board at least five (5) days in advance of the meeting, except that no notice need be given of a regular meeting held in accordance with a schedule approved by the Board.

Section 4.03 Special Meetings. Special meetings may be called at any time by the Chair, and shall be called by the Chair within seven (7) days of receipt of the written request of any three (3) ~~Board members~~Directors. Notice of the date, time, place and purpose of a special meeting shall be given to each member by mail, electronic mail, telecommunications, telephone,

facsimile or in person at least twenty-four (24) hours before the scheduled date of the meeting and no business shall be transacted at such meeting other than that specifically set forth in the notice.

Section 4.04 Quorum; Vote Required for Action. A majority of all Directors shall constitute a quorum at all meetings of the Board; provided further that at least one (1) Administrator Director and one (1) Physician Director must also be present. The affirmative vote of a majority of the Directors present at a meeting at which time a vote is taken shall be the act of the Board, unless the vote of a greater number is required by the Certificate of Incorporation, these Bylaws, or by law. *Ex officio* Directors shall be counted in determining a quorum and shall be entitled to vote.

Section 4.05 Action Without Meeting. If all members of the Board consent in writing to any action taken or to be taken, the action shall be the same as if authorized at a meeting of the Board; all written consent(s) shall be included in the corporate minutes or filed with the corporate records.

Section 4.06 Participation by Conference Telephone. Any member of the Board may participate in a meeting by means of a conference telephone or similar communications equipment enabling all members of the Board participating in the meeting to hear one another, and such participation shall constitute presence in person at such meeting.

Section 4.07 Agenda and Records of Meetings. There shall be a written agenda for each meeting of the Board, and minutes of each meeting shall be prepared and submitted to the Board for approval by the Secretary or a delegate. Minutes shall reflect attendance at the meeting, and shall be dated, signed and maintained in the corporate records following approval.

ARTICLE V~~ARTICLE V.~~

Officers

Section 5.01 Officers. The officers shall be the Chair, an Executive Director, a Secretary, a Treasurer and such other officers as may from time to time be designated by the Board. The Chair, Secretary and Treasurer shall be chosen from the members of the Board.

Section 5.02 Election. The officers, except for the Executive Director, shall be chosen by the Board at its annual meeting, and shall hold office until the next annual meeting.

Section 5.03 Vacancies. Any vacancy occurring in any office shall be filled promptly by the Board at any Board meeting.

Section 5.04 Removal. Any officer may be removed with or without cause by the Member at any meeting of the ~~Board by the vote of two-thirds (2/3) of the members of the Board present and voting~~board of directors of the Member, provided that the notice of the meeting specifically states that the purpose or one of the purposes of the meeting is removal of the officer.

Section 5.05 Duties. The duties of the officers shall be as follows:

(a) Chair. The Chair shall preside at all meetings of the Board ~~and~~, shall be an *ex officio* member of all committees, and shall perform other duties incident to the office or delegated by the Board or these Bylaws. In the event of the Chair's absence or disability, a ~~director~~Director who is the Chair's delegate or who is appointed by the Board shall perform the duties of the Chair.

(b) Executive Director. The Executive Director shall be the chief executive officer of the Corporation ~~and shall direct~~. The Member shall appoint the Executive Director, who shall serve until his or her death, resignation, disability or removal in accordance with these Bylaws. Subject to the powers expressly reserved to the Board or the Member, the Executive Director shall, in general, supervise and control all ~~of~~ the ~~activities~~business and affairs of the Corporation, and shall see that the objectives, policies and orders of the Board are properly executed. The Executive Director shall ~~also~~have the power to sign, acknowledge and deliver on behalf of the Corporation all deeds, agreements and other formal instruments. If no Chair has been appointed or in the absence of the Chair, the Executive Director shall preside at each meeting of the Board. In general, he or she shall perform such other duties incident to ~~that office or delegated by the Board or these Bylaws.~~the office of Executive Director and such other duties as may from time to time be assigned to the Executive Director by these Bylaws, by the Board, or by the Member.

(c) Secretary. The Secretary shall: maintain the minutes of the meetings of the Board in the corporate records; give or cause to be given all notices required by these Bylaws or by law; serve as custodian of the ~~Board~~Corporation's records; make such records available to the Board upon its request; and perform all other duties incident to the office or delegated by the Board or these Bylaws.

(d) Treasurer. The Treasurer shall: supervise the receipt and custody of the Corporation's funds and investments; render a full account and statement of the condition of the Corporation's finances at each annual meeting and at such other times as requested by the Board; and perform other duties incident to the office or as may be delegated by the Board or these Bylaws.

(e) Other Officers: The Board may from time to time appoint an Assistant Treasurer, Assistant Secretary or such other officers as the Board may deem necessary or advisable for the efficient operation of the Corporation's affairs, each of whom shall hold office for such period, have such authority and perform such duties as the Board of Directors may from time to time determine.

ARTICLE VI~~ARTICLE VI.~~

Committees

Section 6.01 Committees. The Board may create such ad hoc committees ~~with such duties and powers as it may deem appropriate to assist it in carrying on the business and~~

~~furthering the purposes of the Corporation, and it may appoint persons who are not Directors to serve on or consult with such committees~~from time to time as the Board may deem necessary to carry out special fund raising events or other initiatives of the Board. Committees may not exercise the authority of the Board, and any acts taken by them shall be solely advisory in nature. The members and chairs of each committee shall be appointed by the Board, and each such committee shall consist of at least one (1) Director and two (2) other individuals who may or may not be Directors. Each committee established by the Board shall be chaired by a Director of the Board. Committee members shall serve at the pleasure of the Board and until their successors are elected.

Section 6.02 Committee Procedures; Action by Committee. Each committee may fix rules of procedure for its business. A majority of the members of a committee shall constitute a quorum for the transaction of business and the act of a majority of those present at a meeting at which a quorum is present shall be the act of the committee. Any action required or permitted to be taken at a meeting of a committee may be taken without a meeting, if a unanimous written consent which sets forth the action is signed by each member of the committee and filed with the minutes of the committee. The members of a committee may conduct any meeting thereof by conference telephone in accordance with the provisions of Section 4.06.

Section 6.03 ~~Compensation Committee. The Board shall designate a Compensation Committee which will review and recommend appropriate compensation levels for physicians employed by or under contract to the Corporation. Such rates of compensation will reflect competitive fair market value rates for medical services and will not exceed reasonable compensation for services obtained. The Compensation Committee may recommend recruitment incentives for new physicians which represent reasonable compensation and which are also reasonable in relation to the value of the recruited physician to the community served by the Corporation and by the Sole Member within applicable legal requirements for such incentives. The Board may designate the Compensation Committee to be the Compensation Committee of the Hospital provided that such committee is composed of members, none of whom are physicians with a current or prior affiliation with the Corporation or the Hospital, including, but not limited to, affiliation by employment, contracting, or election as an officer or Director of the Corporation.~~"Medical Review Committees." Any committee or subcommittee referred to in or otherwise established in accordance with the provisions of these Bylaws, as well as the Board itself, when engaged in any peer review activity, is intended to be a "medical review committee" within the meaning of that term as set forth in Chapter 368a of the Connecticut General Statutes, as amended from time to time.

ARTICLE VII~~ARTICLE VII.~~

Conflict of Interest; Confidentiality

Section 7.01 "Conflict of Interest" Defined; Conflict of Interest and Confidentiality Policies. The Board expects its members to exercise good judgment and follow high ethical standards. Individuals serving the Corporation should never permit private interests to conflict in any way with their obligations to the Corporation and to any entities affiliated with the Corporation. In addition, all members of the Board must honor the confidential nature of Corporation information and strive to maintain its confidentiality. To this end, from time to time

the Board shall adopt a Conflict of Interest Policy and a Confidentiality Policy; such policies shall be deemed by this reference to be a part of these Bylaws. These policies shall be consistent with requirements of state law and the law of tax-exempt organizations, and shall address, among other things: the definition of "confidential materials" and "related persons"; disclosure by Board members; the purchase of goods and services; compensation decisions; and procedures to implement and enforce these policies.

ARTICLE VIII~~ARTICLE VIII.~~

Miscellaneous

Section 8.01 Principal Office. The principal office of the Corporation shall be located in New London, Connecticut.

Section 8.02 Waivers of Notice. Whenever any notice of time, place, purpose or any other matter, including any special notice or form of notice, is required or permitted to be given to any person by law or under the provisions of the Certificate of Incorporation or these Bylaws, or of a resolution of the ~~Sole~~ Member or the Board of Directors, a written waiver of notice signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be equivalent to the giving of such notice. The Secretary of the Corporation shall cause any such waiver to be filed with or entered upon the records of the Corporation or, in the case of a waiver of notice of a meeting, the records of the meeting. The attendance of any person at or participation in a meeting waives any required notice to that person of the meeting unless at the beginning of the meeting, or promptly upon the person's arrival, the person objects to the holding of the meeting or the transacting of business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

ARTICLE IX~~ARTICLE IX.~~

Amendments

Section 9.01 Amendments. Except as otherwise provided by the Certificate of Incorporation, or by law, the ~~Sole~~ Member may adopt, amend or repeal these Bylaws.

Adopted by the Board of Directors of Lawrence + Memorial Corporation on _____, 2012.

CERTIFICATE OF INCORPORATION
NONSTOCK CORPORATION

Office of the Secretary of the State

MAILING ADDRESS:
Commercial Recording Division
Connecticut Secretary of the State
P.O. Box 150470
Hartford, CT 06115-0470
860-509-6003

DELIVERY ADDRESS:
Commercial Recording Division
Connecticut Secretary of the State
30 Trinity Street
Hartford, CT 06106
860-509-6003

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SECRETARY OF THE STATE
CONNECTICUT SECRETARY OF THE STATE

1. NAME OF CORPORATION:

L&M Physician Association, Inc.

The corporation is nonprofit and shall not have or issue shares of stock or make distributions.

2. PLACE A CHECK NEXT TO THE APPROPRIATE STATEMENT:

_____ **A. The corporation shall not have members.**

_____ **B. The corporation shall only have members, which are not entitled to vote.**

X **C. The corporation shall have one class of members.**

_____ **D. The corporation shall have multiple classes of members which classes are designated as follows:**

Please note: the manner of election and appointment of members along with their qualifications and rights may be set forth in this certificate or in the corporation's bylaws. Please see C.G.S.§ 33-1055 & -1056.

3. APPOINTMENT OF REGISTERED AGENT: (Please select only one A. or B.)

Name of agent:	**Business address:**
A. Individual's Name:	**Residence address: (P.O. box is unacceptable)**
B. Business Entity: Lawrence & Memorial Corporation	**Address: (P.O. box is unacceptable)** ATTN: Vice President/General Counsel 365 Montauk Avenue, New London, CT 06320

Acceptance of appointment

James J. Mahan, Asst. Secretary
Signature of agent

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4. THE NATURE OF THE ACTIVITIES TO BE CONDUCTED OR THE PURPOSES TO BE PROMOTED BY THE CORPORATION:

See attached "Continuation Page"

(Please reference an 81/2 X 11 attachment if additional space is required)

5. OTHER INFORMATION:

See attached "Continuation Page".

6. EXECUTION:

Dated this 9th day of October, 2009.

Certificate must be signed by each incorporator.

PRINT OR TYPE NAME OF INCORPORATOR(S)	SIGNATURE(S)	COMPLETE ADDRESS(ES)
Maureen J. Anderson	Maureen J. Anderson	365 Montauk Avenue, New London, CT 06320

REV. 08/23/2007

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SECRETARY OF THE STATE
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Article 4

The Corporation is formed and shall be operated exclusively for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as now in effect or as may hereafter be amended (the "Code"). More specifically, for the charitable purpose of benefiting, supporting and furthering the charitable activities of Lawrence & Memorial Hospital (the "Hospital") by engaging physicians to provide physician services to the Hospital; organizations affiliated with the Hospital (collectively, the "Supported Organizations") provided that the Supported Organizations are qualified under Code Section 501(c)(3) and are not private foundations under Code Section 509(a)(1) or (2); and the communities they serve, through the operation of a medical foundation as provided under Connecticut Public Act 09-212 (the "Act") for the purpose of practicing medicine and providing health care services as a medical foundation through employees or agents of such medical foundation who are licensed pursuant to Section 20-9 of the Connecticut General Statutes and through other providers.

The Corporation shall have authority to engage in any lawful act or activity for which a corporation may be organized under the Act and the Connecticut Revised Nonstock Corporation Act, as may be amended.

Article 5

Additional provisions for the conduct and regulation of the business and affairs of the corporation:

5.1 The business, property and affairs of the Corporation shall be directed and managed by the Board of Directors in accordance with the By-laws.

5.2 No part of the net earnings of the Corporation shall inure to the benefit of, or be distributable to any director or officer of the Corporation, or any other private person, except that the Corporation shall be authorized and empowered to pay reasonable compensation for services rendered to or for the Corporation and to make payments and distributions in furtherance of the purposes set forth in Article 4 hereof.

5.3 No substantial part of the activities of the Corporation shall be carrying on propaganda, or otherwise attempting to influence legislation, except as otherwise provided by Section 501(h) of the Code. The Corporation shall not participate or intervene (including by publication or distribution of statements) in any political campaign on behalf of or in opposition to any candidate for public office.

5.4 Notwithstanding any other provision of this Certificate of Incorporation, the Corporation is organized exclusively for charitable and educational purposes, as specified in Section 501(c)(3) of the Code. The Corporation shall not carry on any 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.

5.5 Upon any dissolution or termination of existence of the Corporation, all of its property and assets shall, after payment of the lawful debts of the Corporation and the expenses of its dissolution or termination, be delivered, conveyed and paid over (subject to any restrictions imposed by all applicable will, deed, grant conveyance, agreement, memorandum, writing or other governing document) to the Hospital, so long as it is at that time an organization that qualifies as an exempt organization under Section 501(c)(3) of the Code, or, if at the time of dissolution or termination of existence of the Corporation, the Hospital is not in existence or does not qualify as an exempt organization under Section 501(c)(3) of the Code, to one or more of the Supported Organizations or such other organization or organizations organized and operated exclusively for charitable or educational purposes as shall at the time qualify as an exempt organization or organizations under Section 501 (c)(3) of the Code, in such proportions and for such exclusively charitable, scientific or educational purposes as the Board of Directors may determine. In no event shall any of the assets or property be distributed to any director or officer, or any private individual.

5.6 All references herein: (i) to the Internal Revenue Code shall be deemed to refer to the Internal Revenue Code of 1986, as now in force or hereafter amended; (ii) to the Connecticut General Statutes or any Chapter thereof shall be deemed to refer to such General Statutes or Chapter as now in force or hereafter amended; and (iii) to particular Sections of the Internal Revenue Code or such General Statutes shall be deemed to refer to similar or successor provisions hereafter adopted.

5.7 In addition to, and not in derogation of, any other rights conferred by law, a director of the Corporation shall not be personally liable for monetary damages for breach of duty as a director of the Corporation in an amount greater than the compensation received by the director for serving the Corporation during the year of the violation if the breach did not (a) involve any knowing or culpable violation of law by the director; (b) enable the director, or an associate of the director as defined in Section 33-840 of the Connecticut General Statues, as amended, to receive an improper personal gain; (c) show a lack of good faith or a conscious disregard for the duty of the director to the Corporation under circumstances in which the director was aware that his or her conduct or omission created an unjustifiable risk of serious injury to the Corporation; or (d) constitute a sustained and unexcused pattern of inattention that amounted to an abdication of the director's duty to the Corporation.

5.8 Indemnification.

(a) The Corporation shall provide indemnification to any person made a party to a civil, criminal, administrative or investigative proceeding because he or she is or was a director or officer of the Corporation against liability and reasonable expenses incurred in the proceeding; provided, however, that the Corporation may not indemnify a director or officer of the Corporation unless a determination has been made, on a case-by-case basis, that such indemnification is permissible under the circumstances, because the director or officer, as the case may be, has met the applicable standard of conduct set forth

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in Section 33-1117(a) of the Connecticut General Statutes, as such subsection may be amended from time to time. Such determination shall not be made by the court or other tribunal conducting the proceeding, or by any other court of competent jurisdiction, but shall instead be made in accordance with Section 33-1121 of the Connecticut General Statutes, as such section may be amended from time to time.

(b) The Corporation may not indemnify a director or officer of the Corporation in connection with a proceeding by or in the right of the Corporation, in which the director or officer, as the case may be, was adjudged liable to the Corporation, or in connection with any other proceeding charging improper benefit to him or her, whether or not involving official capacity, in which he or she was adjudged liable on the basis that personal benefit was received.

(c) Employees or agents of the Corporation who are not directors or officers of the Corporation may be indemnified against liability and reasonable expenses in the same manner as set forth in subsections (a) and (b) above, except that the determination required by subsection (a) may in addition be made by general counsel of the Corporation, or such additional officer or officers as the Board of Directors may specify. In the case of employees or agents of the Corporation who are not directors or officers, however, the extent of indemnification may be less than the indemnification of directors or officers, even if the standard in subsection (a) is met, depending upon the extent to which the directors, committee, legal counsel or officer making the determination conclude that the person is fairly and reasonably entitled to indemnification in view of all the relevant circumstances.

Exhibit 3

CHOW NEWCO
Board of Directors 2009/2010

(January 25, 2011, it became Atlantic Medical Group, Inc.)

Name	Address	Phone number	Occupation	Tenure
Fred A. Allardyce	33 Pasadena Avenue Watch Hill, RI 02891	Home: 401-596-2538	Retired Corporate Executive	2
David R. Bailey	89 Hunter's Harbor Road Charlestown, RI 02813	Home: 401-364-1065	Retired Healthcare Executive	2 Resigned January 3, 2011
John P. Casey	48 Ice Pond Road Westerly, RI 02891	Home: 401-596-9713	President General Dynamics Electric Boat	2
David D'Eramo, Ph.D.	28 Highland Road Charlestown, RI 02813	Home: 401-322-8890	Retired Healthcare CEO	3
David V. Devault	2 Dennis Court Westerly, RI 02891	Home: 401-596-5581	Exec. VP, Secretary & CFO The Washington Trust Company	1
Leonard C. Edwards	52 Avondale Road Westerly, RI 02891	Home: 401-596-4181	Retired Business Executive	2
Mureen N. Fitzgerald	10 Windward Drive Westerly, RI 02891	Home: 401-315-5152	President/CEO The Ocean Community YMCA	1
John T. Gorby	77 Water Street Stonington, CT 06378	Home: 860-535-0578	Retired Professional Consultant	3
Richard C. Holliday	35 Avondale Road Westerly, RI 02891-5003	Home: 401-596-7680	Consultant 3P, Inc.	2

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CHOW NEWCO
Board of Directors 2009/2010

(January 25, 2011, it became Atlantic Medical Group, Inc.)

Martha McQ. Hosp	29 Lincoln Road Charlestown, RI 02813	Home: 401-322-8983	Attorney	2
Charles S. Kinney	The Westerly Hospital 25 Wells Street Westerly, RI 02891	Home: 401-596-4355	President/CEO The Westerly Hospital	3
Allen Leadbetter, M.D	16 Handel Road Westerly, RI 02891	Home: 401-322-1503	Retired Surgeon	3
William G. McKendree	20 Avondale Road Westerly, RI 02891	Home: 401-348-0645	Executive Vice President The Clarion Group	2
Christopher M. Lehrach, M.D.	34 Sea View Drive Charlestown, RI 02813	Home: 401-315-5030	Emergency Medicine The Clarion Group	3
Mary Jo Orsinger	34 Elm Street Westerly, RI 02891	Home: 401-596-4236	Real Estate Broker	2
Barbara J. Perino	5 Ashby Street Mystic, CT 06355	Home: 860-536-4806	Physician Practice Business Manager	1 Resigned Dec. 2, 2011
David R. Rivera, M.D.	The Morgan Building 45 Wells Street Westerly, RI 02891	Home: 401-596-4291	Ophthalmologist	2
Officers				

RIDOH 0289

CHOW NEWCO
Board of Directors 2009/2010

(January 25, 2011, it became Atlantic Medical Group, Inc.)

William G. McKendree Chairman	20 Avondale Road Westerly, RI 02891	Home: 401-348-0645	Executive Vice President The Clarion Group	2
Martha McQ. Hosp First Vice Chairman	29 Lincoln Road Charlestown, RI 02813	Home: 401-322-8983	Attorney	2
Fred A. Allardyce Second Vice Chairman	33 Pasadena Avenue Watch Hill, RI 02891	Home: 401-596-2538	Retired Corporate Executive	2
Allen Leadbetter, M.D Assistant Secretary	16 Handel Road Westerly, RI 02891	Home: 401-322-1503	Retired Surgeon	3
Ex Officio Members				
Charles S. Kinney President/CEO	The Westerly Hospital 25 Wells Street Westerly, RI 02891	Home: 401-596-4355 Bus: 401-348-3276	President/CEO The Westerly Hospital	3
David R. Rivera, M.D. President of the Medical Staff	The Morgan Building 45 Wells Street Westerly, RI 02891	Home: 401-596-4291	Ophthalmologist	2
Jeanne M. LaChance Treasurer	14 Canyon Drive Westerly, RI 02891	Home: 401-596-8404	Executive VP, Interim CEO	3
Maureen Carboni Secretary	14 Crestview Drive Westerly, RI 02891	401-596-3102	Assistant to the President/CEO	2

RIDOH 0290

CHOW NEWCO
Board of Directors 2009/2010

(January 25, 2011, it became Atlantic Medical Group, Inc.)

RIDOH 0291

Atlantic Medical Group
Board of Directors 2010/2011

Name	Address	Phone number	Occupation	Tenure
Allen Leadbetter, M.D Chairman	16 Handel Road Westerly, RI 02891	Home: 401-322-1503	Retired Surgeon	3
Adrian Hamburger M.D. Secretary/Treasurer	15 Bridgette Lane Westerly, RI 02891	Home: 401-315-2023	Pain Management	1
Christopher M. Lehrach, M.D. President/CEO	34 Sea View Drive Charlestown, RI 02813	Home: 401-315-5030	Emergency Medicine The Clarion Group	3
David D'Eramo, Ph.D.	28 Highland Road Charlestown, RI 02813	Home: 401-322-8890	Retired Healthcare CEO	3
John T. Gorby	77 Water Street Stonington, CT 06378	Home: 860-535-0578	Retired Professional Consultant	3
Charles S. Kinney	The Westerly Hospital 25 Wells Street Westerly, RI 02891	Home: 401-596-4355	President/CEO The Westerly Hospital	3
Stefana Pecher, M.D.	21 Old Hamburg Road Lyme, CT 06371	Home: 860-434-5953	Physician Family Medicine	1
Jeanne M. LaChance Staff	14 Canyon Drive Westerly, RI 02891	Home: 401-596-8404	Executive VP, Interim CEO	2 or 3

RIDOH 0292

Atlantic Medical Group
Board of Directors 2010/2011

RIDOH 0293

Eldereval, LLC
Board of Directors 2009/2010

Name	Address	Phone number	Occupation	Tenure
Charles S. Kinney President/CEO	The Westerly Hospital 25 Wells Street Westerly, RI 02891	Home: 401-596-4355	President/CEO The Westerly Hospital	2
Margaret F. Austin Secretary	28 Quarry Road Mystic, CT 06355	860-536-0504	VP Clinical Operations, CNO	2
Jeanne M. LaChance Treasurer	14 Canyon Drive Westerly, RI 02891	Home: 401-596-8404	Executive VP, Interim CEO	2

RIDOH 0294

Eldereval, LLC
Board of Directors 2010/2011

Name	Address	Phone number	Occupation	Tenure
Charles S. Kinney President/CEO	The Westerly Hospital 25 Wells Street Westerly, RI 02891	Home: 401-596-4355	President/CEO The Westerly Hospital	2
Margaret F. Austin Secretary	28 Quarry Road Mystic, CT 06355	860-536-0504	VP Clinical Operations, CNO	2
Jeanne M. LaChance Treasurer	14 Canyon Drive Westerly, RI 02891	Home: 401-596-8404	Executive VP, Interim CEO	2

RIDOH 0295

Mastuxet Realty, Inc.
Board of Directors 2009/2010

Name	Address	Phone number	Occupation	Tenure
Charles S. Kinney President	The Westerly Hospital 25 Wells Street Westerly, RI 02891	Home: 401-596-4355	President/CEO The Westerly Hospital	2
Margaret F. Austin Secretary	28 Quarry Road Mystic, CT 06355	860-536-0504	VP Clinical Operations, CNO	2
Jeanne M. LaChance Treasurer	14 Canyon Drive Westerly, RI 02891	Home: 401-596-8404	Executive VP, Interim CEO	2

RIDOH 0296

Mastuxet Realty, Inc.
Board of Directors 2010/2011

Name	Address	Phone number	Occupation	Tenure
Charles S. Kinney President	The Westerly Hospital 25 Wells Street Westerly, RI 02891	Home: 401-596-4355	President/CEO The Westerly Hospital	2
Margaret F. Austin Secretary	28 Quarry Road Mystic, CT 06355	860-536-0504	VP Clinical Operations, CNO	2
Jeanne M. LaChance Treasurer	14 Canyon Drive Westerly, RI 02891	Home: 401-596-8404	Executive VP, Interim CEO	2

RIDOH 0297

TWH Community Health Center
Board of Directors 2009/2010
(October 18, 2010, it became North Stonington Health Center, Inc.)

Name	Address	Phone number	Occupation	Tenure
Fred A. Allardyce	33 Pasadena Avenue Watch Hill, RI 02891	Home: 401-596-2538	Retired Corporate Executive	1
David R. Bailey	89 Hunter's Harbor Road Charlestown, RI 02813	Home: 401-364-1065	Retired Healthcare Executive	1 Resigned January 3, 2011
John P. Casey	48 Ice Pond Road Westerly, RI 02891	Home: 401-596-9713	President General Dynamics Electric Boat	1
David D'Eramo, Ph.D.	28 Highland Road Charlestown, RI 02813	Home: 401-322-8890	Retired Healthcare CEO	1
David V. Devault	2 Dennis Court Westerly, RI 02891	Home: 401-596-5581	Exec. VP, Secretary & CFO The Washington Trust Company	1
Leonard C. Edwards	52 Avondale Road Westerly, RI 02891	Home: 401-596-4181	Retired Business Executive	1
Maureen N. Fitzgerald	10 Windward Drive Westerly, RI 02891	Home: 401-315-5152	President/CEO The Ocean Community YMCA	2
John T. Gorby	77 Water Street Stonington, CT 06378	Home: 860-535-0578	Retired Professional Consultant	1
Richard C. Holliday	35 Avondale Road Westerly, RI 02891-5003	Home: 401-596-7680	Consultant 3P, Inc.	1

RIDOH 0298

TWH Community Health Center
Board of Directors 2009/2010
(October 18, 2010, it became North Stonington Health Center, Inc.)

Martha McQ. Hosp	29 Lincoln Road Charlestown, RI 02813	Home: 401-322-8983	Attorney	1
Charles S. Kinney	The Westerly Hospital 25 Wells Street Westerly, RI 02891	Home: 401-596-4355	President/CEO The Westerly Hospital	2
Allen W. Leadbetter, M.D.	16 Handel Road Westerly, RI 02891	Home: 401-322-1503	Retired Surgeon	1
William G. McKendree	20 Avondale Road Westerly, RI 02891	Home: 401-348-0645	Executive Vice President The Clarion Group	2
Christopher M. Lehrach, M.D.	34 Sea View Drive Charlestown, RI 02813	Home: 401-315-5030	Emergency Medicine The Clarion Group	1
Mary Jo Orsinger	34 Elm Street Westerly, RI 02891	Home: 401-596-4236	Real Estate Broker	1
Barbara J. Perino	5 Ashby Street Mystic, CT 06355	Home: 860-536-4806	Physician Practice Business Manager	1 Resigned Dec. 2, 2011
David R. Rivera, M.D.	The Morgan Building 45 Wells Street Westerly, RI 02891	Home: 401-596-4291	Ophthalmologist	1
Officers				
William G. McKendree Chairman	20 Avondale Road Westerly, RI 02891	Home: 401-348-0645	Executive Vice President The Clarion Group	2

RIDOH 0299

TWH Community Health Center
Board of Directors 2009/2010
(October 18, 2010, it became North Stonington Health Center, Inc.)

Martha McQ. Hosp First Vice Chairman	29 Lincoln Road Charlestown, RI 02813	Home: 401-322-8983	Attorney	1
Fred A. Allardyce Second Vice Chairman	33 Pasadena Avenue Watch Hill, RI 02891	Home: 401-596-2538	Retired Corporate Executive	1
Allen Leadbetter, M.D Assistant Secretary	16 Handel Road Westerly, RI 02891	Home: 401-322-1503	Retired Surgeon	1
Ex Officio Members				
Charles S. Kinney President/CEO	The Westerly Hospital 25 Wells Street Westerly, RI 02891	Home: 401-596-4355 Bus: 401-348-3276	President/CEO The Westerly Hospital	2
David R. Rivera, M.D. President of the Medical Staff	The Morgan Building 45 Wells Street Westerly, RI 02891	Home: 401-596-4291	Ophthalmologist	1
Jeanne M. LaChance Treasurer	14 Canyon Drive Westerly, RI 02891	Home: 401-596-8404	Executive VP, Interim CEO	2
Maureen L. Carboni Secretary	14 Crestview Drive Westerly, RI 02891	401-596-3102	Assistant to the President/CEO	1

RIDOH 0300

TWH Community Health Center
Board of Directors 2009/2010
(October 18, 2010, it became North Stonington Health Center, Inc.)

RIDOH 0301

North Stonington Health Center, Inc.
Board of Directors 2010/2011

Name	Address	Phone number	Occupation	Tenure
William G. McKendree Chairman	20 Avondale Road Westerly, RI 02891	Home: 401-348-0645	Executive Vice President The Clarion Group	8
Mureen N. Fitzgerald Vice Chairman	10 Windward Drive Westerly, RI 02891	Home: 401-315-5152	President/CEO The Ocean Community YMCA	2
Charles S. Kinney President/CEO	The Westerly Hospital 25 Wells Street Westerly, RI 02891	Home: 401-596-4355	President/CEO The Westerly Hospital	7
Joseph J. Kirby Secretary/Treasurer	38 Fenner Lane Stonington, CT 06378	Home: 860-535-3128	Retired President, Washington Trust Co.	1
Jeanne M. LaChance	14 Canyon Drive Westerly, RI 02891	Home: 401-596-8404	Executive VP, Interim CEO	6
Paqui Motyl, M.D.	4 Canberra Court Mystic, CT 06355	Home: 860-572-8766	ED Physician	1
Frances Rubacha	239 Central Park West New York, NY 10024 Or 7 Main Street Stonington, CT 06378	Cell: 917-861-7144	Fundraising Retired	1

RIDOH 0302

North Stonington Health Center, Inc.
Board of Directors 2010/2011

RIDOH 0303

Ocean Myst, MSO LLC
Board of Directors 2010/2011

Name	Address	Phone number	Occupation	Tenure
Jeanne M. LaChance Chairman	14 Canyon Drive Westerly, RI 02891	Home: 401-596-8404	Executive VP, Interim CEO	1
Charles S. Kinney Vice Chairman	The Westerly Hospital 25 Wells Street Westerly, RI 02891	Home: 401-596-4355	President/CEO The Westerly Hospital	1
Margaret F. Austine Secretary/Treasurer	28 Quarry Road Mystic, CT 06355	860-536-0504	VP Clinical Operations, CNO	1

RIDOH 0304

The Westerly Hospital
Board of Trustees 2009/2010

Name	Address	Phone number	Occupation	Tenure
Fred A. Allardyce	33 Pasadena Avenue Watch Hill, RI 02891	Home: 401-596-2538	Retired Corporate Executive	11
David R. Bailey	89 Hunter's Harbor Road Charlestown, RI 02813	Home: 401-364-1065	Retired Healthcare Executive	5 Resigned January 3, 2011
John P. Casey	48 Ice Pond Road Westerly, RI 02891	Home: 401-596-9713	President General Dynamics Electric Boat	6
David D'Eramo, Ph.D.	28 Highland Road Charlestown, RI 02813	Home: 401-322-8890	Retired Healthcare CEO	5
David V. Devault	2 Dennis Court Westerly, RI 02891	Home: 401-596-55-81	Exec. VP, Secretary &CFO The Washington Trust Co.	1 Resigned Dec. 2, 2011
Leonard C. Edwards	52 Avondale Road Westerly, RI 02891	Home: 401-596-4181	Retired Business Executive	4
Mureen N. Fitzgerald	10 Windward Drive Westerly, RI 02891	Home: 401-315-5152	President/CEO The Ocean Community YMCA	2
John T. Gorby	77 Water Street Stonington, CT 06378	Home: 860-535-0578	Retired Professional Consultant	5
Richard C. Holliday	35 Avondale Road Westerly, RI 02891-5003	Home: 401-596-7680	Consultant 3P, Inc.	4

RIDOH 0305

The Westerly Hospital
Board of Trustees 2009/2010

Martha McQ. Hosp	29 Lincoln Road Charlestown, RI 02813	Home: 401-322-8983	Attorney	10
Charles S. Kinney	The Westerly Hospital 25 Wells Street Westerly, RI 02891	Home: 401-596-4355	President/CEO The Westerly Hospital	7
Allen Leadbetter, M.D.	16 Handel Road Westerly, RI 02891	Home: 401-322-1503	Retired Surgeon	11
William G. McKendree	20 Avondale Road Westerly, RI 02891	Home: 401-348-0645	Executive Vice President The Clarion Group	8
Christopher M. Lehrach, M.D	34 Sea View Drive Charlestown, RI 02813	Home: 401-315-5030	Emergency Medicine The Clarion Group	4
Mary Jo Orsinger	34 Elm Street Westerly, RI 02891	Home: 401-596-4236	Real Estate Broker	6
Barbara J. Perino	16 Links Passage Westerly, RI 02891	Home: 401-348-9868	Sr. VP, Operation & Technology The Washington Trust Company	1 Resigned Dec. 2, 2011
David R. Rivera, M.D.	The Morgan Building 45 Wells Street Westerly, RI 02891	Home: 401-596-4291	Ophthalmologist	1
Officers				

RIDOH 0306

The Westerly Hospital
Board of Trustees 2009/2010

William G. McKendree Chairman	20 Avondale Road Westerly, RI 02891	Home: 401-348-0645	Executive Vice President The Clarion Group	8
Martha McQ. Hosp First Vice Chairman	29 Lincoln Road Charlestown, RI 02813	Home: 401-322-8983	Attorney	10
Fred A. Allardyce Second Vice Chairman	33 Pasadena Avenue Watch Hill, RI 02891	Home: 401-596-2538	Retired Corporate Executive	11
Allen W. Leadbetter, M.D. Assistant Secretary	16 Handel Road Westerly, RI 02891	Home: 401-322-1503	Retired Surgeon	11
Ex Officio Members				
Charles S. Kinney President/CEO	The Westerly Hospital 25 Wells Street Westerly, RI 02891	Home: 401-596-4355	President/CEO The Westerly Hospital	7
David R. Rivera, M.D. President of the medical staff	The Morgan Building 45 Wells Street Westerly, RI 02891	Home: 401-596-4291	Ophthalmologist	1
Jeanne M. LaChance Treasurer	14 Canyon Drive Westerly, RI 02891	Home: 401-596-8404	Executive VP, Interim CEO	6
Maureen Carboni Secretary	14 Crestview Drive Westerly, RI 02891	401-596-3102	Assistant to the President/CEO	6
Honorary trustees				

RIDOH 0307

The Westerly Hospital
Board of Trustees 2009/2010

Robert J. Brockman	20 Wauwinnet Avenue Watch Hill, RI 02891 Or Tradewinds – Unit 1115 180 Seaview Court Marco Island, FL 34145	RI Home: (401) 348-8678 FL Home: (239) 394-3039	Retired Investment Executive	Honorary Trustee since 1998 Previously a board member since 1986
Henry J. Nardone	315 High Street Westerly, RI 02891	Home: 401-596-4828	Retired Industrial Executive	Honorary trustee since 2005 Previously a on and off board member since 1989
Thomas F. Moore Jr.	8 Stonington Commons, #36, Stonington, CT 06378	Home: 860-535-9052	Retired Manufacturing Executive	Honorary since 1990

RIDOH 0308

The Westerly Hospital
Board of Trustees 2010/2011

Name	Address	Phone number	Occupation	Tenure
Fred A. Allardyce	33 Pasadena Avenue Watch Hill, RI 02891	Home: 401-596-2538	Retired Corporate Executive	11
George Bourganos, M.D.	Cardiovascular Institute of New England Champion Building 35 Wells Street Westerly, RI 02891	Home: 860-535-3822	Cardiologist	1
John P. Casey	48 Ice Pond Road Westerly, RI 02891	Home: 401-596-9713	President General Dynamics Electric Boat	6
David D'Eramo	28 Highland Road Charlestown, RI 02813	Home: 401-322-8890	Retired Healthcare CEO	5
Leonard C. Edwards	52 Avondale Road Westerly, RI 02891	Home: 401-596-4181	Retired Business Executive	4
Mureen N. Fitzgerald	10 Windward Drive Westerly, RI 02891	Home: 401-315-5152	President/CEO The Ocean Community YMCA	2
John T. Gorby	77 Water Street Stonington, CT 06378	Home: 860-535-0578	Retired Professional Consultant	5
Richard C. Holliday	35 Avondale Road Westerly, RI 02891-5003	Home: 401-596-7680	Consultant 3P, Inc.	4
Martha McQ. Hosp	29 Lincoln Road Charlestown, RI 02813	Home: 401-322-8983	Attorney	10

RIDOH 0309

The Westerly Hospital
Board of Trustees 2010/2011

Charles S. Kinney	The Westerly Hospital 25 Wells Street Westerly, RI 02891	Home: 401-596-4355	President/CEO The Westerly Hospital	7
Allen Leadbetter, M.D.	16 Handel Road Westerly, RI 02891	Home: 401-322-1503	Retired Surgeon	11
William G. McKendree	20 Avondale Road Westerly, RI 02891	Home: 401-348-0645	Executive Vice President The Clarion Group	8
Christopher M. Lehrach, M.D.	34 Sea View Drive Charlestown, RI 02813	Home: 401-315-5030	Emergency Medicine The Clarion Group	4
David R. Nelson	828 Williams Street Baltimore, MD 21230	Home: 410-347-1510	Chairman, President/CEO Calvert Health Partners, LLC.	1
Mary Jo Orsinger	34 Elm Street Westerly, RI 02891	Home: 401-596-4236	Real Estate Broker	6
Jennifer Schwindt	5 Ashby Street Mystic, CT 06355	Home: 860-536-4806	Physician Practice Business Manager	1
Officers				
William G. McKendree Chairman	20 Avondale Road Westerly, RI 02891	Home: 401-348-0645	Executive Vice President The Clarion Group	8

RIDOH 0310

The Westerly Hospital
Board of Trustees 2010/2011

Martha McQ. Hosp First Vice Chairman	29 Lincoln Road Charlestown, RI 02813	Home: 401-322-8983	Attorney	10
Allen Leadbetter, M.D Second Vice Chairman	16 Handel Road Westerly, RI 02891	Home: 401-322-1503	Retired Surgeon	11
Fred A. Allardyce Third Vice Chairman	33 Pasadena Avenue Watch Hill, RI 02891	Home: 401-596-2538	Retired Corporate Executive	11
Ex Officio Members				
Charles S. Kinney President/CEO	The Westerly Hospital 25 Wells Street Westerly, RI 02891	Home: 401-596-4355	President/CEO The Westerly Hospital	7
George Bourganos, M.D. President of the medical staff	Cardiovascular Institute of New England Champion Building 35 Wells Street Westerly, RI 02891	Home: 860-535-3822	Cardiologist	1
Jeanne M. LaChance Treasurer	14 Canyon Drive Westerly, RI 02891	Home: 401-596-8404	Executive VP, Interim CEO	6
Maureen L. Carboni Secretary	14 Crestview Drive Westerly, RI 02891	401-596-3102	Assistant to the President/CEO	6
Honorary trustees				

RIDOH 0311

The Westerly Hospital
Board of Trustees 2010/2011

Robert J. Brockman	20 Wauwinnet Avenue Watch Hill, RI 02891 Or Tradewinds – Unit 1115 180 Seaview Court Marco Island, FL 34145	RI Home: (401) 348-8678 FL Home: (239) 394-3039	Retired Investment Executive	Honorary Trustee since 1998 Previously a board member since 1986
Henry J. Nardone	315 High Street Westerly, RI 02891	Home: 401-596-4828	Retired Industrial Executive	Honorary trustee since 2005 Previously a on and off board member since 1989
Thomas F. Moore Jr	8 Stonington Commons, #36, Stonington, CT 06378	Home: 860-535-9052	Retired Manufacturing Executive	Honorary since 1990

RIDOH 0312

Westerly Hospital Energy Company
Board of Directors 2009/2010

Name	Address	Phone number	Occupation	Tenure
Charles S. Kinney President	The Westerly Hospital 25 Wells Street Westerly, RI 02891	Home: 401-596-4355	President/CEO The Westerly Hospital	2
Margaret F. Austin Secretary	28 Quarry Road Mystic, CT 06355	860-536-0504	VP Clinical Operations, CNO	2
Jeanne M. LaChance Treasurer	14 Canyon Drive Westerly, RI 02891	Home: 401-596-8404	Executive VP, Interim CEO	2

RIDOH 0313

Westerly Hospital Energy Company
Board of Directors 2010/2011

Name	Address	Phone number	Occupation	Tenure
Charles S. Kinney President	The Westerly Hospital 25 Wells Street Westerly, RI 02891	Home: 401-596-4355	President/CEO The Westerly Hospital	2
Margaret F. Austin Secretary	28 Quarry Road Mystic, CT 06355	860-536-0504	VP Clinical Operations, CNO	2
Jeanne M. LaChance Treasurer	14 Canyon Drive Westerly, RI 02891	Home: 401-596-8404	Executive VP, Interim CEO	2

RIDOH 0314

The Westerly Hospital Foundation
Board of Directors 2011

Name	Address	Phone number	Occupation	Tenure
F. Gregory Ahern	70 Watch Hill Road Westerly, RI 02891	Home: 401-315-0234	EVP, Financial Industry Reg. Authority (FINRA)	2
Carl R. Blume	52 Verdi Road Westerly, RI 02891	Home: 401-322-7840	Retired, Wholesale Furniture Sale	2
Linda F. Brenner	10 Chin Hill Road Westerly, RI 02891	Home: 401-348-0560	Restaurant & Private catering	Resigned 2012 5
Mallory M. Constantine	35 Knowles Avenue Westerly, RI 02891	Home: 401-322-8857	Longtime donor and volunteer	6
Arthur M. Cottrell III	175 East Avenue Westerly, RI 02891	Home: 401-348-2827	Retired, Trust Officer	2
Linda Y. Delaney	3 Hickory Ledge Mystic, CT 06355-3222	Home: 860-245-0441	Longtime donor and volunteer	2
Susan Myers Dush	24 Yosemite Valley Road, Westerly, RI 02891	Home: 401-596-5036	Longtime donor and volunteer	Resigned 2012 6
Stephen M. Greene	16 Stone Hill Drive Westerly, RI 02891	Office: 401-596-1926	CPA	2
R. Carter Holliday	108 Oak Street Ashaway, RI 02804	Home: 401-377-8080	Publishing and printing sales, Lightning Source	5
Martha McQ. Hosp	29 Lincoln Road Charlestown, RI 02813	Home: 401-322-8983	Attorney	3

RIDOH 0315

The Westerly Hospital Foundation
Board of Directors 2011

Katherine W. Hoxsie, Secretary	38 Fenner Lane Stonington, CT 06378	Home: 860-535-3128	CPA, Retired	4
Charles S. Kinney President Ex-officio member	25 Wells Street Westerly, RI 02891	Office: 401-348-3276	CEO The Westerly Hospital until July 2012	8
Jeanne M. LaChance CEO The Westerly Hospital until July 2012	14 Canyon Drive Westerly, RI 02891	Home: 401-596-8404	CFO, then EVP, TWH until Oct. 2012	8
Deborah Lamm	300 Central Pk. W., #14G New York, NY 10024	Home: 212-909-9514	Real Estate Development & Urban Planning	1
Susan P. Lester	36 Williams Avenue Westerly, RI 02891	Home: 401-322-7971	Longtime donor and volunteer	4
Benjamin F. Miller	81 Ocean View Highway Westerly, RI 02891	Home: 401-596-7110	Retired, Healthcare Administration	3
Joan F. O'Brien	176 Water Street Stonington, CT 06378	Home: 860-535-0505	Longtime donor and volunteer	2
John R. Payne	4 Sunset Avenue Westerly, RI 02891	Office: 401-596-0391	Attorney	3
Linda H. Philips	125 Sunset Drive Charlestown, RI 02813	Home: 401-322-1708	Longtime donor and volunteer	8
Matthew Roy Treasurer Ex-officio	25 Wells Street Westerly, RI 02891	401-596-6000	Acting CFO in 2011, TWH	2
Jennifer Schwindt	5 Ashby Street	Home: 860-536-4806	Marketing, Physician	4

RIDOH 0316

The Westerly Hospital Foundation
Board of Directors 2011

Chairman	Mystic, CT 06355		Practice Mgt.	
Grant G. Simmons, III	89 Avondale Road Westerly, RI 02891	Home: 401-348-6523	Semi-retired, active community volunteer	2
Edward P. Smith, III	36 Deer Run Road Carolina, RI 02812	Office: 401-539-9043	Owner/President, Chariho Furniture	7
Nicholas J. Stahl Executive Director Ex-Officio	25 Wells Street Westerly, RI 02891	Office: 401-348-3480	Executive Director, TWH Foundation	13
Edward A. Sweeney	151 Watch Hill Road Westerly, RI 02891	Westerly: 401 596-2731; NY: 914 241-8447	Retired, Public Relations Exec.	3
Matthew H. Thomsen	42 Rock Ridge Road Westerly, RI 02891	Home: 401-332-9143	Attorney	9

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RIDOH 0317

The Westerly Hospital Foundation
Board of Directors 2012

Name	Address	Phone number	Occupation	Tenure
F. Gregory Ahern	70 Watch Hill Road Westerly, RI 02891	Home: 401-315-0234	EVP, Financial Industry Reg. Authority (FINRA)	2
Carl R. Blume	52 Verdi Road Westerly, RI 02891	Home: 401-322-7840	Retired, Wholesale Furniture Sale	2
Linda F. Brenner	10 Chin Hill Road Westerly, RI 02891	Home: 401-348-0560	Restaurant & Private catering	Resigned 2012 5
Mallory M. Constantine	35 Knowles Avenue Westerly, RI 02891	Home: 401-322-8857	Longtime donor and volunteer	6
Arthur M. Cottrell III	175 East Avenue Westerly, RI 02891	Home: 401-348-2827	Retired, Trust Officer	2
Linda Y. Delaney	3 Hickory Ledge Mystic, CT 06355-3222	Home: 860-245-0441	Longtime donor and volunteer	2
Stephen M. Greene	16 Stone Hill Drive Westerly, RI 02891	Office: 401-596-1926	CPA	2
R. Carter Holliday	108 Oak Street Ashaway, RI 02804	Home: 401-377-8080	Publishing and printing sales, Lightning Source	5
Martha McQ. Hosp	29 Lincoln Road Charlestown, RI 02813	Home: 401-322-8983	Attorney	3
Deborah Lamm	300 Central Pk. W., #14G New York, NY 10024	Home: 212-909-9514	Real Estate Development & Urban Planning	1

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The Westerly Hospital Foundation
Board of Directors 2012

Susan P. Lester	36 Williams Avenue Westerly, RI 02891	Home: 401-322-7971	Longtime donor and volunteer	4
Benjamin F. Miller	81 Ocean View Highway Westerly, RI 02891	Home: 401-596-7110	Retired, Healthcare Administration	3
Joan F. O'Brien	176 Water Street Stonington, CT 06378	Home: 860-535-0505	Longtime donor and volunteer	2
John R. Payne	4 Sunset Avenue Westerly, RI 02891	Office: 401-596-0391	Attorney	3
Linda H. Philips	125 Sunset Drive Charlestown, RI 02813	Home: 401-322-1708	Longtime donor and volunteer	8
Jennifer Schwindt	5 Ashby Street Mystic, CT 06355	Home: 860-536-4806	Marketing, Physician Practice Mgt.	4
Grant G. Simmons, III	89 Avondale Road Westerly, RI 02891	Home: 401-348-6523	Semi-retired active community volunteer	2
Edward P. Smith, III	36 Deer Run Road Carolina, RI 02812	Office: 401-539-9043	Owner/President, Chariho Furniture	7
Edward A. Sweeney	151 Watch Hill Road Westerly, RI 02891	Westerly: 401 596-2731; NY: 914 241-8447	Retired, Public Relations Exec.	3
Courtesy Members				
Maura Laudone	3 Pleasant Street	401-596-9842	President the Westerly	5

RIDOH 0319

The Westerly Hospital Foundation
Board of Directors 2012

	Westerly, RI 02891		Hospital Auxiliary, financial planner	
Mary Lou Walter	28 Canyon Road Westerly, RI 02807	N/A	Vice President, Former RI state representative	1
Ex-Officio Members				
Charles S. Kinney President	The Westerly Hospital 25 Wells Street Westerly, RI 02891	Home: 401-596-4355	President/CEO The Westerly Hospital	8
James O'Keefe Treasurer	25 Wells Street Westerly, RI 02891	Home: 401-596-6000	Acting CFO in 2012, The Westerly Hospital	1
Jeanne M. LaChance Assistant Treasurer	14 Canyon Drive Westerly, RI 02891	Home: 401-596-8404	CFO, then EVP, TWH until Oct. 2012	8
Nicholas J. Stahl Executive Director	25 Wells Street Westerly, RI 02891	Office: 401-348-3480	Executive Director, TWH Foundation	13

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RIDOH 0320

Community Health of Westerly Inc. **on 9/24/2010 became** **Westerly Hospital Healthcare, Inc.**
Board of Governors 2009/2010 **Board of Trustees**

Name	Address	Phone number	Occupation	Tenure
Fred A. Allardyce	33 Pasadena Avenue Watch Hill, RI 02891	Home: 401-596-2538	Retired Corporate Executive	11
David R. Bailey	89 Hunter's Harbor Road Charlestown, RI 02813	Home: 401-364-1065	Retired Healthcare Executive	5 Resigned January 3, 2011
John P. Casey	48 Ice Pond Road Westerly, RI 02891	Home: 401-596-9713	President General Dynamics Electric Boat	6
David D'Eramo	28 Highland Road Charlestown, RI 02813	Home: 401-322-8890	Retired Healthcare CEO	5
David V. Devault	2 Dennis Court Westerly, RI 02891	Home: 401-596-5581	Exec. VP, Secretary & CFO The Washington Trust Company	1 Resigned Dec. 2, 2011
Leonard C. Edwards	52 Avondale Road Westerly, RI 02891	Home: 401-596-4181	Retired Business Executive	4
Mureen N. Fitzgerald	10 Windward Drive Westerly, RI 02891	Home: 401-315-5152	President/CEO The Ocean Community YMCA	2
John T. Gorby	77 Water Street Stonington, CT 06378	Home: 860-535-0578	Retired Professional Consultant	5
Richard C. Holliday	35 Avondale Road Westerly, RI 02891-5003	Home: 401-596-7680	Consultant 3P, Inc.	4
Martha McQ. Hosp	29 Lincoln Road	Home: 401-322-8983	Attorney	10

RIDOH 0321

Community Health of Westerly Inc. **on 9/24/2010 became** **Westerly Hospital Healthcare, Inc.**
Board of Governors 2009/2010 **Board of Trustees**

	Charlestown, RI 02813			
Charles S. Kinney	The Westerly Hospital 25 Wells Street Westerly, RI 02891	Home: 401-596-4355	President/CEO The Westerly Hospital	7
Allen Leadbetter, M.D.	16 Handel Road Westerly, RI 02891	Home: 401-322-1503	Retired Surgeon	11
William G. McKendree	20 Avondale Road Westerly, RI 02891	Home: 401-348-0645	Executive Vice President The Clarion Group	8
Christopher M. Lehrach, M.D.	34 Sea View Drive Charlestown, RI 02813	Home: 401-315-5030	Emergency Medicine The Clarion Group	4
Mary Jo Orsinger	34 Elm Street Westerly, RI 02891	Home: 401-596-4236	Real Estate Broker	6
Barbara J. Perino	16 Links Passage Westerly, RI 02891	Home: 401-348-9868	Sr. VP, Operation & Technology The Washington Trust Company	1 Resigned Dec. 2, 2011
David R. Rivera, M.D.	The Morgan Building 45 Wells Street Westerly, RI 02891	Home: 401-596-4291	Ophthalmologist	1
Officers				
William G. McKendree Chairman	20 Avondale Road Westerly, RI 02891	Home: 401-348-0645	Executive Vice President The Clarion Group	8
Martha McQ. Hosp	29 Lincoln Road	Home: 401-322-8983	Attorney	10

RIDOH 0322

First Vice Chairman	Charlestown, RI 02813			
Fred A. Allardyce Second Vice Chairman	33 Pasadena Avenue Watch Hill, RI 02891	Home: 401-596-2538	Retired Corporate Executive	11
Allen Leadbetter, M.D. Assistant Secretary	16 Handel Road Westerly, RI 02891	Home: 401-322-1503	Retired Surgeon	11
Ex Officio Members				
Charles S. Kinney President/CEO	The Westerly Hospital 25 Wells Street Westerly, RI 02891	Home: 401-596-4355	President/CEO The Westerly Hospital	7
David R. Rivera, M.D. President of Medical Staff	The Morgan Building 45 Wells Street Westerly, RI 02891	Home: 401-596-4291	Ophthalmologist	1
Jeanne M. LaChance Treasurer	14 Canyon Drive Westerly, RI 02891	Home: 401-596-8404	Executive VP, Interim CEO	6
Maureen L. Carboni Secretary	14 Crestview Drive Westerly, RI 02891	401-596-3102	Assistant to the President/CEO	6

Westerly Hospital Healthcare, Inc.
Board of Trustees 2010/2011

Name	Address	Phone number	Occupation	Tenure
Fred A. Allardyce	33 Pasadena Avenue Watch Hill, RI 02891	Home: 401-596-2538	Retired Corporate Executive	11
George Bourganos, M.D.	Cardiovascular Institute of New England Champion Building 35 Wells Street Westerly, RI 02891	Home: 860-535-3822	Cardiologist	1
John P. Casey	48 Ice Pond Road Westerly, RI 02891	Home: 401-596-9713	President General Dynamics Electric Boat	6
David D'Eramo	28 Highland Road Charlestown, RI 02813	Home: 401-322-8890	Retired Healthcare CEO	5
Leonard C. Edwards	52 Avondale Road Westerly, RI 02891	Home: 401-596-4181	Retired Business Executive	4
Mureen N. Fitzgerald	10 Windward Drive Westerly, RI 02891	Home: 401-315-5152	President/CEO The Ocean Community YMCA	2
John T. Gorby	77 Water Street Stonington, CT 06378	Home: 860-535-0578	Retired Professional Consultant	5
Richard C. Holliday	35 Avondale Road Westerly, RI 02891- 5003	Home: 401-596-7680	Consultant 3P, Inc.	4
Martha McQ. Hosp	29 Lincoln Road Charlestown, RI 02813	Home: 401-322-8983	Attorney	4
Charles S. Kinney	The Westerly Hospital	Home: 401-596-4355	President/CEO	7

RIDOH 0324

Westerly Hospital Healthcare, Inc.
Board of Trustees 2010/2011

	25 Wells Street Westerly, RI 02891		The Westerly Hospital	
Allen Leadbetter, M.D.	16 Handel Road Westerly, RI 02891	Home: 401-322-1503	Retired Surgeon	11
William G. McKendree	20 Avondale Road Westerly, RI 02891	Home: 401-348-0645	Executive Vice President The Clarion Group	8
Christopher M. Lehrach, M.D.	34 Sea View Drive Charlestown, RI 02813	Home: 401-315-5030	Emergency Medicine The Clarion Group	4
David R. Nelson	828 Williams Street Baltimore, MD 21230	Home: 410-347-1510	Chairman, President/CEO Calvert Health Partners, LLC.	1
Mary Jo Orsinger	34 Elm Street Westerly, RI 02891	Home: 401-596-4236	Real Estate Broker	6
Jennifer Schwindt	5 Ashby Street Mystic, CT 06355	Home: 860-536-4806	Physician Practice Business Manager	1
Officers				
William G. McKendree Chairman	20 Avondale Road Westerly, RI 02891	Home: 401-348-0645	Executive Vice President The Clarion Group	8
Martha McQ. Hosp First Vice Chairman	29 Lincoln Road Charlestown, RI 02813	Home: 401-322-8983	Attorney	10
Allen Leadbetter, M.D. Second Vice Chairman	16 Handel Road Westerly, RI 02891	Home: 401-322-1503	Retired Surgeon	11

RIDOH 0325

Westerly Hospital Healthcare, Inc.
Board of Trustees 2010/2011

Fred A. Allardyce Third Vice Chairman	33 Pasadena Avenue Watch Hill, RI 02891	Home: 401-596-2538	Retired Corporate Executive	11
Ex Officio Members				
Charles S. Kinney President	The Westerly Hospital 25 Wells Street Westerly, RI 02891	Home: 401-596-4355	President/CEO The Westerly Hospital	7
George Bourganos, M.D. President of Medical Staff	Cardiovascular Institute of New England Champion Building 35 Wells Street Westerly, RI 02891	Home: 860-535-3822	Cardiologist	1
Jeanne M. LaChance Treasurer	14 Canyon Drive Westerly, RI 02891	Home: 401-596-8404	Executive VP, Interim CEO	6
Maureen L. Carboni Secretary	14 Crestview Drive Westerly, RI 02891	401-596-3102	Assistant to the President/CEO	6

RIDOH 0326

Women's Health of Westerly LLC
Board of Directors 2009/2010

Name	Address	Phone number	Occupation	Tenure
Fred A. Allardyce	33 Pasadena Avenue Watch Hill, RI 02891	Home: 401-596-2538	Retired Corporate Executive	9
David R. Bailey	89 Hunter's Harbor Road Charlestown, RI 02813	Home: 401-364-1065	Retired Healthcare Executive	5 Resigned January 3, 2011
John P. Casey	48 Ice Pond Road Westerly, RI 02891	Home: 401-596-9713	President General Dynamics Electric Boat	5
David D'Eramo	28 Highland Road Charlestown, RI 02813	Home: 401-322-8890	Retired Healthcare CEO	4
David V. Devault	2 Dennis Court Westerly, RI 02891	Home: 401-596-5581	Exec. VP, Secretary & CFO The Washington Trust Company	1
Leonard C. Edwards	52 Avondale Road Westerly, RI 02891	Home: 401-596-4181	Retired Business Executive	3
Mureen N. Fitzgerald	10 Windward Drive Westerly, RI 02891	Home: 401-315-5152	President/CEO The Ocean Community YMCA	1
John T. Gorby	77 Water Street Stonington, CT 06378	Home: 860-535-0578	Retired Professional Consultant	4
Richard C. Holliday	35 Avondale Road Westerly, RI 02891-5003	Home: 401-596-7680	Consultant 3P, Inc.	3
Martha McQ. Hosp	29 Lincoln Road	Home: 401-322-8983	Attorney	

RIDOH 0327

Women's Health of Westerly LLC
Board of Directors 2009/2010

	Charlestown, RI 02813			9
Charles S. Kinney	The Westerly Hospital 25 Wells Street Westerly, RI 02891	Home: 401-596-4355	President/CEO The Westerly Hospital	7
Allen Leadbetter, M.D	The Westerly Hospital 25 Wells Street Westerly, RI 02891	Home: 401-322-1503	Retired Surgeon	9
William G. McKendree	20 Avondale Road Westerly, RI 02891	Home: 401-348-0645	Executive Vice President The Clarion Group	7
Christopher M. Lehrach, M.D	34 Sea View Drive Charlestown, RI 02813	Home: 401-315-5030	Emergency Medicine The Clarion Group	3
Mary Jo Orsinger	34 Elm Street Westerly, RI 02891	Home: 401-596-4236	Real Estate Broker	5
Barbara J. Perino	16 Links Passage Westerly, RI 02891	Home: 401-348-9868	Sr. VP, Operation & Technology The Washington Trust Company	1
David R. Rivera, M.D.	The Morgan Building 45 Wells Street Westerly, RI 02891	Home: 401-596-4291	Ophthalmologist	1
Officers				
William G. McKendree Chairman	20 Avondale Road Westerly, RI 02891	Home: 401-348-0645	Executive Vice President The Clarion Group	7

RIDOH 0328

Women's Health of Westerly LLC
Board of Directors 2009/2010

Martha McQ. Hosp First Vice Chairman	29 Lincoln Road Charlestown, RI 02813	Home: 401-322-8983	Attorney	9
Fred A. Allardyce Second Vice Chairman	33 Pasadena Avenue Watch Hill, RI 02891	Home: 401-596-2538	Retired Corporate Executive	9
Allen Leadbetter, M.D Assistant Secretary	16 Handel Road Westerly, RI 02891	Home: 401-322-1503	Retired Surgeon	9
Ex Officio Members				
Charles S. Kinney President/CEO	The Westerly Hospital 25 Wells Street Westerly, RI 02891	Home: 401-596-4355	President/CEO The Westerly Hospital	7
David R. Rivera, M.D. President of Medical Staff	The Morgan Building 45 Wells Street Westerly, RI 02891	Home: 401-596-4291	Ophthalmologist	1
Jeanne M. LaChance Treasurer	14 Canyon Drive Westerly, RI 02891	Home: 401-596-8404	Executive VP, Interim CEO	7
Maureen L. Carboni Secretary	14 Crestview Drive Westerly, RI 02891	401-596-3102	Assistant to the President/CEO	5

RIDOH 0329

Women's Health of Westerly LLC
Board of Directors 2010/2011

Name	Address	Phone number	Occupation	Tenure
Charles S. Kinney Chairman & CEO	The Westerly Hospital 25 Wells Street Westerly, RI 02891	Home: 401-596-4355	President/CEO The Westerly Hospital	7
Jeanne M. LaChance Secretary and Treasurer	14 Canyon Drive Westerly, RI 02891	Home: 401-596-8404	Executive VP, Interim CEO	7
Margaret F. Austin	28 Quarry Road Mystic, CT 06355	860-536-0504	VP Clinical Operations, CNO	1
Robert Greenlee, M.D. Medical Director	346 Post Road Westerly, RI 02891	Cell: 914-715-8029	OB/GYN	1
Karen McGoldrick, M.D.	93 Crest Field Lane North Kingstown, RI 02852	Home: 401-886-1616	OB/GYN	1
Manu Rowther, M.D.	70 Emerald Glen Lane, Salem, CT 06420	Home: 860-886-7868	OB/GYN	1

RIDOH 0330

The Westerly Hospital Auxiliary Board 2010/2011*

Name	Address	Phone number	Occupation	Tenure
Maura R. Laudone President	3 Pleasant Street Westerly, RI 02891	401-596-9842	Financial Planner	10+
Vice President	Vacant	Vacant	Vacant	Vacant
Shelley Weier Treasurer	8 West Ridge Road Watch Hill, RI 02891	401-348-7029	Retired	10+
Sally Gordon Recording Secretary	45 Knowles Avenue Westerly, RI 02891	401-348-3365	Retired	10+
Maggie Anderson Corresponding Secretary	28 Rock Ridge Road Westerly, RI 02891	401-596-1214	Retired	10+ Resigned 2010 Vacant
Estelle Cryan Past President	42 Westminster Street Westerly, RI 02891	401-596-2394	Retired	10+
Elinor Grinnel	50 Shirley Drive Charlestown, RI 02813	401-322-1152	Retired	10+
Marge Morgan	19 Misquamicut Hills Road Westerly, RI 02891	401-348-8726	Retired	10+
Pamela Crandall	21 Windward Drive Westerly, RI 02891	401-348-8786	Retired	10+
Dwen Heminway	P.O. box 1420 Charlestown, RI 02813	401-364-6462	Retired	10+

****Please note that detailed records have not been kept regarding tenure***

The Westerly Hospital Auxiliary Board 2010/2011*

Yolanda Desy	28 Elaine Street Pawcaluck, CT 06379	860-599-1576?	Retired	10+
Barbara Wright	11 Round Hill Road Watch Hill, RI 02891	N/A	Registered Nurse	2
Connie Wiggenhauser	24 Windward Drive Westerly, RI 02891	401-596-3425	Retired	10+
Janet Johnson	150 Main Street Ashaway, RI 02804	401-377-2781	Retired	10+
Pat Richins	6 Ninigret Avenue Westerly, RI 02891	401-348-7028	Retired	10+ Resigned Sept. 2012
Linda Philips	125 Sunset Drive Charlestown, RI 02813	401-322-1708	Retired	10+

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****Please note that detailed records have not been kept regarding tenure***

RIDOH 0332

The Westerly Hospital Auxiliary Board 2011-2012 *

Name	Address	Phone number	Occupation	Tenure
Maura R. Laudone President	3 Pleasant Street Westerly, RI 02891	401-596-9842	Financial Planner	10+
Mary Lou Walter Vice President	28 Canyon Road Westerly, RI 02891	N/A	Retired	1
Shelley Weier Treasurer	8 West Ridge Road Watch Hill, RI 02891	401-348-7029	Retired	10+
Sally Gordon Recording Secretary	45 Knowles Avenue Westerly, RI 02891	401-348-3365	Retired	10+
Corresponding Secretary	Vacant	Vacant	Vacant	Vacant
Estelle Cryan Past President	42 Westminster Street Westerly, RI 02891	401-596-2394	Retired	10+
Elinor Grinnel	50 Shirley Drive Charlestown, RI 02813	401-322-1152	Retired	10+
Marge Morgan	19 Misquamicut Hills Road Westerly, RI 02891	401-348-8726	Retired	10+
Pamela Crandall	21 Windward Drive Westerly, RI 02891	401-348-8786	Retired	10+
Dwen Heminway	P.O. box 1420 Charlestown, RI 02813	401-364-6462	Retired	10+
Yolanda Desy	28 Elaine Street Pawcaluck, CT 06379	860-599-1576?	Retired	10+

Please note that detailed records have not been kept regarding tenure

RIDOH 0333

The Westerly Hospital Auxiliary Board 2011-2012 *

Barbara Wright	11 Round Hill Road Watch Hill, RI 02891	N/A	Registered Nurse	2
Connie Wiggenhauser	24 Windward Drive Westerly, RI 02891	401-596-3425	Retired	10+
Janet Johnson	150 Main Street Ashaway, RI 02804	401-377-2781	Retired	10+
Pat Richins	6 Ninigret Avenue Westerly, RI 02891	401-348-7028	Retired	10+ Resigned Sept. 2012
Linda Philips	125 Sunset Drive Charlestown, RI 02813	401-322-1708	Retired	10+

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Please note that detailed records have not been kept regarding tenure

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Supplemental Exhibit 3

2011
L&M Physician Association, Inc.
2 Lorenz Industrial Parkway
Ledyard, CT 06339

Daniel Rissi, MD, Chairman
Vice President/Chief Medical & Clinical Operations Officer
Lawrence + Memorial Hospital
365 Montauk Avenue
New London, CT 06320
860-442-0711 x2071
2009- present

Pamela Kane, Executive Director
Vice President/Physician Practice Management & Executive Director L+M Physicians Association
Lawrence + Memorial Hospital
365 Montauk Avenue
New London, CT 06320
860-442-0711 x4633
2009- present

Lou Inzana, Treasurer, Secretary
Vice President/Chief Financial & Support Services Officer
Lawrence + Memorial Hospital
365 Montauk Avenue
New London, CT 06320
860-442-0711 x2211
2009- present

Robert T. Ciotola, MD, Board member
LMPA at Ledyard
2 Lorenz Industry Pkwy
Ledyard, CT
860-464-2028
2009- present

Antonio Toledo, MD, Board member
14 Farmstead Lane (home address)
Waterford, CT 06385
860 442-4678
2009- present

Jon Gaudio, MD, Board member
LMPA Cardiology Group
492 Montauk Avenue
New London, CT 06320
860-443-0282
2009- present

Heidi Elliott, MD, Board member
LMPA General Surgery
50 Faire Harbor Pl. Suite 2
New London, CT06320
860-443-3147
2011- 2012

Brenda Applegate, MD, Board member
LMPA at Stonington
91 Voluntown Rd
Pawcatuck, CT 06379
860-599-5477
2011- present

Bruce Cummings, Board member
President/CEO
Lawrence + Memorial Hospital
365 Montauk Avenue
New London, CT 06320
860-442-0711 x2221
2011- present

2012
L&M Physician Association, Inc.
248 Flanders Road
Niantic, CT 06357

Daniel Rissi, MD, Chairman
Vice President/Chief Medical & Clinical Operations Officer
Lawrence + Memorial Hospital
365 Montauk Avenue
New London, CT 06320
860-442-0711 x2071
2009- present

Pamela Kane, Executive Director
Vice President/Physician Practice Management & Executive Director L+M Physicians Association
Lawrence + Memorial Hospital
365 Montauk Avenue
New London, CT 06320
860-442-0711 x4633
2009- present

Lou Inzana, Treasurer, Secretary
Vice President/Chief Financial & Support Services Officer
Lawrence + Memorial Hospital
365 Montauk Avenue
New London, CT 06320
860-442-0711 x2211
2009- present

Robert T. Ciotola, MD, Board member
LMPA at Ledyard
2 Lorenz Industry Pkwy
Ledyard, CT
860-464-2028
2009- present

Antonio Toledo, MD, Board member
14 Farmstead Lane (home address)
Waterford, CT 06385
860 442-4678
2009- present

Jon Gaudio, MD, Board member
LMPA Cardiology Group
492 Montauk Avenue
New London, CT 06320
860-443-0282
2009- present

Heidi Elliott, MD, Board member
LMPA General Surgery
50 Faire Harbor Pl. Suite 2
New London, CT06320
860-443-3147
2011 (terminated when she left LMPA employment on 5/27/12)

Brenda Applegate, MD, Board member
LMPA at Stonington
91 Voluntown Rd
Pawcatuck, CT 06379
860-599-5477
2011- present

Bruce Cummings, Board member
President/CEO
Lawrence + Memorial Hospital
365 Montauk Avenue
New London, CT 06320
860-442-0711 x2221
2011- present

Southeastern Connecticut Health Partners, Inc.
365 Montauk Avenue
New London, CT 06320
2011

Daniel Rissi, MD
CEO
Lawrence + Memorial Hospital
365 Montauk Avenue
New London, CT 06320
860-442-0711 x2071
2007- present

Lugene Inzana
Treasurer
Lawrence + Memorial Hospital
365 Montauk Avenue
New London, CT 06320
860-442-0711 x2211
2008- present

Board members:

Thomas M. Blum, MD
Mystic Medical Group
200 Sandy Hollow Road
Mystic, CT 06355
860-572-8911
2008- present

Jay Graves, MD
LMPA
19 Halls Avenue
Old Lyme, CT 06371
860-434-8300
2008- present

Fred E. Santoro, MD
LMPA
Flanders Plaza
PO Box 159
East Lyme, CT 06333 860-739-0404
2008- present

365 Montauk Avenue
New London, CT 06320

2012

Daniel Rissi, MD
CEO
Lawrence + Memorial Hospital
365 Montauk Avenue
New London, CT 06320
860-442-0711 x2071
2007- present

Lugene Inzana
Treasurer
Lawrence + Memorial Hospital
365 Montauk Avenue
New London, CT 06320
860-442-0711 x2211
2008- present

Board members:

Thomas M. Blum, MD
Mystic Medical Group
200 Sandy Hollow Road
Mystic, CT 06355
860-572-8911
2008- present

Jay Graves, MD
LMPA
19 Halls Avenue
Old Lyme, CT 06371
860-434-8300
2008- present

Fred E. Santoro, MD
LMPA
Flanders Plaza
PO Box 159
East Lyme, CT 06333 860-739-0404
2008- present

Lawrence + Memorial Hospital

2011

Ulysses B. Hammond, Chairman
Vice President Administration
Connecticut College
270 Mohegan Avenue
New London, CT 06320
Phone: 860-439-2046
Tenure: December 2002-December 2013

John E. Allen, DMD
464 Montauk Avenue
New London, CT 06320
Phone: 860-443-3634
Tenure: December 2004-December 2013

Scott D. Bates
President, National Center for Policy (Washington, DC)
118 Water Street
Stonington, CT 06378
Phone: 860-535-3858
Tenure: December 2009-December 2012

Timothy D. Bates
Robinson & Cole, LLP, Partner
75 Eugene O'Neill Drive
New London, CT 06320
Phone: 860-437-5000
Tenure: December 2002 to December 2011

L. James Carroll, CPA
P.O. Box 3424
Groton Long Point, CT 06340
Phone: 860- 823-0655
Tenure: Tenure ended December 2011

Fred A. Conti, CPA, Treasurer
Regional Manager, Financial Security Group
P.O. Box 314
West Mystic, CT 06388
Phone: 860-536-8153
Tenure: December 2008-December 2013

Toni Hoover, Ph.D.
Site Director, Groton/New London Laboratories
Pfizer Global Research and Development
Groton CT, 06340
Phone: 860-441-4218
Tenure: Tenure ended April 2012

R. Alan Hunter
Retired Senior Executive, Stanley Works
24 Palmer Court
Noank, CT 06340
Phone: 860-536-7010
Tenure: December 2005-December 2013

Mary Ellen Jukoski, EdD
Mitchell College, President
7 MacKinnon Place
East Lyme, CT 06333
Phone: 860-701-5027
Tenure: December 2009-December 2012

Robert Keltner, M.D.
SE Pulmonary Associates
155 Montauk Avenue
New London, CT 06320
Phone: 860-444-2223
Tenure: December 2003-December 2012

Marilynn Malerba, Secretary
Appointed Chief of the Mohegan Tribe
4 Glen Craig Place
Uncasville, CT 06382
Phone: 860-862-6192
Tenure: December 2002-December 2012

Granville Morris, Vice Chairman
Essex Savings Bank, Senior Vice President/Senior Trust Officer
35 Plains Road, BX 950
Essex, CT 06426
Phone: 860-767-4414
Tenure: December 2005-December 2014

Lee J. Olivier
Northeast Utilities
Executive Vice President/Chief Operating Officer, P.O. Box 270
Hartford, CT 06141
Phone: 860-728-4800
Tenure: December 2006-December 2012

Daniel P. O'Shea
9 Meetinghouse Lane
Old Lyme, CT 06371
Phone: 860 434-3790
Tenure: Tenure ended December 2011

Carol O. Ridgway
Volunteer
68 Neck Road
Old Lyme, CT 06371
Phone: 860-434-8975
Tenure: December 2008-December 2014

Kathleen Steamer, CPA
Doherty Beals +Banks, PC
Principal, Accounting Firm
187 Williams Street
New London, CT
Phone: 860-443-2033
Tenure: December 2007-December 2013

Ex-Officio Members:
Henry Amdur, M.D.
Past President, Medical Staff
L + M Physicians Obstetrics and Gynecology
470 Bank Street
New London, CT 06320
Phone: 860-444-8021
Tenure: December 2007 to present

Mary Ann D. Bentz, MD
Dermatology Associates of SE Connecticut, P.C.
425 Montauk Avenue
New London, CT 06320
Phone: 860- 442-1346
Tenure: Tenure ended December 2011

Bruce D. Cummings
President/CEO
Lawrence + Memorial Hospital
365 Montauk Avenue
New London, CT 06320
Phone: 860-442-0711
Tenure: since 10/2005

Donald J. Felitto, M.D.
President, Medical Staff
SE Connecticut Nephrology Associates
88 Norwich-New London Tpke. Suite 2
Uncasville, CT 06382
Phone: 860-367-0087
Tenure: December 2009 to present

Lawrence + Memorial Hospital

2012

Ulysses B. Hammond, Chairman
Vice President Administration
Connecticut College
270 Mohegan Avenue
New London, CT 06320
Phone: 860-439-2046
Tenure: December 2002-December 2013

John E. Allen, DMD
464 Montauk Avenue
New London, CT 06320
Phone: 860-443-3634
Tenure: December 2004-December 2013

Scott D. Bates
President, National Center for Policy (Washington, DC)
118 Water Street
Stonington, CT 06378
Phone: 860-535-3858
Tenure: December 2009-December 2012

Fred A. Conti, CPA, Treasurer
Regional Manager, Financial Security Group
P.O. Box 314
West Mystic, CT 06388
Phone: 860-536-8153
Tenure: December 2008-December 2013

R. Alan Hunter
Retired Senior Executive, Stanley Works
24 Palmer Court
Noank, CT 06340
Phone: 860-536-7010
Tenure: December 2005-December 2013

Mary Ellen Jukoski, EdD
Mitchell College, President
7 MacKinnon Place
East Lyme, CT 06333
Phone: 860-701-5027
Tenure: December 2009-December 2012

Robert Keltner, M.D.
SE Pulmonary Associates
155 Montauk Avenue
New London, CT 06320
Phone: 860-444-2223
Tenure: December 2003-December 2012

Marilynn Malerba, Secretary
Appointed Chief of the Mohegan Tribe
4 Glen Craig Place
Uncasville, CT 06382
Phone: 860-862-6192
Tenure: December 2002-December 2012

Granville Morris, Vice Chairman
Essex Savings Bank, Senior Vice President/Senior Trust Officer
35 Plains Road, BX 950
Essex, CT 06426
Phone: 860-767-4414
Tenure: December 2005-December 2014

Lee J. Olivier
Northeast Utilities
Executive Vice President/Chief Operating Officer, P.O. Box 270
Hartford, CT 06141
Phone: 860-728-4800
Tenure: December 2006-December 2012

B. Michael Rauh, Jr
Chelsea Groton Bank-
President and CEO
904 Poquonnock Road
Groton, CT 06340
Phone: 860-448-4104
Tenure: December 2011-December 2014

Carol O. Ridgway
Volunteer
68 Neck Road
Old Lyme, CT 06371
Phone: 860-434-8975
Tenure: December 2008-December 2014

Kathleen Steamer, CPA
Doherty Beals +Banks, PC
Principal, Accounting Firm
187 Williams Street
New London, CT
Phone: 860-443-2033
Tenure: December 2007-December 2013

Ex-Officio Members:
Henry Amdur, M.D.
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L + M Physicians Obstetrics and Gynecology
470 Bank Street
New London, CT 06320
Phone: 860-444-8021
Tenure: December 2007 to present

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President, Medical Staff
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88 Norwich-New London Tpke. Suite 2
Uncasville, CT 06382
Phone: 860-367-0087
Tenure: December 2009 to present

David F. Reisfeld, M.D.
Vice President, Medical Staff
L + M Physicians General Surgery
50 Faire Harbour Place, Suite 2C
New London, CT 06320
Phone: 860-442-0711
Tenure: December 2011 to present

Lawrence + Memorial Corp.

2011

Ulysses B. Hammond, Chairman
Vice President Administration
Connecticut College
270 Mohegan Avenue
New London, CT 06320
Phone: 860-439-2046
Tenure: December 2002-December 2013

John E. Allen, DMD
464 Montauk Avenue
New London, CT 06320
Phone: 860-443-3634
Tenure: December 2004-December 2013

Scott D. Bates
President, National Center for Policy (Washington, DC)
118 Water Street
Stonington, CT 06378
Phone: 860-535-3858
Tenure: December 2009-December 2012

Timothy D. Bates
Robinson & Cole, LLP, Partner
75 Eugene O'Neill Drive
New London, CT 06320
Phone: 860-437-5000
Tenure: December 2002 to December 2011

L. James Carroll, CPA
P.O. Box 3424
Groton Long Point, CT 06340
Phone: 860- 823-0655
Tenure: Tenure ended December 2011

Fred A. Conti, CPA, Treasurer
Regional Manager, Financial Security Group
P.O. Box 314
West Mystic, CT 06388
Phone: 860-536-8153
Tenure: December 2008-December 2013

Toni Hoover, Ph.D.
Site Director, Groton/New London Laboratories
Pfizer Global Research and Development
Groton CT, 06340
Phone: 860-441-4218
Tenure: Tenure ended April 2012

R. Alan Hunter
Retired Senior Executive, Stanley Works
24 Palmer Court
Noank, CT 06340
Phone: 860-536-7010
Tenure: December 2005-December 2013

Mary Ellen Jukoski, EdD
Mitchell College, President
7 MacKinnon Place
East Lyme, CT 06333
Phone: 860-701-5027
Tenure: December 2009-December 2012

Robert Keltner, M.D.
SE Pulmonary Associates
155 Montauk Avenue
New London, CT 06320
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Tenure: December 2003-December 2012

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Tenure: December 2002-December 2012

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35 Plains Road, BX 950
Essex, CT 06426
Phone: 860-767-4414
Tenure: December 2005-December 2014

Lee J. Olivier
Northeast Utilities
Executive Vice President/Chief Operating Officer, P.O. Box 270
Hartford, CT 06141
Phone: 860-728-4800
Tenure: December 2006-December 2012

Daniel P. O'Shea
9 Meetinghouse Lane
Old Lyme, CT 06371
Phone: 860 434-3790
Tenure: Tenure ended December 2011

Carol O. Ridgway
Volunteer
68 Neck Road
Old Lyme, CT 06371
Phone: 860-434-8975
Tenure: December 2008-December 2014

Kathleen Steamer, CPA
Doherty Beals +Banks, PC
Principal, Accounting Firm
187 Williams Street
New London, CT
Phone: 860-443-2033
Tenure: December 2007-December 2013

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Tenure: December 2008-December 2013

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Tenure: December 2003-December 2012

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Phone: 860-448-4104
Tenure: December 2011-December 2014

Carol O. Ridgway
Volunteer
68 Neck Road
Old Lyme, CT 06371
Phone: 860-434-8975
Tenure: December 2008-December 2014

Kathleen Steamer, CPA
Doherty Beals +Banks, PC
Principal, Accounting Firm
187 Williams Street
New London, CT
Phone: 860-443-2033
Tenure: December 2007-December 2013

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Phone: 860-444-8021
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Lawrence + Memorial Hospital
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Uncasville, CT 06382
Phone: 860-367-0087
Tenure: December 2009 to present

David F. Reisfeld, M.D.
Vice President, Medical Staff
L + M Physicians General Surgery
50 Faire Harbour Place, Suite 2C
New London, CT 06320
Phone: 860-442-0711
Tenure: December 2011 to present

Supplemental Exhibit 3

2011

VNA of Southeastern Connecticut, Inc.
403 North Frontage Road
Waterford, CT 06385

Ann Branchini, Chair — 7 Years (Board of Directors)
Three Rivers Community College
Mahan Drive
Norwich, CT 06360
860-383-5204

JoAnn Barrows — 5 Years (Board of Directors)
Retired
9 Cutter Drive
Mystic, CT 06355
860-536-6365

Cindy Brustolon-Casey — 1 Year (Board of Directors)
Brustolon Pontiac-GMC
47 Stonington-Westerly Road
Mystic, CT 06335
860-536-2626

Ann Burdick, Secretary — 7 Years (Board of Directors)
Secretary to Superintendent & Dir. Of Operations
134 Williams Street
New London, CT 06320
860-447-6022

Ivelisse Colon-Rivera — 2 Years (Board of Directors)
Vertex Pharmaceuticals
130 Waverly St
Cambridge, MA 02139
617-444-0809

Kathleen Crook, Vice Chair — 7 Years (Board of Directors)
General Woodcraft
5231 Broad Street
New London, CT 06320
860-444-9663

Bruce Cummings — L&M Corporate Member
President and CEO
Lawrence + Memorial Hospital
365 Montauk Avenue
New London, CT 06320
860-442-0711 x2221

Christine Hammond — 8 Years (Board of Directors)
Three Rivers Community College
7 Mahan Drive
Norwich, CT 06360
860-892-5775

Thomas Kasprzak — 1 Years (Board of Directors)
Northeast Utilities
44 Mayfield Terrace
East Lyme, CT 06333
860-691-1737

Mary Lenzini
President, CEO
VNA of Southeastern Connecticut, Inc.
403 North Frontage Road
Waterford, CT 06385
860-444-1111

Mary Jane McGinnis, Treasurer — 1 Year (Board of Directors)
Human Resources Director
The Day Publishing
47 Eugene O'Neill Drive
New London, CT 06320

James McGuire — 3 Years (Board of Directors)
McGuire & McGuire Law
68 Federal Street
New London, CT 06320
860-443-4357

Patricia Modzelewski — 9 Years (Board of Directors)
Peck & Tuneski, PC
10 Pearl St
New London, CT 06320
860-447-3370

Kathy Nelson — 5 Years (Board of Directors)
Windham Hospital-Satellite at Windham H.S.
355 High St.
Willimantic, CT 06226
860-465-2465

Carol Ridgway — L&M Corporate Member

Volunteer
68 Neck Road
Old Lyme, CT 06371
860-434-8975 (home)

Kathleen Steamer, Treasurer — 7 Years (Board of Directors)
CPA
Doherty Beals & Banks, PC
Principal, Accounting Firm
187 Williams Street
New London, CT
860-443-2033

Robert Tabor — 1 Year
Retired
13 Boulder Ave
Stonington, CT 06378
860-535-1825

2012
VNA of Southeastern Connecticut, Inc.
403 North Frontage Road
Waterford, CT 06385

James McGuire, Vice-Chair — 4 Years
Halloran & Sage LLP
216 Broad Street
New London, CT 06320
860-437-0384

Ann Branchini — 8 Years
Three Rivers Community College
Mahan Drive
Norwich, CT 06360
860-383-5204

Kathleen Crook, Chair — 8 Years
General Woodcraft
5231 Broad Street
New London, CT 06320
860-444-9663

Ann Burdick, Secretary — 8 Years
Secretary to Superintendent & Dir. Of Operations
134 Williams Street
New London, CT 06320
860-447-6022

JoAnn Barrows — 6 Years
Retired
9 Cutter Drive
Mystic, CT 06355
860-536-6365

Rev. Michel Belt — 1 Year
St. James Episcopal Church
76 Federal Street, New London, CT
860-443-4989

Chase Bradley — -1 Year
Broker, Wachovia Securities
86 Denison Ave, Mystic, CT 06355
860-572-2890

Cindy Brustolon-Casey — 2 Years
Brustolon Pontiac-GMC

47 Stonington-Westerly Road
Mystic, CT 06335
860-536-2626

Ivelisse Colon-Rivera — 3 Years
Vertex Pharmaceuticals
130 Waverly St
Cambridge, MA 02139
617-444-0809

Bruce Cummings — L&M Corporate Member
President and CEO
Lawrence + Memorial Hospital
365 Montauk Avenue
New London, CT 06320
860-442-0711 x2221

Evelyn Ellis — -1 Year
US Coast Guard Academy
15 Mohegan Ave
New London, CT 06320
860-444-8608

Ralph Heath — VNA Staff VP of Financial Services
VP of Financial Services
VNA of Southeastern Connecticut, Inc.
403 North Frontage Road
Waterford, CT 06385
860-444-1111, Ext. 303

Thomas Kasprzak — 2 Years
Northeast Utilities
44 Mayfield Terrace
East Lyme, CT 06333
860-691-1737

Mary Lenzini, President — 16 Years
President
VNA of Southeastern Connecticut, Inc.
403 North Frontage Road
Waterford, CT 06385
860-444-1111

Irene Miller — 1 Year
The Mohegan Tribe
1 Mohegan Sun Blvd
Uncasville, CT 06382

860-862-6236

Kathy Nelson — 6 Years
Windham Hospital-Satellite at Windham H.S.
355 High St.
Willimantic, CT 06226
860-465-2465

Thomas Reynolds — 1 Year
State Representative
Legislative Office Bldg. Rm. 4114
Hartford, CT 06106
860-464-0441

Carol O. Ridgway — L&M Corporate Member
Volunteer
68 Neck Road
Old Lyme, CT 06371
860-434-8975 (home)

Ralph Heath — VNA Staff VP of Financial Services
VP of Financial Services
VNA of Southeastern Connecticut, Inc.
403 North Frontage Road
Waterford, CT 06385
860-444-1111, Ext. 303

Mary-Jane McLaughlin, Treasurer — 2 Years
Director of Human Resources
L+M Hospital
365 Montauk Avenue
New London, CT06320
860-442-0711 x3208

Kathleen Steamer — 8 Years
CPA
Doherty Beals & Banks, PC
Principal, Accounting Firm
187 Williams Street
New London, CT
860-443-2033

EXHIBIT 4

Exhibit 4

After the conversion of the Transacting Parties and their affiliates, Westerly Hospital Healthcare, Inc. and The Westerly Hospital will be dissolved and LMW Healthcare, Inc. will operate under the name The Westerly Hospital and will have L + M Corporation as its sole corporate member. Accordingly, after the conversion, L + M Corporation will be the sole corporate member of both LMW Healthcare, Inc. (d/b/a The Westerly Hospital), and Lawrence + Memorial Hospital, Inc. While specific board seats have not yet been assigned to particular individuals, an Ad Hoc Governance Subcommittee of L + M Corporation consisting of Ulysses B. Hammond, Granville R. Morris, Fred A. Conti, and Bruce D. Cummings has proposed the following regarding governance:

L + M Corporation: The Sub-Committee recommends that the members of the L + M Corporation Board of Directors post conversion would be selected as follows:

A. The members of the L + M Corporation Board of Directors would be elected by the Corporators.

B. There would be one universe of Corporators for the L + M system of health care.

C. Currently, the Corporators consist of approximately 175 members. It is recommended that the membership increase to between 200 and 225 with the increased membership coming from The Westerly Hospital service area. Over time, the membership of the Corporators would be reduced to the current level of about 175 through attrition in the ranks of the membership from the L + M service area.

D. The Nominating Committee for the Corporation would accept recommendations for the initial new members of the Corporators from interested stakeholders in The Westerly Hospital service area, including The Westerly Hospital area Residents Committee and The Westerly Hospital Foundation.

E. The Corporators would elect 3 members to the parent board from a list of up to 15 individuals from The Westerly Hospital service area suggested to the L + M Corporation nominating committee.

F. The Corporators would elect 6 members to the L + M Corporation Board of Directors from a list of up to 15 individuals from the L + M Hospital service area suggested to the L + M Corporation nominating committee.

G. Members of the L + M Corporation Board of Directors would elect the officers of said board from among its membership.

The Westerly Hospital: The Sub-Committee recommends that members of The Westerly Hospital board of directors post-conversion should consist of eleven (11) directors as follows:

1 system CEO, who will also be CEO of The Westerly Hospital;

1 Hospital Senior Executive;

3 medical staff members (as per L + M Hospital current practice the President, Past President, and Vice President of medical staff;

6 community directors with appropriate skill sets.

L + M Corporation: Similarly, the L + M Corporation board of directors would be revised to consist of sixteen (16) directors as follows:

5 ex officio members (system CEO, L + M Hospital Board Chair, The Westerly Hospital Board Chair, and Visiting Nurses Association of Southeastern Connecticut, Inc. Board Chair; L + M Physicians Board Chair);

2 MDs (one per each of L + M Hospital and The Westerly Hospital selected from a group of 5 candidates from each hospital proposed by respective medical staff);

9 Community members with desired skill sets (6 community directors from L + M service area and 3 community directors from The Westerly Hospital service area)

With regard to executive and senior managers, the Transacting Parties expect that L + M executives and senior managers will maintain their positions while adding responsibilities with respect to The Westerly Hospital. The Westerly Hospital executives and senior managers who remain in their positions prior to the conversation are likely to be replaced post conversion.

EXHIBIT 5

Exhibit 5

L + M has been reviewing its present governance structure as a result of the growing significance of physician employment, post-acute care, and of course the proposed transaction with The Westerly Hospital. Accordingly, an Ad Hoc Governance Subcommittee of L + M Corporation consisting of Ulysses B. Hammond, Granville R. Morris, Fred A. Conti, and Bruce D. Cummings reviewed these issues and concluded that The Westerly Hospital board of trustees post-conversion should consist of eleven (11) directors as follows:

1 system CEO, who will also be CEO of The Westerly Hospital;

1 Hospital Senior Executive;

3 medical staff members (as per L + M Hospital current practice the President, Past President, and Vice President of medical staff;

6 community directors with appropriate skill sets.

Similarly, the L + M Corporation board of directors would be revised to consist of sixteen (16) directors as follows:

5 ex officio members (system CEO, L + M Hospital Board Chair, The Westerly Hospital Board Chair, and Visiting Nurses Association of Southeastern Connecticut, Inc. Board Chair; L +M Physicians Board Chair);

2 MD's (one per each of L + M Hospital and The Westerly Hospital selected from a group of 5 candidates from each hospital proposed by respective medical staff);

9 Community members with desired skill sets (6 community directors from L + M service area and 3 community directors from The Westerly Hospital service area).

The Sub-Committee recommends that the members of the Board of Directors of the parent company would be selected as follows:

A. The members of the Board of Directors of the parent company would be elected by the Corporators.

B. There would be one universe of Corporators for the L + M system of health care.

C. Currently, the Corporators consist of approximately 175 members. It is recommended that the membership increase to between 200 and 225 with the increased membership coming from The Westerly Hospital's service area. Over time, the membership of the Corporators would be reduced to the current level of about 175 through attrition in the ranks of the membership from the L + M service area.

D. The Nominating Committee for the Corporation would accept recommendations for the initial new members of the Corporators from interested stakeholders in The Westerly Hospital service area, including The Westerly Hospital area Residents Committee and The Westerly Hospital Foundation.

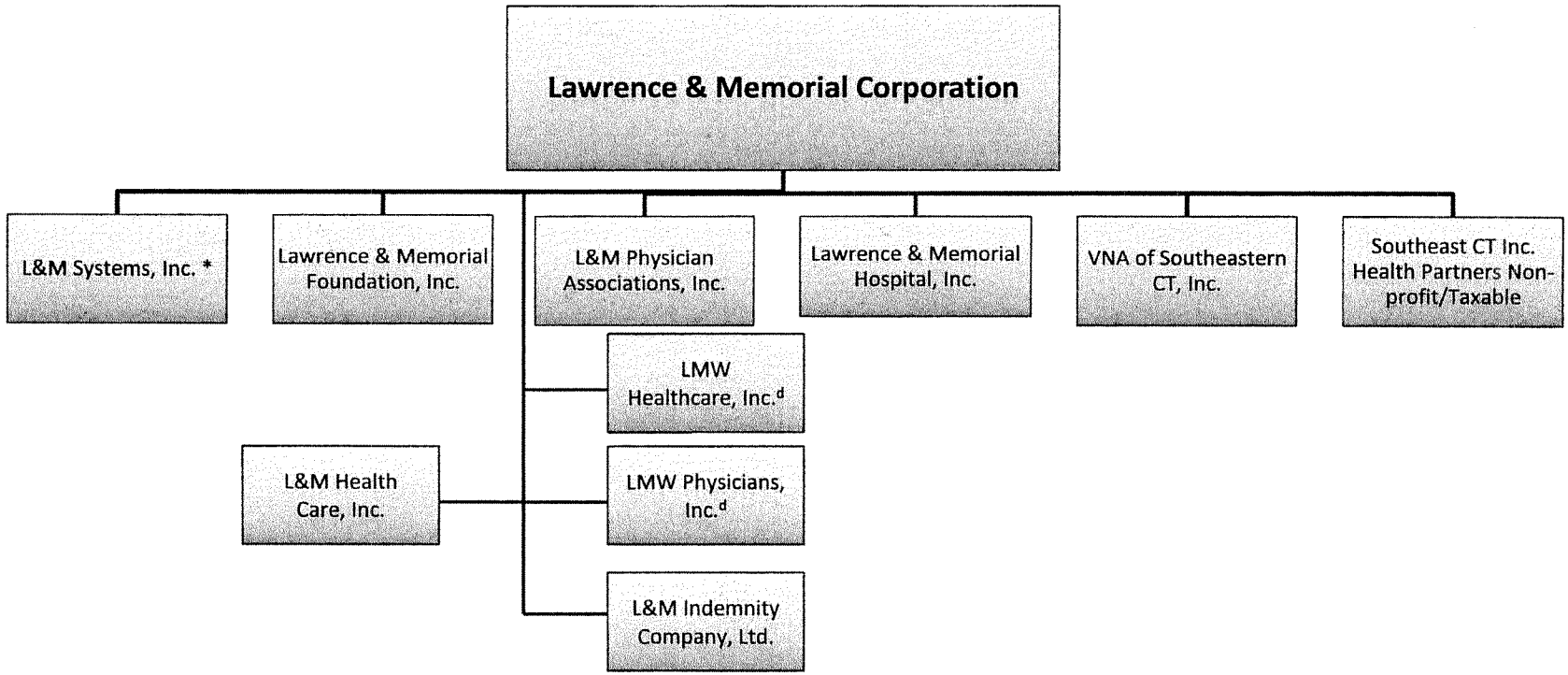
E. The Corporators would elect 3 members to the parent board from a list of up to 15 individuals from The Westerly Hospital's service area suggested to the nominating committee of the parent company.

F. The Corporators would elect 6 members to the parent board from a list of up to 15 individuals from the L + M Hospital service area suggested to the nominating committee of the parent company.

G. Members of the Board of Directors would elect the officers of said board from among its membership.

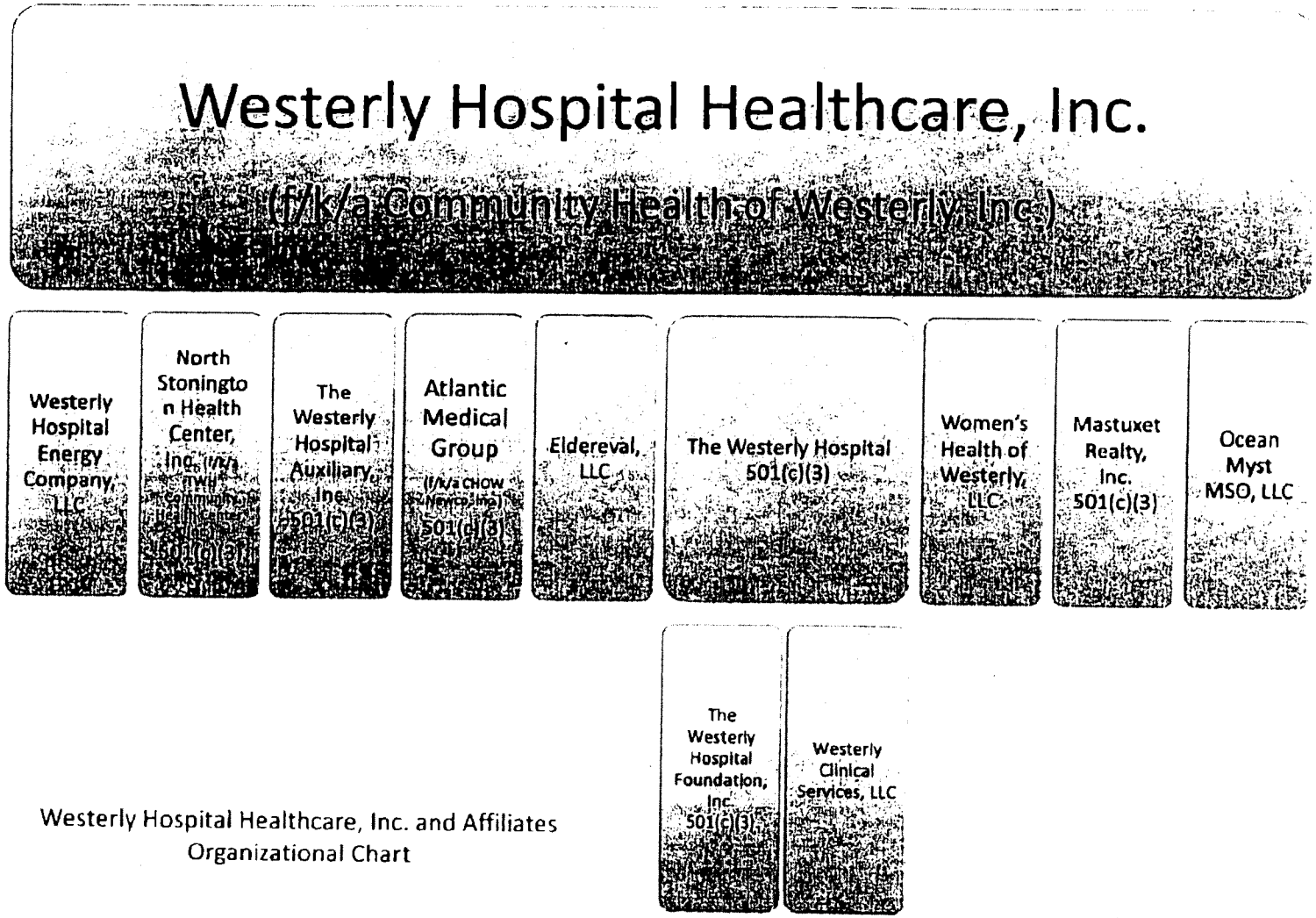
Exhibit 6(A)

LAWRENCE +MEMORIAL



RIDOHS0117

Note:
**- for profit*
d - Rhode Island non-profit companies



Westerly Hospital Healthcare, Inc. and Affiliates
Organizational Chart

RIDOH 0337

Exhibit 7

STATE OF RHODE ISLAND
WASHINGTON, SC.

SUPERIOR COURT

CHARLES S. KINNEY, CHIEF EXECUTIVE OFFICER AND TRUSTEE **Plaintiff**	:	
v.	:	**C.A. No. 2011-0781**
WESTERLY HOSPITAL HEALTHCARE, INC., THE WESTERLY HOSPITAL, ATLANTIC MEDICAL GROUP, INC., OCEAN MYST, MSO LLC, WOMEN'S HEALTH OF WESTERLY, LLC, AND NORTH STONINGTON HEALTH CENTER, INC. **Defendants**	:	

ORDER

This matter came before this Court on the 28th day of February, 2012, on the Special Master's Petition for Instructions seeking authority to implement a process to secure proposals for the acquisition, strategic partnership and/or repositioning of the Westerly Hospital and Related Entities. After hearing thereon and after the procedures noticed out by the Special Master for comment and input by various parties of interest, it is hereby:

ORDERED, ADJUDGED and DECREED:

1. The Mastership Transaction Process, as recommended by the Special Master in the above-referenced Petition, is hereby authorized subject to the modifications incorporated herein. Accordingly, the following procedures are adopted.

2. The first phase ("Phase I") of the Mastership Transaction Process shall involve the preparation of materials and resources necessary to formally initiate the Mastership Transaction Process and include the following principal elements:

   a. The Mastership and the consultant engaged by the Mastership pursuant to an approval of this Court granted on February 28, 2012 (the "Consultant") will undertake introductory contact with a number of "Potential

Purchasers/Partners", conduct site visits and educate Potential Purchasers/Partners on the Mastership Transaction Process, in an effort to generate interest and expedite the potential for an initial, or "stalking horse", bid;

b. The Special Master and the Consultant shall work to finalize the assembly of an Electronic Data Room ("EDR"), a confidential offering memorandum which provides an overview of Westerly Hospital and Related Entities, along with certain financial and business analysis (the "Memorandum"), and a distribution list of Potential Purchasers/Partners; and

c. The Special Master shall develop appropriate confidentiality agreements to allow Potential Purchasers/Partners access to the EDR, the Memorandum and other due diligence materials that may be requested throughout the process.

3. The second phase ("Phase II") of the Mastership Transaction Process shall involve the solicitation of preliminary, non-binding proposals ("Letters of Interest") for a Mastership Transaction and commence with the distribution of the Memorandum to Potential Purchasers/Partners. Potential Purchasers/Partners will be allowed access to the EDR to undertake an initial level of due diligence.

4. At a minimum, each Letter of Interest shall provide the following information:

a. A description of the Potential Purchaser/Partner's organization, including its history and operation, financial resources, educational and religious affiliations;

b. An overview of the Potential Purchaser/Partner's experience in affiliating with, or acquiring, and operating, financially-distressed hospital(s) and/or healthcare systems;

c. A transaction structure including but not limited to assets to be acquired, purchase price, assumption of liabilities, and assumptions regarding working capital expected to be delivered at closing;

d. The model or strategic plan for the operation of Westerly Hospital and/or Related Entities, post-acquisition;

e. A description of the amount and sources of financing, the timing to complete such financing, and any contingencies related thereto;

f. A description of the due diligence process required for closing the transaction;

g. The authorizations and approvals necessary to be obtained prior to executing all definitive Mastership Transaction documentation;

h. Any and all contingencies and conditions to closing; and

i. The anticipated timing to close the Mastership Transaction.

5. In addition to providing a full copy of its Letter of Interest for review by the Special Master, his professionals, and such other parties as may be identified by the Special Master in consultation with each party submitting the proposal, each Potential Purchaser/Partner shall be required to submit a redacted version of its Letter of Interest, which removes privileged, confidential and/or proprietary information. Thus, the Mastership will be able to share same with Stakeholders and the constituents of the Regulatory and Public Protection Committee. Notwithstanding, none of the salient terms of the Letters of Interest, including without limitation, purchase price, purchase price allocation, financial and time commitments, shall be considered privileged, confidential and/or proprietary absent further order by this Court.

6. The third phase ("Phase III") of the Mastership Transaction Process shall involve the evaluation of submitted Letters of Interest to determine those Potential Purchasers/Partners that will be designated "Qualified Purchasers/Partners", the completion of due diligence by Qualified Purchasers/Partners, and the opportunity for Qualified Purchasers/Partners to submit binding proposals.

7. Weight shall be afforded to the following in selecting those parties that have submitted Letters of Intent to be designated as "Qualified Purchasers/Partners":

a. Letters of Interest which commit to maintain Westerly Hospital as an acute-care, community Hospital for a period of time;

b. Letters of Interest that commit to maintain certain levels of employment for a period of time;

c. Letters of Interest that commit capital as needed to ensure sustainability based upon a viable, initial operating plan;

d. Letters of Interest that commit to maintain charity care responsibilities and services consistent with levels historically maintained by Westerly Hospital

e. Letters of Interest which commit to maintain an accessible emergency department and indicate which, if any, acute care services will be terminated;

f. As to initial operating plans that would terminate services, weight will be afforded to transfer arrangements and/or other strategic alliances with other providers, including primary care providers and hospitals, to ensure that the community has reasonable and appropriate access to such healthcare services, and whether terminated services will be replaced with non-acute care services;

g. The proposed purchase price, the level of liabilities to be assumed, and the treatment of creditors; and

h. Letters of Interest that commit to expedite and fund the Rhode Island Hospital Conversion Act ("HCA") Process.

8. The Special Master will select Qualified Purchaser/Partners after consultation with the Committees established by Order (the "Committees") and parties of interest, but otherwise it his sole discretion; provided, however, that any party that has submitted a Letter of Interest that is not designated a Qualified Purchaser/Partner may apply to this Court for further relief, after notice to the Special Master and service list in these proceedings and an opportunity for a hearing thereon. Qualified Purchasers/Partners shall-be allowed a final level of due diligence, including an opportunity to review a detailed bridge analysis developed by the Special Master and the Consultant, with a timeline established for the submission of binding proposals.

9. At the outset of Phase III, the Special Master shall establish a firm date for the submission of binding proposals by qualified purchasers/partners.

10. Binding proposals shall include an asset purchase agreement ("APA") based upon a form to be distributed by the Mastership. Each Qualified Purchaser/Partner shall submit an APA marked against the form distributed by the Mastership to show changes and a good faith deposit, which amount and terms shall be established and held in escrow under terms to be

specified in the bidding procedures described below. The Special Master shall consult with interested members of the Committees regarding the form of APA and also provide a draft of the APA to the Regulatory and Public Protection Committee in advance of distributing same to Qualified Purchasers/Partners. Among other provisions, the APA shall set forth an expedited deadline for Qualified Purchasers/Partners to submit an HCA application. To further assist in this regard, the Special Master shall submit the facility specific facets of the HCA application to the Department of Attorney General and the Department of Health in advance of Qualified Purchasers/Partners being identified. The Special Master will make copies of binding proposals available to creditors and other parties in interest upon request.

11. Binding proposals shall answer questions posed by the Special Master and the Consultant which result from an evaluation of the information accompanying the Letter of Interest and input from the Stakeholders and other interested parties.

12. It is anticipated that the Special Master and the Consultant may pose questions to be answered in conjunction with the submission of-binding bid proposals that could include, but not be limited to:

a. The sustainability of a detailed business model/strategic plan;

b. The nature and level of commitment within the business model/strategic plan to maintaining an acute care hospital in Westerly, Rhode Island and the services to be offered pursuant to such facets of the model/strategic plan;

c. How the business model/strategic plan promotes strategic, administrative, operational and organizational relationships with other health care entities in the service area to improve provider integration and the effectiveness of services delivered to the population in the service area, The ability to fund needed future capital expenditures or the ability of a non-profit suitor to raise such funds;

d. The proposed corporate governance structure of the new entity;

e. A description of the approach to employed physician recruitment and retention and to identifying and ensuring the availability of other needed

medical services in the service area, with particular attention to developing and maintaining high quality primary care services for the service area;

f. A description of the philosophy to maintain strong Hospital-physician relationships;

g. A strategic plan for developing contractual relationships with payors, the Hospital and non-employed physicians in the community which promote appropriate shared financial risk and improved population health outcomes;

h. A description of community benefit from the business model/strategic plan;

i. Additional resources such as access to physician networks, access to procurement programs, access to administrative and operational support, access to health information technology and access to specialty services not currently provided by the Hospital;

j. A discussion of plans with regard to the retention of the Hospital's employees and medical staff, including collective bargaining agreement issues, assumptions of and/or restructuring of existing physician employment contracts, and policies with regard to employees displaced by the Mastership Transaction; and

k. The ability to provide management support and financial support to the Hospital during the conversion process.

13. During Phase III of the Mastership Transaction Process, the Special Master shall submit a petition for bid hearing instructions. The petition for bid hearing instructions shall address the following:

a. A procedure for the submission of final and best bids;

b. A procedure for the Special Master's presentation of a summary of bids;

c. A procedure for presentations by the Qualified Purchasers/Partners;

d. A procedure for examinations of Qualified Purchasers/Partners;

e. A procedure for the presentation of recommendations by Stakeholders and other interested parties;

f. A procedure for the presentation of a recommendation by the Special Master; and

g. A procedure for the Court's determination of the highest and best bid.

14. The fourth and final phase ("Phase IV") of the Mastership Transaction Process shall be the hearing to determine the highest and best.

15. The timeline for the Mastership Transaction Process is set forth as follows:

a. Phase I is anticipated to be completed on or before April 1, 2012;

b. Phase II is anticipated to be completed on or before June 1, 2012. Unless extended pursuant to the terms of this order, June 1, 2012 shall be the deadline for Potential Purchasers/Partners to deliver Letters of Interest to the Special Master; and

c. Phases III and IV are anticipated to be completed by August 30, 2012.

16. The Special Master, after consultation with the Committees but otherwise in his sole discretion, may extend the deadlines for the completion of the phases for the Mastership Transaction Process and/or the submission for Letters of Interest set forth in this order by notice to: this Court, all Potential Purchasers/Partners that have requested a copy of the Memorandum, and the service list established in these proceedings.

17. A closing for the Mastership Transaction Process is anticipated to occur as soon as is practicable after the expiration of appeals periods and the conclusion of any required regulatory process.

Enter as an Order of this Court this 12th day of March, 2012

Per Order:

3-12-12 J.

Entered:

3-12-12 Clerk

Submitted by:

W. Mark Russo (#3937) Permanent Special Master
for Westerly Hospital Health Care, Inc.,
The Westerly Hospital, Atlantic Medical Group, Inc.,
Ocean Myst MSO, LLC, Women's Health of Westerly,
LLC, and North Stonington Health Center, Inc.,
and not in his individual capacity
Ferrucci Russo P.C.
55 Pine Street, 4th Fl.
Providence, RI 02903
Telephone: (401) 455-1000
Facsimile: (401) 455-7778

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SUPERIOR COURT
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STATE OF RHODE ISLAND
WASHINGTON, SC.

SUPERIOR COURT

CHARLES S. KINNEY, CHIEF EXECUTIVE OFFICER AND TRUSTEE
Plaintiff

v.

C.A. No. 2011-0781

WESTERLY HOSPITAL HEALTHCARE, INC., THE WESTERLY HOSPITAL, ATLANTIC MEDICAL GROUP, INC., OCEAN MYST, MSO LLC, WOMEN'S HEALTH OF WESTERLY, LLC, AND NORTH STONINGTON HEALTH CENTER, INC.
Defendants

ORDER APPROVING THE SALE OF THE ASSETS OF THE WESTERLY HOSPITAL AND THE RELATED ENTITIES FREE AND CLEAR OF LIENS AND LIABILITIES

On February 28, 2012, this Court heard the Special Master, W. Mark Russo's Petition for Instructions seeking authority to implement a process to secure proposals for the acquisition, strategic partnership and/or repositioning of The Westerly Hospital and the Related Entities. After a hearing thereon and after the procedures were noticed out by the Special Master to parties-in-interest for comment and input, this Court entered an Order dated March 12, 2012, establishing the Mastership Transaction Process (the "Mastership Transaction Process Order" and the "Mastership Transaction Process", respectively).

Furthermore, on June 13, 2012, this Court held a hearing and granted the Special Master's Petition for Instructions (the "Petition"), regarding the Presentation and Acceptance of a Stalking Horse Offer by LMW Healthcare, Inc., and LMW Physicians, Inc., as guaranteed by Lawrence & Memorial Hospital Corporation (collectively, "L&M" or the "Buyer") as set forth in the form of Asset Purchase Agreement (the "APA") attached hereto as *Exhibit A* (except as

otherwise defined herein, the capitalized terms herein are defined in the APA, as may be amended from time to time).[1] The Order authorizing the Special Master to enter into the APA subject to higher and better offers is referenced herein as the "Sales Procedures Order."

The Mastership Transaction Process Order, set forth criteria to which weight would be afforded to preserve The Westerly Hospital and the Related Entities as assets to the community both from the standpoint of healthcare and the regional economy. *See* Mastership Transaction Process Order at ¶¶ 7 and 12.

In accordance therewith, the L&M "Stalking Horse Offer", as embodied within the APA, addressed such weighted criteria as follows:[2]

1. An assumption (or satisfaction) of over $22M in The Westerly Hospital and the Related Entities' liabilities;
2. A commitment to pay for a "tail" malpractice insurance policy that Westerly Hospital will require upon sale at an estimated cost of approximately $2 million;
3. A commitment to pay Closing costs and transactional expenses that Westerly Hospital will incur in this proceeding in the estimated amount of $1.5 million;
4. A commitment to fund "cure" costs which are not captured in assumed liabilities;
5. A commitment to continue the Westerly Hospital identity and name, including its non-profit status and community mission;
6. A commitment to establish a Hospital Board with members drawn from residents of the Westerly service area. Moreover, a commitment to put residents of the Westerly

[1] The APA is attached without schedules. The schedules are maintained by the Special Master.

[2] To the extent the terms of the APA, as amended hereby, conflict with the summary provided for herein, the terms of the APA shall control.

RIDOH 0349

service area on the reconstituted Board of Trustees of the Hospital as well as the Board of Trustees of the Buyer's parent;

7. A commitment to carry out a broad-based community capital campaign in support of the Westerly Hospital and a commitment that all such funding will be raised in the Hospital's name and remain for the benefit of the Hospital's non-profit and community mission;

8. A commitment to maintain the Westerly Hospital as an acute care, community hospital for a minimum of 5 years after the Closing. Included within that important commitment, is a commitment not to discontinue clinical services being provided by the Westerly Hospital for 2 years after the Closing as more fully set forth in Section 10.1 of the APA. Furthermore, if L&M's targeted goal of a 3% operating margin on a roll-up basis of the Westerly Hospital and Related Entities is achieved, a commitment to augment services;

9. A commitment to inject $6.5 million of working capital into the Westerly Hospital during the first 2 years after Closing to fund the turnaround plan (subject to final review by Buyer) that the Mastership has begun to bring the Hospital to a state of profitability;

10 Consistent with the commitments to continue the mission of the Hospital and maintain it as an acute care, community hospital, a commitment during the first 5 years after Closing, to make or incur contractual obligations to make $30 million in capital expenditures including without limitation, investment in technology, equipment, and/or expanded services;

11. A commitment to offer employment, commencing on the Closing Date to all union and non-union clinical, trade and services personnel of the Sellers (excluding certain management personnel and general and administrative support services personnel) and, a further commitment to maintain certain minimum staffing levels per adjusted average occupied bed;

12. A commitment to assume physician contracts and to strengthen the Westerly Hospital's relationship with the physician community (subject to Buyer's due diligence review, including but not limited to, compliance with law, inclusive of current review being undertaken by the United States Department of Health and Human Services, Office of Inspector General and the United States Attorney);

13. A commitment to expedite the Rhode Island Hospital Conversion Act and Change in Effective Control process;

14. During the critical period between the Sale Hearing and the completion of the Hospital Conversion Act process, a commitment pursuant to the Interim Advisory Agreement to loan monies to the Hospital to cover operational losses subject to Section 10.8 of the APA. In turn, at Closing, the loan will be forgiven, providing additional value to the Mastership Estate. In addition, pursuant to the Interim Advisory Agreement, Buyer will provide consulting and administrative services to the Sellers at Buyer's cost to maintain the viability of the Assets until the Closing; and

15. A commitment to fund the lease obligations (approximately $68,000 per month) for the North Stonington Health Center up and until Closing subject to the Special Master deeming such payments necessary in his discretion.

L&M's bid, as above-referenced, was tested during an intensive, competitive bid process. The Special Master and his advisers have diligently and in good faith marketed the Assets to secure the highest and best offer or offers therefor. The culmination of that process, and the fourth and final phase of the Mastership Transaction Process commenced with a hearing to determine the highest and best proposal for the acquisition, strategic partnership and/or repositioning of the Westerly Hospital and Related Entities.

On August 28, 2012, this Court conducted such a hearing as consistent with the Sales Procedures Order. At that hearing, L&M and the Special Master presented an amendment to the APA, a copy of which is attached hereto as ***Exhibit B*** (the APA and the amendment thereto are collectively referenced hereinafter as the "APA"). The amendment to the APA modifies such by, amongst other things, providing for the redemption of the Bonds at or before the Closing and for the satisfaction or assumption of the obligations of the Westerly Hospital and Related Entities to the Washington Trust Company. The APA proposed by Buyer was offered in good faith, from arm's-length bargaining positions without collusion or fraud by the parties so that Buyer is a good faith purchaser.

The Special Master has given due and proper notice of the proposed sale of the Assets to all parties required to receive notice, including without limitation, to each secured party, all holders of Liens and Liabilities of record with respect to the Assets, all of the counterparties to the Material Contracts, all municipalities and licensing agencies, the United States Department of Justice (the "DOJ"), the United States Department of Health and Human Services, Office of the Inspector General (the "OIG"), and any governmental unit having a claim against Westerly Hospital and Related Entities or the Assets, including without limitation the Pension Benefits Guaranty Corporation (the "PBGC") and the Rhode Island Department of Health (the "RIDOH")

and all entities reasonably known to have expressed an interest in a transaction with respect to the Assets during the past twelve (12) months.

A reasonable opportunity to object or be heard with respect to the Mastership Transaction Process and the relief contemplated thereby, and the rights of third parties to submit higher or otherwise better offers for the Assets, has been afforded to all interested parties and entities.

Under all the circumstances presented, (i) all actions contemplated in the APA; (ii) consummation of all acts contemplated in this Order; (iii) the transfer of the Assets by the Special Master to Buyer; and (iv) the receipt by the Special Master of the Purchase Price are in the best interests of The Westerly Hospital and the Related Entities and their respective estates, creditors, and interest holders.

It is accordingly hereby

ORDERED

1. Subject to Paragraph 2 below, this Court has jurisdiction over these proceedings and all Mastership Assets. The Special Master has provided adequate notice of the relief sought with respect to the sale of the Assets and the relief requested in the Mastership Transaction Process Order and the Sales Procedures Order. Adequate notice and an opportunity to be heard with respect to the Mastership Transaction Process was proper, timely, adequate and sufficient, and reasonably calculated to give actual notice of the relief contemplated hereby, as appropriate under the circumstances, and no further notice is required. Reasonable opportunity to object or be heard regarding the relief granted by this Order has been afforded to those parties entitled to notice. In addition, supplemental notice has been provided to the PBGC, the RIDOH, the Internal Revenue Service, the Centers for Medicare and Medicaid Services, Peter F. Neronha, as

United States Attorney, and the United States Department of Health and Human Services, Office of Inspector General, and Gary Donahue of the United States Bankruptcy Trustee's Office.

2. As set forth in the Sales Procedures Order, the Special Master shall be required to seek approval of the United States Bankruptcy Court for the District of Rhode Island in ***In Re North Stonington Health Center, Inc.***, B.K. No. 12-11508 (the "Bankruptcy Court") with respect to the necessary authority and approval for the conveyance and transfer of the assets of North Stonington Health Center, Inc. to Buyer. In accord therewith, the Order does not approve the sale of any real or personal property subject to the jurisdiction of the Bankruptcy Court, but is a conditional approval of such sale subject to approval of the Bankruptcy Court so long as that court has jurisdiction over such assets. In turn, the Stipulation read into the record on August 28, 2012, withdrawing North Stonington Properties LLC's Objection and waiving appellate rights is incorporated herein. *See* Transcript of Stipulation attached hereto as ***Exhibit*** C. No such approval shall be required to convey Assets of any or all other Sellers to the Buyer pursuant to this Order and the APA.

3. As set forth herein, the Special Master is hereby authorized to sell the Assets as pursuant to the terms of the APA attached hereto and incorporated herein as ***Exhibit A and Exhibit B***. The consideration for the sale of such Assets, in large part, is contained in Section 1.6 of the APA and in the particular the Covenants of Buyer set forth at Article 10 of the APA and outlined above (hereinafter, the "Buyer Commitments"). The Buyer Commitments, in addition to the other obligations, covenants and representations set forth in the APA, are guaranteed by the parent company Lawrence & Memorial Hospital Corporation and said guaranty is incorporated into this Order. Moreover, the APA provides that the Buyer agrees to be bound by a mechanism for enforcement of the Buyer Commitments, as reasonably acceptable

to the Buyer and as ordered by the Court. Accordingly, the Buyer Commitments are to be enforced as follows:

a. Beginning on the first anniversary of the Closing of the transactions contemplated by the APA and on each of the following four (4) anniversaries thereof, Buyer shall file, in a form reasonable acceptable to the RIDOH, a written annual report and supporting documentation, concerning progress toward achieving, and compliance with, the Buyer Commitments (the "Annual Report").

b. The RIDOH shall coordinate as appropriate with the Rhode Island Attorney General ("RIAG"), the Rhode Island Secretary of Health and Human Services, the Rhode Island Office of Health Insurance Commissioner, and the Office of the Lieutenant Governor regarding the review of said Annual Reports.

c. In the event the RIDOH alleges a violation of the Buyer Commitments, the RIDOH may seek appropriate relief for enforcement of the applicable Buyer Commitments pursuant to RIGL 23-17-8.

d. The Mastership Proceeding, upon final report and recommendation of the Special Master shall be stayed; provided, however, if after exhaustion of the administrative procedures set forth above there remain unresolved disputes regarding enforcement of the Buyer's Commitments, the stay shall be lifted and any such remaining disputes shall be submitted to the Mastership Court for adjudication; and, provided, further, if no such disputes are submitted to the Mastership

Court within six (6) months following the fifth anniversary of the Closing, the stay of the Mastership stay shall expire and the Mastership shall terminate.

4. Schedule 10.6 of the APA, the commitments negotiated by and between United Nurses and Allied Professionals and L&M, and the dispute resolution provisions thereof are expressly incorporated herein.

5. The Court hereby finds and holds that effective upon the Closing, the Assets shall be transferred to Buyer pursuant to the APA, as amended hereby, free and clear of all Liens, including, without limitation, any and all encumbrances, pledges, mortgages, deeds of trust, security interest, claims, leases, charges, options, rights of first refusal, puts, calls, easements, servitudes, proxies, covenants, hypothecations, voting trusts, or agreements and transfer restrictions under any agreement, against or with respect to tangible or intangible property or rights, whether imposed by agreement, understanding, law, equity, or otherwise save for and excepting only those liens expressly assumed by Buyer pursuant to the terms of the APA. In addition, said Assets shall be sold to Buyer pursuant to the APA free and clear of all Liabilities, including, without limitation, all causes of action, obligations, demands, guarantees, rights, restrictions, remedies, claims, and matters of any kind and nature whatsoever, whether at law or in equity, including, without limitation, free and clear of any rights or claims based on theories of transferee or success for liability under any applicable law, statute, rule, regulation, common law or equitable principle including, without limitation, ERISA and the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder, and the codes of any Governmental Authorities including, without limitation, the PBGC, the RIDOH, the Internal Revenue Service, state and local taxing authorities, Government Reimbursement Programs, and

any Governmental Authority, whether arising before or after the commencement of the Mastership Proceedings herein and whether imposed by agreement, understanding, law, equity, regulation, custom or otherwise, save and excepting only those liabilities expressly assumed by Buyer in writing under the APA. This Court shall retain jurisdiction to resolve any controversy and claim arising out of or relating to the APA, or the breach thereof, and over any claims against Buyer that are not Assumed Liabilities as defined in the APA. In accordance therewith, the Special Master, effective upon the Closing, shall transfer all right, title and interest in and to the real property in which The Westerly Hospital and the Related Entities have right, title and interest, together with all appurtenances and rights thereto, and all right, title and interest in the leasehold interest to leased real property, which interest, shall be sold, assigned and transferred to Buyer free and clear of any and all mortgages, deeds of trust, security interests, mechanics or other liens, liabilities or encumbrances subject only to Assumed Liabilities. Furthermore, and as consistent therewith, the accounts receivable being acquired by Buyer represent and constitute *bona fide* claims owing to the Westerly Hospital and Related Entities for services actually performed and for goods and supplies actually provided in the amounts indicated on the Financial Statements (as that term is defined in the APA) with no known set-offs, deductions, compromises or reductions (other than reasonable allowances for bad debts and contractual allowances in an amount consistent with historical policies and procedures of the Westerly Hospital and Related Entities). Consistent herewith, the Owned Intellectual Property is deemed an Asset under the APA and the Special Master shall transfer and assign to Buyer all of the right, title and interest of the Westerly Hospital and Related Entities in and to the Owned Intellectual Property under the terms set forth in this Order and the APA. Notwithstanding, all liens, claims and encumbrances not assumed pursuant to the terms of the APA, shall attach to the proceeds of

the sale of the Assets as pursuant to Paragraphs 6, 9 and 10, herein, in the same order of priority existing as of the Closing.

6. The claims of the PBGC and the United States by and through the United States' Attorney and the Department of Health and Human Services, Office of the Inspector General, once proven and/or resolved, shall attach to the proceeds of the transaction approved hereby. Moreover, the claims of the Rhode Island Division of Taxation, once proven and/or resolved, shall attach to said proceeds in the priority ordered by this Court. Finally, the claims reserved by the Washington Trust Company relative to the leasehold obligations of the North Stonington Health Center, Inc., as guaranteed, if proven, shall attach to such proceeds with the collateral for such claims being subject to the limits of Washington Trust Company's first priority security interest in accounts receivable with the parties reserving all rights in regard thereto, including whether the obligations under said guaranty are secured.

7. In accordance with the terms of the amendment to the APA attached hereto as *Exhibit B*, the Special Master is hereby authorized on behalf of the Hospital, to provide such notice and take such other action as is reasonably necessary to cause the redemption of the Bond Debt pursuant to the Loan and Trust Agreement including such action necessary for the Hospital to cause a settlement payment to be made to the Bond Trustee for satisfaction and redemption of the Bond Debt pursuant to the Loan and Trust Agreement and constituting a settlement payment pursuant to 11 U.S.C. Sections 101(51A) and 546(e).

8. As of the Effective Date of the APA, if the Buyer accepts automatic assignment of the Hospital's Medicare provider agreement under 42 C.F.R. ss 489.18, the Medicare provider agreement will be governed exclusively by the Medicare statute, regulations, policies and procedures, and without regard to other laws or further orders of this Court. These include, but are not limited to, adjustment of all payments to the Buyer, as the owner of Medicare provider agreement, to account for all prior

overpayments and underpayments, including those relating to the pre-sale periods. The Buyer may, however, in its sole discretion, elect to reject the otherwise automatic assignment of the Hospital's Medicare provider agreement as of the Effective Date of the APA pursuant to the Medicare statute, regulations, policies and procedures including, among other things, Section 3210.5A of the CMS State Operations Manual by filing with the CMS Regional Office ("RO"), a notice of its refusal to accept such assignment in writing at least 45 calendar days prior to the Effective Date and the Buyer may file an application for an "initial enrollment" in Medicare, effective as of the date on all applicable requirements for such enrollment are satisfied. Notwithstanding the foregoing or anything in this Order, Petition to Sell, or APA to the contrary, the Medicare provider agreement shall not be considered an "asset" that may be sold or transferred, and in particular may not be sold or transferred "free and clear" of any liens or liabilities.

9. Based upon the sale and marketing efforts conducted by the Special Master as consistent with this Court's Orders and this Court's findings that the Special Master satisfied the phased requirements of the Mastership Transaction Process Order, this Court finds that the sale of the Assets to Buyer, upon the terms and conditions of the APA, as amended by this Order, is commercially reasonable, the sales price and the terms set forth therein are fair and reasonable, the sale is made in good faith, Buyer is a *bona fide* good faith purchaser, and that such sale is in the best interest of all creditors of The Westerly Hospital and the Related Entities wherever located. Furthermore, this Court also finds based upon a review of the file materials and the testimony of representatives of L&M that this sale will provide the Westerly Hospital and the Related Entities with the benefit of years of expertise and sound business and financial practices of a highly experienced management team.

10. The Special Master is hereby authorized to execute and deliver immediately, the Interim Advisory Agreement. The Special Master shall report to the Court with regard to the

Interim Advisory Agreement within seven (7) days of the entry of the Sale Order. Notwithstanding the foregoing or any other provision of this Order or the APA, the Special Master shall file a separate petition with this Court, with notice to creditors and other parties in interest, and an opportunity for a hearing thereon, in connection with any request to borrow funds from the Buyer pursuant to the APA or otherwise. Any such petition shall provide detail regarding the amount of any proposed borrowing, the proposed terms, the proposed collateral, describe whether liens of creditors would be impaired by the proposed borrowing, and the adequate protection proposed for those creditors. All rights and defenses of creditors with respect to such a petition, including without limitation all rights to adequate protection, are reserved. At the Closing, the Special master is authorized to execute and deliver a Special Master's Deed(s), an Assignment and Assumption Agreement, an Assignment and Undertaking Agreement, a Special Master's Bill of Sale, an Assignment of Intellectual Property, and such other deliverables as set forth in Section 2 of the APA, conveying all of his right, title and interest as Special Master in and to the Assets, free and clear of all interest, claims, Liens and Liabilities, as set forth in Paragraph 3 above. Notwithstanding, any such interest, claims, Liens and Liabilities shall attach to the sale proceeds resulting from the sale of Assets in the same order of priority that is currently existing in such Liens or Liabilities. The Special Master shall report to the Court regarding the Closing and then submit to the Court, a proposed schedule for the determination of claims, after this Court's determination of Closing costs and Seller's transaction expenses to be paid by the Buyer pursuant to Sections 1.6(b)(vi), 3.28, and 13.7 of the APA, as well as the proceedings anticipated by Section 1.7 of the APA. Procedures to be recommended by the Special Master and ultimately established by this Court shall allow for the Court-approved distribution of the proceeds of the sale of the Assets to those claims, liens, and encumbrances

which transfer and attach to the sale proceeds pursuant to the terms of this Order in the same order of priority.

11. All parties asserting a claim, interest, lien or encumbrance against the Assets are hereby directed to execute and deliver to the Special Master within seven (7) days of his written request, mortgage or discharges, lien discharges, UCC financing termination statements and any and all other documents as necessary to evidence the discharge of such interest, claims, liens or encumbrances against the Assets, effective upon the Closing, as the Special Master may determine in his sole discretion to be necessary. All such documents shall be held by the Special Master in escrow pending the occurrence of the Closing Date and shall be released to the Buyer and/or filed and recorded as directed by the Buyer solely at and in connection with the Closing (absent which such documents shall be null and void of be of no force and effect). The execution and delivery of the same shall be without prejudice to or waiver or any and all rights, claims and interests of such parties against the proceeds from the sale of the Assets and such claims, liens and encumbrances shall transfer and attach to sale proceeds in the same order of priority. If any person or entity that has filed a financing statement or other documents or agreements evidencing a Lien or Liability on the Assets shall not have delivered, in proper form for filing, termination statements, instruments of satisfaction, releases, and other documents to the Special Master after seven (7) days of his written request in accordance with this paragraph, then the Special Master shall be and hereby is authorized to, at the Closing, execute such termination statements, instruments of satisfaction, releases, and other documents on behalf of the person or entity and to file the same with any appropriate registry or public filing office. Notwithstanding the foregoing, the provisions of this Order authorizing the sale and assignment of the Assets free and clear of Liens and Liabilities shall be self-executing, effective upon

Closing and notwithstanding the failure of Buyer, the Special Master, or any other party to execute, file, or obtain releases, termination statements, assignment consents, or other instruments to effectuate, consummate, and/or implement the provisions hereof or the APA with respect to the sale of the Assets and the assumption and assignment of the Assumed Contracts, all Liens and Liabilities on the Assets shall be and hereby are deemed to be divested, terminated, and discharged effective upon Closing.

12. The execution, delivery and performance of the APA by the Special Master and all other agreements referenced herein, or ancillary hereto, to which The Westerly Hospital and the Related Entities are a party, and the consummation of the transactions contemplated herein, are within the Special Master's authority and power subject to this Court's approval as pursuant to the Orders entered by this Court. Other than the express approval of this Court contained herein, the Special Master does not require any approval or consent of, or filing with, any Governmental Authority or agency bearing on the validity of the APA which is required by laws and regulations of any such Governmental Authority or agency. The APA does not conflict with, require consent under, or result in any breach or contravention of, or the creation of any lien, charge, or encumbrance under, any indenture, agreement, lease, instrument, or understanding to which such Seller is a party or by which it is bound or any of its assets is subject. The APA does not violate in any material respect the statute, law, ordinance, rule or regulation of any Governmental Authority to which such Seller or its respective assets may be subject. The APA does not violate in any material respect any judgment, decree, order, writ or injunction of any court or any Governmental Authority to which the Seller or its respective assets may be subject.

13. L&M shall have no liability for any obligations by and between The Westerly Hospital and the Related Entities (defined in the APA as "Intercompany Obligations") and no such liability shall be assumed by L&M under the APA or this Order.

14. The Special Master is authorized to request that as part of the Hospital conversion process that the Buyer become the successor beneficiary to the Westerly Hospital and the Related Entities under that certain Charles A. Morgan Trust and the Louise D. Hoxsey Trust f/b/o Foundation Fund for a Hospital in Westerly, Rhode Island (the "Hoxsey Trust"). Moreover, that the Hoxsey Trust shall be dissolved with the funds being held in endowment for the Hospital under the ownership of the Buyer with the same restrictions as set forth in the Hoxsey Trust being placed upon the endowed funds.

15. Except as expressly permitted by the APA and this Order, all persons or entities holding or asserting any Lien or Liability of any kind or nature with respect to the Assets or business formerly conducted by The Westerly Hospital and the Related Entities shall be, and hereby are, barred from asserting such Lien or Liability against L&M, its successors and assigns, or the Assets, including without limitation, the claims of the DOJ, OIG, PBGC, RIAG and RIDOH.

16. Effective upon the Closing, all persons and entities are forever prohibited and enjoined from commencing or continuing in any manner any action or other proceeding, whether in law or equity, in any judicial, administrative, arbitral, or other proceeding, against L&M or its successors and assigns with respect to any Lien, Liability, encumbrance or claim. Without limiting the generality of the foregoing, except as expressly permitted by the APA and this Order, L&M shall have no liability for any claim against The Westerly Hospital and the Related Entities or its directors, officers, or shareholders.

17. Except as expressly provided in the APA, the consummation of the APA shall not subject L&M to any Liability whatsoever with respect to the operation of the Business of The Westerly Hospital and the Related Entities in any form or manner whatsoever, including, without limitation, by reason of any theory of successor or transferee liability, de facto merger, or substantial continuity, whether known or unknown and whether asserted or unasserted as of the Closing.

18. The Real Property which The Westerly Hospital and the Related Entities holds right, title and interest is exempt from property taxes as of the effective date of this Order in accord with the Rhode Island General Laws regarding non-profit corporations and all Liens or Liabilities relating thereto are hereby void ab initio. Notwithstanding, the Mastership shall continue to pay real property taxes with regard to 45 East Avenue and 11 Wells Street, Unit 6, up to the date of Closing.

19. At the election of the Buyer, the Special Master shall deliver the assets of the Non-Mastership Estate Related Entities to Buyer pursuant to the terms of this Order and as such, upon delivery of those assets in accordance herewith those entities shall be consolidated within the instant Special Mastership proceeding and any such entities shall be included in the definition of the term "The Westerly Hospital and the Related Entities" as such term is used in the APA and this Order.

20. With regard to the Westerly Hospital Foundation, Inc. and the Westerly Hospital Auxiliary Inc., those entities shall continue to function under the supervision of the Mastership from the entry hereof until Closing. Any donations received by those entities shall be segregated and shall only be utilized for the purposes identified by donors or to further the Hospital's community mission. Upon Closing, delivery of the assets of those entities to the Buyer as

provided in Paragraph 19 shall be accomplished, at the election of Buyer, by amendment, in a form reasonably satisfactory to Buyer, of their respective Articles of Incorporation and Bylaws thereby substituting LMW Healthcare, Inc. as the sole corporate member of each entity. Donated funds held by any of the Non-Mastership Estate Related Entities and transferred to L&M shall remain subject to any and all restrictions pertaining to such donated funds; specifically, that such funds be used only for the stated intent of the donor and for sole benefit of the Hospital.

21. Notwithstanding that the Assets are being sold free and clear of any and all Liens, Liabilities, claims, and encumbrances, the Special Master shall continue to take appropriate action to complete a "distressed termination" pursuant to Section 4041(c) of ERISA and reasonably cooperate with the PBGC in effectuating the termination of the Pension Plan pursuant thereto.

22. The Court finds and holds that the Hospital is duly licensed as a general acute-care hospital pursuant to the applicable laws of the State of Rhode Island. The pharmacies, laboratories and all other ancillary departments located at the Hospital that operate for the benefit of the Hospital and that are required to be specially licensed, are duly licensed by the RIDOH or other appropriate licensing agency.

23. The consideration provided by Buyer for the Assets under the APA is fair and reasonable, and the result of an open and competitive sales process and the marketing efforts described in the Petition, the Mastership Process Order, the Sales Procedure Order, and those conducted by the Special Master after the filing of the Petition and in accordance with the Sales Procedure Order and the Mastership Process Order culminated in a purchase price negotiated in

good faith and at arm's length that may not be avoided, nor may costs or damages be imposed or awarded under any applicable law relating to bidder collusion.

24. The failure specifically to include or refer to any particular provision of the APA in this Order shall not diminish or impair the effectiveness of such provision, it being the intent of this Court that the APA be authorized and approved in its entirety.

25. The APA and any related agreements, documents, or other instruments may be modified, amended, or supplemented by the parties thereto, in a writing signed by the Special Master on behalf of The Westerly Hospital and the Related Entities and L&M, and in accordance with the terms of the APA, without further order of the Court so long as such modification is not material; provided that terms in the APA with respect to the Bonds and the Bank Debt of the Sellers shall not be amended without the consent of the Bond Trustee and/or Washington Trust Company. The failure specifically to include or refer to any particular provision of the APA in this Order shall not diminish or impair the effectiveness of such provision, it being the intent of this Court that the APA be authorized and approved in its entirety.

26. This Order shall be effective, and the parties may consummate the transactions contemplated by the APA, immediately upon entry. The Special Master is hereby authorized, empowered, and directed, and, upon entry of this Order, shall have all the authority necessary, subject to the terms of this Order, perform such ministerial acts as may be required to effectuate and implement the APA and any transaction contemplated thereby. The Special Master shall cooperate with and take all actions reasonably requested by Buyer to effectuate the APA consistent with the terms of this Order and any transaction contemplated thereby.

27. All of the transactions and actions contemplated by this Order are properly authorized under applicable law and all Orders previously entered by this Court in this

Mastership proceeding. The terms and provisions of the APA and this Order shall be binding in all respects upon, and shall inure to the benefit of, the Buyer its successors and assigns and any affected third parties, including all counter-parties to the Assumed Contracts notwithstanding dismissal of this Mastership Case or the filing of bankruptcy proceeding or similar insolvency proceeding by or against any of the Sellers. The Special Master irrevocably waives any right to seek any material modification of this Order without the prior written consent of L&M, and no such consent shall be implied by any other action, inaction, or acquiescence by L&M, so long as L&M is not in default of the APA or the terms of this Order. The stay provisions of this Order Appointing Permanent Master entered on January 17, 2012 are hereby lifted and modified to the extent necessary to implement the terms and conditions of the APA and the provisions of this Order.

28. This Court shall retain jurisdiction over the parties to the APA with respect to any matters related to or arising under the APA or under this Order and specifically retains jurisdiction to enforce and implement the terms and provisions of the APA, all amendments thereto, any waivers and consents thereunder, and any agreements executed in connection therewith in all respects, including but not limited to, retaining jurisdiction (a) to compel delivery of the Assets to Buyer; (b) to resolve any disputes arising under or related to the APA, except as otherwise provided therein; (c) to protect the Buyer, or the Assets, from and against any Liens, Liabilities, encumbrances or claims; and (d) to interpret, implement, and enforce the provisions of this Order.

29. All acts, doings, and disbursements to date of said Special Master are hereby approved, confirmed and ratified.

30. Notwithstanding anything stated herein to the contrary, the transactions contemplated by the APA are subject to all of the provisions of the Hospital Conversions Act ("HCA") and the Health Care Facility Licensing Act of Rhode Island ("HCFLA"), and all regulations promulgated under said acts, including without limitation, approval by the RIDOH and RIAG pursuant to the HCA, and a favorable recommendation by the Health Services Council and approval by the Director of RIDOH pursuant to HCFLA, all of which recommendations and approvals must be obtained prior to Closing.

ENTERED as an Order of this Court this 10th day of September, 2012

Per Order:

J.

Entered:

9-10-12 Clerk

Submitted by:

W. Mark Russo (#3937) Permanent Special Master
for Westerly Hospital Health Care, Inc.,
The Westerly Hospital, Atlantic Medical Group, Inc.,
Ocean Myst MSO, LLC, Women's Health of Westerly,
LLC, and North Stonington Health Center, Inc.,
and not in his individual capacity
Ferrucci Russo P.C.
55 Pine Street, 4th Fl.
Providence, RI 02903
Telephone: (401) 455-1000
Facsimile: (401) 455-7778
Dated: September 6, 2012

TRUE COPY ATTEST
EDWARD MORRONE, CLERK
WASHINGTON COUNTY SUPERIOR COURT

CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of the within was served via e-mail upon the following that is referenced in Schedule A attached hereto on this 10 day of September, 2012:

k:\lw\westerly hospital\pleadings\sale order redline 09-06-12.docx

RIDOH 0368

EXHIBIT B

Execution Copy

AMENDMENT TO ASSET PURCHASE AGREEMENT

THIS AMENDMENT TO ASSET PURCHASE AGREEMENT (this "Amendment") is entered into as of August __, 2012 by and among LMW Healthcare, Inc., LMW Physicians, Inc., and W. Mark Russo, Esq. solely in his capacity as the Court-appointed Special Master for Westerly Hospital Healthcare, Inc., The Westerly Hospital, Atlantic Medical Group, Inc., Ocean Myst, MSO, LLC, Women's Health of Westerly, LLC and North Stonington Health Center, Inc.

WHEREAS, the Parties entered into that certain Asset Purchase Agreement dated as of June 20, 2012 (the "Purchase Agreement");

WHEREAS, pursuant to the Purchase Agreement, Sellers have agreed to sell to Buyer, and Buyer has agreed to purchase from Sellers, the Hospital and substantially all of Sellers' assets used to operate the Hospital and the Business.

WHEREAS, the Parties desire to amend the Purchase Agreement to address certain matters that have arisen since the execution of the Purchase Agreement as set forth herein.

NOW, THEREFORE, in consideration of the promises and mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree to amend the Purchase Agreement as follows:

Each capitalized term used herein, but not otherwise defined shall have the same meaning as ascribed to such term in the Purchase Agreement.

1. The following definitions set forth in the Purchase Agreement are amended and restated in their entirety:

> "Bank Debt of Sellers" shall mean the principal, interest, reasonable fees and expenses owed to Washington Trust Company ("WTC") (including reasonable professional fees) and other charges with respect to the secured loan obligations more specifically set out in the June 25, 2012 "*Order Allowing Claim of Washington Trust Company and Granting Related Relief*" entered by the Mastership Court.
>
> "Bond Debt of Sellers" shall mean the principal, interest, reasonable fees and expenses of the Bond Trustee (including reasonable professional fees) and other charges with respect to the Bonds, determined pursuant to the Loan and Trust Agreement and the May 31, 2012 "*Order Allowing Revenue Bond Claims and Granting Related Relief*" entered by the Mastership Court.

2. The following definitions are added to the Purchase Agreement:

"Bonds" means those certain Rhode Island Health and Educational Building Corporation Hospital Financing Revenue Bonds (The Westerly Hospital Issue) Series 1994 issued for the benefit of the Hospital pursuant to the Loan and Trust Agreement.

"Bond Trustee" means U.S. Bank National Association, as successor trustee under the Loan and Trust Agreement with respect to the Bonds, its successors and assigns.

"Loan and Trust Agreement" means that certain Loan and Trust Agreement dated as of January 15, 1994 by and among the Rhode Island Health and Educational Building Corporation, the Bond Trustee and the Hospital.

3. Section 1.2 (h) of the Purchase Agreement is amended by striking the reference in that Section to "Section 1.2(b)" and replacing it with a reference to "Section 1.4(b)."

4. Section 1.3 of the Purchase Agreement is amended by adding the following sentence at the end of the current text:

Buyer is not acquiring any cash, cash equivalents, funds or securities held or controlled by the Bond Trustee under the Loan and Trust Agreement from time to time; provided such monies shall be applied in accordance with the Loan and Trust Agreement including as contemplated by Section 1.6(b)(i) of this Agreement.

5. Section 1.6(b)(i) of the Purchase Agreement shall be deleted in its entirety and replaced with the following:

(i) Twenty Two Million, Sixty-Nine Thousand, Six Hundred and Sixty-Six Dollars ($22,069,666.00) shall be satisfied at Closing by (a) Buyer's assumption of Liabilities more specifically set forth in Schedule 1.4(b), provided: (b) as to the Bank Debt of the Sellers Buyer may elect to either: (i) assume the Bank Debt of Sellers on terms mutually agreeable to WTC and the Buyer or (ii) fund the Sellers' satisfaction of the Bank Debt of Sellers on or before Closing and (c) Buyer's payment to the Bond Trustee at Closing of sufficient Available Monies (as defined in the Loan and Trust Agreement) to, together with any cash, cash equivalents funds or securities then held by the Bond Trustee under the Loan and Trust Agreement, redeem the Bonds then outstanding and otherwise satisfy in full in cash the Bond Debt of Sellers pursuant to the Loan and Trust Agreement (as opposed to assuming said Liabilities itself);

6. Section 2.2 of the Purchase Agreement is amended by deleting the word "and" in subsection (l), deleting the period at the end of subsection (m), inserting a semicolon at the end of subsection (m), and adding the following subsection (n) after subsection (m):

(n) The Hospital shall deliver to the Bond Trustee such documents, provide such notice and take such other action as is reasonably necessary to cause the redemption of the Bonds and discharge of the Loan and Trust Agreement, including without limitation, written directions to the Bond Trustee to send a notice to bondholders to redeem the Bonds on or before the Closing Date (the "Redemption Date"), which notice shall be mailed no more the sixty(60) nor fewer than thirty (30) days prior to the Redemption Date and which shall otherwise comply with the terms and conditions of the Bonds and the Loan and Trust Agreement.

7. Section 2.3(j) of the Purchase Agreement shall be deleted in its entirety and replaced with the following:

(j) such other documents as may be reasonably requested by any Seller, and, to the extent relating to the assumption of the Bank Debt of the Sellers, by WTC, and to the extent relating to the redemption of the Bonds and/or discharge of the Loan and Trust Agreement, by the Bond Trustee.

8. Section 13.1 of the Purchase Agreement is amended by adding the following sentence at the end of subsection (b):

Notwithstanding the foregoing, no amendment contemplated by this Section 13.1 shall be made with respect to the Bank Debt of the Seller absent the prior written consent of WTC.

Notwithstanding the foregoing, no amendment contemplated by this Section 13.1 shall be made with respect to the Bonds absent the prior written consent of the Bond Trustee.

9. This Amendment shall be effective as of the date hereof and except as expressly provided herein, the terms and conditions of the Purchase Agreement shall remain in full force and effect and unmodified. This Amendment may be executed in counterparts, all of which together shall constitute one binding Agreement. The exchange of copies of this Amendment and of executed signature pages by facsimile transmission or by email transmission in portable digital format, or similar format, shall constitute effective execution and delivery of such instrument(s) as to the parties and may be used in lieu of the original Agreement or amendment for all purposes. Signatures of the parties transmitted by facsimile or by email in portable digital format, or similar format, shall be deemed to be their original signatures for all purposes.

[SIGNATURE PAGES FOLLOW]

THE UNDERSIGNED each hereby execute this Amendment as of the date first written above.

BUYER:

LMW Healthcare, Inc., a Rhode Island nonprofit Corporation

By:_____
Name: _____
Title: _____

LMW Physicians, Inc., a Rhode Island nonprofit Corporation

By:_____
Name: _____
Title: _____

SELLERS:

WESTERLY HOSPITAL HEALTHCARE, INC.

By:_____
Name: _____
Title: _____

THE WESTERLY HOSPITAL

By:_____
Name: _____
Title: _____

ATLANTIC MEDICAL GROUP, INC.

By:_____
Name: _____
Title: _____

14092254.8

OCEAN MYST, MSO LLC

By:_____
Name: _____
Title: _____

WOMEN'S HEALTH OF WESTERLY, LLC

By:_____
Name: _____
Title: _____

NORTH STONINGTON HEALTH CENTER, INC.

By:_____
Name: _____
Title: _____

STATE OF RHODE ISLAND
WASHINGTON, SC.

SUPERIOR COURT

CHARLES S KINNEY, CHIEF
EXECUTIVE OFFICER AND TRUSTEE
Plaintiff

v.

C.A. No 2011-0781

WESTERLY HOSPITAL HEALTHCARE, INC., THE WESTERLY HOSPITAL, ATLANTIC MEDICAL GROUP, INC., OCEAN MYST, MSO LLC, WOMEN'S HEALTH OF WESTERLY, LLC, AND NORTH STONINGTON HEALTH CENTER, INC.
Defendants

SUPERIOR COURT
FILED
EDWARD P. MORRONE, CLERK
12 JUN 20 AM 10:

ORDER APPROVING PROCEDURES FOR THE SALE OF SUBSTANTIALLY ALL ASSETS, APPROVING CERTAIN BID PROTECTIONS, SCHEDULING A FINAL HEARING AND GRANTING RELATED RELIEF

The Special Master's Petition for Instructions regarding the Presentation and Acceptance of a Stalking Horse Offer came on for hearing before this Court on the 13th day of June, 2012 (the "Sales Procedures Hearing").[1]

Having reviewed pleadings filed by the Special Master, other creditors, and parties-in-interest, the representations and argument of counsel, and on the entire record of the Sale Procedures Hearing, including the positions taken and statements made by various parties-in-interest, and there appearing good cause therefore, it is hereby:

ORDERED, ADJUDGED AND DECREED

1. This Court has jurisdiction over these proceedings and all Mastership Assets. The Special Master has provided adequate notice of the relief sought with respect to the sale procedures (the "Sale Procedures") and the other relief requested in the Petition for Instructions. The notice and opportunity to be heard with respect to the Petition for Instructions was proper, timely, adequate, and sufficient, and is reasonably calculated to give actual notice of the relief contemplated hereby, is appropriate under the circumstances, and no further notice is required

[1] Unless otherwise defined herein, the capitalized terms utilized in this Order shall be defined as consistent with said terms utilized in the Asset Purchase Agreement attached to the Petition as Exhibit A

A reasonable opportunity to object or be heard regarding the relief granted by this Order has been afforded to those parties entitled to notice. Notwithstanding, the Special Master shall be required to seek approval of the United States Bankruptcy Court for the District of Rhode Island in *In re North Stonington Health Center, Inc., BK No. 12-11508,* in the event that said matter remains pending at the time of a Sale Hearing (defined below), herein and a sale involves assets of North Stonington Health Center, Inc. In turn, the landlord in said bankruptcy proceeding reserves its rights.

2. The Petition for Instructions is hereby *GRANTED* on the terms of this Order.

3. The Special Master is authorized to accept the offer (the "Stalking Horse Offer") subject to further proceedings as set forth in this Order, submitted by LMW Healthcare, Inc. and LMW Physicians, Inc., whose obligations thereunder are guaranteed by Lawrence & Memorial Hospital Corporation (collectively, "L&M"), as set forth in the form of Asset Purchase Agreement (the "APA") attached to the Petition for Instructions as Exhibit A;

4. The approval of the Sale Procedures and acceptance of the Stalking Horse Offer on the terms of this Order is in the best interest of the estate, its creditors, and other parties-in-interest. The Special Master's determination to propose and to agree to such provisions is in accordance with this Court's prior Orders including that Order authorizing the Special Master bring a stalking horse bid before the Court dated May 24, 2012;

5. The Stalking Horse Offer, the APA and the Special Master's authority hereunder, are subject to (i) objections by creditors and parties in interest as set forth in this Order, (ii) the consideration of higher or better competing bids, or an alternative transaction, which also satisfies and/or advances in the Court's discretion, the weighted goals and policies set forth in Paragraphs 7 and 12 of this Court's Mastership Transaction Process Order dated March 12, 2012 and is consistent with the terms of this Order; and (iii) final confirmation of any sale to L&M in accord with the foregoing at the Sale Hearing;

6. Except with respect to Bid Protections (defined below), all rights and objections of creditors and parties in interest, including those interests represented by the members of the Regulatory and Public Protection Committee with regard to the APA (as supplemented, modified, amended or superseded), any schedules or exhibits to the APA, and any related documents or orders are reserved. The supplemental bar date for objections with respect to the foregoing shall be August 10, 2012. The Special Master shall provide a copy of this Order to all known creditors and parties in interest and file with the Court a certificate of service within 10 days from the date of this Order.

7. Recognizing the value and benefits that L&M has provided to this estate by entering into the APA, as well as L&M's expenditures of time, energy, and resources, the following bid protections ("Bid Protections") are approved;

(i) a Break-up Fee in the amount of $1,500,000. In the event the Stalking Horse Offer is not the highest and best bid selected by the Court, or in the event the Court selects an Alternative Transaction, the Break-Up Fee (and any upward adjustment thereto made in accordance with Paragraph 9 of this Order), shall be

paid by the Sellers in accordance with the terms and conditions of the APA, so long as L&M is not then in material breach of the APA;

(ii) an initial overbid requirement ("Initial Overbid") Any interested purchaser that desires to submit a competing Qualified Bid shall submit a minimum initial bid equal to the Purchase Price plus the Break Up Fee and any applicable Break-Up Fee Increase As set forth on the record at the Sale Procedures Hearing, the Court reserves all rights to determine at any Sale Hearing that the Initial Overbid is not in regard to the consideration of an Alternative Transaction; and

(iii) a standstill period until July 30, 2012 (the "Standstill Period"). The Special Master shall not negotiate with competitive bidders during the Standstill Period However, competitive bidders shall be permitted to continue to undertake due diligence during this period, the Special Master may educate competitive bidders with regard to the Sale Procedures, the APA, and assist competitive bidders with undertaking and completing due diligence and the Special Master may otherwise continue to market the Assets. On or after July 30, 2012, the Special Master may negotiate with competitive bidders. Nothing herein shall limit or impair the rights of creditors or other parties in interest in interact with competitive bidders

8. The Bid Protections are fair and reasonable and reasonably calculated to enhance the process of competitive bidding for and maximize recovery with respect to the assets to be purchased pursuant to the APA (the "Assets") and are beneficial to the Mastership Estate, its creditors, and the public interest.

9. Subject to the APA and as set forth in the Petition for Instructions, the Special Master may request a Break Up Fee Increase for: (x) any funds to be advanced by L&M related to the North Stonington Health Center, plus (y) any contribution (financial or otherwise) L&M makes relating to the Sellers Plan to Profitability plus (z) any contribution (financial or otherwise) L&M makes relating to the "No Pass-Through Liability" contingency prior to a Sale Hearing The Special Master shall file a separate petition with this Court prior to taking any action that would have the effect of increasing the Break Up Fee, with notice to creditors and other parties in interest, and an opportunity for a hearing thereon. All rights and defenses of creditors with respect to such a petition are reserved.

10. The Court adopts the following Sales Procedures, for consideration of a competitive bid or an alternative transaction :

a. On or before July 30, 2012 ("Deadline for Qualified Bids"), any interested purchaser shall submit to Special Master, W. Mark Russo, Esq., Ferrucci Russo, P.C., 55 Pine Street — 4th Floor, Providence, RI 02903, a written irrevocable offer for the Assets with a minimum initial overbid equal to the Purchase Price plus the Break-Up Fee of $1.5M and any applicable Break-Up Fee Increase as approved by this Court with notice and an opportunity to be heard (together the "Initial Overbid"). Qualified Bids shall be made available upon request to all parties-in-interest.

b. A "Qualified Bid" shall: (i) be accompanied by an asset purchase agreement in form and substance similar to the APA, together with a redlined, marked copy showing all changes to the APA (a "Competing Agreement"); (ii) equal or exceed the Initial Overbid; (iii) not be subject to due diligence or financing contingencies; (iv) must remain open until entry of the Sale Order; (v) contain terms and conditions no less favorable to the Sellers than the terms and conditions of the APA; (vi) be accompanied by evidence establishing that: the bidder is acting in good faith, is capable and qualified, financially, legally, and otherwise, of unconditionally performing all obligations under the Competing Agreement, any agreement executed in connection therewith and in any Material Contracts which such purchaser seeks to have assigned and assumed; (vii) contain information, acceptable to the Special Master, which demonstrates to the Special Master in his sole and absolute discretion that the potential purchaser has sufficient cash on hand or a binding financial commitment from an established and financially sound financial institution to ensure such potential purchaser's ability to meet its commitments and otherwise fully perform pursuant to its Competing Agreement and any related agreement; (viii) disclose the identity of the potential purchaser and such potential purchaser's direct and indirect owners, including confirmation that its bid is made as principal for the potential purchaser's account and, if not, the basis upon which the potential purchaser is acting and the identities of all other participants (if any); (ix) be accompanied by sufficient indicia that the person submitting the offer is legally empowered, by power of attorney or otherwise, to (a) bid on behalf of the potential purchaser, and (b) complete and sign, on behalf of such potential purchaser, a binding enforceable Competing Agreement; (x) not request or entitle the potential purchaser to any fee, including, but not limited to, a break-up fee, topping fee, termination fee, expense reimbursement, or administrative claim against the Mastership for substantial contribution or similar type of claim and affirmatively waiving any such claim or future claim; (xi) be accompanied by a cashier's check made payable to the order of Special Master on behalf of The Westerly Hospital and Related Entities in an amount of Five Hundred Thousand ($500,000) Dollars ("Over Bidder's Deposit"); (xii) provide that (a) if the Court approves a sale of the Assets to that bidder, the Special Master on behalf of The Westerly Hospital and Related Entities may retain the Over Bidder's Deposit for application as a non-refundable deposit to be applied against the purchase price at the closing of the transaction, and (b) if the Court does not approve a sale of the Assets to that bidder, the Special Master on behalf of The Westerly Hospital and Related Entities will return the Over Bidder's Deposit to the over bidder; (xiii) contain a proposed closing date that is not later than the Closing Date in the APA of January 31, 2013; (xiv) shall acknowledge that if the Competing Agreement conditions the potential purchaser's performance on any non-regulatory contingency such a condition shall cause such Competing Agreement to be weighted negatively at the Sale Hearing; and (xv) shall provide that, together with the Sellers, such potential purchaser shall file a complete Hospital Conversion Act and Change in Effective Control application within forty-five (45) days of entry of a final Court order approving such purchaser's Competing Agreement as the highest and best proposal; notwithstanding the foregoing, the APA is deemed to be a "Qualified Bid" and L&M is deemed to be a "Qualified Bidder" Not later than 24 hours after the

Deadline for Qualified Bids, the Special Master shall provide electronic copies of all Qualified Bids to counsel to L&M, counsel to the Bond Trustee, counsel to Washington Trust, counsel to UNAP, and any requesting party-in-interest;

c. If any bidders have submitted a Qualified Bid, then all such Qualified Bids (including the APA) shall be submitted for consideration to the Court on August 20, 2012, at 10:00 a.m. (ET) (the "Sale Hearing");

d. At the Sale Hearing, the Court shall determine the highest and best offer for the Assets;

e. If L&M elects to participate in bidding at the Sale Hearing, the amount of the Break-Up Fee shall be considered as if added to L&M's bid in determining whether L&M's bid is a higher and better offer for the Assets, however, the Court may, in its discretion, consider Qualified Bids that do not exceed L&M's bid by the Break-Up Fee;

f At the Sale Hearing, a representative of a Qualified Bidder shall present the terms and conditions of its Qualified Bid Said representative may then be examined by the Special Master and other parties-in-interest At the conclusion of the taking of such evidence, each Qualified Bidder shall be provided a final opportunity to submit a best and final proposal in a sealed bid form;

g. After submittal and opening of the final sealed bid proposals, parties-in-interest, as well as the Special Master, may be requested to make recommendations to the Court After such recommendations are made, if requested, the Court will rule as to the highest and best bid;

h Notwithstanding Section 10(f) or (g), the Special Master may propose modifications, subject to Court Approval, to the foregoing procedures at the onset of the Sale Hearing that are fair and open, reasonably intended to best promote the goals of the bidding process and do not disadvantage participating Qualified Bidders in any material way as compared to any other Qualified Bidder; and

i In the event that L&M is the only Qualified Bidder, a representative of the L&M shall present the terms and conditions of APA and then be subject to examination by the Special Master and other parties-in-interest at the Sale Hearing;

11. Not later than August 1, 2012, the Special Master is directed to file with the Court a report on the efforts of L&M to eliminate or waive what are set forth in the APA as non-regulatory contingencies, completed schedules and exhibits to the APA, and the status of competitive bids, and shall serve a copy on the distribution list in these proceedings.

12. During the term of the APA and as consistent with the Permanent Mastership Order, as well as confidentiality agreement entered into by L&M [unless otherwise agreed by the Special Master and L&M] (a) L&M shall not recruit, solicit, hire or engage, directly or indirectly, employees of the Westerly Hospital and Related Entities; and (b) L&M shall not

solicit, directly or indirectly, physicians to change their privilege status with the Westerly Hospital

13. The Special Master shall file a separate petition with this Court, with notice to creditors and other parties in interest, and an opportunity for a hearing thereon, in connection with any request to borrow funds from L&M pursuant to the APA or otherwise. Any such petition shall provide detail regarding the amount of any proposed borrowing, the proposed terms, the proposed collateral, describe whether liens of creditors would be impaired by the proposed borrowing, and the adequate protection proposed for those creditors. All rights and defenses of creditors with respect to such a petition, including without limitation all rights to adequate protection, are reserved.

ENTERED as an Order of this Court this 20th day of June, 2012.

PER ORDER:

Clerk
Dated: 6/20/12

ENTER:

Associate Justice
Dated: 6/20/12

Prepared by,

W. Mark Russo, Esq. (#3937)
As and only as Special Master for Westerly Hospital Health Care, Inc., The Westerly Hospital, Atlantic Medical Group, Inc., Ocean Myst MSO, LLC, Women's Health of Westerly, LLC, and North Stonington Health Center, Inc.,
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Supplemental Exhibit 7(a)

Supplemental Exhibit 7(a).

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Question 7

1. An Order of the Superior Court dated March 12, 2012 setting forth the Mastership transaction process RIDOH0340-RIDOH0347
2. An Order of the Superior Court dated June 20, 2012 setting forth the sales procedure process to Lawrence + Memorial Hospital RIDOH0375-RIDOH0380
3. An Order of the Superior Court dated September 12, 2012 approving the sale of the assets of The Westerly Hospital and the related entities free and clear of liens and liabilities RIDOH0348-RIDOH0374

Supplemental Exhibit 7(b)

TUESDAY, AUGUST 29, 2012

MORNING SESSION

(The following is an excerpt.)

MR. INDEGLIA: Thank you, your Honor, for the time. It was productive. Mr. Feigenbaum and I have reached the following stipulation relative to the objection that was filed by North Stonington Properties. That stipulation will be as follows: That this Court does, in fact, recognize the exclusive jurisdiction of the United States Bankruptcy Court sitting in and for the District of Rhode Island over the North Stonington Health Center, Inc.

Nothing in this decision that you're going to issue today shall be construed as making any finding or order with respect to the North Stonington Health Center, its properties, or the lease with North Stonington Properties, LLC. The special master solely as the representative of the owner of the North Stonington Health Center is authorized subject to his duties and responsibilities to the creditors of the North Stonington Health Center under federal bankruptcy law, applicable bankruptcy law, to take action to seek to effectuate the sale to Lawrence & Memorial consistent with the asset purchase agreement as amended as approved herein in the bankruptcy court consistent with this decision and applicable bankruptcy law. The rights of all parties in

interest in the North Stonington Health Center bankruptcy proceeding are expressly reserved.

And, further, that this Court authorizes its special master, Mark Russo, in his official capacity to pursue this Court's continuation of this proceeding to enforce the Rhode Island judicial branch of government decision of December 8, 2011, in the bankruptcy court.

And, furthermore, that North Stonington Properties withdraws its objection that it filed to be heard today and waives any right to appeal from the decision that this Court might make today on the sale order.

THE COURT: Thank you. Okay. Counsel, is that the agreed stipulation?

MR. FEIGENBAUM: It is, your Honor, with one proviso, if Mr. Milione would confirm on the record that my client as well as the buyer, Mr. Milione's client, and the bank, Washington Trust, would meet either September 5th or September 12th to attempt to negotiate a resolution of the entire matter, the contingency with respect to my client's property in North Stonington, Connecticut.

MR. MILIONE: Your Honor, we are available to meet on those dates to discuss settlement of the issues affecting the North Stonington Property contingencies that are set forth in the APA. I don't speak for

Washington Trust, however.

MR. BOYAJIAN: Steve Boyajian on behalf of the Washington Trust. We will try to make arrangements to accommodate those dates.

THE COURT: As it's related to the stipulation, if there are any issues in terms of arranging the meeting, the Court stands willing to help coordinate that for you. I am very appreciative and glad that we took the time for an issue that's gone for quite some time and I believe at this point two state courts and the federal bankruptcy court and that we can move on as far as this Court is concerned with the crux of the Westerly Hospital transaction. Thank you very much, counsel.

(The hearing continued.)

Supplemental Exhibit 7(c)

Supplemental Exhibit 7(C).

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Question 7

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2. Board of Directors, L + M Corporation April 30, 2012 RIDOHC0012-RIDOHC0014
3. The Westerly Hospital Financial Update April 23, 2012 RIDOHC0015-RIDOHC0025
4. L + M Presentation to the Board of Directors RIDOHC0026-RIDOHC0035
5. L + M Presentation to the Board re: Strategic Rationale RIDOHC0036-RIDOHC0038
6. L + M Confidential Memorandum, June 14, 2011 RIDOHC0039-RIDOHC0040
7. E-mail Messages between Bruce Cummings, Scott Bates, and Lugene Inzana RIDOHC0041-RIDOHC0043
8. L + M-WHH Merger Concept Discussion RIDOHC0044-RIDOHC0048
9. L + M Hospital/Westerly Hospital Board Delegates Meeting, August 9, 2011 RIDOHC0049-RIDOHC0054
10. L + M Governance Committee Minutes, August 21, 2012 RIDOHC0055-RIDOHC0056
11. L + M Board of Directors Minutes, August 1, 2012 RIDOHC0057-RIDOHC0063
12. L + M Finance Committee, July 23, 2012 RIDOHC0064-RIDOHC0066

Supplemental Exhibit 7(g)

Supplemental Exhibit 7(g)

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Question 7

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2.	Board of Directors, L + M Corp. Meeting Minutes, April 30, 2012	RIDOHC0012-RIDOHC0014 (See Redaction Log, Item #3R)
3.	Westerly Hospital Financial Update, April 23, 2012	RIDOHC0015-RIDOHC0025
4.	L + M Due Diligence Presentation	RIDOHC0026-RIDOHC0029
5.	L + M Due Diligence Presentation	RIDOHC0030-RIDOHC0035
6.	Strategic Rationale for Possible Acquisition by L + M of Westerly Hospital and Affiliates	RIDOHC0036-RIDOHC0038
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12.	Board of Directors, L + M Corp. Meeting Minutes, August 1, 2012	RIDOHC0057-RIDOHC0063 (See Redaction Log, Item #6R)
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Exhibit 8(A)

WESTERLY HOSPITAL HEALTHCARE, INC. – ANNUAL DISCLOSURE STATEMENT

GUIDELINES FOR DISCLOSURE

This annual disclosure is intended to provide Executive Officers and Governors. Trustees and Directors of Westerly Hospital Healthcare, Inc. and its affiliated companies, including, without limitation, The Westerly Hospital (combined and individually "Westerly Healthcare Companies") with a systematic, ongoing method of identifying potential conflicts of interest. It is recognized that conflicts of interest are not always possible to avoid in a community of our size. However, Westerly Healthcare Companies must be assured that such conflicts do not diminish the achievement of the mission and objectives of Westerly Healthcare Companies.

A conflict or duality of interest may exist in any instance when the actions or activities of an individual result in personal gain or advantage or produce an adverse effect to Westerly Healthcare Companies' interests. In order to identify activities or situations that may indicate conflict of interest, we ask that you review the following list, which contains examples of activities that should be reported:

1. *Business Transactions*

   To engage in financial transactions involving payments to or payments from Westerly Healthcare Companies for goods or services. This also includes transactions such as loans to or from Westerly Healthcare Companies and compensation received for the rendering of services to Westerly Healthcare Companies (does not apply to salaries and benefits received as an employee.) (Example: ownership of a company that sells or provides supplies or services to Westerly Healthcare Companies). Transactions for ordinary and necessary medical services are excluded.

2. *Outside Activities*

   To render paid or unpaid directorial, managerial, or consultative services to, or engage in any financial transaction with, any person or concern that does business with or competes with TWH or to render other services in competition with Westerly Healthcare Companies. (Example: A volunteer or employee acting in a consulting capacity or offering services to another charitable fundraiser; or working with a competitor).

3. *Gifts and Entertainment*

   To accept gifts, entertainment or other favors from any person or concerns that does, or is seeking to do, business with, or is a competitor of, Westerly Healthcare Companies under circumstances from which it might be inferred that such gifts, entertainment, or other

favors were intended to influence or possibly would influence the recipient in the performance of his or her duties. (Example: any gifts, dinners, trips, and event tickets valued in excess of $100 per annum).

4. *Inside Information*

To disclose or use information relating to Westerly Healthcare Companies' business for personal profit or advantage. (Example: notifying a vendor about privileged information concerning future major purchases by Westerly Healthcare Companies). To maintain a favorable perception of conduct of its business by clients and others in both the business and general community each of us must assure that no one observing our actions or intentions would have reason to believe that even the slightest irregularity in conduct exists or could be implied. Confidential information and materials such as non-public and/or proprietary information and materials concerning Westerly Healthcare Companies, including, but not limited to, finances, clients, strategies, plans, personnel and other information that Westerly Healthcare Companies have not disclosed to the general public will be kept confidential.

5. *Use of Westerly Healthcare Companies' Resources*

To use equipment, facilities, personnel, or other resources of Westerly Healthcare Companies for one's own personal benefit or that of one's family. (Example: use of services or facilities of Westerly Healthcare Companies at less than normal and approved rates).

Full disclosure of any situation of which you may be in doubt should be made so that an impartial and objective determination can be made. It should be particularly noted that disclosure relates not only to yourself, but also to your immediate family and any related interests.

Definitions:

Immediate family member: A spouse, domestic partner or dependent child as well as a person who is related to any Board, Committee or Senior Staff member, whether by blood, adoption, or marriage, as any of the following: father, mother, son, daughter, brother, sister, grandfather, grandmother, grandson, granddaughter, father-in-law, mother-in-law, brother-in-law, sister-in-law, son-in-law, daughter-in-law, stepfather, stepmother, stepson, stepdaughter, stepbrother, stepsister, half-brother or half-sister. {**NB: This definition is more inclusive than the definition of "Family" in the accompanying Conflict of Interest Policy of The Westerly Hospital dated May 2008. Please use this definition of "Immediate family member" when completing this Disclosure Statement.**}

Related Interest: Any firm, partnership, entity or corporation, owned or controlled, either directly or indirectly, by the undersigned or by any immediate family members by blood or marriage of the undersigned. It is understood that for purposes of this disclosure, a person owns or controls a firm, partnership, entity or corporation:

(i) if he/she or any of his/her immediate family members by blood or marriage, owns, either directly or indirectly, or in combination with his/her immediate family members by blood or marriage, at least ten percent (10%) of the outstanding stock, if a corporation, or at least ten percent (10%) of the equity, if a firm, partnership or entity; or

(ii) if he/she or any of his/her immediate family members by blood or marriage, is an officer, director or employee of such firm, partnership, entity or corporation;

provided, however, that no person who serves or has served in the five (5) years previous to the date hereof as an officer, Governor, Trustee or director or employee of any of Westerly Healthcare Company, as sole member or shareholder, shall be deemed to own or control any of said corporations solely by virtue of his/her service as such an officer, Governor, Trustee, director or employee.

Please complete the accompanying Disclosure Statement. If you believe that a situation may or does exist that could place you in non-compliance with this policy, follow the instructions of the Disclosure Statement. Disclosure of potential conflicts will not necessarily require any action or change in activity.

The Westerly Hospital

ADMINISTRATIVE POLICY MANUAL	Procedure # 4.0	Page 1 of 6
	Revised 10/2004	Supercedes: 4/98; 5/01

Subject: ***Corporate Compliance. Code of Conduct. Ethics Statement***

POLICY

Purpose:

The Governing Board of The Westerly Hospital has adopted a Corporate Compliance Program and as part of such program has established this Code of Conduct and statement of organizational ethics in recognition of the institution's responsibility to our patients, staff, physicians, and the community we serve. The Code of Conduct is intended to serve as an organizational statement to set forth the principles and standards to which employees and representatives of The Westerly Hospital are expected to adhere. It is the responsibility of every member of The Westerly Hospital community, including the governing board members, administration, medical staff members, employees and agents to act in a manner that is consistent with this Code of Conduct and its supporting policies. The Code of Conduct and related policies will be periodically updated and distributed to all employees and representatives of the Hospital and, at least annually, shall be distributed to the Board of Trustees, officers, selected employees and managers, medical staff members and other representatives of the Hospital having administrative or managerial responsibilities. All employees and representatives of The Westerly Hospital are responsible to ensure that their behavior and activities are consistent with the standards contained in the Code of Conduct.

Principles:

Our behavior will be guided by the following general principles:

Legal Compliance

The Westerly Hospital will strive to ensure that all activity conducted by or on behalf of the Hospital is in compliance with applicable laws.

The policies of The Westerly Hospital and the following standards are intended to provide guidance to employees and management in administrative positions to assist them in their obligation to comply with applicable laws. These standards and policies are neither exclusive nor complete. Employees are required to comply with all applicable laws, whether or not specifically addressed in these policies.

If questions regarding the existence of, interpretation or application of any policy or law arises, they should be directed to the Compliance Officer.

The Westerly Hospital

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Subject: ***Corporate Compliance. Code of Conduct. Ethics Statement***

Standard 1.1 – Fraud and Abuse

The Westerly Hospital expects its employees to refrain from conduct that may violate the federal Medicare and Medicaid fraud and abuse laws. These laws prohibit (1) direct, indirect or disguised payments in exchange for the referral of patients; (2) the submission of false, fraudulent or misleading claims to any government entity or third party payer, including claims for services not rendered, claims which characterize the service differently than the service actually rendered, or claims which do not otherwise comply with applicable program or contractual requirements; and (3) making false representations to any person or entity in order to gain or retain participation in a program or to obtain payment for any service. (For additional guidance, please refer to The Westerly Hospital Fraud and Abuse and related Compliance Policies your compliance manuals and/or the Compliance Officer.)

Standard 1.2 – Tax

As a nonprofit entity, The Westerly Hospital has a legal and ethical obligation to act in compliance with applicable laws, to engage in activities in furtherance of its charitable purpose, and to ensure that its resources are used in a manner, which furthers the public good, rather than the private or personal interests of any individual. Consequently, The Westerly Hospital and its employees will avoid compensation arrangements in excess of fair market value, will accurately report payments to appropriate taxing authorities, and will file all tax and information returns in a manner consistent with applicable laws.

Standard 1.3 – Antitrust

All employees must comply with applicable antitrust and similar laws that regulate competition. Examples of conduct prohibited by such laws include (1) agreements to fix prices, bid rigging, collusion (including price sharing) with competitors; (2) boycotts, certain exclusive dealing and price discrimination agreements; and (3) unfair trade practices including bribery, misappropriation of trade secrets, deception, intimidation and similar unfair practices. Employees are expected to seek advice from the Hospital Compliance Officer and/or legal counsel when confronted with business decisions involving a risk of violation of the antitrust laws.

The Westerly Hospital

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Subject: ***Corporate Compliance. Code of Conduct. Ethics Statement***

Ethical Principles

The Westerly Hospital is dedicated to the principle that all patients, employees, physicians and visitors deserve to be treated with dignity, respect, and courteousness. The organization will constantly strive to adhere to these principles and will expand on these principles through the development of additional policy statements addressing the following:

A) We will fairly and accurately represent our capabilities and ourselves.

B) We will not misrepresent our capabilities to any public.

C) We will provide services to meet the identified needs of our patients and will constantly seek to avoid the provision of those services that are unnecessary or non-efficacious.

D) We will adhere to a uniform standard of care throughout the organization.

In all of the various settings in which this organization provides patient services, we will consistently follow well-designed standards of care based upon the needs of the patient and without regard to his or her ability to pay. Even as we work to provide care in a more economical manner to patients and providers, we will strive to provide care that meets our own standards.

We will provide services only to those patients to whom we can safely care for within this organization and will not turn patients away who are in need of our services based on their ability to pay or based upon any factor that is substantially unrelated to patient care.

Respect for the Patient:

We will treat all patients with dignity, respect and courteousness. These patients, or those persons closest to these patients, will be involved in decisions regarding the care that we deliver to the extent that such is practical and possible. We will also seek to inform all patients about the therapeutic alternatives and the risks associated with the care they are seeking. We will constantly seek to understand and respect their objectives for care.

Resolution of Conflicts:

The Westerly Hospital

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Subject: ***Corporate Compliance. Code of Conduct. Ethics Statement***

We recognize that from time to time conflicts will arise among those who participate in hospital and patient care decisions. Whether this conflict is between members of administration, medical staff, employees, or the board members of this institution, or between patient caregivers and the patient, we will seek to resolve all conflicts fairly and objectively. In cases where mutual satisfaction cannot be achieved, it is the policy of this board to involve the hospital ethics committee to oversee resolution of the conflict.

Recognition of Potential Conflicts of Interest:

We recognize that the potential for conflict of interest exists for decision-makers at all levels within the hospital. This includes members of the governing board, administration, the medical staff, and all other employees. It is our policy to request the disclosure of potential conflicts of interest so that appropriate action may be taken to ensure that such conflict is not inappropriately influenced by important decisions. Board members, administration, and medical staff leaders are required to submit an annual disclosure form. When evidence of potential conflict of interest is disclosed, staff members will be asked to complete a conflict of interest form. The Governing Board, as well as senior management and the medical staff, will review all potential conflicts (when appropriate) and take appropriate action. In the event a potential conflict of interest has a direct implication for patient care, the institution may convene an ethics committee to assist in the resolution of that issue.

Fair Billing Practices:

The hospital and its medical staff will invoice patients or third parties only for services actually provided to patients and will provide assistance to patients seeking to understand the cost relative to their care. We will also attempt to resolve questions and objections to the satisfaction of the patient while considering the institution's best interest as well.

Confidentiality:

The organization recognizes the extreme need to maintain patient and other information in a confidential manner. As such, patient information will not be shared in an unauthorized manner and sensitive information concerning personnel and management issues will be maintained in the strictest confidence and used only by those individuals authorized to review and act upon such information.

Each of the above principles is the organization's overall commitment to act with integrity in all of our activities and to treat the organization's patients, employees, physicians, and the many constituents we serve

with utmost respect.

Administration and Application of this Code of Conduct:

The Westerly Hospital expects each person to whom this Code of Conduct applies, to abide by the principles and standards set forth herein and to conduct the business and affairs of The Westerly Hospital in a manner consistent with the general statement of principles set forth herein.

Failure to abide by this Code of Conduct, related Hospital policies, or the guidelines for behavior that the Code of Conduct represents, may lead to disciplinary action. For alleged violations of the Code of Conduct, The Westerly Hospital will weigh relevant facts and circumstances, including, but not limited to, the extent to which the behavior was contrary to the express language or general intent of the Code of Conduct, the egregiousness of the behavior, the employee's history with the organization and other factors which The Westerly Hospital deems relevant. Discipline for failure to abide by the Code of Conduct may, in The Westerly Hospital's discretion, range from oral correction to termination. In the event that an employee is covered by the terms of a collective bargaining agreement, discipline shall be in accordance with the provisions of the collective bargaining agreement.

Nothing in this Code of Conduct is intended to nor shall be construed as providing any additional employment or contract rights to employees or other persons.

While The Westerly Hospital will generally attempt to communicate changes concurrent with or prior to the implementation of such changes, The Westerly Hospital reserves the right to modify, amend or alter the Code of Conduct without notice to any person or employee.

Related Policies:

The following related policies and procedures provide further and specific guidance for ethical conduct at The Westerly Hospital and have been incorporated into the Hospital's administrative policy manuals, as applicable, and the appropriate departmental policies and manuals, as well as in the Hospital's and Medical Staff Bylaws and Rules and Regulations:

Statement of Mission
Advance Directives, Living Wills, Durable Power of Attorney

The Westerly Hospital

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Subject: ***Corporate Compliance. Code of Conduct. Ethics Statement***

Confidentiality of Patient/Clinical Information
Conflict of Interest Policy and Disclosure Statement
Consent
Consent for Treatment – Emergency Room
Customer Communications
Hospital Ethics Committee
Ethics in Advertising
Ethics in Billing Practices
Ethics in Fund Raising
Institutional Review Board
Non-Discrimination in the Provision of Patient Care
Refusal of Staff to Participate in An Aspect of Care
Rights and Responsibilities of Patients
Plan for Patient Care
Resolving Conflicts Concerning Patient Care

_____
President/CEO

_____
Chairman, Board of Trustees

_____
President, Medical Staff

The Westerly Hospital

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	Effective date: 5/2008	Supercedes: 7/95; 9/98; 7/01; 10/04

Title: Corporate Compliance. **Conflict of Interest Policy and Disclosure Statement**

Responsible Reviewer
Title: Compliance Officer
Chairman, Board of Trustees

POLICY:

The Westerly Hospital (and affiliates) is committed to pursuing its mission in conducting its affairs in accordance with high professional and ethical standards, which include the avoidance of detrimental conflicts of interest. The Westerly Hospital believes that avoiding such conflicts is important in preserving the public's trust. Persons who agree to serve The Westerly Hospital or its affiliates should not use that position for personal gain or expose The Westerly Hospital to harm as a result of a conflict of interest. The Board of Trustees has therefore adopted this policy to clarify the requirements to implement a system for disclosure and resolution of potential conflicts of interest.

A Board member shall act solely in the best interest of The Westerly Hospital. If a Board member has a direct personal interest in an issue of corporate concern, it is the affirmative duty of such board member to disclose to the Board when and if such conflict exists. When any such interest becomes a matter of Board action, such member will not vote or use personal influence on the matter and shall not be counted in the quorum for a meeting at which Board action is to be taken. The member may, however, briefly state a position on the matter and answer pertinent questions of Board members. Such member shall remove him/herself from the meeting for the vote. The minutes of all actions taken on such matters shall clearly reflect that this requirement was met.

PROCEDURE:

All leaders shall exercise the utmost good faith in all transactions touching upon their duties to The Westerly Hospital and is affiliates. In their dealings with and on behalf of the hospital they shall be held to a strict standard of honest and fair dealing.

Leaders shall scrupulously avoid any situation in which the leader may influence a transaction or decision on behalf of the Hospital and its affiliates in a way that promotes the personal interests of the leader of his Family as well as situations in which the leader's personal interests are adverse to the interests of the hospital.

Leaders will disclose potential conflicts of interest as required by this policy. Leaders will not vote on, influence or recommend approval of any interested transaction as defined by this policy.

Leaders shall not give or accept a gift, entertainment, or other material benefit from any person or concern,

which does or is seeking to do business with The Westerly Hospital or its affiliates.

No leader shall disclose or use information relating to The Westerly Hospital (or its affiliates) business including but not limited to methods of operations, business opportunities, and financial information, for personal profit or advantage nor divulge confidential information in advance of official authorization of its release.

The Westerly Hospital or its affiliates will not purchase goods or services under circumstances involving conflict of interest as defined under the section, "Potential Conflicts" hereafter, unless The Westerly Hospital and its affiliates determine that:

1. The terms are at least as favorable as those available under competitive, disinterest proposals or,

2. (a). The transaction is otherwise in the best interest of the hospital and its affiliates,

   (b). The material facts as to the leaders involvement may have been fully disclosed to the Board recommending and approving the transaction, and

   (c). The interested leader does not use his position to influence the recommendations or the approval of the transaction, and has not voted on the transaction.

For transactions involving a potential conflict of interest, as defined under "Potential Conflicts", a vote to authorize the transaction shall require an affirmative vote of two thirds of the non-interested participants in the body authorized to make the decision.

The Board shall record in its minutes any potential conflicts, consideration of alternatives and the reason for its decision.

A leader with a known potential conflict may be disqualified from participation and voting in the transaction by a simple majority of all members of the board.

The Westerly Hospital

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Title: Corporate Compliance. **Conflict of Interest Policy and Disclosure Statement**

Responsible Reviewer
Title: Compliance Officer
Chairman, Board of Trustees

POTENTIAL CONFLICTS:

A potential conflict of interest is any instance in which the actions a leader performs on behalf of The Westerly Hospital and its affiliates may result in a personal gain or advantage to the leader or his family or concomitant disadvantage to The Westerly Hospital and its affiliates. Although it is impossible to list every circumstance giving rise to a possible conflict of interest, the following will serve as examples of the types of activities which might give rise to such a conflict and which must be reported in a detailed and timely fashion to the Chairman of the Board regularly and prior to a vote or other action on behalf of The Westerly Hospital and its affiliates.

1. Personal Transactions:
   The leader (or family) is a party to or may benefit or suffer financially from a proposed transaction.

2. Business Affiliations:
   The leader is an owner (more than 5%), director, officer, partner, employee, consultant, agent, or advisor of a person, firm or organization involved in a proposed transaction with The Westerly Hospital and its affiliates.

3. Government Affiliations:
   The leader (or family) holds an elected or appointed office or position in a branch of government or in a regulatory agency having authority or jurisdiction over providers of health care.

4. Other Health Care Affiliations:
   The leader serves as a volunteer or a paid director, officer, partner, employee, consultant, agent or advisor of any healthcare provider not affiliated with The Westerly Hospital or is affiliates.

5. Outside Interests:
   The leader is in competition with The Westerly Hospital and its affiliates in the purchase or sale of property or any property right, interest or service.

The Westerly Hospital

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Title: Corporate Compliance. **Conflict of Interest Policy and Disclosure Statement**

Responsible Reviewer
Title: Compliance Officer
Chairman, Board of Trustees

DISCLOSURE PROCEDURE:

1. As soon as any potential conflict of interest comes to the attention of a leader, full disclosure must be made to the Chairman of the Board.

2. In addition to making ongoing disclosures of potential conflicts of interest, Leaders shall comply with an annual disclosure procedure as follows:

   (a) Annually, the Chairman of the Board shall, in writing, advise leaders of this policy and require that each individual complete and submit to the Chairman a disclosure form identifying possible conflicts of interest.

   (b) The Chairman shall complete a report which summarizes the potential conflicts of interest and shall circulate such report to the Trustees.

   (c) It is understood that the information reported on the questionnaires will be used only to the extent necessary for the administration of this policy.

3. Authorization for The Westerly Hospital and its affiliates to enter into a transaction involving a potential conflict of interest must be voted and documented as outlined above.

4. At least annually, the Chairman of the Board shall review standard relationships with local banks, insurance firms, and other entities serving The Westerly Hospital and its affiliates to assure that the relationship is in the best interest of the same and is otherwise consistent with the terms of this policy and shall present his findings to the Board.

5. Any leader having a possible conflict of interest or any matter shall not vote or use his or her personal influence on the matter. The minutes of the meeting should reflect that a full and accurate disclosure is

made and that the leader abstained from voting.

6. The foregoing requirements shall not be construed as preventing a leader having a possible conflict of interest from briefly stating his or her own position in the matter nor from answering pertinent questions of other leaders, since his/her knowledge may be of great assistance in the enabling of trustees to fulfill their fiduciary duties to The Westerly Hospital and its affiliates.

Leader-Affiliated Vendor's Relationships with the Hospital:

A leader-affiliated vendor providing services to the Hospital, will conduct all business relating to the contract through the usual hospital channels for administration of contracts, and the trustee who has an interest in the vendor will scrupulously refrain from using his or her position as a trustee to negotiate, conduct business, or arbitrate disputes under the contract with The Westerly Hospital and its affiliates.

Definitions:

For the purposes of this policy, the following definitions shall apply:

1. "Affiliates" means an organization controlled by, controlling or under common control with The Westerly Hospital.

2. "Family" includes a spouse, a child, a grandchild, siblings, parents and grandparents, and may include other substantial emotional or financial relationships as well.

3. "Leader" means a Board level committee member, Chief Executive Officer, Vice President, Medical Staff Officers, Department Chairmen, and Committee Chairman and others who may be specifically identified by the Board as "Leaders" for the purposes of this policy.

4. "Interested Transaction" means any business dealing, contract, transaction, or arrangement involving The Westerly Hospital and its affiliates and a leader who has a potential conflict of interest described in the section on "Potential Conflicts".

The Westerly Hospital

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Title: Corporate Compliance. **Conflict of Interest Policy and Disclosure Statement**

Responsible Reviewer
Title: Compliance Officer
Chairman, Board of Trustees

See Attached Disclosure Statement

The Westerly Hospital

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Title: Corporate Compliance. **Conflict of Interest Policy and Disclosure Statement**

Responsible Reviewer
Title: Compliance Officer
Chairman, Board of Trustees

THE WESTERLY HOSPITAL
DISCLOSURE STATEMENT

The undersigned hereby represents that:

1. At no time in the five (5) years previous to the date hereof, has he/she, or any person related to him/her by blood or marriage, entered into any transactions with The Westerly Hospital, including any purchase, sale, lease, contractual arrangements, investment, deposit or entrusting of funds, except as set forth in the Schedule of Transactions on page (2);

2. At no time in the five (5) years previous to the date hereof, has any firm, partnership, entity or corporation, owned or controlled, either directly or indirectly, by the undersigned or by any relatives by blood or marriage of the undersigned, entered into any transactions with The Westerly Hospital, including any purchase, sale, lease, contractual arrangement, investment, deposit or entrusting of funds, except as set forth in the Schedule of Transactions on page (2).

   It is understood that for purposes of this disclosure, a person owns or controls a firm, partnership, entity of corporations: (I) if he/she or any of his/her relatives by blood or marriage, owns, either directly or indirectly, or in combination with his/her relatives by blood or marriage, at least ten percent (10%) of the outstanding stock, if a corporation, or at least ten percent (10%) of the equity, if a firm, partnership or entity: or (II) if he/she or any of his/her relatives by blood or marriage, is an officer, director or employee of such firm, partnership, entity or corporation; provided, however, that no person who serves or has served in the five (5) years previous to the date hereof as an officer, director or employee of Community Health of Westerly, Inc., as sole member or shareholder, shall be deemed to own or control any of said corporations solely by virtue of his/her service as such an officer, director or employee.

The Westerly Hospital

POLICY MANUAL: ADMINISTRATIVE	☐New ☒Revised	Page 8 of 7
	Effective date: 5/2008	Supercedes: 7/95; 9/98; 7/01; 10/04

Title: Corporate Compliance. **Conflict of Interest Policy and Disclosure Statement**

Responsible Reviewer
Title: Compliance Officer
Chairman, Board of Trustees

SCHEDULE OF TRANSACTIONS

DATE	TRANSACTION	AMOUNT	PARTY	RELATIONSHIP TO THE UNDERSIGNED

The undersigned further represents that he/she will disclose, in writing, to the President of The Westerly Hospital, any transactions which he/she, or his/her relatives by blood or marriage, contemplates entering into with The Westerly Hospital which transaction would create a conflict of interest or potential conflict of interest as these terms are defined in the Administrative Policy and Procedure Manual, "Conflict of Interest and Disclosure Statement".

Name: _____
Please Print

_____
Signature

Dated: _____,20___

LAWRENCE & MEMORIAL HOSPITAL

Title: Conflict of InterestConflict of InterestConflict of Interest	Reference Number:
File Location: Administration	Issuing Department: Administration
Latest Review/Revision Date: 10/08	Original Date: 3/07
Endorsing Departments/Committees/Dates:	
Authorizing Signature/Title/Date: Bruce D. Cummings President/CEO	

PURPOSE
Conflict of Interest

POLICY
This Policy defines the principles governing the identification and resolution of conflicts of interest that involve individuals in the leadership of Lawrence & Memorial Hospital, Inc. (the "Hospital") and Lawrence & Memorial Corporation (the "Corporation") (collectively "L&M"), whether as directors or senior management employees. The Policy will facilitate the proper identification and management of conflicts of interest and engender confidence in the ethical conduct and decision-making process of L&M.

The principles of good corporate governance as well as state and federal law require that the members of these Boards and senior management employees of L&M discharge their respective duties to the Hospital and Corporation in good faith, consistent with their duties of loyalty and fidelity to the Hospital and Corporation, and guided solely by L&M's best interests. The duty of loyalty requires that their allegiance be uncompromised by outside interests.

Consequently, no member of the governing board or senior management employee may use the individual's position with L&M for personal profit, gain or other personal advantage, participate in any decision that might affect any personal interest of the individual, or have any personal interest the promotion of which is fundamentally inconsistent with the best interests of L&M. Compliance with a comprehensive policy on conflicts of interest will assist directors both to meet their obligations and to ensure they are entitled to available protections from personal liability arising from their roles as directors.

This Policy supplements but does not replace Connecticut state laws governing conflicts of interest that apply to nonprofit and charitable corporations.

ARTICLE II
UNDERLYING DEFINITIONS

2.1 **L&M**. "L&M" means Lawrence & Memorial Hospital, Inc. and Lawrence & Memorial Corporation.

2.2 **Board**. "Board" means the Board of Directors of the Corporation and the Board of Directors of the Hospital.

2.3 **Director**. "Director" means a Director of the Corporation or of the Hospital. "Director" expressly includes an ex-officio Director who serves on a Board by virtue of a position or an elected office held by the individual.

2.4 **Senior Management Employee**. "Senior Management Employee" means the President and Chief Executive Officer ("CEO"), Chief Operating Officer, Chief Financial Officer, Vice Presidents, and other management personnel designated from time to time by the CEO. References to "Senior Management Employee" include any employee who serves as an officer of L&M.

2.5 **Key Person**. "Key Person" means each Director or Senior Management Employee.

2.6 **Financial Interest**. A Key Person has a "Financial Interest" if the individual, directly or indirectly, personally or through a Related Person:

- has an actual or potential
  - ownership or investment interest (whether equity or debt) in, or
  - compensation arrangement with

- any entity or business that
  - transacts, or is negotiating to transact, business with L&M, or
  - competes with L&M, or
  - may be affected in a non-incidental manner by L&M's strategic or business decision-making.

Compensation includes direct and indirect payments or benefits and also includes gifts, entertainment, or favors except those that are of de minimis value or insubstantial in nature. Gifts or entertainment from the same source with a combined value of more than $50 annually are not de minimis or insubstantial but constitute compensation for purposes of this Policy. Attending one or more conferences the expenses of which L&M pays in accordance with L&M's applicable Policy does not constitute the receipt of compensation for purposes of this Policy.

Any ownership or investment interest in a closely-held business or entity without regard to its size or value is an ownership or investment interest for purposes of this Policy. An ownership or investment interest in a publicly-traded corporation of 1% or less of the

corporation's market capitalization is not an ownership or investment interest for purposes of this Policy and is therefore not a Financial Interest.

2.7 **Nonfinancial Interest**. A Key Person has a Nonfinancial Interest if the person, directly or indirectly, personally or through a Related Person:

- is an uncompensated director, officer, manager or member of, or participant in, any other entity, organization, or business that does or seeks to do business with or competes with L&M.
- is an uncompensated director, officer, manager, or member of, or participant in, any other entity or business that takes action, or advocates for a position, adverse to the interests of L&M.

2.8 **Related Person**. Related Person means, as to any Director or Senior Management Employee, any of the following:

- a member of his or her immediate family, including spouse or domestic partner, parent, natural or adopted child, grandchild, great grandchild and brother or sister (whether whole or half blood);
- the spouse or domestic partner of a member of his or her immediate family;
- an individual who shares his or her home;
- an estate or trust in which the Key Person or any Related Person is a beneficiary; and
- an individual or entity for which the Key Person or a Related Person serves as a fiduciary or is financially responsible.

ARTICLE III
DEFINITION OF CONFLICT OF INTEREST GENERALLY

A conflict of interest generally arises when a Key Person has a Financial or Nonfinancial Interest, and (1) the promotion of that interest is, or might in the foreseeable future be, inconsistent with L&M's best interests, or (2) the Key Person's Financial or Nonfinancial Interest will, or might in the foreseeable future, benefit from action or inaction by L&M. Examples of interests that might present an actual conflict of interest are provided on the Appendix attached to this Policy.

Whether an actual conflict of interest exists in a given situation depends on the particular facts and circumstances presented. The determination whether an actual conflict exists in a particular situation will be made pursuant to Article V of this Policy.

ARTICLE IV
DISCLOSURE

4.1 **Duty to Disclose**. Each Key Person shall disclose the existence and nature of any personal or outside interest that may affect or be affected by L&M's operations or by decisions that the Key Person makes on L&M's behalf. More specifically, each Key Person shall disclose each Financial and Nonfinancial Interest. The interests disclosed need not be actual or even potential conflicts of interest but nevertheless should be

disclosed in the event these interests become actual or potential conflicts of interest and/or have or may have a material impact on L&M's plans and operations.

4.2 **Annual Disclosure**. By January 1 of each year, or such other time annually as may be established by the Board, every Key Person shall complete the required Questionnaire attached as Exhibit A and submit it to the Chief Executive Officer. The Questionnaire of each Director will be reviewed by the Chair or the Chair's delegate, by the Treasurer or the Treasurer's delegate, and by the CEO or the CEO's delegate. The CEO's Questionnaire will be reviewed by the Chair and the Treasurer. The Questionnaire of each other Senior Management Employee will be reviewed by the CEO or his delegate.

4.4 **Disclosure Upon Initial Appointment/Election as Director or Initial Employment.** Upon initial appointment, election, or employment, as the case may be, each Key Person shall complete the Questionnaire and provide it to the CEO.

4.5 **Continuing Duty**. If, prior to the next annual disclosure, any Financial or Nonfinancial Interest on the part of any Key Person develops that has not previously been disclosed, the Key Person shall promptly disclose the interest and make it a matter of record.

4.6 **Safe Procedure**. In the event a Key Person has reason to believe that another Director or Senior Management Employee has failed to promptly and fully disclose a Financial or Nonfinancial Interest, it is incumbent upon the Key Person to inform the Chair and the CEO of the non-disclosure. If the non-disclosure involves the Chair and/or the CEO, the Key Person shall instead notify the Chair of the Audit Committee and the Chair of the Governance Committee. The Board and/or the CEO shall thereafter proceed as provided in Section 6.5.

ARTICLE V
PROCEDURES TO DETERMINE WHETHER ACTUAL CONFLICT EXISTS

5.1 **Ongoing Compliance Procedures**. The Chair and the CEO will review in advance the agenda of each annual, regular and special meeting of the Board and identify, to the extent possible, potential conflicts of interest. If a potential conflict of interest is identified, the Chair or the CEO will notify and advise the individual with the potential conflict prior to the Board meeting, and the full Board will be advised of the potential conflict at the meeting. In addition, each Key Person attending a meeting who believes there is or may be a potential or actual conflict of interest either for him/herself or for any other Key Person shall identify the issue for consideration by the Board if the Chair or the CEO have not done so.

5.2 **Determining whether a Conflict Exists**. If a Key Person may have a conflict of interest, the Key Person shall leave the meeting after providing all material information relevant to the existence of a conflict. The individuals remaining in the meeting shall decide if a conflict of interest exists. If so, as provided in Article 6.1, the Key Person shall not thereafter vote on the substantive matter or be present during deliberations. If it is determined that there is no conflict, the Key Person may fully participate in the meeting.

5.3 **Conflicting Duties**. In certain circumstances, a Key Person may be faced with conflicting duties such that the disclosure of the actual or potential conflict of interest would breach the duty of confidentiality to another organization. In such cases, the Key Person should state that an actual or potential conflict of interest exists and that his or her duties to another organization preclude full disclosure of the nature or extent of the interest. The Key Person should then leave the meeting and remain out of the meeting during discussion and the vote as provided in Article VI.

5.4 **Senior Management Employees**. A Senior Management Employee (1) who has a potential conflict of interest related to a matter for which the employee has supervisory or management responsibility or (2) who has the ability to influence decision-making or the outcome on such a matter shall promptly notify the CEO, who shall determine whether the Senior Management Employee has a conflict of interest and, if so, shall take appropriate action to remove the Senior Management Employee from responsibility for or participation with respect to that matter. The Senior Management Employee shall not thereafter attempt to influence the outcome or decision about the matter in any way. If the CEO has a potential conflict, the CEO shall notify the Chair.

ARTICLE VI
PROCEDURES WHEN A CONFLICT OF INTEREST IS FOUND TO EXIST

6.1 **Voting**. No Key Person who has a conflict of interest on any matter shall participate in substantive deliberations or vote on that matter or be counted in determining the quorum for the meeting at which the vote is taken, even when permitted by law. No Key Person who has a conflict of interest on any matter shall use his or her personal influence on the matter.

6.2 **Participation by Key Person with Conflict**. These requirements do not prevent an individual from briefly stating his or her position on any matter, where appropriate, or from answering pertinent questions asked by others, since his or her knowledge may provide assistance to others. The Key Person with a conflict of interest must leave the meeting after providing any information requested by others; no Key Person shall be present during substantive discussions, deliberations, or voting on the matter on which that Key Person has a conflict.

6.3 **Transactions or Arrangements**. If a Director has a conflict of interest with respect to a proposed transaction or financial arrangement in an amount exceeding $25,000 a year, the Chair shall advise the Board and may appoint, if appropriate, a disinterested Director or a committee of disinterested Directors to investigate the proposed transaction or arrangement and to report to the Board. The Board may also, or in the alternative, obtain outside independent advice on the financial fairness of the transaction or arrangement. The Board shall thereafter determine by a majority vote of the disinterested Directors whether the proposed transaction or arrangement is in L&M's best interests and is fair and reasonable to L&M.

Any proposed transaction or arrangement that presents a conflict of interest for a Director but has a value of $25,000 or less a year may be awarded by L&M in the normal course of business, provided that the decision to enter into the transaction or arrangement must be based on L&M's standard considerations of the best combination of cost, quality, service, or availability and must be made by disinterested persons.

L&M shall not enter into any transaction or arrangement with a Key Person unless it is approved by wholly disinterested persons in compliance with this Policy. For purposes of this provision, a disinterested Director or person is one who has no Financial or Nonfinancial Interest in the proposed transaction or arrangement.

6.4 **Need for Resignation, Decision Not to Nominate or Elect, or Exclusion from Meeting**. A Director may have actual or potential conflicts of interest or loyalties to other organizations that are so pervasive or significant that the effectiveness of such Director on behalf of L&M is significantly impaired, and the Director should not, or may not be able to, serve as a Director. In addition, a Director may repeatedly fail to disclose one or more conflicts of interest, intentionally fail to disclose a significant conflict of interest, or otherwise act in a manner the Board believes is adverse or harmful to L&M.

In such cases, the Board may take such action as may be necessary to resolve the conflicts, unacceptable conduct, tension, or duality of interests. Such action may include (1) requesting that the Director resign from the Board, including, in the case of an ex-officio Director, from the office providing the basis for the Director's ex-officio status, (2) deciding not to nominate or elect the Director to an additional term on the Board, or (3) as discussed below, excluding the Director from meetings.
Consistent with the Director's duty of loyalty to L&M, the Director in question should also consider resigning.

6.4.1 An individual who is an ex-officio Director has the same obligations and responsibilities to the Board and to L&M as any other Director; any such ex-officio Director is required to act solely in the best interests of L&M, provided that an ex-officio Director may as appropriate communicate the views and concerns of the group or organization that elected or appointed the Director to the position from which the Director's ex-officio status derives as those views or concerns relate to promotion of L&M's interests and mission.

6.4.2 A Director, whether elected or ex-officio, who consistently evidences an inability or unwillingness to focus on L&M's best interests may be excluded from meetings, except, in the case of an ex-officio Director, for those portions of meetings for which the Chair determines it is appropriate for the Director to articulate the interests of the group or organization from which the Director's ex-officio status derives.

6.4.3 No Director shall serve as a member of the governing board, partner, investor or senior executive of any health care or other organization that materially competes

with one or more of L&M Hospital's principal service/business lines. Routine in-office services provided by a physician's office, such as laboratory services, shall not be disqualifying.

6.4.4 No Director shall serve as a principal, partner, owner, employee, member of the governing board, or investor of any organization receiving a substantial amount of revenue from L&M, which we define as the greater of $200,000 or 2% of the annual revenues of that organization or company in the preceding or current year.

6.4.5 In addition, no Director may serve as a principal, partner, employee, counsel, or shareholder in a law firm that takes any position directly adverse to L&M.

The existence of this Section 6.4 does not purport to modify or limit in any way relevant provisions of the Bylaws or applicable law governing removal of a Director with or without cause.

6.5 **Failure to Disclose**. If the Board (or the CEO in the case of a Senior Management Employee) has reasonable cause to believe that a Key Person has failed to disclose a Financial or Nonfinancial Interest that could present or give rise to a conflict of interest, it shall inform the Key Person of the basis for that belief and give the Key Person an opportunity to explain the alleged failure to disclose. If, after hearing the response of the Key Person and making such further investigation as may be warranted in the circumstances, the Board or CEO determines that the Key Person has in fact failed to disclose such an interest, the Board or CEO, as the case may be, shall take appropriate action.

ARTICLE VII
RECORDS OF THE MEETINGS

7.1 The minutes of each meeting shall contain the name(s) of Key Persons who disclosed or otherwise were thought to have a personal or outside interest in connection with any matter before the Board, the nature of the interest, and the Board's decision as to whether a conflict of interest in fact existed.

7.2 The minutes shall also contain the names of the persons who were present for discussions and votes relating to the matter, names of individuals abstaining from discussions and votes, the content of the discussion, and a record of any votes taken. The minutes shall document when the Key Person with a conflict was present or absent from the meeting.

ARTICLE VIII
SPECIAL PROVISIONS RELATED TO COMPENSATION DECISIONS

8.1 A Key Person who receives any compensation, directly or indirectly, from L&M for services is precluded from discussing and voting on matters pertaining to that Key Person's compensation.

8.2 A physician who is a Director and who receives compensation, directly or indirectly, from L&M for services is precluded from discussing and voting on matters pertaining to that and other physicians' compensation. No physician or physician Director, either individually or collectively, is prohibited from providing information to the Board regarding physician compensation.

8.3 A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from L&M for services is precluded from voting on matters pertaining to that member's compensation.

8.4 Physicians who receive compensation, directly or indirectly, from L&M whether as employees or independent contractors, are precluded from membership on any Board committee whose jurisdiction includes compensation matters. No physician, either individually or collectively, is, however, prohibited from providing information to any committee regarding physician compensation.

ARTICLE IX
STATE LAW

In any case in which the definitions and procedures concerning Director's Conflicting Interest Transactions set forth in sections 33-1127 through 33-1130 of the Connecticut General Statutes, as they may be amended from time to time, are more restrictive than this Policy, then the statutes shall govern with respect to any contract, transaction or arrangement that constitutes a Director's conflicting interest transaction within the meaning of the statutes.

ARTICLE X
DIRECTOR INDEPENDENCE

10.1 **Generally.** Whether a Director is "independent" and free of any relationship that might interfere with or affect the Director's ability to exercise independent judgment is relevant to the composition of the Board and certain committees. The Hospital's federal tax exemption requires that at least a majority of the Board be comprised of persons who are independent of L&M. In addition, the Audit Committee and the Compensation Committee must be comprised of Directors who are independent.

10.2 **Independent Director**. A Director is "independent" if, at any time and during the immediately preceding two fiscal years, all of the following is true:

(a) The Director did not receive compensation as an officer or other employee of L&M or any affiliate of L&M;

(b) The Director did not receive compensation or payments from L&M or any affiliate of L&M in a single tax year as an independent contractor in excess of $10,000 (other than expense reimbursement);

(c) Neither the Director nor, where applicable, any Related Person was involved in a Reportable Transaction, as defined in Section 10.3, with L&M or any affiliate of L&M that has been identified by L&M following reasonable efforts to obtain the necessary information;

(d) The Director is not, and does not have a partner, employee or Related Person who is a physician or other licensed health care professional with privileges at the Hospital and actively practicing in the community; and

(e) The Director does not otherwise have a Financial Interest or Nonfinancial Interest that is determined by the Board to be so significant that a reasonably prudent person would perceive the interest to exert an influence on the Director's judgment.

A director does not lack independence by being a donor to the organization, regardless of amount of contribution, or by receiving benefits from the organization solely in the capacity of being a member of the charitable or other classes served by L&M in exercise of its exempt functions.

10.3 **Reportable Transaction**. A "Reportable Transaction" means a transaction defined as reportable on Schedule L to the IRS Form 990, which includes the following transactions, applied in a manner consistent with the IRS instructions to the Form 990:

(a) A Loan to a Director from L&M or any L&M affiliate or a Loan from a Director to L&M or any L&M affiliate.

(b) Grants or other assistance (including free goods, services or use of facilities), regardless of amount, provided by L&M or any L&M affiliate to a Director, a Related Person or a 35% Controlled Entity.

(c) Any business transaction between L&M or any affiliate of L&M and a Director, Related Person, a 35% Controlled Entity, or a Reportable Entity for which payments
  (i) for all transactions in a single fiscal year exceed $100,000;
  (ii) for a single transaction exceed $10,000; or
  (iii) involve compensation to a Related Person in excess of $10,000.

(d) For purposes of 10.3 (b) and (c) above, a 35% Controlled Entity is any entity that is more than 35% owned, either directly or indirectly, individually by or collectively with one or more current or former officers, directors, key employees and/or their Related Persons.

(e) For purposes of 10.3(c) above, a Reportable Entity is any entity in which a Director, at the time of the business transaction, was serving as an officer, director, trustee, key employee or greater than 5% owner in a professional corporation or an entity treated as a partnership.

10.4 Regardless of whether a Director is independent within the meaning of this Article X, every Director is required to comply with the provisions of this Policy on Conflicts of Interest.

Reference:

Archive Dates Reviewed Date: Revised: 10/08 Supersedes:

Exhibit 9

THE WESTERLY HOSPITAL AND SUBSIDIARY

(A Controlled Affiliate of Westerly Hospital Health Care, Inc.)

COMBINED FINANCIAL STATEMENTS

SEPTEMBER 30, 2010 AND 2009

THE WESTERLY HOSPITAL AND SUBSIDIARY
(A Controlled Affiliate of Westerly Hospital Health Care, Inc.)

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Independent Auditors' Report

The Board of Trustees
The Westerly Hospital and Subsidiary

We have audited the accompanying combined balance sheets of The Westerly Hospital and Subsidiary (the Hospital) (a controlled affiliate of Westerly Hospital Health Care, Inc.) as of September 30, 2010 and 2009, and the related combined statements of operations and changes in net assets and cash flows for the years then ended. These combined financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of The Westerly Hospital and Subsidiary as of September 30, 2010 and 2009, and the results of their operations and changes in net assets and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Blum, Shapiro & Company, P.C.

March 3, 2011

An Independent Member of Baker Tilly International

THE WESTERLY HOSPITAL AND SUBSIDIARY
(A Controlled Affiliate of Community Health of Westerly, Inc.)
COMBINED BALANCE SHEETS
SEPTEMBER 30, 2010 AND 2009

ASSETS

	2010	2009
Current Assets		
Cash and cash equivalents	$ 2,413,242	$ 2,951,166
Patient accounts receivable, net	7,336,470	7,459,592
Inventories	1,611,752	1,469,759
Other current assets	1,166,569	876,919
Total current assets	12,528,033	12,757,436
Assets Limited as to Use		
Promises to give, net	11,950	108,554
By Board to function as endowment	12,368,211	11,296,158
Under loan agreement, funds invested by trustee	1,963,570	1,896,847
Accumulated earnings on permanent endowment funds	3,513,444	3,379,358
By donors or grantors for specific purposes	301,614	364,595
By donors for permanent endowment funds	4,744,092	4,671,877
Funds held in trust	7,556,551	7,290,244
Total assets limited as to use	30,459,432	29,007,633
Other Assets		
Property, plant and equipment, net	36,501,015	38,296,354
Deferred financing costs, net	209,899	233,389
Due from related party, long-term	869,589	1,119,299
Other long-term assets	513,420	598,371
Total other assets	38,093,923	40,247,413
Total Assets	$ 81,081,388	$ 82,012,482

LIABILITIES AND NET ASSETS

	2010	2009
Current Liabilities		
Lines of credit	$ 4,566,767	$ 2,433,264
Current installments of long-term debt	984,831	925,659
Current installments of capital lease obligations	2,326,753	1,612,283
Accounts payable and accrued expenses	5,739,354	5,149,870
Deferred revenue	1,469,601	118,545
Accrued payroll, benefits and related taxes	3,927,424	5,087,264
Estimated third-party payor settlements	872,367	879,073
Total current liabilities	19,887,097	16,205,958
Long-Term Liabilities		
Long-term debt, net of current portion	12,788,366	13,768,276
Long-term portion of capital lease obligations	1,406,509	2,932,268
Noncurrent accrued pension cost	20,456,320	16,257,162
Asset retirement obligation	1,412,870	1,389,257
Total liabilities	55,951,162	50,552,921
Net Assets		
Unrestricted	9,002,516	15,644,933
Temporarily restricted	3,827,067	3,852,507
Permanently restricted	12,300,643	11,962,121
Total net assets	25,130,226	31,459,561
Total Liabilities and Net Assets	$ 81,081,388	$ 82,012,482

The accompanying notes are an integral part of the combined financial statements

RIDOH 0845

THE WESTERLY HOSPITAL AND SUBSIDIARY
(A Controlled Affiliate of Community Health of Westerly, Inc.)
COMBINED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009

	2010	2009
Unrestricted Revenue		
Net patient revenue	$ 90,460,251	$ 87,786,337
Other revenue	1,809,187	1,356,297
Total revenues	92,269,438	89,142,634
Expenses		
Salaries and benefits	51,825,334	48,398,951
Supplies and other expenses	29,384,660	28,549,604
Depreciation	4,592,213	4,450,501
Provision for uncollectible accounts, net	5,962,284	7,249,449
Interest	1,306,259	1,377,482
Total expenses	93,070,750	90,025,987
Loss From Operations	(801,312)	(883,353)
Nonoperating Income		
Interest and investment income	448,102	(400,439)
Unrestricted gifts and bequests	819,506	594,091
Total nonoperating income	1,267,608	193,652
Excess (Deficiency) of Revenues and Gains over Expenses	466,296	(689,701)

(Continued on next page)

THE WESTERLY HOSPITAL AND SUBSIDIARY
(A Controlled Affiliate of Community Health of Westerly, Inc.)
COMBINED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS (CONTINUED)
FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009

	2010	2009
Other Changes in Unrestricted Net Assets		
Net assets released from restrictions	$ 552,981	$ 642,793
Capital transactions with affiliates	(4,915,318)	(3,121,653)
Change in unrealized gains on investments	443,946	386,985
Changes in additional minimum pension liability	(3,190,322)	(4,854,582)
Cumulative effect of change in accounting principle	-	(1,953,342)
Decrease in unrestricted net assets	(6,642,417)	(9,589,500)
Temporarily Restricted Net Assets		
Investment income	1,015	1,018
Net realized gains on investments	109,469	192,048
Net unrealized gains (losses) on investments	345,450	(168,208)
Gifts and bequests	41,840	95,153
Pledges	29,767	84,452
Net assets released from restrictions	(552,981)	(642,793)
Cumulative effect of change in accounting principle	-	3,765,129
Change in temporarily restricted net assets	(25,440)	3,326,799
Permanently Restricted Net Assets		
Net realized gains on investments	347,236	279,719
Net unrealized losses on investments	(8,714)	(474,329)
Cumulative effect of change in accounting principle	-	(1,811,787)
Change in permanently restricted net assets	338,522	(2,006,397)
Change in Net Assets	(6,329,335)	(8,269,098)
Net Assets - Beginning of Year	31,459,561	39,728,659
Net Assets - End of Year	$ 25,130,226	$ 31,459,561

The accompanying notes are an integral part of the combined financial statements

THE WESTERLY HOSPITAL AND SUBSIDIARY.
(A Controlled Affiliate of Community Health of Westerly, Inc.)
COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009

	2010	2009
Cash Flows from Operating Activities		
Change in net assets	$ (6,329,335)	$ (8,269,098)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,592,213	4,450,501
Amortization	23,490	23,489
Contributions restricted for long-term investment	(41,839)	(264,051)
Provision for uncollectible accounts	5,962,284	7,249,449
Increase in additional minimum pension liability	3,190,322	4,854,582
Net realized and unrealized (gains) losses on permanently restricted investments	(338,522)	194,610
Net unrealized gains on unrestricted investments	(443,946)	(386,985)
Investment income and unrealized gains on temporarily restricted net assets	(455,934)	(24,858)
(Increase) decrease in operating assets:		
Patient accounts receivable	(5,839,162)	(5,334,569)
Inventories	(141,993)	(62,155)
Other assets	(289,650)	109,282
Promises to give	96,604	84,446
Due from related party	249,710	(358,047)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(570,356)	974,982
Deferred revenue	1,351,056	1,898
Accrued pension cost	1,008,836	679,787
Estimated third-party payor settlements	(6,706)	(124,890)
Asset retirement obligation	23,613	35,177
Net cash provided by operating activities	2,040,685	3,833,550
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(2,796,874)	(979,002)
Sale (purchase) of investments, net	(268,162)	1,611,017
Decrease in other long-term assets, net	84,951	143,313
Net cash provided by (used in) investing activities	(2,980,085)	775,328
Cash Flows from Financing Activities		
Repayments of long-term debt	(920,738)	(867,319)
Capital lease payments, net	(811,289)	(1,010,624)
Line of credit borrowings (payments), net	2,133,503	(2,010,617)
Net cash provided by (used in) financing activities	401,476	(3,888,560)
Net Increase (Decrease) in Cash and Cash Equivalents	(537,924)	720,318
Cash and Cash Equivalents - Beginning of Year	2,951,166	2,230,848
Cash and Cash Equivalents - End of Year	$ 2,413,242	$ 2,951,166
Cash Paid During the Year for Interest	$ 1,316,834	$ 1,387,457

The accompanying notes are an integral part of the combined financial statements

NOTE 1 - ORGANIZATION

The Westerly Hospital and Subsidiary (the Hospital) is a not-for-profit acute care hospital under corporate governance of Westerly Hospital Health Care, Inc. (C.H.O.W.), a not-for-profit holding company. The Westerly Hospital Foundation (the Foundation) is a not-for-profit corporation formed to promote the charitable, educational and scientific purposes of the Hospital, under corporate governance of the Hospital. The Foundation is a subsidiary of the Hospital. Other affiliated entities under the corporate governance of C.H.O.W. include Mastuxet Realty, Inc., The Westerly Hospital Auxiliary, Inc., Women's Health of Westerly, LLC, Westerly Hospital Energy Co., LLC, Atlantic Medical Group, Inc. (formally C.H.O.W. NewCo, Inc.), North Stonington Health Center, Inc., and Eldereval, LLC.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The combined financial statements reflect the accounts of the Hospital and the Foundation and have been prepared on the accrual basis of accounting, in conformity with accounting principles generally accepted in the United States of America (GAAP). All significant intercompany balances and transactions have been eliminated in combination.

The Hospital reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted Net Assets - Unrestricted net assets represent available resources other than donor-restricted contributions. These resources may be expended at the discretion of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. The Board of Trustees has designated a portion of unrestricted net assets as described in Note 21.

Temporarily Restricted Net Assets - Temporarily restricted net assets represent contributions that are restricted by the donor as to purpose or time of expenditure and also includes accumulated investment income and gains on donor-restricted endowment assets that have not been appropriated for expenditure. Temporarily restricted net assets are available for the following:

	2010	2009
Women's Initiative Campaign	$ 11,950	$ 108,554
Charity care	9,872	8,863
Physician education	53,644	66,733
Capital expenditures	231,643	282,551
Available for appropriation by Board of Trustees	3,513,444	3,379,358
Other	6,514	6,448
	$ 3,827,067	$ 3,852,507

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Permanently Restricted Net Assets - Permanently restricted net assets represent resources that have donor-imposed restrictions that require that the principal be maintained in perpetuity but permit the Hospital to expend the income earned thereon for general operating purposes (except for the Morgan trust, which specifies that income is restricted for charity care). Such assets are included in the Hospital's endowment funds.

Funds Held in Trust by Others - The Hospital is the sole beneficiary of the income from the Louise D. Hoxsey Foundation and the Estate of Charles A. Morgan trusts, which are held in perpetuity by an independent trustee. These trusts are recorded at market value and are included in assets limited as to use and permanently restricted net assets. The income from the Hoxsey trust is unrestricted, and Morgan trust income is restricted for charity care.

Annual distributions from the trusts are reported as other revenue that increases unrestricted net assets.

Income Taxes - The Hospital and the Foundation are organizations as described in Section 501(c)(3) of the Internal Revenue Code and are generally exempt from federal income taxes on related income under the Code.

The tax returns of the Hospital and the Foundation for the years ended September 30, 2007 through 2010 are subject to examination by the Internal Revenue Service (IRS) and various state jurisdictions.

Excess of Revenues and Gains over Expenses - The combined statements of operations and changes in net assets include excess (deficiency) of revenues and gains over expenses. Changes in unrestricted net assets, which are excluded from excess (deficiency) of revenues and gains over expenses, consistent with industry practice, include unrealized gains and losses on investments, capital transactions with C.H.O.W. and affiliated entities, and changes in additional minimum pension liability).

Use of Estimates - The preparation of financial statements in conformity with GAAP 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 revenues and expenses during the reporting period. Significant estimates include third-party payor reserves, contractual allowances on patient revenue, accrued pension costs and the reserve for uncollectible accounts. Actual results could differ from those estimates.

Change in Accounting Principle - In 2009, the Hospital was required to change its accounting for donor-restricted endowments due to the issuance of Financial Accounting Standards Board Staff Position No. 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds (FAS 117-1)*. Previously, accumulated gains and income on donor-restricted endowment assets were classified either as unrestricted or permanently

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

restricted net assets. In accordance with GAAP, accumulated gains and income on donor-restricted endowment assets are classified as temporarily restricted net assets until appropriated for expenditure. This change in accounting principle had no effect on total net assets. The reclassification of net assets from unrestricted and permanently restricted to temporarily restricted is disclosed in Note 3 and Note 21.

Cash and Cash Equivalents - Cash and cash equivalents include investments in certain instruments with an original maturity of three months or less, excluding amounts whose use is limited by donor designation or other arrangements under trust agreements that, at times, may exceed federally insured limits. In addition, cash equivalents may, at times, be invested in instruments not covered by federal insurance. The Hospital's deposits exceeded federal depository insurance limits as of September 30, 2010 and 2009. However, the Hospital has not experienced any losses in such accounts or instruments, and management believes the Hospital is not exposed to any significant credit risk on cash and cash equivalents.

Inventories - Inventories, consisting principally of supplies and pharmaceuticals, are stated at the lower of cost (first-in, first-out) or market.

Promises to Give - Unconditional promises to give cash and other assets to the Foundation are reported at fair value at the date the promise is received. Unconditional promises to give are reported as temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets.

Investments - Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the combined balance sheets. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the excess of revenues and gains over expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from the excess (deficiency) of revenues and gains over expenses unless the investments are trading securities. None of the Hospital's investments are trading securities.

A decline in the market value of an investment security below its cost that is designated to be other than temporary is recognized through an impairment charge. The impairment charge is included in the excess of expenses over revenues and gains in the combined statements of operations and changes in net assets, and a new cost basis is established (see Note 9).

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 possible that changes in the values of investment securities could occur in the near term and that such changes could materially affect the investment balances and activity reflected in the combined financial statements. The Hospital maintains a diversified portfolio of investments and is actively monitoring the financial markets.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets Limited as to Use - Assets limited as to use primarily include assets restricted by donors, assets held by trustees under indenture agreements and designated assets set aside by the Board of Trustees to function as endowment, over which the Board retains control and at its discretion may use for other purposes.

Property, Plant and Equipment - Property, plant and equipment acquisitions that individually exceed $1,500 are recorded at cost. Depreciation is provided over the estimated useful lives of the assets, 3-30 years, on a straight-line basis. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or estimated useful life of the equipment. Such amortization is included in depreciation in the combined financial statements. Maintenance and repairs are charged to expense as incurred, and renovations that extend the original expected life of the related assets are capitalized.

Gifts of long-lived assets such as land, buildings or equipment are reported as unrestricted support and are excluded from the excess of revenues and gains over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Without explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Deferred Financing Costs - Deferred financing costs are amortized over the lives of the related revenue bonds.

Net Patient Service Revenue - The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Restricted and Unrestricted Revenue and Support - Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statements of operations and changes in net assets as net assets released from restrictions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assessments - During 2010 and 2009, the State of Rhode Island assessed a licensing fee to all Rhode Island hospitals based on each hospital's gross patient revenue. The licensing fee expense included in supplies and other expenses in the accompanying combined statements of operations and changes in net assets was $3,807,403 and $3,539,944 for 2010 and 2009, respectively.

Malpractice Insurance Coverage and Estimated Malpractice Costs - The Hospital maintains its malpractice coverage on a claims-made basis and has renewed its policy for fiscal year 2011. The provision for estimated medical malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

Charity Care and Provision for Bad Debts - The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as revenue.

The Hospital grants credit without collateral to patients, most of whom are local residents and are insured under third-party arrangements. Additions to the allowance for uncollectible accounts are made by means of the provision for bad debts. Accounts written off as uncollectible are deducted from the allowance and subsequent recoveries are added. The amount of the provision for bad debts is based upon management's assessment of historical and expected net collections, business and economic conditions, trends in federal and state governmental healthcare coverage and other collection indicators.

Nonoperating Gains and Losses - The Hospital records unrestricted investment income from endowment funds and board-designated assets as nonoperating gains within the combined statements of operations and changes in net assets. All gifts and grants are considered to be available for general use, unless specifically restricted by the donor, and are recorded at fair market value at the date received.

Donated Services - A substantial number of unpaid volunteers have made significant contributions of their time to the Hospital's programs and supporting services. These contributed services are not recorded as contributions in the combined financial statements.

State Unemployment Compensation Method - The Hospital uses the self-insurance method for unemployment insurance under which the Hospital reimburses the State of Rhode Island for actual unemployment benefits paid by the State.

Asset Retirement Obligations - The Hospital has recognized a liability related to certain of the Hospital's pipe coverings and floor tiles that contain asbestos that must be removed upon demolition or upon extensive renovation. An asset retirement obligation of $1,412,870 and $1,389,257 has been included on the accompanying combined balance sheets as of September 30, 2010 and 2009, respectively. Accretion expense of $23,613 was recognized by the Hospital during 2010. The Hospital expects to, and has the ability to, continue to maintain and operate its remaining buildings without undertaking any activities that would require removal of the asbestos.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events - In preparing these combined financial statements, management has evaluated subsequent events through March 3, 2011, which represents the date the combined financial statements were available to be issued.

NOTE 3 - RESTATEMENT OF ENDOWMENT NET ASSETS

In 2009, the Rhode Island Prudent Management of Institutional Funds Act (RIPMIFA) became effective and applies to the Hospital.

Accordingly, the Hospital adopted the principles of FAS 117-1 effective as of the beginning of the fiscal year ended September 30, 2009. This resulted in the reclassification of accumulated unspent investment returns of $1,953,342 from unrestricted net assets to temporarily restricted net assets, as more fully described in Note 21. The adoption of RIPMIFA also resulted in a reclassification of $1,811,787 from permanently restricted net assets to temporarily restricted net assets. The amount of this reclassification represented the amount by which the permanently restricted funds were increased in order to maintain the purchasing power of the fund, as previously required by the Uniform Management of Institutional Funds Act.

These reclassifications are shown as a cumulative effect of change in accounting principle in the accompanying combined financial statements.

NOTE 4 - CHARITY CARE

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy, the estimated cost of those services and supplies, and equivalent service statistics.

The following information summarizes charity care provided during the years ended September 30, 2010 and 2009:

	2010	2009
Charges Foregone, Based on Established Rates	$ 2,204,887	$ 1,091,713

The Hospital also subsidizes the cost of treating patients who are on government assistance where reimbursement is below cost.

NOTE 5 - NET PATIENT SERVICE REVENUE

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare - Inpatient acute care and certain outpatient services rendered to Medicare program beneficiaries are reimbursed at prospectively determined rates. Inpatient rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Payments for outpatient services are based on ambulatory payment classifications.

The Hospital is paid for certain cost reimbursable items at a tentative rate, with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's classification of patients under the Medicare Prospective Payment System and the appropriateness of their admissions are subject to an independent review by a peer review organization under contract with the Medicare program. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 2008. Management does not believe that future settlements will have a material impact on operations.

Blue Cross - The Hospital is reimbursed at prospectively determined rates for inpatient services provided to Blue Cross patients. Outpatient services are reimbursed in accordance with a negotiated fee. Both inpatient and outpatient services are reimbursed on predetermined volumes.

Medicaid - The Hospital is reimbursed for charges to Medicaid patients under the terms of a prospective rating contract. Under the contract, reimbursement rates are determined in advance based on budgeted costs and anticipated patient care statistics for the applicable year, as negotiated and agreed to by the third-party contractual agencies. Adjustments to anticipated patient care statistics are made at year end in accordance with provisions in the contract that recognize actual volume and intensity statistics. Settlements have been reached with Medicaid through September 30, 2004. Management does not believe that future settlements will have a material impact on operations.

United Health Plans of New England, Inc. - The Hospital is reimbursed for inpatient services provided to United Health patients on a negotiated per diem rate. Outpatient services are reimbursed in accordance with a predetermined fee schedule.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Compliance with laws and regulations can be subject to future government review and interpretation as well as significant regulatory action. Failure to comply with such laws and regulations can result in fines, penalties and exclusion from the Medicare and Medicaid programs. The Hospital believes it is in compliance with all applicable laws and regulations.

NOTE 6 - OTHER REVENUE

Other revenue for the years ended September 30, 2010 and 2009, comprises the following:

	2010	2009
Morgan trust income	$ 301,296	$ 307,625
Cafeteria sales	199,382	177,733
Pharmacy sales	1,520	1,142
Rental income, service fees and other	1,306,989	869,797
	$ 1,809,187	$ 1,356,297

NOTE 7 - PATIENT ACCOUNTS RECEIVABLE

Accounts receivable are presented in the combined balance sheets net of an allowance for doubtful accounts of $5,146,027 and $6,635,205 at September 30, 2010 and 2009, respectively. The Hospital provided $5,962,284 and $7,249,449 for uncollectible patient accounts during the years ended September 30, 2010 and 2009, respectively. Accounts are written off when all collection efforts have been exhausted. Recoveries of approximately $1,100,000 and $1,200,000 were netted against the provision for uncollectible accounts for the years ended September 30, 2010 and 2009, respectively.

NOTE 8 - PROMISES TO GIVE

Unconditional promises to give as of September 30, 2010 and 2009, are expected to be collected as follows:

	2010	2009
Within one year	$ 11,950	$ 113,231
Within two to five years	-	7,465
Total contributions receivable	11,950	120,696
Less discounts to net present value and reserve for uncollectible pledges	-	(12,142)
Net Unconditional Promises to Give	$ 11,950	$ 108,554

The discount rate used in calculating the present value of promises to give for the years ended September 30, 2010 and 2009, was 3.4%.

Of the promises to give, $-0- and $74,000 is due from The Westerly Hospital Auxiliary, Inc., a related party, as of September 30, 2010 and 2009, respectively.

NOTE 9 - ASSETS LIMITED AS TO USE

The following information is presented as of September 30, 2010 and 2009, regarding assets whose use is restricted by donors or limited by the board:

	2010	2009
Cash and short-term investments	$ 1,925,462	$ 1,962,780
Marketable equity securities	13,635,129	10,638,635
Other investments, primarily bonds	5,366,770	7,110,573
	$ 20,927,361	$ 19,711,988

The following information is presented as of September 30, 2010 and 2009, regarding assets invested by trustee under loan agreement:

	2010	2009
Cash and short-term investments	$ 1,316,657	$ 1,277,983
Other investments, primarily bonds	646,913	618,864
	$ 1,963,570	$ 1,896,847

The following information is presented as of September 30, 2010 and 2009, regarding assets held in trust:

	2010	2009
Cash and short-term investments	$ 128,888	$ 284,721
Marketable equity securities	4,268,042	3,763,021
Other investments, primarily bonds	3,159,621	3,242,502
	$ 7,556,551	$ 7,290,244

Included in interest and investment income is an investment impairment charge totaling $10,608 and $461,557 for the years ended September 30, 2010 and 2009, respectively, to reflect other than temporary declines in the fair market value of certain equity securities.

Investment income is stated net of management fees and expenses, which were $72,241 and $69,626 for the years ended September 30, 2010 and 2009, respectively.

At September 30, 2010, investments with market value below cost for 12 months or more included certain equity and bond securities with market values of $3,680,683 and $10,194, respectively, and unrealized losses of $1,540,842 and $160, respectively. Investments with market value below cost for less than 12 months at September 30, 2010 included certain equity and bond securities with a market value of $3,408,104 and $175,593, respectively, and an unrealized loss of $425,272 and $4,811, respectively.

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at September 30, 2010 and 2009, comprises the following:

	2010	2009
Land and land improvements	$ 2,450,129	$ 2,428,957
Building and building improvements	43,905,405	43,510,583
Equipment	63,691,732	63,178,602
Construction in progress	1,965,142	122,865
	112,012,408	109,241,007
Less accumulated depreciation and amortization	75,511,393	70,944,653
Net Property and Equipment	$ 36,501,015	$ 38,296,354

NOTE 11 - LONG-TERM DEBT AND FUNDS INVESTED BY TRUSTEE

The Hospital has a 6.25% secured promissory note payable in monthly installments of $40,493 until June 15, 2014. After June 15, 2014, the interest rate will be adjusted to either 150 basis points greater than the bank's five- or ten-year cost of funds or the then 30-day LIBOR rate. It is the Hospital's option which rate to choose. The final payment is due June 15, 2024.

In January 1994, the Rhode Island Health and Educational Building Corporation issued $20,485,000 of Hospital Financing Revenue Bonds - The Westerly Hospital Issue - Series 1994 (the Bonds) on behalf of the Hospital pursuant to the Loan and Trust Agreement dated January 15, 1994 (the Bond Agreement). The terms of the Bond Agreement stipulate that interest will be paid at rates between 2.75% and 6% per annum, with semiannual principal installment payments commencing July 1, 1994 and through July 1, 2019.

The terms of the Bond Agreement require that the Hospital make quarterly deposits to the trustee that are sufficient to provide for the payment of principal and interest due on the bonds. Such deposits are included in assets limited as to use. The Bond Agreement also requires the Hospital to maintain a certain debt coverage ratio.

NOTE 11 - LONG-TERM DEBT AND FUNDS INVESTED BY TRUSTEE (Continued)

Long-term debt is comprised of the following at September 30, 2010 and 2009:

	2010	2009
6.25% secured promissory note, principal maturing June 15, 2024, monthly installments are $40,493, interest is 6.25% until June 15, 2014	$ 4,451,767	$ 4,648,709
Series 1994 Tax-Exempt Revenue Bonds, principal maturing in varying annual amounts, due July 1, 2019, collateralized by a lien on certain equipment	8,610,000	9,315,000
7.72% mortgage loan, payable in monthly installments of $6,274, including interest, collateralized by a mortgage on certain property	711,430	730,226
	13,773,197	14,693,935
Less current installments	984,831	925,659
Total Long-Term Debt	$ 12,788,366	$ 13,768,276

The aggregate maturities of long-term debt for the next five years and thereafter are as follows:

Year Ending September 30	
2011	$ 984,831
2012	1,045,266
2013	1,106,721
2014	1,174,262
2015	1,247,963
Thereafter	8,214,154
	$ 13,773,197

The Hospital has a $3,500,000 secured line-of-credit agreement with a bank as of September 30, 2010 and 2009. The Hospital had outstanding borrowings of $3,066,767 and $2,433,264 against the line of credit as of September 30, 2010 and 2009, respectively. This amount is included within lines of credit on the accompanying combined balance sheets. Interest is payable on the outstanding balance at 150 basis points in excess of the 30-day LIBOR rate. Interest was 1.75% and 1.70% at September 30, 2010 and 2009, respectively. This line-of-credit agreement expires on June 1, 2012.

NOTE 11 - LONG-TERM DEBT AND FUNDS INVESTED BY TRUSTEE (Continued)

The Hospital has a $1,500,000 secured line-of-credit agreement with a bank as of September 30, 2010 and 2009. The Hospital had outstanding borrowings of $1,500,000 and $-0- against the line of credit as of September 30, 2010 and 2009, respectively. This amount is included within lines of credit in the accompanying combined balance sheets. Interest is payable on the outstanding balance at 150 basis points in excess of the 30-day LIBOR rate. Interest was 1.75% and 1.70% at September 30, 2010 and 2009, respectively. This line of credit expires March 1, 2012.

Approximately $11,400,000 in investments and cash collateralizes the promissory note and the two lines of credit.

Under Loan Agreement, Funds Invested by Trustee - Funds invested by trustee consisted of the following accounts at September 30, 2010 and 2009, which were established in connection with the long-term debt discussed above:

	2010	2009
Debt service reserve fund	$ 1,621,542	$ 1,555,496
Principal and interest funds	339,470	338,795
Other	2,558	2,556
Total Funds Invested by Trustee	$ 1,963,570	$ 1,896,847

The principal and interest funds are used to make semiannual principal and interest payments. The debt service reserve fund represents additional funds that the Hospital is required to set aside under the Bond Agreement.

NOTE 12 - LEASES - CAPITAL

The Hospital leases various equipment under capital leases. The present value of future minimum capital lease payments is as follows:

Year Ending September 30	
2011	$ 2,551,443
2012	788,480
2013	565,169
2014	120,259
Total minimum lease payments	4,025,351
Less amount representing interest at interest rates ranging from 1.30% to 7.94%	(292,089)
Present value of net minimum capital lease payments	3,733,262
Less current portion of capital lease obligations	(2,326,753)
Long-Term Capital Lease Obligations	$ 1,406,509

The net book value of equipment under capital lease obligations is $6,808,294.

NOTE 13 - PENSION PLAN

The Hospital sponsors a noncontributory defined benefit retirement plan covering substantially all employees called The Westerly Hospital Retirement Plan (the Plan). The Plan provides pension benefits, which are based on years of service and compensation throughout the term of employment, and certain death benefits. It is the Hospital's policy to fund the minimum allowed contribution, taking into effect the IRS full-funding limitation. Contributions are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future.

In November 2006, the Plan was amended such that new employees hired after January 30, 2007 will not be eligible to participate in the Plan. New employees hired after that date will receive a 5% contribution to the Tax Sheltered Annuity Plan (TSA) once qualified under such plan. Existing employees (and those hired before January 30, 2007) will remain in (or eligible for) the Plan and will be eligible for a 1% match under the TSA once qualified under such plan. Existing employees may elect to transfer from the Plan to the TSA and receive an employer contribution of 5% of their salary once qualified under the Plan.

GAAP requires companies to record a liability on the combined balance sheets for the underfunded portion of postretirement plans, defined as the amount by which the projected benefit obligation exceeds the fair value of plan assets.

NOTE 13 - PENSION PLAN (Continued)

The following table sets forth the Plan's funded status and amounts recognized in the Hospital's combined financial statements at September 30, 2010 and 2009:

	2010	2009
Change in benefit obligation:		
Projected benefit obligation at beginning of year	$ 46,630,499	$ 40,592,391
Service cost	1,722,030	1,507,179
Interest cost	2,790,199	2,609,371
Benefits paid	(1,478,491)	(1,387,741)
Actuarial loss	4,339,731	3,309,299
Projected Benefit Obligation at End of Year	54,003,968	46,630,499
Change in plan assets:		
Fair value of plan assets at beginning of year	30,373,337	29,869,598
Actual return on plan assets	2,713,514	396,977
Contributions and transfers	1,939,288	1,494,503
Benefits paid	(1,478,491)	(1,387,741)
Fair Value of Plan Assets at End of Year	33,547,648	30,373,337
Accrued Pension Cost	$ 20,456,320	$ 16,257,162

The following table sets forth the unrecognized items impacting the Plan:

	2010	2009
Unrecognized loss from past experience different from that assumed and effects of changes in assumptions	$ 20,695,927	$ 17,461,924

The accumulated benefit obligation at the end of 2010 and 2009 was $48,350,539 and $41,583,268, respectively. The measurement dates are September 30, 2010 and 2009.

The following weighted average assumptions were used to determine end of year benefit obligations:

	2010	2009
Discount rate	5.50%	6.00%
Rate of compensation increase	3.00	3.00

NOTE 13 - PENSION PLAN (Continued)

Net periodic pension cost for 2010 and 2009 included the following components:

	2010	2009
Service cost - benefits earned during the period	$ 1,722,030	$ 1,507,179
Interest cost on projected benefit obligation	2,790,199	2,609,371
Expected return on assets	(2,578,906)	(2,472,901)
Recognized net actuarial loss	971,120	530,641
Net Periodic Pension Cost	$ 2,904,443	$ 2,174,290

The following weighted average assumptions were used to determine net periodic pension cost:

	2010	2009
Discount rate	6.00%	6.75%
Expected return on plan assets	8.50	8.50
Rate of compensation increase	3.00	4.50

The Hospital expects to contribute approximately $3,700,000 to the Plan during the upcoming year.

Expected benefit payments:

2011	$ 1,731,574
2012	1,862,730
2013	2,121,255
2014	2,373,581
2015	2,472,505
2016-2020	16,144,488

The asset allocation for the Plan at the end of 2010 and 2009, and the target allocation for 2010 by asset category, are as follows:

	Target Allocations	Percentage of Plan Assets at September 30	
Asset Category	2010	2010	2009
Equity	50%	54%	52%
Fixed income	40	42	40
Cash equivalents	10	4	8

NOTE 13 - PENSION PLAN (Continued)

The Plan's investment policy includes a mandate to diversify assets and invest in a variety of asset classes to achieve a goal of three-year average of 10%. The Plan's assets are currently invested in a variety of funds representing most standard equity and debt security classes. While no significant changes in the asset allocation are expected during the upcoming year, the Hospital may make changes at any time.

GAAP has established a fair value hierarchy that prioritizes the inputs to valuation techniques to measure fair value. Highest rank is given to unadjusted quoted prices in active markets for identical assets (Level 1) and lowest rank to unobservable inputs (Level 3). Investments are ranked based on the lowest level of input that is significant to their fair value measurement.

The fair values of all Plan assets of the Hospital are determined using quoted prices in active markets for identical assets (Level 1, as defined in the fair value hierarchy established by GAAP - see Note 20).

The fair values of the Hospital's pension plan assets at September 30, 2010 by asset class are as follows:

Asset classes:	
Equity investments - common stock	$ 17,914,711
Fixed income	13,913,697
Cash and cash equivalents	1,547,224
Convertible securities and other	172,016
Total Pension Plan Assets	$ 33,547,648

The Hospital also provides an employer funded annuity plan covering substantially all employees. Hospital contributions to the annuity plan totaled $189,178 and $256,366 during 2010 and 2009, respectively.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

The Hospital is presently a defendant in several pending medical malpractice and other suits. All of these suits are being defended by counsel of the Hospital's insurance carriers. In the opinion of the Hospital's management, any settlements or judgments of these suits will be covered by insurance and will have no significant adverse effect on the financial position or results of operations of the Hospital.

NOTE 14 - COMMITMENTS AND CONTINGENCIES (Continued)

The Hospital has made a $3,500,000 line of credit available to Atlantic Medical Group, an affiliated organization under common management and control. The line of credit expires on June 30, 2013. Outstanding balances on the line of credit bear interest at Prime minus 1%. There were no balances outstanding as of September 30, 2010.

The Hospital has also guaranteed a building and equipment lease entered into by North Stonington Health Center, Inc., an affiliated organization under common management and control. The lease has a 25- year term and provides for annual base rental payments of $686,400 for the building and equipment, plus reimbursement of certain operating expenses of approximately $180,000 per year. The equipment portion of the lease provided for the purchase of equipment valued at approximately $730,000, and is amortized over a 10-year period, at which time the base rental payments will be reduced accordingly.

NOTE 15 - OPERATING LEASES

Rental expense under all significant operating leases was $735,153 and $750,502 for the years ended September 30, 2010 and 2009, respectively. At September 30, 2010, future minimum lease payments under noncancelable operating leases are as follows:

Year Ending September 30	
2011	$ 380,544
2012	235,000
2013	235,000
2014	235,000
	$ 1,085,544

NOTE 16 - DISPROPORTIONATE SHARE

The Federal government has long recognized the financial burdens that are borne by hospitals that serve an unusually large number or "disproportionate share" of low-income patients. The Hospital received disproportionate share payments of $3,008,630 and $3,556,998 for the years ended September 30, 2010 and 2009, respectively. These amounts are included in net patient revenue on the accompanying combined statements of operations and changes in net assets.

NOTE 17 - CONCENTRATION OF CREDIT RISK

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. Revenues from patients and third-party payors were as follows:

	2010	2009
Medicare	37%	39%
Medicaid	2	2
Blue Cross	23	23
Other third-party payors	34	33
Patients	4	3
	100%	100%

NOTE 18 - RELATED PARTIES

The following amounts were due to the Hospital from related parties at September 30, 2010:

C.H.O.W.	$ 52,357
Women's Health of Westerly, LLC	102,152
Atlantic Medical Group, Inc.	350,000
North Stonington Health Center, Inc.	365,080
	$ 869,589

During 2010, the Hospital incurred $4,915,318 in capital transactions with affiliates, which is reflected on the accompanying combined statement of operations and changes in net assets. These capital transactions occurred with the following affiliates:

Atlantic Medical Group, Inc.	$ 3,676,242
Women's Health of Westerly, LLC	1,228,076
Eldereval, LLC	11,000
	$ 4,915,318

NOTE 19 - FUNCTIONAL EXPENSES

The Hospital provides general healthcare services to residents within its geographic location. Expenses related to providing these services are as follows:

	2010	2009
Healthcare services	$ 60,038,899	$ 56,466,938
Provision for uncollectible accounts	5,962,284	7,249,449
General and administrative	21,171,095	20,481,617
Interest	1,306,259	1,377,482
Depreciation and amortization	4,592,213	4,450,501
	$ 93,070,750	$ 90,025,987

NOTE 20 - FAIR VALUE OF FINANCIAL INSTRUMENTS

GAAP has established a fair value hierarchy that prioritizes the inputs to valuation techniques to measure fair value. Highest rank is given to unadjusted quoted prices in active markets for identical assets (Level 1) and lowest rank to unobservable inputs (Level 3). Investments are ranked based on the lowest level of input that is significant to their fair value measurement. The three levels of the fair value hierarchy are described below:

Level 1 - Quoted market prices (unadjusted) in active markets for identical assets or liabilities to which the Hospital has the ability to access at the measurement date.

Level 2 - Inputs and information other than quoted market indices included in Level 1 that are observable for the asset or liability, either directly or indirectly, and the Hospital has the ability to redeem the asset or liability in the near term subsequent to the measurement date.

Level 3 - Unobservable inputs are used to measure the fair value to the extent that observable inputs are not available, and the Hospital does not have the ability to redeem the asset or liability in the near term subsequent to the measurement date.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value.

Cash and Cash Equivalents - The carrying amount approximates fair value because of the short maturity of these instruments.

Investments - The fair value of certain investments is estimated based on quoted market prices or estimates of fair value for those or similar investments.

NOTE 20 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Bonds and Notes Payable - The estimated fair market value of the Hospital's long-term debt at September 30, 2010 is approximately $13,825,000, estimated using discounted cash flow analysis, based on current incremental borrowing rates for similar types of borrowing arrangements.

Assets Measured at Fair Value on a Recurring Basis - The following is a summary of the source of fair value measurements for assets that are measured at fair value on a recurring basis as of September 30, 2010:

Description	September 30, 2010	Fair Value Measurements Using Level 1	Level 2	Level 3
Cash and cash equivalents	$ 2,413,242	$ 2,413,242	$ -	$ -
Assets whose use is restricted by donors or limited by the Board	20,927,361	20,927,361	-	-
Promises to give, net	11,950	-	-	11,950
Under loan agreement, funds invested by trustee	1,963,570	1,963,570	-	-
Funds held in trust	7,556,551	-	-	7,556,551
Total	$ 32,872,674	$ 25,304,173	$ -	$ 7,568,501

Assets Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3) - The following is a summary of the changes in the balances of investments and promises to give measured at fair value on a recurring basis using significant unobservable inputs:

	Funds Held in Trust	Promises to Give, Net
Balance - beginning of year	$ 7,290,244	108,554
Net realized gains	280,625	-
Net unrealized losses	(14,318)	-
Collections	-	(96,604)
Balance - End of Year	$ 7,556,551	11,950

Funds held in trust represent the right to receive a future stream of payments from the trust. The underlying assets in the trust would be classified as Level 1 if the Hospital held them directly.

NOTE 21 - ENDOWMENT

The Hospital's endowment consists of approximately 10 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - The Hospital has interpreted RIPMIFA 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 Hospital 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 Hospital in a manner consistent with the standard of prudence prescribed by RIPMIFA. In accordance with RIPMIFA, the Hospital considers the following factors in making a determination to appropriate from accumulated donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Hospital and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Hospital
- The investment policies of the Hospital
- The expected tax consequences, if any, of investment decisions or strategies
- The role that each investment or course of action plays within the overall investment portfolio of the fund
- The needs of the Hospital and the fund to make distributions to preserve capital
- An asset's special relationship or special value, if any, to the charitable purposes of the Hospital

NOTE 21 - ENDOWMENT (Continued)

Endowment net asset composition by type of fund is as follows as of September 30, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 3,513,444	$ 4,744,092	$ 8,257,536
Board-designated endowment funds	12,368,211	-	-	12,368,211
Total	$ 12,368,211	$ 3,513,444	$ 4,744,092	$ 20,625,747

Changes in endowment net assets are as follows for the year ended September 30, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - beginning of year	$ 11,296,158	$ 3,379,358	$ 4,671,877	$ 19,347,393
Investment return:				
Investment income	307,274	109,469	66,612	483,355
Unrealized investment gain	443,946	345,450	5,603	794,999
Total investment return	751,220	454,919	72,215	1,278,354
Appropriation of endowment assets for expenditure/transfer	320,833	(320,833)	-	-
Endowment Net Assets - End of Year	$ 12,368,211	$ 3,513,444	$ 4,744,092	$ 20,625,747

NOTE 21 - ENDOWMENT (Continued)

Endowment net asset composition by type of fund is as follows as of September 30, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 3,379,358	$ 4,671,877	$ 8,051,235
Board-designated endowment funds	11,296,158	-	-	11,296,158
Total	$ 11,296,158	$ 3,379,358	$ 4,671,877	$ 19,347,393

Changes in endowment net assets are as follows for the year ended September 30, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - beginning of year	$ 13,831,134	$ -	$ 6,430,642	$ 20,261,776
Net asset reclassifications based on change in law	(1,953,342)	3,765,129	(1,811,787)	-
	11,877,792	3,765,129	4,618,855	20,261,776
Investment return:				
Investment income	272,570	192,049	69,685	534,304
Unrealized investment loss	(354,204)	(168,208)	(16,663)	(539,075)
Total investment return	(81,634)	23,841	53,022	(4,771)
Appropriation of endowment assets for expenditure	(500,000)	(409,612)	-	(909,612)
Endowment Net Assets - End of Year	$ 11,296,158	$ 3,379,358	$ 4,671,877	$ 19,347,393

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 RIPMIFA requires the Hospital to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were approximately $81,100 and $104,500 as of September 30, 2010 and 2009, respectively. These deficiencies resulted from unfavorable market fluctuations and continued appropriation for certain programs that was deemed prudent by the Board of Trustees.

NOTE 21 - ENDOWMENT (Continued)

Return Objectives and Risk Parameters - The Hospital has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Hospital must hold in perpetuity or for a donor-specified period(s), as well as board-designated funds. Under this policy, as approved by the Board of Trustees, fund managers are expected to produce a total return exceeding the median of a universe of managers with similar asset allocation objectives. On an annualized, net-of-fees basis, the total return of the portfolio will be expected to equal or exceed inflation plus 3% over a rolling three-year period. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives - The fund shall be allocated across a number of investment classes to provide diversification and achieve the fund's investment objectives. The following table defines the fund's target asset allocation and range for each asset class:

Asset Class	Min Wt.	Target Wt.	Max Wt.	Representative Index
Equities	40%	50%	65%	70% Standard & Poor's 500 15% Russell 2000 Value 15% Europe Australia Far East
Fixed income	25%	40%	60%	100% Lehman Bros Govt./Corp
Cash and equivalents	0%	10%	20%	100% Salomon 30-day US T-bills

This asset allocation plan provides for diversification of assets in an effort to maximize the investment return and manage the risk of the fund consistent with market conditions. Due to the fluctuation of market values, allocations within a specified range constitute compliance within the policy. An extended period of time may be required to fully implement the asset allocation plan, and periodic revisions will be required.

Spending Policy and How the Investment Objectives Relate to Spending Policy - Distributions from the endowment are specifically approved by the Board of Trustees as deemed fit to meet the operating and capital needs of the Hospital. In implementing this spending policy, and subject to the intent of a donor expressed in a gift instrument, the Hospital may appropriate for expenditure or accumulate so much of its fund as it determines to be prudent for the uses, benefits, purposes and duration for which its fund is established. In making a determination to appropriate or accumulate, the Hospital shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances.

NOTE 21 - ENDOWMENT (Continued)

The investment program shall invest according to an asset allocation plan that is designed to meet the goals of the Fund. The plan will be based on a number of factors, including:

- The projected spending needs;
- The maintenance of sufficient liquidity to meet spending payments; and
- The return objectives and risk tolerances of the fund as defined in the Investment Philosophy

The Westerly Hospital
CONSOLIDATED STATEMENT OF OPERATIONS
For the Period Ending September 2011

	Month					Year-to-Date				
	Actual	Budget	$ Change	% Change	FY 2010	Actual	Budget	$ Change	% Change	FY 2010
UNRESTRICTED REVENUES:										
Inpatient acute	$ 6,915	$ 6,836	$ 79	1.16	$ 6,044	$ 70,375	$ 80,119	$ (9,744)	(12.16)	$ 75,656
Outpatient acute	12,846	13,331	(485)	(3.64)	12,244	149,838	157,497	(7,660)	(4.86)	145,398
GROSS PATIENT REVENUES	19,761	20,167	(406)	(2.01)	18,288	220,213	237,616	(17,403)	(7.32)	219,054
DEDUCTIONS FROM REVENUE										
Contractual Allowance	12,269	12,225	44	0.36	10,730	134,601	144,035	(9,433)	(6.55)	130,500
Disproportionate Share	69	63	6	-	(41)	619	750	(131)	-	(210)
Uncompensated Care	198	176	21	12.14	221	1,689	2,078	(389)	(18.70)	2,211
TOTAL DEDUCTIONS FROM REVENUE	12,536	12,464	72	0.58	10,910	136,910	146,863	(9,953)	(6.78)	132,509
NET PATIENT REVENUES	7,226	7,704	(478)	(6.20)	7,378	83,304	90,754	(7,450)	(8.21)	86,545
TOTAL OTHER OPERATING REVENUE	3,635	241	3,395	1,409.52	157	5,317	2,516	2,801	111.30	1,917
TOTAL NET OPRATING REVENUE	10,861	7,945	2,917	36.71	7,535	88,620	93,270	(4,650)	(4.99)	88,462
OPERATING EXPENSES:										
Salaries & Wages	2,623	3,227	604	18.72	3,274	37,468	39,174	1,706	4.36	38,752
Vacation and sick Accrual	(19)	(3)	16	(627.42)	1	342	331	(11)	(3.33)	385
Temporary Help	59	21	(38)	(181.04)	39	376	250	(126)	(50.30)	278
Total Salaries	2,663	3,246	582	17.94	3,314	38,185	39,755	1,570	3.95	39,415
Employee benefits	1,315	1,159	(156)	(13.73)	992	14,245	13,457	(788)	(5.86)	12,192
Workers Compensation	20	31	11	35.98	28	230	367	137	37.31	311
Professional Fees	100	140	(161)	(114.90)	171	1,923	1,709	(214)	(12.55)	2,050
Med/Surg Supplies	573	491	(82)	(16.70)	331	5,693	5,886	192	3.27	5,700
Drugs	288	243	(44)	(18.15)	452	2,653	2,919	266	9.12	3,203
Other Supplies	198	165	(33)	(20.12)	191	2,061	1,965	(96)	(4.89)	1,918
Utilities	120	132	12	9.11	146	1,362	1,359	(2)	(0.15)	1,421
Purchased Services	743	780	37	4.76	651	9,951	9,999	48	0.48	7,928
Insurance	165	113	(51)	(45.42)	135	1,292	1,358	65	4.82	1,219
Other Expenses	146	89	(57)	(64.58)	164	1,073	1,076	3	0.31	1,311
Bad Debts	657	578	(79)	(13.65)	394	6,782	6,810	28	0.41	5,962
Leases and Rentals	(66)	58	124	213.60	42	606	698	92	13.22	735
Depreciation	482	383	(99)	(25.78)	407	4,699	4,600	(99)	(2.15)	4,591
Interest	153	114	(35)	(29.27)	108	1,411	1,422	12	0.83	1,306
TOTAL OPERATING EXPENSES	7,957	7,726	(231)	(2.99)	7,528	92,367	93,583	1,214	1.30	89,262
OPERATIONS INCOME BEFORE RESTRUCTURE	2,904	219	2,686	(1,228.29)	7	(3,746)	(311)	(3,436)	(1,104.41)	(800)
RESTRUCTURE COSTS	-	-	-	-	-	1,460	-	(1,460)	-	-
OPERATIONS INCOME	2,904	219	2,686	(1,228.29)	7	(5,206)	(311)	(3,896)	(1,576.57)	(800)
NON-OPERATING REVENUE AND EXPENSES:										
Interest Income/ Realized Gain on Sale of Stock	160	-	160	-	98	1,154	-	1,154	-	439
Realized Gain on Sale of Stock	-	-	-	-	-	-	-	-	-	-
Contributions	109	83	26	30.84	123	2,142	1,000	1,142	114.18	392
Other than Temporary Loss	267	-	267	-	-	267	-	267	-	-
NON-OPERATING REVENUE AND EXPENSES	536	83	453	543.02	221	3,563	1,000	2,563	256.29	831
EXCESS OF REV AND GAINS OVER EXPENSES	3,440	302	3,138	1,039.19	228	(1,643)	689	(2,333)	(338.37)	31
Loss on Impairment of Assets	-	-	-	-	-	-	-	-	-	-
Net Assets Released from Restrictions	146	-	146	-	621	1,646	-	1,646	-	1,041
Transfers to Parent Corp	(836)	(204)	(632)	-	(107)	(4,957)	(2,655)	(2,302)	-	(4,915)
Appr Value of Hussey and Lefferts	-	-	-	-	-	-	-	-	-	-
Unrealized Gain/Loss Investments	(545)	-	(545)	-	732	(93)	-	(93)	-	401
Minimum Pension Liab Adj,	(6,244)	-	(6,244)	-	(3,183)	(6,244)	-	(6,244)	-	(3,183)
INC/DEC UNREST. NET ASSETS	$ (4,039)	$ 98	$ (4,137)	4,221.42	$ (1,709)	$ (11,291)	$ (1,966)	$ (9,326)	(474.46)	$ (6,625)

RIDOH 0874

The Westerly Hospital
CONSOLIDATED BALANCE SHEET
As of September 30, 2011

	Current 30-Sep-11	Prior Month	30-Sep-10	$ Change Cur-Prior	$ Change Cur-10
Current Assets					
Cash and Cash Equivalents	$3,212	$448	$2,413	$2,764	$799
Receivables:					
Patient accounts	33,691	31,977	26,887	1,714	6,804
Less allowances	(24,687)	(23,132)	(19,351)	(1,555)	(5,136)
Net Patient Receivables	9,004	8,845	7,336	159	1,668
Inventories	1,557	1,594	1,612	(37)	(55)
Prepaid exps and other current assets	1,395	283	1,167	1,112	228
Total Current Assets	15,168	11,169	12,528	3,999	2,640
Board Designated Restr Assets					
By Board to Function as Endowment	7,440	8,026	12,368	(587)	(4,928)
Promises to Give	0	0	12	0	(12)
Under Loan Agreement, Funds Invested	2,010	1,689	1,964	321	46
Accumulated Earnings on Permanent Endowment	2,275	2,444	3,513	(170)	(1,238)
By Donors for Specific Purpose	119	119	302	0	(183)
By Donor for Permanent Endowment	4,827	4,852	4,743	(25)	84
Held In Trust	3,875	8,155	7,557	(4,280)	(3,682)
Total Restricted Assets	20,545	25,286	30,459	(4,740)	(9,914)
Property and Equipment					
Property Plant and Equipment	116,567	115,986	111,933	581	4,634
Less accumulated depreciation	(80,206)	(79,723)	(75,432)	(483)	(4,774)
Subtotal	36,361	36,263	36,501	98	(140)
Other Assets					
Due from Related Parties	4,162	3,635	870	527	3,292
Other Long-term Assets	513	513	513	(0)	0
Deferred Financing Cost, Net	186	188	210	(2)	(24)
TOTAL ASSETS	$76,937	$77,055	$81,081	($118)	(4,144)

RIDOH 0875

The Westerly Hospital
CONSOLIDATED BALANCE SHEET
As of September 30, 2011

	Current 30-Sep-11	Prior Month	30-Sep-10	$ Change Cur-Prior	$ Change Cur-10
LIABILITIES AND NET ASSETS					
Current Liabilities					
Line of Credit	$ 4,967	$ 4,967	$ 4,567	$0	$400
Current portion - long-term debt	3,452	3,452	3,312	0	140
Accounts payable/Accrued Exp/Other	14,730	10,339	7,209	4,391	7,521
Accrued Payroll	3,947	4,491	3,927	(544)	20
Third party payable	725	805	872	(80)	(147)
Total Current Liabilities	27,821	24,055	19,887	3,766	7,934
Long-term debt, net	12,374	13,607	14,195	(1,233)	(1,821)
Asset Retirement Obligation	1,413	1,413	1,413	0	(0)
Additional Pension Liability	26,311	20,449	20,456	5,862	5,855
TOTAL LIABILITIES	67,919	59,523	55,951	8,396	11,968
Net Assets					
Unrestricted	(2,077)	1,961	9,002	(4,039)	(11,079)
Temporarily restricted	2,393	2,563	3,827	(170)	(1,434)
Permanently restricted	8,702	13,007	12,301	(4,305)	(3,599)
Total Net Assets	9,018	17,531	25,130	(8,514)	(16,112)
TOTAL LIABILITIES AND NET ASSETS	$ 76,937	$ 77,055	$ 81,081	$ (118)	(4,144)

RIDOH 0876

The Westerly Hospital
CONSOLIDATED STATEMENT OF OPERATIONS
For the Period Ending July 2012

	Month					Year-to-Date				
	Actual	Budget	$ Change	% Change	FY 2011	Actual	Budget	$ Change	% Change	FY 2011
UNRESTRICTED REVENUES:										
Inpatient acute	$ 6,268	$ 5,690	$ 577	10.15	$ 5,358	$ 58,291	$ 60,866	$ (2,574)	(4.23)	$ 57,308
Outpatient acute	13,032	13,163	(132)	(1.00)	12,472	124,166	130,178	(6,011)	(4.62)	123,336
GROSS PATIENT REVENUES	19,300	18,854	446	2.36	17,829	182,458	191,043	(8,586)	(4.49)	180,643
DEDUCTIONS FROM REVENUE										
Contractual Allowance	11,849	11,669	180	1.54	10,552	112,529	118,246	(5,717)	(4.83)	109,962
Disproportionate Share	149	149	0	-	47	1,486	1,486	0	-	481
Uncompensated Care	82	145	(63)	(43.34)	119	1,266	1,465	(200)	(13.63)	1,322
TOTAL DEDUCTIONS FROM REVENUE	12,080	11,963	117	0.98	10,717	115,281	121,197	(5,916)	(4.88)	111,766
NET PATIENT REVENUES	7,220	6,891	329	4.77	7,112	67,177	69,846	(2,669)	(3.82)	68,877
TOTAL OTHER OPERATING REVENUE	72	120	(48)	(39.91)	132	1,955	1,366	589	43.11	1,510
TOTAL NET OPRATING REVENUE	7,292	7,011	281	4.01	7,243	69,131	71,212	(2,080)	(2.92)	70,387
OPERATING EXPENSES:										
Salaries & Wages	3,040	3,078	38	1.23	3,060	29,294	29,913	619	2.07	31,791
Vacation and sick Accrual	(69)	(62)	7	(11.83)	(62)	239	475	236	49.68	435
Temporary Help	56	29	(27)	(93.24)	15	559	279	(280)	(100.12)	237
Total Salaries	3,026	3,045	18	0.61	3,013	30,093	30,668	576	1.88	32,502
Employee benefits	1,189	1,235	46	3.74	1,132	11,909	12,827	918	7.16	11,216
Workers Compensation	27	24	(3)	(14.55)	19	249	236	(13)	(5.42)	191
Professional Fees	110	190	79	41.86	185	1,241	1,503	262	17.46	1,462
Med/Surg Supplies	493	473	(18)	(3.77)	425	4,647	4,789	142	2.97	4,624
Drugs	239	246	8	3.11	183	2,307	2,494	187	7.50	2,176
Other Supplies	148	146	(2)	(1.44)	149	1,538	1,615	77	4.76	1,654
Utilities	97	155	58	37.50	154	1,058	1,321	263	19.93	1,314
Purchased Services	884	988	104	10.54	873	8,893	9,459	566	5.98	8,360
Insurance	110	104	(6)	(5.98)	96	1,101	1,083	(18)	(1.66)	1,004
Other Expenses	64	92	29	31.08	86	756	884	129	14.54	823
Bad Debts	951	581	(370)	(63.71)	578	6,134	5,884	(250)	(4.25)	5,283
Leases and Rentals	28	46	18	39.64	69	333	413	80	19.35	620
Depreciation	402	402	-	-	383	3,971	4,021	50	1.24	3,833
Interest	57	85	28	32.80	198	741	908	167	18.38	1,149
TOTAL OPERATING EXPENSES	7,821	7,810	(11)	(0.14)	7,453	74,970	78,106	3,136	4.01	76,212
OPERATIONS INCOME BEFORE RESTRUCTURE	(529)	(799)	270	33.78	(209)	(5,839)	(6,894)	1,056	15.31	(5,825)
RESTRUCTURE COSTS	351	(353)	239			1,721	(1,721)			1,400
OPERATIONS INCOME	(882)	(799)	(83)	(10.36)	(448)	(7,560)	(6,894)	(666)	(9.65)	(7,225)
NON-OPERATING REVENUE AND EXPENSES:										
Interest Income/ Realized Gain on Sale of Stock	0	-	0	-	76	60	-	60	-	975
Realized Gain on Sale of Stock	6	-	6	-	-	122	-	122	-	-
Contributions	3	75	(72)	-	-	760	575	185	32.16	1,968
Other than Temporary Loss	-	-	-	-	-	-	-	-	-	-
NON-OPERATING REVENUE AND EXPENSES	9	75	(66)	-	76	942	575	367	63.87	2,943
EXCESS OF REV AND GAINS OVER EXPENSES	(873)	(723)	(148)	20.48	(373)	(6,617)	(6,319)	(298)	4.72	(4,282)
Loss on Impairment of Assets	-	-	-	-	-	-	-	-	-	-
Net Assets Released from Restrictions	-	-	-	-	-	-	-	-	-	-
Transfers to Parent Corp	(432)	-	(432)	-	(308)	(4,190)	-	(4,190)	-	(3,532)
Appr Value of Hoxsey and Letters	-	-	-	-	-	-	-	-	-	1,500
Unrealized Gain/Loss Investments	0	-	0	-	(125)	223	-	223	-	526
Minimum Pension Liab Adj	-	-	-	-	-	-	-	-	-	-
INC/DEC UNREST. NET ASSETS	$ (1,305)	$ (724)	$ (580)	(80.12)	$ (805)	$ (10,594)	$ (6,319)	$ (4,175)	(66.07)	$ (5,788)

RIDOH 0877

The Westerly Hospital
CONSOLIDATED BALANCE SHEET
As of July 31, 2012

	Current 31-Jul-12	Prior Month	30-Sep-11	$ Change Cur-Prior	$ Change Cur-11
Current Assets					
Cash and Cash Equivalents	$6,426	$6,423	$3,212	$3	$3,215
Receivables:					
Patient accounts	32,946	30,152	33,691	2,794	(745)
Less allowances	(26,480)	(24,497)	(24,687)	(1,983)	(1,793)
Net Patient Receivables	6,466	5,655	9,004	811	(2,538)
Inventories	1,660	1,670	1,557	(10)	103
Prepaid exps and other current assets	1,070	1,223	1,395	(153)	(325)
Total Current Assets	15,622	14,970	15,168	652	454
Board Designated Restr Assets					
By Board to Function as Endowment	1,637	1,637	7,440	0	(5,802)
Promises to Give	0	0	0	0	0
Under Loan Agreement, Funds Invested	1,473	1,793	2,010	(321)	(538)
Accumulated Earnings on Permanent Endowment	504	496	2,275	7	(1,771)
By Donors for Specific Purpose	115	115	119	0	(4)
By Donor for Permanent Endowment	4,966	4,950	4,827	16	139
Held In Trust	4,044	4,000	3,875	44	170
Total Restricted Assets	12,739	12,992	20,545	(253)	(7,806)
Property and Equipment					
Property Plant and Equipment	117,046	116,918	116,567	128	479
Less accumulated depreciation	(84,177)	(83,774)	(80,206)	(403)	(3,971)
Subtotal	32,869	33,144	36,361	(275)	(3,492)
Other Assets					
Due from Related Parties	5,707	5,814	4,162	(107)	1,545
Other Long-term Assets	513	513	513	0	0
Deferred Financing Cost, Net	167	169	186	(2)	(20)
TOTAL ASSETS	$67,618	$67,602	$76,937	$16	(9,319)

RIDOH 0878

The Westerly Hospital
CONSOLIDATED BALANCE SHEET
As of July 31, 2012

	Current 31-Jul-12	Prior Month	30-Sep-11	$ Change Cur-Prior	$ Change Cur-11
LIABILITIES AND NET ASSETS					
Current Liabilities					
Line of Credit	$ 4,042	$ 4,042	$ 4,967	$0	($925)
Current portion - long-term debt	2,592	2,592	3,452	0	(860)
Accounts payable/Accrued Exp/Other	21,036	19,225	14,730	1,810	6,306
Accrued Payroll	4,005	4,557	3,947	(552)	58
Third party payable	740	716	725	24	15
Total Current Liabilities	32,415	31,132	27,821	1,283	4,594
Long-term debt, net	8,174	8,204	12,374	(30)	(4,200)
Asset Retirement Obligation	1,426	1,426	1,413	0	13
Additional Pension Liability	26,311	26,311	26,311	0	0
TOTAL LIABILITIES	68,325	67,073	67,919	1,252	406
Net Assets					
Unrestricted	(12,571)	(11,267)	(2,077)	(1,305)	(10,494)
Temporarily restricted	2,854	2,846	2,393	7	460
Permanently restricted	9,010	8,950	8,702	61	308
Total Net Assets	(708)	529	9,018	(1,237)	(9,725)
TOTAL LIABILITIES AND NET ASSETS	$ 67,618	$ 67,602	$ 76,937	$ 15	(9,319)

COMMUNITY HEALTH OF WESTERLY INC.
CONSOLIDATED STATEMENT OF OPERATIONS
COMPARISON OF ACTUAL TO BUDGET ($ 000s)
MONTH ENDING SEPTEMBER 2010

		ACTUAL						BUDGET						Budget Variance Fav / (Unfav)	
		The Westerly Hospital	CHOW NewCo	Women's Health Of Wstrly	North Stonington	CHOW	Current Month Actual	The Westerly Hospital	CHOW NewCo	Women's Health Of Wstrly	North Stonington	CHOW	Current Month Budget	$	%
Unrestricted Revenues:	Inpatient acute	6,044					6,044	7,096			-	-	7,096	(1,052)	(15)
	Outpatient acute	12,244					12,244	13,593			-	-	13,593	(1,349)	(10)
	Charges	-	539	220	-	-	759	-	622	385	-	-	1,007	(248)	(25)
	Other contractual income	-	51	-	-	-	51	-	34	-	-	-	34	17	50
	Gross Patient Revenues	18,288	590	220	-	-	19,098	20,689	656	385	-	-	21,730	(2,632)	(12)
Deductions From Revenue:	Contractual allowance	10,730	256	130	-	-	11,116	12,604	295	212	-	-	13,111	1,995	15
	Disproportionate share	(41)	-	-	-	-	(41)	-	-	-	-	-	-	41	-
	Uncompensated care	221	-	-	-	-	221	98	-	-	-	-	98	(123)	(126)
	Total Deductions From Revenue	10,910	256	130	-	-	11,296	12,702	295	212	-	-	13,209	1,913	14
	Net Patient Revenues	7,378	334	90	-	-	7,802	7,987	361	173	-	-	8,521	(719)	(8)
Total Other Operating Revenue		157	-	-	-	-	157	111	-					46	41
TOTAL NET OPERATING REVENUE		7,535	334	90	-	-	7,959	8,098	361	173	-	-	8,632	(673)	(8)
Operating Expenses:	Salaries and wages	3,273	244	125	-	-	3,642	3,297	224	105	-	-	3,626	(16)	(0)
	Vacation and sick accrual	1	-	-	-	-	1	30	-	-	-	-	30	29	97
	Temporary help	39	-	-	-	-	39	19	-	-	-	-	19	(20)	(105)
	Employee benefits	992	56	23	-	-	1,071	1,033	52	19	-	-	1,104	33	3
	Salaries, wages and benefits		-	-	-	-	-	-	-	-	-	-	-	-	-
	Total salaries and benefits	4,305	300	148	-	-	4,753	4,379	276	124	-	-	4,779	26	1
	Workers compensation	28				-	28	31	-	-	-	-	31	3	10
	Administrative fees		13	3	-	-	16	-	7	2	-	-	9	(7)	(78)
	Net admin & billing allocations	-	(16)	9	-	-	(7)	-	(5)	9	-	-	4	11	275
	Professional fees	171	6	9	8	-	194	170	4	7	-	-	181	(13)	(7)
	Medical/surgical supplies	332	-	-	-	-	332	491	-	-	-	-	491	159	32
	Drugs	453	-	-	-	-	453	230	-	-	-	-	230	(223)	(97)
	Other supplies	191	44	8	-	-	243	159	11	6	-	-	176	(67)	(38)
	Utilities	146	3	1	-	-	150	186	3	2	-	-	191	41	21
	Purchased / leased services	653	69	-	-	-	722	619	122	-	-	-	741	19	3
	Insurance	135	12	27	-	-	174	97	7	25	-	-	129	(45)	(35)
	Bad debts	394	-	-	-	-	394	653	-	-	-	-	653	259	40
	Leases and rentals	42	25	6	25	-	98	72	24	9	-	-	105	7	7
	Depreciation	407	5	-	-	-	412	367	4	-	-	-	371	(41)	(11)
	Interest	108	-	-	-	-	108	116	-	-	-	-	116	8	7
	Other expenses	163	19	8	5	-	195	111	16	5	-	-	132	(63)	(48)
TOTAL OPERATING EXPENSES		7,528	480	219	38	-	8,265	7,681	469	189	-	-	8,339	74	1
OPERATING INCOME (LOSS)		7	(146)	(129)	(38)	-	(306)	417	(108)	(16)	-	-	293	(598)	(204)
Non-operating Items:	Interest income	99	-	-	-	-	99	-	-	-	-	-	-	99	-
	Realized gain on sale of stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Contributions	124	-	-	-	-	124	83	-	-	-	-	83	41	49
	Other than temporary loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NON-OPERATING REVENUE AND EXPENSE		223	-	-	-	-	223	83	-					140	169
REVENUES & GAINS OVER (UNDER) EXPENSES		230	(146)	(129)	(38)	-	(83)	500	(108)	(16)	-	-	376	(459)	(122)
Other Net Asset Adjustments:	Change in Accounting Principle	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Capital Transactions with affiliates	(107)	3,684	1,231	-	-	4,808	-	-	-	-	-	-	4,808	-
	Foundation trnslrs, net assets released	620	-	-	-	-	620	-	-	-	-	-	-	620	-
	Unrealized gain/loss investments	732	-	-	-	-	732	-	-	-	-	-	-	732	-
	Minimum pension liability adjustment	(3,183)	-	-	-	-	(3,183)	-	-	-	-	-	-	(3,183)	-
INCREASE/DECREASE IN UNRESTRICTED NET ASSETS		(1,708)	3,538	1,102	(38)	-	2,894	500	(108)	(16)	-	-	376	2,518	670

RIDOH 0880

COMMUNITY HEALTH OF WESTERLY INC. CONSOLIDATED STATEMENT OF OPERATIONS COMPARISON OF ACTUAL TO BUDGET ($ 000s) FY 2010 YEAR TO DATE		ACTUAL						BUDGET						Budget Variance Fav / (Unfav)	
		The Westerly Hospital	CHOW NewCo	Women's Health Of Wstrly	North Stonington	CHOW	Current Year Actual	The Westerly Hospital	CHOW NewCo	Women's Health Of Wstrly	North Stonington	CHOW	Current Year Budget	$	%
Unrestricted Revenues:	Inpatient acute	73,656	-	-	-	-	73,656	82,291	-	-	-	-	82,291	(8,635)	(10.5)
	Outpatient acute	145,397	-	-	-	-	145,397	159,021	-	-	-	-	159,021	(13,624)	(8.6)
	Charges	0	4,169	2,357	-	-	6,526	-	5,814	3,502	-	-	9,316	(2,790)	(29.9)
	Other contractual income	0	607	-	-	-	607	-	456	-	-	-	456	151	33.1
	Gross Patient Revenues	219,053	4,776	2,357	-	-	226,186	241,312	6,270	3,502	-	-	251,084	(24,898)	(9.9)
Deductions From Revenue:	Contractual allowance	130,505	1,984	1,334	-	-	133,823	147,061	2,743	1,926	-	-	151,730	(17,907)	(11.8)
	Disproportionate share	-210	-	-	-	-	(210)	-	-	-	-	-	-	(210)	#DIV/0!
	Uncompensated care	2,213	-	-	-	-	2,213	1,149	-	-	-	-	1,149	1,064	92.6
	Total Deductions From Revenue	132,508	1,984	130	0		135,826	148,210	2,743	1,926	-	-	152,879	(17,053)	(11.2)
	Net Patient Revenues	86,545	2,792	1,023	-	-	90,360	93,102	3,527	1,576	-	-	98,205	(7,845)	(8.0)
Total Other Operating Revenue		1,917	2	-	-	-	1,919	1,338	4	-	-	-	1,342	577	43.0
TOTAL NET OPERATING REVENUE		88,462	2,794	1,023	-		92,279	94,440	3,531	1,576	-	-	99,547	(7,268)	(7.3)
Operating Expenses:	Salaries and wages	38,752	2,528	1,283	-	-	42,563	39,410	-	1,314	-	-	40,724	1,839	4.5
	Vacation and sick accrual	385	-	-	-	-	385	449	-	-	-	-	449	(64)	(14.3)
	Temporary help	278			-	-	278	228	-	-	-	-	228	50	21.9
	Employee benefits	12,192	496	286	-	-	12,974	12,256	-	238	-	-	12,494	480	3.8
	Salaries, wages and benefits	0	-	-	-	-	-	-	3,005	-	-	-	3,005	(3,005)	(100.0)
	Total salaries and benefits	51,607	3,024	1,569	-	-	56,200	52,343	3,005	1,552	-	-	56,900	(700)	(1.2)
	Workers compensation	310	-	-	-	-	310	367	-	-	-	-	367	(57)	(15.5)
	Administrative fees	0	91	35	5	-	131	-	69	19	-	-	88	43	48.9
	Net admin & billing allocations	0	(196)	110	-	-	(86)	-	(115)	110	-	-	(5)	(81)	(1,620.0)
	Professional fees	2,050	60	186	8	-	2,304	2,026	50	92	-	-	2,168	136	6.3
	Medical/surgical supplies	5,701	-	-	0	-	5,701	5,903	-	-	-	-	5,903	(202)	(3.4)
	Drugs	3,204			-	-	3,204	2,753	-	-	-	-	2,753	451	16.4
	Other supplies	1,918	158	90	1	-	2,167	1,896	110	77	-	-	2,083	84	4.0
	Utilities	1,421	26	17	1	-	1,465	1,612	33	22	-	-	1,667	(203)	(12.1)
	Purchased / leased services	7,928	717	-	-	-	8,645	8,145	1,172	-	-	-	9,317	(672)	(7.2)
	Insurance	1,219	141	219	-	-	1,579	1,164	61	260	-	-	1,485	94	6.3
	Bad debts	5,962	-	-	-	-	5,962	7,615	-	-	-	-	7,615	(1,653)	(21.7)
	Leases and rentals	735	225	111	300	-	1,371	867	252	112	-	-	1,231	140	11.4
	Depreciation	4,591	44	-	-	-	4,635	4,400	44	-	-	-	4,444	191	4.3
	Interest	1,306	-	-	-	-	1,306	1,388	-	-	-	-	1,388	(82)	(5.9)
	Other expenses	1,310	192	86	7	-	1,595	1,342	166	45	-	-	1,553	42	2.7
TOTAL OPERATING EXPENSES		89,262	4,482	2,423	321	-	96,488	91,821	4,847	2,289	-	-	98,957	(2,469)	(2.5)
OPERATING INCOME (LOSS)		(800)	(1,688)	(1,400)	(321)	-	(4,209)	2,619	(1,316)	(713)	-	-	590	(4,799)	(813.4)
Non-operating Items:	Interest income	439	-	-	-	-	439	-	-	-	-	-	-	439	-
	Realized gain on sale of stock	0	-	-	-	-	-	-	-	-	-	-	-	-	-
	Contributions	391			-	-	391	1,000	-	-	-	-	1,000	(609)	(60.9)
	Other than temporary loss	0	-	-	-	-	-	-	-	-	-	-	-	-	-
NON-OPERATING REVENUE AND EXPENSE		830	-	-	-		830	1,000	-					(170)	(17.0)
REVENUES & GAINS OVER (UNDER) EXPENSES		30	(1,688)	(1,400)	(321)	-	(3,379)	3,619	(1,316)	(713)	-	-	1,590	(4,969)	(312.5)
Other Net Asset Adjustments:		-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Change in Accounting Principle	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Capital Transactions with affiliates	(4,915)	3,684	1,231	-	-		-	-	-	-	-	-	-	-
	Foundation trnsfrs, net assets released	1,041	-	-	-	-	1,041	-	-	-	-	-	-	1,041	#DIV/0!
	Unrealized gain/loss investments	402	-	-	-	-	402	-	-	-	-	-	-	402	-
	Minimum pension liability adjustment	(3,183)	-	-	-	-	(3,183)	-	-	-	-	-	-	(3,183)	#DIV/0!
INCREASE/DECREASE IN UNRESTRICTED NET ASSETS		(6,625)	1,996	(169)	(321)		(5,119)	3,619	(1,316)	(713)	-	-	1,590	(6,709)	(422.0)

RIDOH 0881

COMMUNITY HEALTH OF WESTERLY INC. CONSOLIDATED STATEMENT OF OPERATIONS COMP OF ACTUAL TO PRIOR YEAR ACTUAL ($ 000s) FY 2010/FY 2009		2010 YTD ACTUAL						2009 YTD ACTUAL						Yearly Change	
		The Westerly Hospital	CHOW NewCo	Women's Health Of Wstrly	North Stonington	CHOW	Current Year Actual	The Westerly Hospital	CHOW NewCo	Women's Health Of Wstrly	North Stonington	CHOW	Prior Year Actual	$	%
Unrestricted Revenues:	Inpatient acute	73,656	-	-	-		73,656	74,652	-	-	-	-	74,652	(996)	(1.2)
	Outpatient acute	145,397	-	-	-		145,397	142,483	-	-	-	-	142,483	2,914	2.0
	Charges	0	4,169	2,357	-		6,526	-	2,099	2,561	-	-	4,660	1,866	40.0
	Other contractual income	0	607	-	-		607	-	146	-	-	-	146	461	315.8
	Gross Patient Revenues	219,053	4,776	2,357	-		226,186	217,135	2,245	2,561	-	-	221,941	4,245	1.9
Deductions From Revenue:	Contractual allowance	130,505	1,984	1,334	-		133,823	131,916	1,025	1,523	-	-	134,464	(641)	(0.4)
	Disproportionate share	-210	-	-	-		(210)	(17)	-	-	-	-	(17)	(193)	-
	Uncompensated care	2,213	-	-	-		2,213	1,092	-	-	-	-	1,092	1,121	102.7
	Total Deductions From Revenue	132,508	1,984	130	0		135,826	132,991	1,025	1,523	-	-	135,539	287	0.2
	Net Patient Revenues	86,545	2,792	1,023	-		90,360	84,144	1,220	1,038	-	-	86,402	3,958	4.6
Total Other Operating Revenue		1,917	2	-	-		1,919	1,459	-	-	-	-	1,459	460	31.5
TOTAL NET OPERATING REVENUE		88,462	2,794	1,023	-		92,279	85,603	1,220	1,038	-	-	87,861	4,418	5.0
Operating Expenses:	Salaries and wages	38,752	2,528	1,283	-		42,563	36,647	1,248	872	-	-	38,767	3,796	9.8
	Vacation and sick accrual	385	-	-	-		385	458	-	-	-	-	458	(73)	(16.3)
	Temporary help	278	-	-	-		278	211	-	-	-	-	211	67	31.8
	Employee benefits	12,192	496	286	-		12,974	10,806	290	158	-	-	11,254	1,720	15.3
	Salaries, wages and benefits	0	-	-	-		-	-	-	-	-	-	-	-	-
	Total salaries and benefits	51,607	3,024	1,569	-		56,200	48,122	1,538	1,030	-	-	50,690	5,510	10.9
	Workers compensation	310	-	-	-		310	367	-	-	-	-	367	(57)	(15.5)
	Administrative fees	0	91	35	5		131	-	96	63	-	-	159	(28)	(31.8)
	Net admin & billing allocations	0	(196)	110	-		(86)	-	-	-	-	-	-	(86)	-
	Professional fees	2,050	60	186	8		2,304	2,273	47	256	-	-	2,576	(272)	(12.6)
	Medical/surgical supplies	5,701	-	-	0		5,701	5,572	-	-	-	-	5,572	129	2.3
	Drugs	3,204	-	-	-		3,204	2,637	-	-	-	-	2,637	567	21.5
	Other supplies	1,918	158	90	1		2,167	1,778	139	100	-	-	2,017	150	7.4
	Utilities	1,421	26	17	1		1,465	1,643	20	17	-	-	1,680	(216)	(12.9)
	Purchased / leased services	7,928	717	-	-		8,645	7,582	341	-	-	-	7,923	722	9.1
	Insurance	1,219	141	219	-		1,579	1,168	79	398	-	-	1,645	(66)	(4.4)
	Bad debts	5,962	-	-	-		5,962	7,250	-	-	-	-	7,250	(1,288)	(16.9)
	Leases and rentals	735	225	111	300		1,371	911	151	103	-	-	1,165	206	17.7
	Depreciation	4,591	44	-	-		4,635	4,451	22	-	-	-	4,473	162	3.6
	Interest	1,306	-	-	-		1,306	1,366	-	-	-	-	1,366	(60)	(4.3)
	Other expenses	1,310	192	86	7		1,595	1,366	127	61	-	-	1,554	41	2.6
TOTAL OPERATING EXPENSES		89,262	4,482	2,423	321		96,488	86,486	2,560	2,028	-	-	91,074	5,414	5.9
OPERATING INCOME (LOSS)		(800)	(1,688)	(1,400)	(321)	-	(4,209)	(883)	(1,340)	(990)	-	-	(3,213)	(996)	(168.9)
Non-operating Items:	Interest income	439	-	-	-		439	(400)	-	-	-	-	(400)	839	-
	Realized gain on sale of stock	0	-	-	-		-	-	-	-	-	-	-	-	-
	Contributions	391		-	-		391	594	-	-	-	-	594	(203)	(20.3)
	Other than temporary loss	0	-	-	-		-	-	-	-	-	-	-	-	-
NON-OPERATING REVENUE AND EXPENSE		830	-	-	-		830	194	-	-	-	-	194	636	327.8
REVENUES & GAINS OVER (UNDER) EXPENSES		30	(1,688)	(1,400)	(321)	-	(3,379)	(689)	(1,340)	(990)	-	-	(3,019)	(360)	(22.7)
Other Net Asset Adjustments:		-	-	-	-		-	-	-	-	-	-	-	-	-
	Change in Accounting Principle	-	-	-	-		-	(1,953)	-	-	-	-	(1,953)	1,953	-
	Capital Transactions with affiliates	(4,915)	3,684	1,231	-		-	(3,122)	-	-	-	-	(3,122)	3,122	-
	Foundation trnsfrs; net assets released	1,041	-	-	-		1,041	643	-	-	-	-	643	398	61.9
	Unrealized gain/loss investments	402	-	-	-		402	387	-	-	-	-	387	15	-
	Minimum pension liability adjustment	(3,183)	-	-	-		(3,183)	(4,855)	-	-	-	-	(4,855)	1,672	34.4
INCREASE/DECREASE IN UNRESTRICTED NET ASSETS		(6,625)	1,996	(169)	(321)	-	(5,119)	(9,589)	(1,340)	(990)	-	-	(11,919)	6,800	57.0

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COMMUNITY HEALTH OF WESTERLY INC
CONSOLIDATED STATEMENT OF OPERATIONS
COMPARISON OF ACTUAL TO BUDGET ($000s)
MONTH ENDING SEPTEMBER 2010

		MONTH					YEAR-TO-DATE				
		Current Month Actual	Budget Variance Fav / (Unfav)		Change From FY 2010 YEAR TO DATE		Current YTD Actual	Budget Variance Fav / (Unfav)		Change From FY 2010 YEAR TO DATE	
			$	%	$	%		$	%	$	%
Unrestricted Revenues:	Inpatient acute	6,044	(1,052)	(14.8)	(824)	(12.0)	73,656	(8,635)	(10.5)	(996)	(1.3)
	Outpatient acute	12,244	(1,349)	(9.9)	50	0.4	145,397	(13,624)	(8.6)	2,914	2.0
	Charges	759	(248)	(24.6)	272	55.9	6,526	(2,750)	(29.8)	1,868	40.0
	Other contractual income	51	30	90.9	12	80.6	807	341	73.0	459	131.9
	Gross Patient Revenues	19,098	(2,632)	(12.1)	(485)	(2.5)	226,186	(24,898)	(9.9)	4,245	1.9
Deductions From Revenue:	Contractual allowance	11,116	1,995	15.2	(919)	(7.6)	133,823	17,907	11.8	(641)	(0.5)
	Disproportionate share	(41)	41	-	(27)	(192.9)	(210)	210	-	(193)	(1,135.3)
	Uncompensated care	221	(123)	(125.5)	97	78.2	2,213	(1,064)	(92.6)	1,121	102.7
	Total Deductions From Revenue	11,296	1,913	14.5	(849)	(7.0)	135,826	17,053	11.2	287	0.2
	Net Patient Revenues	7,802	(719)	(8.4)	364	4.9	90,360	(7,845)	(8.0)	3,958	4.6
Total Other Operating Revenue		157	46	41.4	(31)	(16.5)	1,919	577	43.0	460	31.5
TOTAL NET OPERATING REVENUE		7,959	(673)	(7.8)	333	4.4	92,279	(7,268)	(7.3)	4,418	5.0
Operating Expenses:	Salaries and wages	3,642	(16)	(0.4)	409	12.7	42,563	(1,839)	(4.5)	3,796	9.8
	Vacation and sick accrual	1	29	96.7	(30)	(96.8)	385	64	14.3	(73)	(15.9)
	Temporary help	39	(20)	(105.3)	13	50.0	278	(50)	(21.9)	67	31.8
	Employee benefits	1,071	33	3.0	147	15.9	12,974	(480)	(3.8)	1,720	15.3
	Salaries, wages and benefits	4,753	26	0.5	452	10.5	56,200	700	1.2	5,510	10.9
	Total salaries and benefits	28	3	9.7	(7)	(20.0)	310	57	15.5	(57)	(15.5)
	Workers compensation	18	(7)	(77.8)	23	71.9	231	(13)	(46.9)	(28)	(27.8)
	Administrative fees	(7)	11	275.0	(7)	-	(86)	81	1,620.0	(86)	-
	Net admin & billing allocations	194	(13)	(7.1)	(92)	(32.2)	2,304	(136)	(6.3)	(272)	(10.6)
	Professional fees	332	159	32.4	(101)	(23.3)	5,701	202	3.4	129	2.3
	Medical/surgical supplies	453	(223)	(97.0)	283	166.5	3,204	(451)	(16.4)	567	21.5
	Drugs	243	(67)	(38.1)	28	13.0	2,167	(84)	(4.0)	150	7.4
	Other supplies	150	41	21.5	56	59.6	1,465	203	12.1	(216)	(12.8)
	Utilities	722	19	2.6	157	27.8	8,645	672	7.2	722	9.1
	Purchased / leased services	174	(45)	(34.9)	(375)	(68.3)	1,579	(94)	(6.3)	(66)	(4.0)
	Insurance	394	259	39.7	(156)	(28.4)	5,962	1,653	21.7	(1,288)	(17.8)
	Bad debts	98	7	6.7	5	5.4	1,371	(140)	(11.4)	206	17.7
	Leases and rentals	412	(41)	(11.1)	(21)	(4.8)	4,635	(191)	(4.3)	162	3.6
	Depreciation	108	8	6.9	7	6.9	1,306	82	5.9	(60)	(4.4)
	Interest	195	(63)	(47.7)	7	3.7	1,595	(42)	(2.7)	41	2.6
	Other expenses										
TOTAL OPERATING EXPENSES		8,265	74	0.9	239	3.0	96,488	2,469	2.5	5,414	5.9
OPERATING INCOME (LOSS)		(306)	(599)	(204.4)	94	23.5	(4,209)	(4,799)	(813.4)	(996)	(31.0)
Non-operating Items:	Interest income	99	99	-	51	106.3	439	439	-	839	209.8
	Realized gain on sale of stock	-	-	-	-	-	-	-	-	-	-
	Contributions	124	41	49.4	-	-	391	(609)	(60.9)	(203)	(34.2)
	Other than temporary loss	-	-	-	462	100.0	-	-	-	-	-
NON-OPERATING REVENUE AND EXPENSE		223	140	168.7	513	176.9	830	(170)	(17.0)	636	327.8
REVENUES & GAINS OVER (UNDER) EXPENSES		(83)	(459)	(122.0)	607	88.0	(3,379)	(4,969)	(312.5)	(360)	(11.9)
Other Net Asset Adjustments:	Loss on impairment of assets	-	-	-	-	-	-	-	-	-	-
	Foundation trnsfrs, net assets released	-	-	-	-	-	-	-	-	1,953	100.0
	Transfers to Parent Corp	4,808	4,808	-	6,832	337.5	-	-	-	3,122	100.0
	Appr (depr) value of Horsey & Lefferts	620	620	-	287	86.2	1,041	1,041	-	398	61.9
	Unrealized gain/loss investments	732	732	-	(13)	(1.7)	402	402	-	15	3.9
	Minimum pension liability adjustment	(3,183)	(3,183)	-	1,672	34.4	(3,183)	(3,183)	-	1,672	34.4
INCREASE/DECREASE IN UNRESTRICTED NET ASSETS		2,894	2,518	669.7	9,385	144.6	(5,119)	(6,709)	(422.0)	6,800	57.0

COMMUNITY HEALTH OF WESTERLY INC.
CONSOLIDATED STATEMENT OF OPERATIONS
COMPARISON OF BUDGET TO REFORECAST ($ 000s)
MONTH ENDING SEPTEMBER 2010

		Current YTD Actual	Current YTD Budget	Budget Variance Fav / (Unfav) $	Budget Variance Fav / (Unfav) %	Full Year Refore-cast	Full Year Budget	Budget Variance Fav / (Unfav) $	Budget Variance Fav / (Unfav) %
Unrestricted Revenues:	Inpatient acute	73,656	82,291	(8,635)	(10.5)	-	-	-	-
	Outpatient acute	145,397	159,021	(13,624)	(8.6)	-	-	-	-
	Charges	6,526	9,316	(2,790)	(29.9)	-	-	-	-
	Other contractual income	607	456	151	33.1	-	-	-	-
	Gross Patient Revenues	226,186	251,084	(24,898)	(9.9)	-	-	-	-
Deductions From Revenue:	Contractual allowance	133,823	151,730	17,907	11.8	-	-	-	-
	Disproportionate share	(210)	-	210	-	-	-	-	-
	Uncompensated care	2,213	1,149	(1,064)	(92.6)	-	-	-	-
	Total Deductions From Revenue	135,826	152,879	17,053	11.2	-	-	-	-
	Net Patient Revenues	90,360	98,205	(7,845)	(8.0)	-	-	-	-
Total Other Operating Revenue		1,919	1,342	577	43.0	-	-	-	-
TOTAL NET OPERATING REVENUE		92,279	99,547	(7,268)	(7.3)	-	-	-	-
Operating Expenses:	Salaries and wages	42,563	40,724	(1,839)	(4.5)	-	-	-	-
	Vacation and sick accrual	385	449	64	14.3	-	-	-	-
	Temporary help	278	228	(50)	(21.9)	-	-	-	-
	Employee benefits	12,974	12,494	(480)	(3.8)	-	-	-	-
	Salaries, wages and benefits	3,005	3,006	1	100.0	-	-	-	-
	Total salaries and benefits	56,200	56,900	700	1.2	-	-	-	-
	Workers compensation	310	367	57	15.5	-	-	-	-
	Administrative fees	131	88	(43)	(48.9)	-	-	-	-
	Net admin & billing allocations	(86)	(5)	81	1,620.0	-	-	-	-
	Professional fees	2,304	2,168	(136)	(6.3)	-	-	-	-
	Medical/surgical supplies	5,701	5,903	202	3.4	-	-	-	-
	Drugs	3,204	2,753	(451)	(16.4)	-	-	-	-
	Other supplies	2,167	2,083	(84)	(4.0)	-	-	-	-
	Utilities	1,465	1,667	203	12.1	-	-	-	-
	Purchased / leased services	8,645	9,317	672	7.2	-	-	-	-
	Insurance	1,579	1,485	(94)	(6.3)	-	-	-	-
	Bad debts	5,962	7,615	1,653	21.7	-	-	-	-
	Leases and rentals	1,371	1,231	(140)	(11.4)	-	-	-	-
	Depreciation	4,635	4,444	(191)	(4.3)	-	-	-	-
	Interest	1,306	1,388	82	5.9	-	-	-	-
	Other expenses	1,595	1,553	(42)	(2.7)	-	-	-	-
TOTAL OPERATING EXPENSES		96,488	98,957	2,469	2.5	-	-	-	-
OPERATING INCOME (LOSS)		(4,209)	590	(4,799)	(813.4)	-	-	-	-
Non-operating Items:	Interest income	439	-	439	-	-	-	-	-
	Realized gain on sale of stock	-	-	-	-	-	-	-	-
	Contributions	391	1,000	(609)	(60.9)	-	-	-	-
	Other than temporary loss	-	-	-	-	-	-	-	-
NON-OPERATING REVENUE AND EXPENSE		830	1,000	(170)	(17.0)	-	-	-	-
REVENUES & GAINS OVER (UNDER) EXPENSES		(3,379)	1,590	(4,969)	(312.5)	-	-	-	-
Other Net Asset Adjustments:	Loss on impairment of assets	-	-	-	-	-	-	-	-
	Foundation trnsfrs, net assets released	-	-	-	-	-	-	-	-
	Transfers to Parent Corp	-	-	-	-	-	-	-	-
	Appr (depr) value of Hoxsey & Lefferts	1,041	-	1,041	-	-	-	-	-
	Unrealized gain/loss investments	402	-	402	-	-	-	-	-
	Minimum pension liability adjustment	(3,183)	-	(3,183)	-	-	-	-	-
INCREASE/DECREASE IN UNRESTRICTED NET ASSETS		(5,119)	1,590	(6,709)	(422.0)	-	-	-	-

COMMUNITY HEALTH OF WESTERLY INC.
CONSOLIDATING STATEMENT OF OPERATIONS ($ 000s)
MONTH ENDING SEPTEMBER 2010

		CURRENT MONTH ACTUAL							YEAR-TO-DATE ACTUAL							
		The Westerly Hospital	CHOW NewCo	Women's Health Of Wstrly	No. Ston	CHOW	Consol Elims	Consol-dated	The Westerly Hospital	CHOW NewCo	Women's Health Of Wstrly	No. Ston	CHOW	Consol Elims	Consol-dated
Unrestricted Revenues:	Inpatient acute	6,044	-	-				6,044	73,656	-	-				73,656
	Outpatient acute	12,244	-	-				12,244	145,397	-	-				145,397
	Charges	-	539	220				759	-	4,189	2,337				6,526
	Other contractual income	-	51	-				51	-	587	20				607
	Gross Patient Revenues	18,288	590	220				19,098	219,053	4,776	2,357				226,186
Deductions From Revenue:	Contractual allowance	10,730	256	130				11,116	130,505	1,984	1,334				133,823
	Disproportionate share	(41)	-	-				(41)	(210)	-	-				(210)
	Uncompensated care	221	-	-				221	2,213	-	-				2,213
	Total Deductions From Revenue	10,910	256	130				11,296	132,508	1,984	1,334				135,826
	Net Patient Revenues	7,378	334	90				7,802	86,545	2,792	1,023				90,360
Total Other Operating Revenue		157	-	-				157	1,917	2	-				1,919
TOTAL NET OPERATING REVENUE		7,535	334	90				7,959	88,462	2,794	1,023				92,279
Operating Expenses:	Salaries and wages	3,273	244	125				3,642	38,752	2,528	1,283				42,563
	Vacation and sick accrual	1	-	-				1	385	-	-				385
	Temporary help	39	-	-				39	278	-	-				278
	Employee benefits	992	56	23				1,071	12,192	496	286				12,974
	Salaries, wages and benefits	-	-	-				-	-	-	-				-
	Total salaries and benefits	4,305	300	148				4,753	51,607	3,024	1,569				56,200
	Workers compensation	28	-	-				28	310	-	-				310
	Administrative fees	-	13	3				16	-	61	70				131
	Net admin & billing allocations	-	(16)	9				(7)	-	(196)	110				(86)
	Professional fees	171	6	9				194	2,050	60	186				2,304
	Medical/surgical supplies	332	-	-				332	5,701	-	-				5,701
	Drugs	453	10	-				453	3,204	60	-				3,204
	Other supplies	191	44	8				243	1,918	158	90				2,167
	Utilities	146	3	1				150	1,421	26	17				1,465
	Purchased / leased services	653	69	-				722	7,928	717	-				8,645
	Insurance	135	12	27				174	1,219	141	219				1,579
	Bad debts	394	-	-				394	5,962	-	-				5,962
	Leases and rentals	42	25	6				98	735	225	111				1,371
	Depreciation	407	5	-				412	4,591	44	-				4,635
	Interest	108	-	-				108	1,306	-	-				1,306
	Other expenses	163	19	8				195	1,310	192	86				1,595
TOTAL OPERATING EXPENSES		7,528	480	219				8,265	89,262	4,482	2,423				96,488
OPERATING INCOME (LOSS)		7	(146)	(129)				(306)	(800)	(1,688)	(1,400)				(4,209)
Non-operating Items:	Interest income	99	-	-				99	439	-	-				439
	Realized gain on sale of stock	-	-	-				-	-	-	-				-
	Contributions	124	-	-				124	391	-	-				391
	Other than temporary loss	-	-	-				-	-	-	-				-
NON-OPERATING REVENUE AND EXPENSE		223	-	-				223	830	-	-				830
REVENUES & GAINS OVER (UNDER) EXPENSES		230	(146)	(129)				(83)	30	(1,688)	(1,400)				(3,379)
Other Net Asset Adjustments:	Change in Accounting Priciple	-	-	-				-	-	-	-				-
	Transfers to Parent Corp	(107)	3,684	1,231				4,808	(4,915)	3,684	1,231				-
	Foundation trnsfrs; net assets released	620	-	-				620	1,041	-	-				1,041
	Unrealized gain/loss investments	732	-	-				732	402	-	-				402
	Minimum pension liability adjustment	(3,183)	-	-				(3,183)	(3,183)	-	-				(3,183)
INCREASE/DECREASE IN UNRESTRICTED NET ASSETS		(1,708)	3,538	1,102				2,894	(6,625)	1,996	(169)				(5,119)

COMMUNITY HEALTH OF WESTERLY INC.
CONSOLIDATING STATEMENT OF OPERATIONS ($ 000s)
MONTH ENDING SEPTEMBER 2010

		CURRENT MONTH BUDGET							YEAR-TO-DATE BUDGET							
		The Westerly Hospital	CHOW NewCo	Women's Health Of Wstrly	No. Stonington	CHOW	Consol. Elims	Consol-dated	The Westerly Hospital	CHOW NewCo	Women's Health Of Wstrly	No. Stonington	CHOW	Consol. Elims	Consol-dated
Unrestricted Revenues:	Inpatient acute	7,096	-	-				7,096	82,291	-	-				82,291
	Outpatient acute	13,593	-	-				13,593	159,021	-	-				159,021
	Charges	-	622	385				1,007	-	6,814	3,502				9,316
	Other contractual income	-	34	-				34	-	-	-				456
	Gross Patient Revenues	20,689	656	385				21,730	241,312	6,270	3,502				251,084
Deductions From Revenue:	Contractual allowance	12,604	295	212				13,111	147,061	2,743	1,926				151,730
	Disproportionate share	-	-	-				-	-	-	-				-
	Uncompensated care	98	-	-				98	1,149	-	-				1,149
	Total Deductions From Revenue	12,702	295	212				13,209	148,210	2,743	1,926				152,879
	Net Patient Revenues	7,987	361	173				8,521	93,102	3,527	1,576				98,205
Total Other Operating Revenue		111	-	-				111	1,338	4	-				1,342
TOTAL NET OPERATING REVENUE		8,098	361	173				8,632	94,440	3,531	1,576				99,547
Operating Expenses:	Salaries and wages	3,297	224	105				3,626	39,410	-	1,314				40,724
	Vacation and sick accrual	30	-	-				30	449	-	-				449
	Temporary help	19	-	-				19	228	-	-				228
	Employee benefits	1,033	52	19				1,104	12,256	-	238				12,494
	Salaries, wages and benefits	-	-	-				-	-	3,005	-				3,005
	Total salaries and benefits	4,379	276	124				4,779	52,343	3,005	1,552				56,900
	Workers compensation	31	-	-				31	367	-	-				367
	Administrative fees	-	7	2				9	-	88	88				88
	Net admin & billing allocations	-	(5)	9				4	-	(115)	110				(5)
	Professional fees	170	4	7				181	2,026	50	92				2,168
	Medical/surgical supplies	491	-	-				491	5,903	-	-				5,903
	Drugs	230	-	-				230	2,753	-	-				2,753
	Other supplies	159	11	6				176	1,896	110	77				2,083
	Utilities	186	3	2				191	1,612	33	22				1,667
	Purchased / leased services	619	122	-				741	8,145	1,172	-				9,317
	Insurance	97	7	25				129	1,164	61	260				1,485
	Bad debts	653	-	-				653	7,615	-	-				7,615
	Leases and rentals	72	24	9				105	867	252	112				1,231
	Depreciation	367	4	-				371	4,400	44	-				4,444
	Interest	116	-	-				116	1,388	-	-				1,388
	Other expenses	111	16	5				132	1,342	166	45				1,553
TOTAL OPERATING EXPENSES		7,681	469	189				8,339	91,821	4,847	2,289				98,957
OPERATING INCOME (LOSS)		417	(108)	(16)				293	2,619	(1,316)	(713)				590
Non-operating Items:	Interest income	-	-	-				-	-	-	-				-
	Realized gain on sale of stock	-	-	-				-	-	-	-				-
	Contributions	83	-	-				83	1,000	-	-				1,000
	Other than temporary loss	-	-	-				-	-	-	-				-
NON-OPERATING REVENUE AND EXPENSE		83	-	-				83	1,000	-	-				1,000
REVENUES & GAINS OVER (UNDER) EXPENSES		500	(108)	(16)				376	3,619	(1,316)	(713)				1,590
Other Net Asset Adjustments:	Change in Accounting Priciple	-	-	-				-	-	-	-				-
	Transfers to Parent Corp	-	-	-				-	-	-	-				-
	Foundation trnsfrs, net assets released	-	-	-				-	-	-	-				-
	Unrealized gain/loss investments	-	-	-				-	-	-	-				-
	Minimum pension liability adjustment	-	-	-				-	-	-	-				-
INCREASE/DECREASE IN UNRESTRICTED NET ASSETS		500	(108)	(16)				376	3,619	(1,316)	(713)				1,590

COMMUNITY HEALTH OF WESTERLY INC.
CONSOLIDATING STATEMENT OF OPERATIONS ($ 000s)
MONTH ENDING SEPTEMBER 2010

		PRIOR YEAR MONTH						PRIOR YEAR-TO-DATE						
		The Westerly Hospital	CHOW NewCo	Women's Health Of Wstrly	No. Ston	CHOW	Consol Elims	Consol-dated	The Westerly Hospital	CHOW NewCo	Women's Health Of Wstrly	No. Ston	CHOW	Consol Elims	Consol-dated
Unrestricted Revenues:	Inpatient acute	6,868	-	-				6,868	74,652	-	-				74,652
	Outpatient acute	12,194	-	-				12,194	142,483	-	-				142,483
	Charges	-	288	199				487	-	(2,099)	(2,561)				4,660
	Other contractual income	-	34	-				34	-	-	-				146
	Gross Patient Revenues	19,062	322	199				19,583	217,135	2,245	2,561				221,941
Deductions From Revenue:	Contractual allowance	11,697	161	177				12,035	131,916	1,025	1,523				134,464
	Disproportionate share	(14)	-	-				(14)	(17)	-	-				(17)
	Uncompensated care	124	-	-				124	1,092	-	-				1,092
	Total Deductions From Revenue	11,807	161	177				12,145	132,991	1,025	1,523				135,539
	Net Patient Revenues	7,255	161	22				7,438	84,144	1,220	1,038				86,402
Total Other Operating Revenue		188	-	-				188	1,459	-	-				1,459
TOTAL NET OPERATING REVENUE		7,443	161	22				7,626	85,603	1,220	1,038				87,861
Operating Expenses:	Salaries and wages	3,095	138	-				3,233	36,647	1,248	872				38,767
	Vacation and sick accrual	31	-	-				31	458	-	-				458
	Temporary help	26	-	-				26	211	-	-				211
	Employee benefits	892	32	-				924	10,806	290	158				11,254
	Salaries, wages and benefits	-	-	87				87	-	-	-				-
	Total salaries and benefits	4,044	170	87				4,301	48,122	1,538	1,030				50,690
	Workers compensation	35	-	-				35	367	-	-				367
	Administrative fees	-	10	3				13	-	96	63				159
	Net admin & billing allocations	-	-	-				-	-	-	-				-
	Professional fees	232	-	54				286	2,273	47	256				2,576
	Medical/surgical supplies	433	-	-				433	5,572	-	-				5,572
	Drugs	170	-	-				170	2,637	-	-				2,637
	Other supplies	164	40	11				215	1,778	139	100				2,017
	Utilities	91	1	2				94	1,643	20	17				1,680
	Purchased / leased services	534	31	-				565	7,582	341	-				7,923
	Insurance	84	67	398				549	1,168	79	398				1,645
	Bad debts	550	-	-				550	7,250	-	-				7,250
	Leases and rentals	69	15	9				93	911	151	103				1,165
	Depreciation	429	4	-				433	4,451	22	-				4,473
	Interest	101	-	-				101	1,366	-	-				1,366
	Other expenses	149	27	12				188	1,366	127	61				1,554
TOTAL OPERATING EXPENSES		7,085	365	576				8,026	86,486	2,560	2,028				91,074
OPERATING INCOME (LOSS)		358	(204)	(554)				(400)	(883)	(1,340)	(990)				(3,213)
Non-operating Items:	Interest income	48	-	-				48	(400)	-	-				(400)
	Realized gain on sale of stock	-	-	-				-	-	-	-				-
	Contributions	124	-	-				124	594	-	-				594
	Other than temporary loss	(462)	-	-				(462)	-	-	-				-
NON-OPERATING REVENUE AND EXPENSE		(290)	-	-				(290)	194	-	-				194
REVENUES & GAINS OVER (UNDER) EXPENSES		68	(204)	(554)				(690)	(689)	(1,340)	(990)				(3,019)
Other Net Asset Adjustments:	Change in Accounting Principle	-						-	-						-
	Transfers to Parent Corp	(2,024)						(2,024)	(1,953)						(1,953)
	Foundation trnsfrs; net assets released	333						333	(3,122)						(3,122)
	Unrealized gain/loss investments	745						745	643						643
	Minimum pension liability adjustment	(4,855)						(4,855)	387						387
									(4,855)						(4,855)
INCREASE/DECREASE IN UNRESTRICTED NET ASSETS		(5,733)	(204)	(554)				(6,491)	(9,589)	(1,340)	(990)				(11,919)

COMMUNITY HEALTH OF WESTERLY INC.
CONSOLIDATING STATEMENT OF OPERATIONS ($ 000s)
MONTH ENDING SEPTEMBER 2010

		FULL YEAR ORIGINAL BUDGET							FULL YEAR REFORECAST						
		The Westerly Hospital	CHOW NewCo	Women's Health Of Wstrly	No. Ston	CHOW	Consol Elims	Consol-dated	The Westerly Hospital	CHOW NewCo	Women's Health Of Wstrly	No. Ston	CHOW	Consol Elims	Consol-dated
Unrestricted Revenues:	Inpatient acute	-	-	-				-	-	-	-				-
	Outpatient acute	-	-	-				-	-	-	-				-
	Charges	-	-	-				-	-	-	-				-
	Other contractual income	-	-	-				-	-	-	-				-
	Gross Patient Revenues	-	-	-				-	-	-	-				-
Deductions From Revenue:	Contractual allowance	-	-	-				-	-	-	-				-
	Disproportionate share	-	-	-				-	-	-	-				-
	Uncompensated care	-	-	-				-	-	-	-				-
	Total Deductions From Revenue	-	-	-				-	-	-	-				-
	Net Patient Revenues	-	-	-				-	-	-	-				-
Total Other Operating Revenue		-	-	-				-	-	-	-				-
TOTAL NET OPERATING REVENUE		-	-	-				-	-	-	-				-
Operating Expenses:	Salaries and wages	-	-	-				-	-	-	-				-
	Vacation and sick accrual	-	-	-				-	-	-	-				-
	Temporary help	-	-	-				-	-	-	-				-
	Employee benefits	-	-	-				-	-	-	-				-
	Salaries, wages and benefits	-	-	-				-	-	-	-				-
	Total salaries and benefits	-	-	-				-	-	-	-				-
	Workers compensation	-	-	-				-	-	-	-				-
	Administrative fees	-	-	-				-	-	-	-				-
	Net admin & billing allocations	-	-	-				-	-	-	-				-
	Professional fees	-	-	-				-	-	-	-				-
	Medical/surgical supplies	-	-	-				-	-	-	-				-
	Drugs	-	-	-				-	-	-	-				-
	Other supplies	-	-	-				-	-	-	-				-
	Utilities	-	-	-				-	-	-	-				-
	Purchased / leased services	-	-	-				-	-	-	-				-
	Insurance	-	-	-				-	-	-	-				-
	Bad debts	-	-	-				-	-	-	-				-
	Leases and rentals	-	-	-				-	-	-	-				-
	Depreciation	-	-	-				-	-	-	-				-
	Interest	-	-	-				-	-	-	-				-
	Other expenses	-	-	-				-	-	-	-				-
TOTAL OPERATING EXPENSES		-	-	-				-	-	-	-				-
OPERATING INCOME (LOSS)		-	-	-				-	-	-	-				-
Non-operating Items:	Interest income	-	-	-				-	-	-	-				-
	Realized gain on sale of stock	-	-	-				-	-	-	-				-
	Contributions	-	-	-				-	-	-	-				-
	Other than temporary loss	-	-	-				-	-	-	-				-
NON-OPERATING REVENUE AND EXPENSE		-	-	-				-	-	-	-				-
REVENUES & GAINS OVER (UNDER) EXPENSES		-	-	-				-	-	-	-				-
Other Net Asset Adjustments:	Change in Accounting Pricipie	-	-	-				-	-	-	-				-
	Transfers to Parent Corp	-	-	-				-	-	-	-				-
	Foundation trnsfrs, net assets released	-	-	-				-	-	-	-				-
	Unrealized gain/loss investments	-	-	-				-	-	-	-				-
	Minimum pension liability adjustment	-	-	-				-	-	-	-				-
INCREASE/DECREASE IN UNRESTRICTED NET ASSETS		-	-	-				-	-	-	-				-

THE WESTERN HOSPITAL
STATEMENT OF OPERATIONS ($ In thousands)
MONTH ENDING SEPTEMBER 2010
(Includes Foundation)

		MONTH					YEAR-TO-DATE				
		Current Month Actual	Budget Variance Fav / (Unfav) $	Budget Variance Fav / (Unfav) %	Change From FY 2009 YEAR TO DATE $	Change From FY 2009 YEAR TO DATE %	Current YTD Actual	Budget Variance Fav / (Unfav) $	Budget Variance Fav / (Unfav) %	Change From FY 2009 YEAR TO DATE $	Change From FY 2009 YEAR TO DATE %
Unrestricted Revenues:	Inpatient acute	6,044	(1,052)	(14.8)	(824)	(12.0)	73,656	(8,635)	(10.5)	(996)	(1.3)
	Outpatient acute	12,244	(1,349)	(9.9)	50	0.4	145,397	(13,624)	(8.6)	2,914	2.0
	Charges	-	-	-	-	-	-	-	-	-	-
	Other contractual income	-	-	-	-	-	-	-	-	-	-
	Gross Patient Revenues	18,288	(2,401)	(11.6)	(774)	(4.1)	219,053	(22,259)	(9.2)	1,918	0.9
Deductions From Revenue:	Contractual allowance	10,730	1,674	14.9	(967)	(8.3)	130,505	16,556	11.3	(1,411)	(1.1)
	Disproportionate share	(41)	41	-	(27)	(192.9)	(210)	210	-	(193)	(1,135.3)
	Uncompensated care	221	(123)	(125.5)	97	78.2	2,213	(1,064)	(92.6)	1,121	102.7
	Total Deductions From Revenue	10,910	1,792	14.1	(897)	(7.6)	132,508	15,702	10.6	(483)	(0.4)
	Net Patient Revenues	7,378	(609)	(7.6)	123	1.7	86,545	(6,557)	(7.0)	2,401	2.9
Total Other Operating Revenue		157	46	41.4	(31)	(16.5)	1,917	579	43.3	458	31.4
TOTAL NET OPERATING REVENUE		7,535	(563)	(7.0)	92	1.2	88,462	(5,978)	(6.3)	2,859	3.3
Operating Expenses:	Salaries and wages	3,273	24	0.7	178	5.8	38,752	658	1.7	2,105	5.7
	Vacation and sick accrual	1	29	96.7	(30)	(96.8)	385	64	14.3	(73)	(15.9)
	Temporary help	39	(20)	(105.3)	13	50.0	278	(50)	(21.9)	67	31.8
	Employee benefits	992	41	4.0	100	11.2	12,192	64	0.5	1,386	12.8
	Salaries, wages and benefits	-	-	-	-	-	-	-	-	-	-
	Total salaries and benefits	4,305	74	1.7	261	6.5	51,607	736	1.4	3,485	7.2
	Workers compensation	28	3	9.7	(7)	(20.0)	310	57	15.5	(57)	(15.5)
	Administrative fees	-	-	-	-	-	-	-	-	-	-
	Net admin & billing allocations	-	-	-	-	-	-	-	-	-	-
	Professional fees	171	(1)	(0.6)	(61)	(26.3)	2,050	(24)	(1.2)	(223)	(9.8)
	Medical/surgical supplies	332	159	32.4	(101)	(23.3)	5,701	202	3.4	129	2.3
	Drugs	453	(223)	(97.0)	283	166.5	3,204	(451)	(16.4)	567	21.5
	Other supplies	191	(32)	(20.1)	27	16.5	1,918	(22)	(1.2)	140	7.9
	Utilities	146	40	21.5	55	60.4	1,421	191	11.8	(222)	(13.5)
	Purchased / leased services	653	(34)	(5.5)	119	22.3	7,928	217	2.7	346	4.6
	Insurance	135	(38)	(39.2)	51	60.7	1,219	(55)	(4.7)	51	4.4
	Bad debts	394	259	39.7	(156)	(28.4)	5,962	1,653	21.7	(1,288)	(17.8)
	Leases and rentals	42	30	41.7	(27)	(39.1)	735	132	15.2	(176)	(19.3)
	Depreciation	407	(40)	(10.9)	(22)	(5.1)	4,591	(191)	(4.3)	140	3.1
	Interest	108	8	6.9	7	6.9	1,306	82	5.9	(60)	(4.4)
	Other expenses	163	(52)	(46.8)	14	9.4	1,310	32	2.4	(56)	(4.1)
TOTAL OPERATING EXPENSES		7,528	153	2.0	443	6.3	89,262	2,559	2.8	2,776	3.2
OPERATING INCOME (LOSS)		7	(410)	(98.3)	(351)	(98.0)	(800)	(3,419)	(130.5)	83	9.4
Non-operating Items:	Interest income	99	99	-	51	106.3	439	439	-	839	209.8
	Realized gain on sale of stock	-	-	-	-	-	-	-	-	-	-
	Contributions	124	41	49.4	-	-	391	(609)	(60.9)	(203)	(34.2)
	Other than temporary loss	-	-	-	462	100.0	-	-	-	-	-
NON-OPERATING REVENUE AND EXPENSE		223	140	168.7	513	176.9	830	(170)	(17.0)	636	327.8
REVENUES & GAINS OVER (UNDER) EXPENSES		230	(270)	(54.0)	162	238.2	30	(3,589)	(99.2)	719	104.4
Other Net Asset Adjustments:	Change in Accounting Principle	-	-	-	-	-	-	-	-	-	-
	Transfers to Parent Corp	-	-	-	-	-	-	-	-	1,953	100.0
	Foundation trnsfrs; net assets released	(107)	(107)	-	1,917	94.7	(4,915)	(4,915)	-	(1,793)	(57.4)
	Unrealized gain/loss investments	620	620	-	287	86.2	1,041	1,041	-	398	61.9
	Minimum pension liability adjustment	732	732	-	(13)	(1.7)	402	402	-	15	3.9
		(3,183)	(3,183)	-	1,672	34.4	(3,183)	(3,183)	-	1,672	34.4
INCREASE/DECREASE IN UNRESTRICTED NET ASSETS		(1,708)	(2,208)	(441.6)	4,025	(70.2)	(6,625)	(10,244)	(283.1)	2,964	30.9

NORTH STONINGTON
STATEMENT OF OPERATIONS ($ in thousands)
PERIOD ENDING APRIL 2010

		MONTH						YEAR-TO-DATE					
		Current Month Actual	Budget Variance Fav / (Unfav) $	Budget Variance Fav / (Unfav) %	Change From FY 2010 YEAR TO DATE $	Change From FY 2010 YEAR TO DATE %		Current YTD Actual	Budget Variance Fav / (Unfav) $	Budget Variance Fav / (Unfav) %	Change From FY 2010 YEAR TO DATE $	Change From FY 2010 YEAR TO DATE %	
Unrestricted Revenues:	Inpatient acute	-	-	-	-	-		-	-	-	-	-	
	Outpatient acute	-	-	-	-	-		-	-	-	-	-	
	Charges	-	-	-	-	-		-	-	-	-	-	
	Other contractual income	-	-	-	-	-		-	-	-	-	-	
	Gross Patient Revenues	-	-	-	-	-		-	-	-	-	-	
Deductions From Revenue:	Contractual allowance	-	-	-	-	-		-	-	-	-	-	
	Disproportionate share	-	-	-	-	-		-	-	-	-	-	
	Uncompensated care	-	-	-	-	-		-	-	-	-	-	
	Total Deductions From Revenue	-	-	-	-	-		-	-	-	-	-	
	Net Patient Revenues	-	-	-	-	-		-	-	-	-	-	
Total Other Operating Revenue		-	-	-	-	-		-	-	-	-	-	
TOTAL NET OPERATING REVENUE		-	-	-	-	-		-	-	-	-	-	
Operating Expenses:	Salaries and wages	-	-	-	-	-		-	-	-	-	-	
	Vacation and sick accrual	-	-	-	-	-		-	-	-	-	-	
	Temporary help	-	-	-	-	-		-	-	-	-	-	
	Employee benefits	-	-	-	-	-		-	-	-	-	-	
	Salaries, wages and benefits	-	-	-	-	-		-	-	-	-	-	
	Total salaries and benefits	-	-	-	-	-		-	-	-	-	-	
	Workers compensation	-	-	-	-	-		-	-	-	-	-	
	Administrative fees	14	(6)	(75%)	14	-		18	(5)	(38%)	18	-	
	Net admin & billing allocations	-	-	-	-	-		-	-	-	-	-	
	Professional fees	8	(8)	-	8	-		8	(8)	-	8	-	
	Medical/surgical supplies	-	-	-	-	-		-	-	-	-	-	
	Drugs	-	-	-	-	-		1	(1)	-	1	-	
	Other supplies	-	-	-	-	-		1	(1)	-	1	-	
	Utilities	-	-	-	-	-		-	-	-	-	-	
	Purchased / leased services	-	-	-	-	-		-	-	-	-	-	
	Insurance	-	-	-	-	-		-	-	-	-	-	
	Bad debts	-	-	-	-	-		-	-	-	-	-	
	Leases and rentals	25	(25)	-	25	-		300	(300)	-	300	-	
	Depreciation	-	-	-	-	-		-	-	-	-	-	
	Interest	-	-	-	-	-		-	-	-	-	-	
	Other expenses	5	(5)	-	5	-		7	(7)	-	7	-	
TOTAL OPERATING EXPENSES		38	(38)	-	38	-		321	(321)	-	321	-	
OPERATING INCOME (LOSS)		(38)	(38)	-	(38)	-		(321)	(321)	-	(321)	-	
Non-operating items:	Interest income	-	-	-	-	-		-	-	-	-	-	
	Realized gain on sale of assets	-	-	-	-	-		-	-	-	-	-	
	Contributions	-	-	-	-	-		-	-	-	-	-	
	Other than temporary loss	-	-	-	-	-		-	-	-	-	-	
NON-OPERATING REVENUE AND EXPENSE		-	-	-	-	-		-	-	-	-	-	
REVENUES & GAINS OVER (UNDER) EXPENSES		(38)	(38)	-	(38)	-		(321)	(321)	-	(321)	-	
Other Net Asset Adjustments:	Change in Accounting Principle	-	-	-	-	-		-	-	-	-	-	
	Transfers to Parent Corp	-	-	-	-	-		-	-	-	-	-	
	Foundation trnsfrs, net assets released	-	-	-	-	-		-	-	-	-	-	
	Unrealized gain/loss investments	-	-	-	-	-		-	-	-	-	-	
	Minimum pension liability adjustment	-	-	-	-	-		-	-	-	-	-	
INCREASE/DECREASE IN UNRESTRICTED NET ASSETS		(38)	(38)		(38)	-		(321)	(321)	-	(321)	-	

INPUT DATA IN BLUE CELLS HERE; THESE COLUMNS NOT FOR ISSUED REPORT

Current Year		CY Original Budget			FY 2010	Prior Year Amount	
Month Actual	YTD Actual	Current Month	YTD Amount	FY 2010 Total	Reforcast Total	FY 2010 YEAR TO DATE MTD	FY 2010 YEAR TO DATE YTD
-	-	-	-			-	-
-	-	-	-			-	-
					-	-	
					-	-	
					-	-	
					-	-	
					-	-	
					-	-	
					-	-	
	5						
	-						
8	8						
	0						
	1						
	1						
-	-						
25	300						
5	7						
					-	-	
					-	-	
					-	-	
					-	-	
					-	-	
					-	-	
-	-				-	-	

RIDOH 0890

WOMEN'S HEALTH OF WESTERLY LLC
STATEMENT OF OPERATIONS ($ in thousands)
PERIOD ENDING APRIL 2010

		MONTH					YEAR-TO-DATE				
		Current Month Actual	Budget Variance Fav / (Unfav) $	Budget Variance Fav / (Unfav) %	Change From FY 2010 YEAR TO DATE $	Change From FY 2010 YEAR TO DATE %	Current YTD Actual	Budget Variance Fav / (Unfav) $	Budget Variance Fav / (Unfav) %	Change From FY 2010 YEAR TO DATE $	Change From FY 2010 YEAR TO DATE %
Unrestricted Revenues:	Inpatient acute	-	-	-	-	-	-	-	-	-	-
	Outpatient acute	-	-	-	-	-	-	-	-	-	-
	Charges	220	(165)	(42.9)	21	10.6	2,357	(1,145)	(32.7)	(204)	(8.0)
	Other contractual income	-	-	-	-	-	-	-	-	-	-
	Gross Patient Revenues	220	(165)	(42.9)	21	10.6	2,357	(1,145)	(32.7)	(204)	(8.0)
Deductions From Revenue:	Contractual allowance	130	82	38.7	(47)	(26.6)	1,334	592	30.7	(189)	(12.4)
	Disproportionate share	-	-	-	-	-	-	-	-	-	-
	Uncompensated care	-	-	-	-	-	-	-	-	-	-
	Total Deductions From Revenue	130	82	38.7	(47)	(26.6)	1,334	592	30.7	(189)	(12.4)
	Net Patient Revenues	90	(83)	(48.0)	68	309.1	1,023	(553)	(35.1)	(15)	(1.4)
Total Other Operating Revenue		-	-	-	-	-	-	-	-	-	-
TOTAL NET OPERATING REVENUE		90	(83)	(48.0)	68	309.1	1,023	(553)	(35.1)	(15)	(1.4)
Operating Expenses:	Salaries and wages	125	(20)	(19.0)	125	-	1,283	31	2.4	411	47.1
	Vacation and sick accrual	-	-	-	-	-	-	-	-	-	-
	Temporary help	-	-	-	-	-	-	-	-	-	-
	Employee benefits	23	(4)	(21.1)	23	-	286	(48)	(20.2)	128	81.0
	Salaries, wages and benefits	148	(24)	(19.4)	148	100.0	1,569	(17)	(1.1)	539	52.3
	Total salaries and benefits	148	(24)	(19.4)	61	70.1	-	-	-	-	-
	Workers compensation	-	-	-	-	-	345	(48)	(16.2)	(88)	(44.4)
	Administrative fees	3	(1)	(50.0)	9	-	110	-	-	110	-
	Net admin & billing allocations	9	-	-	-	-	186	(94)	(102.2)	(70)	(27.3)
	Professional fees	9	(2)	(28.6)	(45)	(83.3)	-	-	-	-	-
	Medical/surgical supplies	-	-	-	-	-	90	(13)	(16.9)	(10)	(10.0)
	Drugs	8	(2)	(33.3)	(3)	(27.3)	17	5	22.7	-	-
	Other supplies	1	1	50.0	(1)	(50.0)	-	-	-	-	-
	Utilities	-	-	-	-	-	219	41	15.8	(179)	(45.0)
	Purchased / leased services	27	(2)	(8.0)	(371)	(93.2)	-	-	-	-	-
	Insurance	-	-	-	-	-	111	1	0.9	8	7.8
	Bad debts	6	3	33.3	(3)	(33.3)	-	-	-	-	-
	Leases and rentals	-	-	-	-	-	-	-	-	-	-
	Depreciation	-	-	-	-	-	86	(41)	(91.1)	25	41.0
	Interest	8	(3)	(60.0)	(4)	(33.3)					
	Other expenses										
TOTAL OPERATING EXPENSES		219	(30)	(15.9)	(357)	(62.0)	2,423	(134)	(5.9)	395	19.5
OPERATING INCOME (LOSS)		(129)	(113)	(706.3)	425	76.7	(1,400)	(687)	(96.4)	(410)	(41.4)

RIDOH 0891

CHOW NEWCO
STATEMENT OF OPERATIONS ($ in thousands)
PERIOD ENDING APRIL 2010

		MONTH					YEAR-TO-DATE				
		Current Month Actual	Budget Variance Fav / (Unfav) $	Budget Variance Fav / (Unfav) %	Change From FY 2010 YEAR TO DATE $	Change From FY 2010 YEAR TO DATE %	Current YTD Actual	Budget Variance Fav / (Unfav) $	Budget Variance Fav / (Unfav) %	Change From FY 2010 YEAR TO DATE $	Change From FY 2010 YEAR TO DATE %
Unrestricted Revenues:	Inpatient acute	-	-	-	-	-	-	-	-	-	-
	Outpatient acute	-	-	-	-	-	-	-	-	-	-
	Charges	539	(83)	(13.3)	251	87.2	4,169	(1,645)	(28.3)	2,070	98.8
	Other contractual income	51	17	50.0	17	50.0	607	908	299.7	461	316.4
	Gross Patient Revenues	**590**	**(66)**	**(10.1)**	**268**	**83.2**	**4,776**	**(1,494)**	**(23.8)**	**2,531**	**112.7**
Deductions From Revenue:	Contractual allowance	256	39	13.2	95	59.0	1,984	759	27.7	959	93.6
	Disproportionate share	-	-	-	-	-	-	-	-	-	-
	Uncompensated care	-	-	-	-	-	-	-	-	-	-
	Total Deductions From Revenue	**256**	**39**	**13.2**	**95**	**59.0**	**1,984**	**759**	**27.7**	**959**	**93.6**
	Net Patient Revenues	**334**	**(27)**	**(7.5)**	**173**	**107.5**	**2,792**	**(735)**	**(20.8)**	**1,572**	**128.9**
Total Other Operating Revenue		-	-	-	-	-	2	(2)	(50.0)	2	-
TOTAL NET OPERATING REVENUE		334	(27)	(7.5)	173	107.5	2,794	(737)	(20.9)	1,574	129.0
Operating Expenses:	Salaries and wages	244	(20)	(8.9)	106	76.8	2,528	(2,528)	-	1,280	102.6
	Vacation and sick accrual	-	-	-	-	-	-	-	-	-	-
	Temporary help	-	-	-	-	-	-	-	-	-	-
	Employee benefits	56	(4)	(7.7)	24	75.0	496	(496)	-	206	71.0
	Salaries, wages and benefits	300	(24)	(8.7)	130	76.5	3,024	(3,024)	(100.0)	1,486	96.6
	Total salaries and benefits	300	(24)	(8.7)	130	76.5	3,024	(19)	(0.6)	1,486	96.6
	Workers compensation	-	-	-	-	-	-	-	-	-	-
	Administrative fees	13	(6)	(85.7)	3	30.0	191	(22)	(13.0)	(76)	(28.5)
	Net admin & billing allocations	(16)	11	220.0	(16)	-	(196)	81	70.4	(196)	-
	Professional fees	6	(2)	(50.0)	6	-	60	(10)	(20.0)	13	27.7
	Medical/surgical supplies	-	-	-	-	-	-	-	-	-	-
	Drugs	44	(33)	(300.0)	4	10.0	158	(48)	(43.6)	19	13.7
	Other supplies	44	(33)	(300.0)	4	10.0	158	(48)	(43.6)	19	13.7
	Utilities	3	-	-	2	200.0	26	7	21.2	6	30.0
	Purchased / leased services	69	53	43.4	38	122.6	717	455	38.8	376	110.3
	Insurance	12	(5)	(71.4)	(55)	(82.1)	141	(80)	(131.1)	62	78.5
	Bad debts	-	-	-	-	-	-	-	-	-	-
	Leases and rentals	25	(1)	(4.2)	10	66.7	225	27	10.7	74	49.0
	Depreciation	5	(1)	(25.0)	1	25.0	44	-	-	22	100.0
	Interest	-	-	-	-	-	-	-	-	-	-
	Other expenses	19	(3)	(18.8)	(8)	(29.6)	192	(26)	(15.7)	65	51.2
TOTAL OPERATING EXPENSES		480	(11)	(2.3)	115	31.5	4,482	365	7.5	1,922	75.1
OPERATING INCOME (LOSS)		(146)	(38)	(35.2)	58	28.4	(1,688)	(372)	(28.3)	(348)	(26.0)

RIDOH 0892

CHOW NewCo
Budget Summary Report

Profit and Loss Summary								
Charges	460,016	605,037	(145,021)	124,839		2,729,220	(828,307)	1,076,408
Contractual Allowance & Bad Debt	218,462	285,127	(66,665)	67,069		1,285,415	(379,159)	503,485
Adjustment percentage	47.5%	47.1%	0.4%	53.7%		47.1%	0.6%	46.8%
Other Contractual Income	60,893	33,540	27,353	14,005		287,910	70,308	56,020
Net Revenue	302,448	353,451	(51,003)	71,775		1,731,714	(378,841)	628,943
Other Miscellaneous Income	0	347	347	0		2,427	1,216	2
Expenses								
Administrative Fees	13,063	6,892	(6,170)	6,603		35,188	(9,795)	35,670
Advertising and Promotion	6,085	5,653	(432)	1,246		23,968	(72)	10,636
Bank Service Charges	400	208	(192)	68		1,458	(1,004)	681
Billing & Accounts Management Allocation	(2,472)	(2,472)	0	0		(43,032)	0	0
Books and Subscriptions	0	0	0	0		0	(303)	0
CME Dues and Licenses	855	3,571	2,716	0		16,027	(970)	9,548
Depreciation Expense	3,668	3,668	0	3,668		25,674	1,642	3,668
General & Administrative Allocation	(4,096)	(2,888)	1,207	0		(45,948)	1,207	0
General Insurance	766	0	(766)	0		0	(3,936)	0
Malpractice Insurance	7,324	3,282	(4,041)	0		14,536	(39,024)	0
Malpractice Tail Accrual	9,365	3,391	(5,974)	0		12,947	(30,501)	0
Janitorial Expense	3,109	3,770	661	1,223		20,537	3,209	8,438
Leased Services	60,956	116,172	55,216	30,500		587,856	202,164	188,278
Meetings and Meals	468	0	(468)	0		0	(5,123)	0
Miscellaneous Expenses	0	0	0	0		0	(288)	172
Postage and Delivery	887	551	(336)	87		2,947	(2,553)	248
Professional Fees	1,096	4,400	3,304	2,005		27,319	(8,506)	17,890
Relocation Expense	0	0	0	0		0	(4,459)	20,141
Rent Expense	14,769	24,116	9,347	11,247		132,545	29,002	77,924
Repairs & Maintenance	771	965	194	148		6,369	(1,012)	1,790
Payroll & Benefit Expenses	201,920	273,136	71,216	88,563		1,641,133	54,964	634,774
Security Expense	82	183	101	27		753	(228)	761
Supplies Expense	9,642	10,773	1,131	2,067		56,149	(19,833)	34,072
Taxes-Property	579	0	(579)	0		0	(4,053)	0
Telephone Expense	994	2,036	1,042	276		9,201	1,423	3,554
Training and Education - Staff	0	0	0	0		0	203	125
Travel Expense	1,074	0	(1,074)	0		0	(1,720)	1,446
Utilities	1,597	3,423	1,826	1,528		15,911	547	13,480
Operating Expenses:	332,900	460,830	127,930	149,257		2,541,540	160,327	1,063,293
Operating profit (loss)	(30,452)	(107,032)	76,580	(77,482)		(807,399)	(219,730)	(434,349)

Cash Flow Summary	April 2010 Actual	April 2010 Budget	Variance	April 2009 Actual	Oct 09 - April 10 Actual	Oct 09 - April 10 Budget	Variance	Oct 08 - April 09 Actual
Loans Made	(143,068)	(189,576)	46,508	0	(1,001,434)	(1,187,511)	186,034	0
Loans Re-Paid	79,362	124,900	(45,538)	0	481,700	587,600	(105,900)	0
Add Depreciation back	3,668	3,668	0	0	25,674	25,674	(1,642)	0
Add Malpractice Tail Accrual	9,365	3,391	5,974	0	43,448	12,947	30,501	0
Furniture & Equipment	0	(8,750)	8,750	0	(55,734)	(26,250)	(29,484)	0
IT Equipment	0	(7,000)	7,000	0	(19,200)	(24,500)	5,300	0
Renovations	(9,706)	0	(9,706)	0	(42,319)	(20,000)	(22,319)	0
Total Use of Cash	(90,833)	(180,400)	89,567	(77,482)	(1,075,878)	(1,439,439)	(336,919)	(434,349)

CHOW NewCo
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Hospital Referred Business	April 2010 Actual	April 2010 Budget	Variance	April 2009 Actual	Oct 09 - April 10 Actual	Oct 09 - April 10 Budget	Variance	Oct 08 - April 09 Actual
Inpatient Charges FY 2010	763,349	748,221	15,128	406,255	4,574,607	4,489,326	85,281	1,501,520
Inpatient Collections FY 2010 (PAF 43%)	328,240	321,735	6,505	174,690	1,967,081	1,930,410	36,671	645,654
Outpatient Charges FY 2010	769,432	1,310,707	(541,275)	584,108	4,749,377	7,864,239	(3,114,862)	1,355,842
Outpatient Collections FY 2010 (PAF 35%)	269,301	458,747	(189,446)	204,438	1,662,282	2,752,484	(1,090,202)	474,545

Ratio Analysis (MGMA 2009)	Better Performers	Annualized Actual	
Total Support Staff FTE's per FTE Physician	5.37	3.20	
Total General Operating Costs per FTE Physician	235,316	265,014	General Operating Costs = Total Expenses - All Salary and Benefits
General Operating Costs as a Percentage of Medical Revenue	29.96%	58.71%	

Notes:
(1) MGMA 2009 reports for multi-specialty groups, not hospital owned, greater than 50% primary care (Section 7).
(2) Bernardo(.2), Benoit(1), Bourguignon (.2), Curtice(.5), Harwood(1), Iovino(1.5), Losos(.2), Pecher(1), Stuart(.2), Vanasseen(.2) Weaver (0) = 6.0 FTE's.
(3) 19.2 FTE's support staff includes a share of centralized G&A and Billing staff.
(4) FY 2010 Actual Hospital Referred Business Charged is adjusted down by 5% to stay comparable with the FY 2009 charge structure.

Women's Health
Budget Summary Report

Profit and Loss Summary								
Charges	193,834	315,198	(121,564)	199,817	1,305,807	1,681,056	(375,449)	1,563,296
Contractual Allowance & Bad Debt	115,294	173,359	(58,065)	122,153	734,207	924,581	(190,374)	894,738
Adjustment percentage	59.5%	55.0%	4.5%	61.2%	56.2%	55.0%	1.2%	57.2%
Other Contractual Income	0	0	0	0	0	0	0	0
Net Revenue	78,340	141,839	(63,499)	77,468	571,400	756,475	(185,078)	668,589
Other Miscellaneous Income	0	0	0	0	3	0	-3	128
Expenses:								
Administrative Fees	8,296	1,560	(3,736)	4,054	21,089	10,920	(10,169)	37,383
Advertising and Promotion	89	450	361	86	4,088	2,400	(1,555)	586
Bank Service Charges	128	125	(3)	187	845	875	30	1,803
Billing and Accounts Mgmt. Alloc	4,583	4,583	0	0	32,083	32,083	0	0
CME Dues and Licenses	3,172	1,667	(1,505)	415	19,040	11,667	(7,373)	17,909
General & Administrative Allocat	4,583	4,583	0	0	32,083	32,083	0	0
Malpractice Insurance Expense	7,468	20,211	12,744	0	52,288	101,057	48,772	0
Malpractice Tail Accrual	4,792	4,792	0	0	33,542	33,542	0	0
Janitorial Expense	1,252	1,083	(168)	900	5,001	7,583	2,583	5,657
Miscellaneous Expenses	8,488	0	(8,488)	0	8,488	0	0	0
Payroll & Benefit Expenses	123,783	131,912	8,149	78,739	804,864	800,103	95,239	542,296
Postage and Delivery	335	233	(102)	188	1,695	1,633	(61)	1,388
Professional Fees	14,497	7,320	(7,177)	18,576	123,289	54,900	(68,389)	107,188
Rent Expense	11,348	9,333	(2,015)	7,068	62,898	85,333	2,438	58,859
Repairs & Maintenance	0	417	417	466	975	2,917	1,941	587
Supplies Expense	4,906	6,362	2,062	9,375	62,558	44,671	(17,887)	74,115
Taxes - Property	0	0	0	0	4,229	0	(4,229)	1,889
Utilities	1,882	1,800	(32)	1,078	10,192	12,600	2,408	10,725
Operating Expenses:	193,956	196,451	2,496	121,123	1,277,199	1,314,368	37,170	859,348
Operating profit (loss)	(115,615)	(54,612)	(61,003)	(43,658)	(705,797)	(557,894)	(147,903)	(190,649)

Cash Flow Summary								
Loans Made	0	0	0	0	0	0	0	0
Loans Re-Paid	0	0	0	0	0	0	0	0
Add Depreciation back	0	0	0	0	0	0	0	0
Add Malpractice Tail Accrual	4,792	4,792	0	0	33,542	33,542	0	0
Furniture & Equipment	0	0	0	0	0	0	0	0
IT Equipment	(3,219)	0	(3,219)	0	(3,219)	(4,500)	1,281	0
Renovations	0	0	0	0	0	0	0	0
Total Use of Cash	(114,042)	(49,821)	(64,222)	(43,658)	(675,474)	(528,852)	(146,922)	(190,649)

Women's Health
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Hospital Referred Business								
Inpatient Charges FY 2010	119,731	267,975	(148,244)	82,747	1,078,496	1,429,200	(350,704)	1,240,078
Inpatient Collections FY 2010 (PAF 43%)	51,484	115,229	(63,745)	35,581	463,753	614,556	(150,803)	533,233
Outpatient Charges FY 2010	309,107	352,666	(43,559)	241,253	1,810,121	1,880,880	(70,759)	1,828,480
Outpatient Collections FY 2010 (PAF 35%)	108,187	123,433	(15,245)	84,439	633,542	658,308	(24,766)	639,968

Obstetrical Cases Charged	FY 2007 YTD	FY 2008 YTD	FY 2009 YTD	April 2010	Oct '09 - Apr '10 Actual	FY 2010 Annualized
59400 Vaginal Delivery w/Pre and Post OB Care	237	244	155	9	72	123
59409 Vaginal Delivery Only	2	2	3	0	1	2
59410 Vaginal Delivery w/Post OB Care	13	14	13	0	2	3
59510 C-Section w/Pre and Post OB Care	75	68	55	3	31	53
59514 C-Section Delivery Only	1	1	5	0	0	0
59515 C-Section Delivery w/Post OB Care	2	8	10	0	0	0
TOTALS	330	337	241	12	106	212

Ratio Analysis (MGMA 2009)	Budget Performance	Annualized Actual	
Total Support Staff FTE's per FTE Physician	5.37	5.43	
Total General Operating Costs per FTE Physician	235,316	233,358	General Operating Costs = Total Expenses - All Salary and Benefits
General Operating Costs as a Percentage of Medical Revenue	29.98%	62.68%	

Notes:
(1) MGMA 2009 reports for multi-specialty groups, not hospital owned, and greater than 50% primary care (Section 7).
(2) Greenlee, McGoldrick, and Carpenter equal 2.05 FTE's.
(3) 11 FTE support staff includes a share of centralized G&A and Billing staff.
(4) FY 2010 Actual Hospital Referred Business Charged is adjusted down by 5% to stay comparable with the FY 2009 charge structure.
(5) There are currently 81 patients registered with Women's Health with due dates on or before the end of the Fiscal Year (September 30, 2010).

COMMUNITY HEALTH OF WESTERLY INC.
CONSOLIDATED STATEMENT OF OPERATIONS
COMPARISON OF ACTUAL TO BUDGET ($ 000s)
MONTH ENDING SEPTEMBER 2010

		MONTH					YEAR-TO-DATE				
		Current Month Actual	Budget Variance Fav / (Unfav) $	Budget Variance Fav / (Unfav) %	Change From FY 2010 YEAR TO DATE $	Change From FY 2010 YEAR TO DATE %	Current YTD Actual	Budget Variance Fav / (Unfav) $	Budget Variance Fav / (Unfav) %	Change From FY 2010 YEAR TO DATE $	Change From FY 2010 YEAR TO DATE %
Unrestricted Revenues:	Inpatient acute	6,044	(1,052)	(14.8)	(824)	(12.0)	73,656	(8,635)	(10.5)	(996)	(1.3)
	Outpatient acute	12,244	(1,349)	(9.9)	50	0.4	145,397	(13,624)	(8.6)	2,914	2.0
	Charges	759	(248)	(24.6)	272	55.9	6,526	(2,790)	(29.9)	1,866	40.0
	Other contractual income	51	17	50.0	17	50.0	607	151	33.1	461	315.8
	Gross Patient Revenues	19,098	(2,632)	(12.1)	(485)	(2.5)	226,186	(24,888)	(9.9)	4,245	1.9
Deductions From Revenue:	Contractual allowance	11,116	1,995	15.2	(919)	(7.6)	133,823	17,907	11.8	(641)	(0.5)
	Disproportionate share	(41)	41	-	(27)	(192.9)	(210)	210	-	(193)	(1,135.3)
	Uncompensated care	221	(123)	(125.5)	97	78.2	2,213	(1,064)	(92.6)	1,121	102.7
	Total Deductions From Revenue	11,296	1,913	14.5	(849)	(7.0)	135,826	17,053	11.2	287	0.2
	Net Patient Revenues	7,802	(719)	(8.4)	364	4.9	90,360	(7,845)	(8.0)	3,958	4.6
Total Other Operating Revenue		157	46	41.4	(31)	(16.5)	1,919	577	43.0	460	31.5
TOTAL NET OPERATING REVENUE		7,959	(673)	(7.8)	333	4.4	92,279	(7,268)	(7.3)	4,418	5.0
Operating Expenses:	Salaries and wages	3,642	(16)	(0.4)	409	12.7	42,563	(1,839)	(4.5)	3,796	9.8
	Vacation and sick accrual	1	29	96.7	(30)	(96.8)	385	64	14.3	(73)	(15.9)
	Temporary help	39	(20)	(105.3)	13	50.0	278	(50)	(21.9)	67	31.8
	Employee benefits	1,071	33	3.0	147	15.9	12,974	(480)	(3.8)	1,720	15.3
	Salaries, wages and benefits	-	-	-	(87)	(100.0)	-	3,005	100.0	-	-
	Total salaries and benefits	4,753	26	0.5	452	10.5	56,200	700	1.2	5,510	10.9
	Workers compensation	28	3	9.7	(7)	(20.0)	310	57	15.5	(57)	(15.5)
	Administrative fees	16	(7)	(77.8)	3	23.1	131	(43)	(48.9)	(28)	(17.6)
	Net admin & billing allocations	(7)	11	275.0	(7)	-	(86)	81	1,620.0	(86)	-
	Professional fees	194	(13)	(7.1)	(92)	(32.2)	2,304	(136)	(6.3)	(272)	(10.6)
	Medical/surgical supplies	332	159	32.4	(101)	(23.3)	5,701	202	3.4	129	2.3
	Drugs	453	(223)	(97.0)	283	166.5	3,204	(451)	(16.4)	567	21.5
	Other supplies	243	(67)	(38.1)	28	13.0	2,187	(84)	(4.0)	150	7.4
	Utilities	150	41	21.5	56	59.6	1,465	203	12.1	(216)	(12.8)
	Purchased / leased services	722	19	2.6	157	27.8	8,645	672	7.2	722	9.1
	Insurance	174	(45)	(34.9)	(375)	(68.3)	1,579	(94)	(6.3)	(66)	(4.0)
	Bad debts	394	259	39.7	(156)	(28.4)	5,962	1,653	21.7	(1,288)	(17.8)
	Leases and rentals	98	7	6.7	5	5.4	1,371	(140)	(11.4)	206	17.7
	Depreciation	412	(41)	(11.1)	(21)	(4.8)	4,635	(191)	(4.3)	162	3.6
	Interest	108	8	6.9	7	6.9	1,306	82	5.9	(60)	(4.4)
	Other expenses	195	(63)	(47.7)	7	3.7	1,595	(42)	(2.7)	41	2.6
TOTAL OPERATING EXPENSES		8,265	74	0.9	239	3.0	96,488	2,469	2.5	5,414	5.9
OPERATING INCOME (LOSS)		(306)	(599)	(204.4)	94	23.5	(4,209)	(4,799)	(813.4)	(996)	(31.0)
Non-operating Items:	Interest income	99	99	-	51	106.3	439	439	-	839	209.8
	Realized gain on sale of stock	-	-	-	-	-	-	-	-	-	-
	Contributions	124	41	49.4	-	-	391	(609)	(60.9)	(203)	(34.2)
	Other than temporary loss	-	-	-	462	100.0	-	-	-	-	-
NON-OPERATING REVENUE AND EXPENSE		223	140	168.7	513	176.9	830	(170)	(17.0)	636	327.8
REVENUES & GAINS OVER (UNDER) EXPENSES		(83)	(459)	(122.0)	607	88.0	(3,379)	(4,969)	(312.5)	(360)	(11.9)
Other Net Asset Adjustments:	Loss on impairment of assets	-	-	-	-	-	-	-	-	-	-
	Foundation trnsfrs; net assets released	-	-	-	-	-	-	-	-	1,953	100.0
	Transfers to Parent Corp	4,808	4,808	-	6,832	337.5	-	-	-	3,122	100.0
	Appr (depr) value of Hoxsey & Lefferts	620	620	-	287	86.2	1,041	1,041	-	398	61.9
	Unrealized gain/loss investments	732	732	-	(13)	(1.7)	402	402	-	15	3.9
	Minimum pension liability adjustment	(3,183)	(3,183)	-	1,672	34.4	(3,183)	(3,183)	-	1,672	34.4
INCREASE/DECREASE IN UNRESTRICTED NET ASSETS		2,894	2,518	669.7	9,385	144.6	(5,119)	(6,709)	(422.0)	6,800	57.0

COMMUNITY HEALTH OF WESTERLY
TRIAL BALANCE 09/30/2011

	Balance @ 10/01/2010			Adjustments			9/30/2011 Income Statement		9/30/2011 Balance Sheet	
	DR	CR		DR		CR	DR	CR	DR	CR
Cash Acct #16064	19,419.33			0.00		6,205.81			13,213.52	
Money Mkt Acct #16061	5,371.30		1	5.39		0.00			5,376.69	
Certificates of Deposit	0.00								0.00	
Accrued Interest	0.00								0.00	
Due from Maxtuxet	50.00			0.00					50.00	
Transfer to Women's Hlth LLC			2	0.00			0.00			
Due to Westerly Hosp		63,042.25		6,205.81	3	0.00				56,836.44
Acc Prof fee		0.00	3	0.00		0.00				0.00
Acc Expenses		0.00		0.00		0.00				0.00
Fund Balance		(38,201.62)								(38,201.62)
Interest Income MM					1	5.39		5.39		
Interest Income CD								0.00		
Contribution WH				0.00				0.00		
Contribution Other								0.00		
Transfer from TWH					3	0.00		0.00		
Salaries Wages Fringe				0.00			0.00			
Annual Meeting				0.00			0.00			
Profess/Legal				0.00			0.00			
Other				0.00			0.00			
		0.00								0.00
	24,840.63	24,840.63		6,211.20		6,211.20	0.00	5.39	18,640.21	18,634.82
								(5.39)	(5.39)	
							0.00	0.00	18,634.82	18,634.82

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COMMUNITY HEALTH OF WESTERLY INC. CONSOLIDATING STATEMENT OF OPERATIONS ($ 000s) 9 Months Ending 6/30/2012		YEAR-TO-DATE ACTUAL								
		The Westerly Hospital	Foundation	North Stonington	AMG	Women's Health Of Wstrly	Ocean Myst MSO,LLC	CHOW	Consol Elims	Consol-dated
Unrestricted Revenues:	Inpatient acute	52,024			-	-				52,024
	Outpatient acute	111,134		3,477	7,598	2,559				124,768
	Charges	-			-	-	-			-
	Other contractual income	-			2,358	-	641		(3,029)	10
									-	
	Gross Patient Revenues	163,158	-	3,477	9,998	2,559	641	-	(3,029)	176,802
Deductions From Revenue:	Contractual allowance	100,680		2,229	3,726	1,595				108,230
	Disproportionate share	1,338			-	-				1,338
	Uncompensated care	1,184			-	-				1,184
	Total Deductions From Revenue	103,202	-	2,229	3,726	1,595	-	-	-	110,752
	Net Patient Revenues	59,956	-	1,248	6,270	964	641	-	(3,029)	66,050
Total Other Operating Revenue		1,883	645	23	-	2	-		(645)	1,908
TOTAL NET OPERATING REVENUE		61,839	645	1,271	6,270	966	641	-	(3,674)	67,958
Operating Expenses:	Salaries and wages	26,158	97	1,486	4,342	1,017	390		-	33,490
	Vacation and sick accrual	308			-	-				308
	Temporary help	503			-	-	-			503
	Employee benefits	10,696	24	323	796	260	156			12,255
	Salaries, wages and benefits	-			-	-				-
	Total salaries and benefits	37,665	121	1,809	5,138	1,277	546	-	-	46,556
	Workers compensation	222			-	-	-			222
	Administrative fees	-			-	-				-
	Net admin & billing allocations	-			-	-				-
	Professional fees	1,130	-	100	200	99	63		-	1,592
	Medical/surgical supplies	1,156		119	126	65				1,466
	Drugs	2,069		13	2	45				2,129
	Other supplies	1,390		35	-	13	4			1,442
	Utilities	948	13	25	36	11	3			1,036
	Purchased / leased services	8,009	-	776	1,378	165	13		(3,029)	7,310
	Insurance	992		77	215	171	-			1,455
	Bad debts	5,183		349	76	12				5,620
	Leases and rentals	306		624	1,068	168	1			2,167
	Depreciation	3,589		64	57	2				3,692
	Interest	683		5	-	-				688
	Other expenses	656	37	32	501	7	6			1,239
TOTAL OPERATING EXPENSES		66,978	171	4,028	8,795	2,035	636	-	(3,029)	79,614
OPERATING INCOME (LOSS) BEFORE RESTRUCTURE		(5,139)	474	(2,757)	(2,525)	(1,069)	5	-	(645)	(11,656)
RESTRUCTURE COSTS		1,368								1,368
OPERATING INCOME (LOSS)		(6,507)	474	(2,757)	(2,525)	(1,069)	5	-	(645)	(13,024)
Non-operating Items:	Interest income				-	-				-
	Realized gain on sale of stock	116	60		105	-				281
	Contributions	112			-	-			645	757
	Other than temporary loss	-			-	-				-
NON-OPERATING REVENUE AND EXPENSE		228	60	-	105	-	-	-	645	1,038
REVENUES & GAINS OVER (UNDER) EXPENSES		(6,279)	534	(2,757)	(2,420)	(1,069)	5	-	-	(11,986)
Other Net Asset Adjustments:		-			-					-
	Change in Accounting Priople	-			-	-				-
	Transfers to Parent Corp	(3,668)			2,583	661	224			-
	Foundation trnsfrs; net assets released	626	(626)		-	-				-
	Unrealized gain/loss investments	232	(8)		-	-				224
	Minimum pension liability adjustment	-			-	-				-
INCREASE/DECREASE IN UNRESTRICTED NET ASSETS		(9,089)	(100)	(2,757)	163	(208)	229	-	-	(11,762)

COMMUNITY HEALTH OF WESTERLY
TRIAL BALANCE 09/30/2011

	Balance @ 10/01/2010			Adjustments		9/30/2011 Income Statement		9/30/2011 Balance Sheet	
	DR	CR		DR	CR	DR	CR	DR	CR
Cash Acct #16064	19,419.33			0.00	6,205.81			13,213.52	
Money Mkt Acct #16061	5,371.30		1	5.39	0.00			5,376.69	
Certificates of Deposit	0.00							0.00	
Accrued Interest	0.00							0.00	
Due from Maxtuxet	50.00			0.00				50.00	
Transfer to Women's Hlth LLC			2	0.00		0.00			
Due to Westerly Hosp		63,042.25		6,205.81	3 0.00				56,836.44
Acc Prof fee		0.00	3	0.00	0.00				0.00
Acc Expenses		0.00		0.00	0.00				0.00
Fund Balance		(38,201.62)							(38,201.62)
Interest Income MM					1 5.39		5.39		
Interest Income CD							0.00		
Contribution WH				0.00			0.00		
Contribution Other							0.00		
Transfer from TWH					3 0.00		0.00		
Salaries Wages Fringe				0.00		0.00			
Annual Meeting				0.00		0.00			
Profess/Legal				0.00		0.00			
Other				0.00		0.00			
		0.00							0.00
	24,840.63	24,840.63		6,211.20	6,211.20	0.00	5.39	18,640.21	18,634.82
							(5.39)	(5.39)	
						0.00	0.00	18,634.82	18,634.82

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COMMUNITY HEALTH OF WESTERLY INC. CONSOLIDATING STATEMENT OF OPERATIONS ($000s) 9 Months Ending 6/30/2012		YEAR-TO-DATE ACTUAL								
		The Westerly Hospital	Foundation	North Stonington	AMG	Women's Health Of Watrly	Ocean Myst MSO,LLC	CHOW	Consol/ Elims	Consol-dated
Unrestricted Revenues:	Inpatient acute	52,024			-	-				52,024
	Outpatient acute	111,134		3,477	7,598	2,559				124,768
	Charges	-			-	-	-			-
	Other contractual income	-			2,398	-	641		(3,029)	10
									-	
	Gross Patient Revenues	163,158	-	3,477	9,996	2,559	641	-	(3,029)	176,802
Deductions From Revenue:	Contractual allowance	100,580		2,229	3,726	1,595				108,230
	Disproportionate share	1,338			-	-				1,338
	Uncompensated care	1,184			-	-				1,184
	Total Deductions From Revenue	103,202	-	2,229	3,726	1,595	-	-	-	110,752
	Net Patient Revenues	59,956	-	1,248	6,270	964	641	-	(3,029)	66,050
Total Other Operating Revenue		1,883	645	23	-	2	-		(645)	1,908
TOTAL NET OPERATING REVENUE		61,839	645	1,271	6,270	966	641	-	(3,674)	67,958
Operating Expenses:	Salaries and wages	26,158	97	1,486	4,342	1,017	390		-	33,490
	Vacation and sick accrual	308			-	-				308
	Temporary help	503			-	-	-			503
	Employee benefits	10,696	24	323	796	260	156			12,255
	Salaries, wages and benefits	-			-	-				-
	Total salaries and benefits	37,665	121	1,809	5,138	1,277	546	-	-	46,556
	Workers compensation	222			-	-	-			222
	Administrative fees	-			-	-				-
	Not admin & billing allocations	-			-	-				-
	Professional fees	1,130	-	100	200	99	63		-	1,592
	Medical/surgical supplies	4,156		119	126	65				4,466
	Drugs	2,069		13	2	45				2,129
	Other supplies	1,390		35	-	13	4			1,442
	Utilities	948	13	25	36	11	3			1,036
	Purchased / leased services	8,009	-	776	1,376	165	13		(3,029)	7,310
	Insurance	992		77	215	171	-			1,455
	Bad debts	5,183		349	76	12				5,620
	Leases and rentals	306		624	1,068	168	1			2,167
	Depreciation	3,569		64	57	2				3,692
	Interest	683		5	-	-				688
	Other expenses	656	37	32	501	7	6			1,239
TOTAL OPERATING EXPENSES		66,978	171	4,028	8,795	2,035	636	-	(3,029)	79,614
OPERATING INCOME (LOSS) BEFORE RESTRUCTURE		(5,139)	474	(2,757)	(2,525)	(1,069)	5	-	(645)	(11,656)
RESTRUCTURE COSTS		1,368								1,368
OPERATING INCOME (LOSS)		(6,507)	474	(2,757)	(2,525)	(1,069)	5	-	(645)	(13,024)
Non-operating Items:	Interest income				-	-				-
	Realized gain on sale of stock	116	60		105	-				281
	Contributions	112			-	-			645	757
	Other than temporary loss	-			-	-				-
NON-OPERATING REVENUE AND EXPENSE		228	60	-	105	-	-	-	645	1,038
REVENUES & GAINS OVER (UNDER) EXPENSES		(6,279)	534	(2,757)	(2,420)	(1,069)	5	-	-	(11,986)
Other Net Asset Adjustments:		-			-					-
	Change in Accounting Priciple	-			-	-				-
	Transfers to Parent Corp	(3,668)			2,583	061	224			-
	Foundation trnsfrs; net assets released	626	(626)		-	-				-
	Unrealized gain/loss investments	232	(8)		-	-				224
	Minimum pension liability adjustment	-			-	-				-
INCREASE/DECREASE IN UNRESTRICTED NET ASSETS		(9,089)	(100)	(2,757)	163	(208)	229	-	-	(11,762)

Lawrence & Memorial Hospital

Consolidated Financial Statements
September 30, 2009 and 2008

Lawrence & Memorial Hospital
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September 30, 2009 and 2008

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PRICEWATERHOUSECOOPERS

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Report of Independent Auditors

To the Board of Trustees of
Lawrence & Memorial Hospital

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, changes in net assets, and cash flows present fairly, in all material respects, the financial position of Lawrence & Memorial Hospital (a subsidiary of Lawrence & Memorial Corporation, the "Hospital") at September 30, 2009 and 2008, and the results of its operations, its changes in net assets, and of its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These consolidated financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information, on pages 22 through 27, is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual organizations. Accordingly, we do not express an opinion on the financial position, results of operations, and changes in net assets, of the individual organizations. However, the consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, based on our audits and the report of other auditors, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

As discussed in Note 1 to the accompanying financial statements, the Hospital changed the manner in which it accounts for the classification of its endowment funds in 2009.

PricewaterhouseCoopers LLP

January 8, 2010

Lawrence & Memorial Hospital
Consolidated Balance Sheets
September 30, 2009 and 2008

	2009	2008
Assets		
Current assets		
Cash and cash equivalents	$ 22,869,913	$ 18,257,347
Investments	99,233,961	98,453,853
Patient accounts receivable, net of allowance for doubtful accounts of $8,535,167 and $7,785,400, respectively	28,570,370	34,818,517
Other receivables	5,995,236	3,934,572
Inventories	3,506,113	3,357,049
Due from affiliates	2,903,156	1,188,700
Prepaid expenses and other current assets	2,312,579	1,906,505
Debt service fund	1,295,094	1,294,037
Total current assets	166,686,422	163,210,580
Assets limited as to use		
Cash	177,710	210,229
Construction fund	6,170	6,127
Investments held in trust	12,678,851	12,999,368
Endowment investments	14,150,668	14,857,509
Funds held in trust by others	5,611,568	5,783,882
Contributions receivable	48,469	96,961
Funds held in escrow by agreement with State of Connecticut Health and Educational Facilities Authority and trustees	7,159,610	7,341,007
Total assets limited as to use	39,833,046	41,295,083
Deferred financing costs and other assets, net	2,779,069	2,989,857
Property, plant and equipment, net	106,053,228	100,727,595
	$ 315,351,765	$ 308,223,115
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 13,893,859	$ 17,863,591
Accrued vacation and sick pay	10,641,451	10,165,897
Salaries, wages, payroll taxes and amounts withheld from employees	4,184,333	3,700,920
Due to affiliates	1,682,710	573,153
Due to third party payors	9,089,438	7,993,615
Current portion of long-term debt	2,640,000	2,515,000
Total current liabilities	42,131,791	42,812,176
Accrued pension and other postretirement benefits	43,029,547	20,629,212
Other liabilities	12,202,253	11,764,379
Long-term debt, less current portion	65,610,000	68,250,000
Total liabilities	162,973,591	143,455,767
Net assets		
Unrestricted as reclassified (Note 1)	129,621,224	141,290,161
Temporarily restricted as reclassified (Note 1)	17,211,837	17,868,963
Permanently restricted	5,545,113	5,608,224
Total net assets	152,378,174	164,767,348
	$ 315,351,765	$ 308,223,115

The accompanying notes are an integral part of these financial statements.

Lawrence & Memorial Hospital
Consolidated Statements of Operations
Year Ended September 30, 2009 and 2008

	2009	2008
Unrestricted revenues, gains and other support:		
Net revenues from services to patients	$ 283,933,518	$ 268,658,867
Other operating revenues	8,924,533	8,913,680
Net assets released from restriction	460,320	422,147
Total unrestricted revenues, gains and other support	293,318,371	277,994,694
Expenses:		
Salaries and wages	135,533,992	127,169,386
Employee benefits	35,728,800	32,787,266
Supplies	31,017,186	29,399,963
Purchased services	21,328,169	21,706,666
Bad debts	15,807,846	17,211,050
Other	29,002,754	27,468,045
Interest	2,570,991	3,359,213
Depreciation and amortization	15,891,356	14,187,153
Total expenses	286,881,094	273,288,742
Income from operations	6,437,277	4,705,952
Non-operating gains/(losses)		
Unrestricted investment income	266,039	322,958
(Loss)/income from investments	(691,170)	4,103,651
Realized losses on investments deemed other than temporarily impaired	-	(2,751,358)
Total non-operating (losses)/gains	(425,131)	1,675,251
Excess of revenues over expenses	6,012,146	6,381,203
Transfers from affiliated entity	-	9,127
Net unrealized gains/(losses) on investments	4,304,504	(16,993,099)
Net assets released from restriction used for purchase of property, plant and equipment	208,519	203,651
Pension - related changes other than periodic pension costs	(22,254,106)	(5,290,651)
Donated equipment	60,000	1,214,894
Decrease in unrestricted net assets	$ (11,668,937)	$ (14,474,875)

The accompanying notes are an integral part of these financial statements.

Lawrence & Memorial Hospital
Consolidated Statements of Changes in Net Assets
Year Ended September 30, 2009 and 2008

	2009	2008
Unrestricted net assets		
Excess of revenues over expenses	$ 6,012,146	$ 6,381,203
Transfers from affiliated entity	-	9,127
Net unrealized gains/(losses) on investments	4,304,504	(16,993,099)
Net assets released from restrictions used for purchase of property and equipment	208,519	203,651
Pension - related changes other than periodic pension costs	(22,254,106)	(5,290,651)
Donated equipment	60,000	1,214,894
Decrease in unrestricted net assets	(11,668,937)	(14,474,875)
Beginning of year unrestricted net assets	141,290,161	169,267,768
Cumulative effect of change in accounting principle (Note 1)	-	(13,502,732)
Beginning of year urestricted net assets, as reclassified	141,290,161	155,765,036
End of year unrestricted net assets, as reclassified	$ 129,621,224	$ 141,290,161
Temporarily restricted net assets		
Income from investments	$ 445,602	$ 427,612
Net assets released from restrictions	(668,839)	(625,798)
Contributions received	254,173	273,596
Change in value of irrevocable trust	(108,819)	(860,363)
Net realized and unrealized losses on investments	(579,243)	(3,708,241)
Decrease in temporarily restricted net assets	(657,126)	(4,493,194)
Beginning of year temporarily restricted net assets	17,868,963	8,859,425
Cumulative effect of change in accounting principle (Note 1)	-	13,502,732
Beginning of year temporarily restricted net assets, as reclassified	17,868,963	22,362,157
End of year temporarily restricted net assets, as reclassified	$ 17,211,837	$ 17,868,963
Permanently restricted net assets		
Change in value of funds held in trust by others	$ (63,111)	$ (611,219)
Decrease in permanently restricted net assets	(63,111)	(611,219)
Beginning of year permanently restricted net assets	5,608,224	6,219,443
End of year permanently restricted net assets	$ 5,545,113	$ 5,608,224
Decrease in net assets	$ (12,389,174)	$ (19,579,288)

The accompanying notes are an integral part of these financial statements.

Lawrence & Memorial Hospital
Consolidated Statements of Cash Flows
Year Ended September 30, 2009 and 2008

	2009	2008
Cash flows from operating activities		
Change in net assets	$ (12,389,174)	$ (19,579,288)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	15,891,356	14,187,153
Receipt of contributed securities	(125,724)	(1,487,646)
Net unrealized and realized (gain)/loss on investments	(5,010,566)	21,094,773
Realized loss on other than temporarily impaired investments	-	2,751,358
Provision for bad debts	15,807,846	17,211,050
Decrease in funds held in trust by others	172,314	1,463,327
Decrease in contributions receivable	48,492	55,764
Changes in other operating accounts		
Patient accounts receivable, net	(9,559,699)	(12,261,136)
Other receivables, net	(2,060,664)	575,580
Inventories	(149,064)	(210,013)
Prepaid expenses and other current assets	(406,074)	(506,405)
Deferred financing costs and other assets	210,788	210,788
Accounts payable	(2,183,593)	5,658,820
Accrued vacation and sick pay	475,554	717,647
Salaries, wages, payroll taxes and amounts withheld from employees	483,413	(18,782)
Due to affiliates	1,109,557	(305,886)
Due from affiliates	(1,714,456)	(1,188,700)
Due to third party payors	1,095,823	3,317,903
Pension, postretirement and other liabilities	22,838,209	4,890,451
Net cash provided by operating activities	24,534,338	36,576,758
Cash flows from investing activities		
Purchase of property, plant and equipment, net	(22,934,730)	(22,546,018)
Purchase of investments	(45,924,191)	(132,456,851)
Sales of investments	51,214,482	123,418,676
(Increase)/decrease in debt service fund	(1,057)	14,523
Decrease in funds held in escrow	181,397	88,239
Net cash used in investing activities	(17,338,375)	(31,481,431)
Cash flows from financing activities		
Contributions restricted for purchase of equipment	(68,397)	(1,332,324)
Principal payments of long term debt	(2,515,000)	(2,400,000)
Net cash used in financing activities	(2,583,397)	(3,732,324)
Net increase in cash and cash equivalents	4,612,566	1,363,003
Cash and cash equivalents		
Beginning of year	18,257,347	16,894,344
End of year	$ 22,869,913	$ 18,257,347
Supplemental disclosure of non cash activities		
Construction in process included in accounts payable	$ 1,317,209	$ 3,103,348
Asset retirement obligation	$ 604,532	$ 576,542
Contributed securities	$ 125,724	$ 1,487,646

The accompanying notes are an integral part of these financial statements.

1. Significant Accounting Policies and Organization

Organization
Lawrence & Memorial Hospital (the "Hospital"), a nonprofit organization incorporated under the General Statutes of the State of Connecticut, is a wholly-owned subsidiary of Lawrence & Memorial Corporation (the "Corporation"). The Board of the Corporation elects a Board of Directors who manages the property and affairs of the Hospital.

Principles of Consolidation
The consolidated financial statements include the accounts of the Hospital and its wholly owned subsidiary. All intercompany accounts and transactions have been eliminated in consolidation.

Consolidation of Associated Specialists
Effective January 1, 2008, Associated Specialists of Southeastern Connecticut, Inc. ("Associated Specialists") was established. On April 1, 2008, Associated Specialists began billing under their own provider number. This is a wholly owned subsidiary of the Hospital. Associated Specialists is consolidated using financial statement balances at September 30, 2008 and activity for the period from January 1, 2008 to September 30, 2008 for fiscal year 2008. Financial statement balances at September 30, 2009 and activity for the period from October 1, 2009 to September 30, 2009 were used for fiscal year 2009.

Use of Estimates
The preparation of consolidated 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 amounts reported in the financial statements and accompanying footnotes. Actual results could differ from those estimates and there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The Hospital's significant estimates include the collectibility of patient accounts receivable, estimated settlements due to third party payors, estimated reserves for self-insurance liabilities, and benefit plan assumptions.

Regulatory Matters
The Hospital is required to file annual operating information with the State of Connecticut Office of Health Care Access ("OHCA").

Temporarily and Permanently Restricted Net Assets
Temporarily restricted net assets are those whose use by the Hospital has been limited by donors to a specific time frame or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Hospital in perpetuity or in funds held in trust by others whose purpose is for the funds to be maintained in perpetuity.

Donor Restricted Gifts
Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of operations as net assets released from restrictions. Donor restricted contributions whose restrictions are met within the same year as received are recorded as unrestricted contributions in the accompanying consolidated statement of operations.

The Hospital adopted net asset classification guidance which was effective for the Hospital as of October 1, 2007. The guidance was issued to provide clarification on the net asset classifications on donor restricted endowment funds and improve the quality and consistency of financial reporting of endowments held by not-for-profit organizations subject to the guidance. Upon initial adoption, the Hospital recognized a reclassification in the amount of $13,502,732 from unrestricted net assets to temporarily restricted net assets which reflects the portion of unrestricted net assets that had not been appropriated for spending as of October 1, 2007 and are therefore considered subject to time restrictions.

From October 1, 2007 to September 30, 2008, the investment activity in the accompanying statements of operations, net unrealized gains/(losses) on investments was reclassified in the amount of $3,176,000 to reflect the time restriction on true endowment activity.

Cash and Cash Equivalents
The Hospital considers all highly liquid investments with maturities of three months or less at the date of purchase to be cash equivalents.

Investments
Investments in equity and debt securities are recorded at fair value in the balance sheet. Fair value is generally determined based on quoted market prices. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the excess of revenues over expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are included in the change in net assets. Under accounting principles generally accepted in the United States of America, an "other than temporary impairment" is recognized if it is not expected that the fair value of a security will recover above cost or amortized cost within a reasonable time frame. Once an "other than temporary impairment" charge has been recorded, a new cost basis is established.

The Hospital continues to review its securities for appropriate valuation on an ongoing basis. The Hospital determined that a portion of their investments was impaired as of September 30, 2008. The Statement of Operations reflects an other than temporary impairment of $2,751,358 during fiscal year 2008. The Hospital did not identify any significant impairments in fiscal year 2009.

Realized and unrealized gains and losses on donor restricted endowment funds are included in temporarily restricted net assets under State law which allows the Board to appropriate as much of the net appreciation of investments as is prudent considering the Hospital's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends and general economic conditions.

Investments in limited liability companies are accounted for using the equity method in instances where the limited partner's interest is more than minor (3-5%).

Fair Value Measurements
Effective October 1, 2008, the Hospital adopted fair value guidance. The guidance defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles, and enhances disclosures about fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair value guidance provides guidance on how to measure fair value by providing a fair value hierarchy used to classify the source of the information used to determine fair value.

Assets Held in Trust by Others
The Hospital has been named sole or participating beneficiary in several perpetual and charitable remainder trusts. Under the terms of these trusts, the Hospital has the irrevocable right to receive the income earned on the trust assets in perpetuity from the perpetual trusts and to receive the remainder of the trust assets for the charitable remainder trusts. For perpetual trusts, the estimated present value of the future payments to the Hospital is recorded at the fair value of the assets held in the trust. The charitable remainder trusts are recorded at the present value of the estimated future distributions expected to be received over the expected term of the trust agreement. The Hospital uses appropriate credit adjusted rates.

Assets Limited as to Use
Assets limited as to use include assets set aside by the Board of Directors to fund the deductible portion of malpractice insurance coverage (maintained in an irrevocable trust) and for the established purpose of providing for future improvement, expansion and replacement of plant and equipment. In addition, funds held in trust by others, unexpended bond proceeds for construction purposes, and assets held by trustees under indenture agreements relating to financing activities with the State of Connecticut Health and Education Facilities Authority ("CHEFA") are also included therein.

Property, Plant and Equipment
Property, plant and equipment are recorded at cost, or, if received as a donation, at the fair value on the date received. The Hospital provides for depreciation of property, plant and equipment using the straight-line method in amounts sufficient to amortize the cost of its assets over their useful lives. American Hospital Association lives are generally used and provide for a 2-25 year life for land improvements, 5-50 year life for buildings and 2-25 year life for equipment. Lease improvements are amortized over the life of the lease.

Non-Operating Gains and Losses
Activities other than in connection with providing health care services are considered to be non-operating.

Excess of Revenues over Expenses
The consolidated statement of operations includes excess of revenues over expenses. Changes in unrestricted net assets which are excluded from the excess of revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments, permanent transfers of assets to and from affiliates for other than goods and services, contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets), and pension-related charges other than periodic pension costs and other postretirement benefits liabilities.

Fair Value of Financial Instruments
Investments and other assets and liabilities are carried at amounts that approximate fair value based on current market conditions. The fair value of long-term debt is estimated based on the quoted market prices for the same or similar issues or on current rates offered to the Hospital for debt of the same remaining maturities.

Benefit Plans
The Hospital has a defined benefit plan and a defined contribution plan (See Note 8).

Medical Malpractice Self-Insurance
The Hospital purchases occurrence-based professional and general liability insurance to cover medical malpractice claims. The Hospital has adopted the policy of self-insuring the deductible portion of its malpractice insurance coverage up to certain per claim and aggregate limits. The Hospital has established an irrevocable trust for the purpose of setting aside assets which can only be used for the payment of malpractice losses, related expenses, and the cost of administering the trust. Management accrues its best estimate of losses as incidents which give rise to potential losses occur.

Income Taxes
The Hospital is a not-for-profit organization and is exempt from federal income taxes on related income under Section 501(c)(3) of the Internal Revenue Code.

Inventories
Inventory consists of supplies, both medical and general pharmaceuticals and food products needed to sustain daily operation of patient care. Inventories are carried at the lower of cost or market under the first-in-first-out (FIFO) method.

Impairment of Long-Lived Assets
Long-lived assets to be held and used are reviewed for impairment whenever circumstances indicate that the carrying amount of an asset may not be recoverable. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to dispose.

Accrued Vacation and Sick Pay
Accrued vacation is recorded as a liability as time is earned. As the time is used, the time is relieved from the liability. Accrued sick time is recorded as a percent for employees who have a balance greater than or equal to 800 hours. This payout is only upon termination of employment.

Subsequent Events
The Hospital has performed an evaluation of subsequent events through December 18, 2009, which is the date the financial statements were available to be issued.

2. Revenues from Services to Patients and Charity Care

The following summarizes net revenues from services to patients:

	2009	2008
Gross charges from services to patients	$ 592,625,075	$ 510,158,157
Less: charity care	4,820,444	4,316,427
Charges from services to patients, net of charity care	587,804,631	505,841,730
Deductions		
Allowances	305,921,290	239,370,680
State of Connecticut uncompensated care system	(2,050,177)	(2,187,817)
Total deductions	303,871,113	237,182,863
Net revenues from services to patients	$ 283,933,518	$ 268,658,867

Patient accounts receivable and revenues are recorded when patient services are performed. Amounts received from most payors are different from established billing rates of the Hospital, and these differences are accounted for as allowances. The Hospital receives cash from the State of Connecticut Uncompensated Care Pool. The Hospital records this as an increase to their net revenues from services to patients.

Net patient service revenue is reported at the estimated net realizable amounts from patients, third party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Adjustments related to prior year settlements increased the Hospital's revenues by approximately $385,000 and $2,300,000 in 2009 and 2008, respectively.

During 2009 and 2008, approximately 31% and 32%, respectively, of net patient service revenue was received under the Medicare program, and 8% and 5%, respectively, under the state Medicaid program. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Hospital believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs. Changes in the Medicare and Medicaid programs and reductions of funding levels could have an adverse impact on the Hospital.

The Hospital accepts all patients regardless of their ability to pay. A patient is classified as a charity patient by reference to the established policies of the Hospital. Essentially, these policies define charity services as those services for which no payment is anticipated. In assessing a patient's inability to pay, the Hospital utilizes the generally recognized federal poverty income guidelines, but also includes certain cases where incurred charges are significant when compared to income. These charges are not included in net patient service revenues for financial reporting purposes.

3. Investments

Investments at September 30 consist of:

	2009	2008
Pooled endowment funds		
Cash and cash equivalents	$ 33,303	$ 144,725
Bonds	2,942,940	4,398,551
Hedge funds	2,540,801	-
Marketable equities	8,633,624	10,314,233
Total pooled endowment funds	14,150,668	14,857,509
Investments held in trust by others		
Cash and cash equivalents	195,198	237,391
Bonds	1,811,440	1,917,632
Marketable equities	3,453,623	3,446,019
Other investments	151,305	182,840
Total investments held in trust by others	5,611,566	5,783,882
Other investments		
Cash and cash equivalents	5,971,472	7,415,011
Bonds	32,561,346	39,586,359
Hedge funds	17,226,555	-
Marketable equities	43,462,694	51,408,191
Health Connecticut LLC	-	44,292
Connecticut Hospital Laboratory Network	11,894	-
Total other investments	99,233,961	98,453,853
	$ 118,996,195	$ 119,095,244

Fair value guidance establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entities own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The guidance describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the Hospital for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

- Level 1 – Quoted prices in active markets for identical assets.
- Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets in active markets, quoted prices in markets that are not active, or can be corroborated by observable market data for substantially the same term of the assets.

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

The Hospital's financial instrument categorization is based upon the lowest level of input that is significant to the fair value measurement within the valuation hierarchy. The following table presents the financial instruments carried at fair value using the valuation hierarchy defined above:

	2009				2008
	Level 1	Level 2	Level 3	Total Fair Value	Total Fair Value
Pooled endowment funds					
Cash and cash equivalents	$ 33,303	$ -	$ -	$ 33,303	$ 144,725
Bonds	2,942,940	-	-	2,942,940	4,398,551
Hedge funds	-	-	2,540,801	2,540,801	-
Marketable equities	8,633,624	-	-	8,633,624	10,314,233
Total pooled endowment funds	11,609,867	-	2,540,801	14,150,668	14,857,509
Held in trust by others					
Cash and cash equivalents	-	-	195,198	195,198	237,391
Bonds	-	-	1,811,440	1,811,440	1,917,632
Hedge funds	-	-	151,305	151,305	182,840
Marketable equities	-	-	3,453,623	3,453,623	3,446,019
Total held in trust by others	-	-	5,611,566	5,611,566	5,783,882
Other investments					
Cash and cash equivalents	5,971,472	-	-	5,971,472	7,415,011
Bonds	32,561,346	-	-	32,561,346	39,586,359
Hedge funds	-	-	17,226,555	17,226,555	-
Marketable equities	43,462,694		-	43,462,694	51,408,191
Health Connecticut LLC	-		-	-	44,292
Connecticut Hospital Laboratory Network	-	-	11,894	11,894	-
Total other investments	81,995,512	-	17,238,449	99,233,961	98,453,853
	$ 93,605,379	$ -	$ 25,390,816	$ 118,996,195	$ 119,095,244

Fair value for Level 1 is based upon quoted prices in active markets that the Hospital has the ability to access at the measurement date. Market price data is generally obtained from exchange or dealer markets. The Hospital does not adjust the quoted price for such assets.

Fair value for Level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers and brokers.

Fair value for Level 3 is based on valuation techniques that use significant inputs that are unobservable as they trade infrequently or not at all and reflect assumptions based on the best information available in the circumstances.

Investments included in Level 3 primarily consist of the Hospital's ownership in alternative investments (principally limited partnership interests in hedge funds). The value of these alternative investments represents the ownership interest in the net asset value ("NAV") of the respective partnership. The fair values of the securities held by limited partnerships that do not have readily determinable fair values are determined by the general partner and are based on appraisals, or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by the general partner taking into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate. Also included in Level 3 investments are charitable remainder trusts held by third parties which are recorded at the present value of the future distributions expected to be received over the term of the agreement.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Hospital believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following table is a roll forward of the amounts by investment type for financial instruments classified by the Hospital within Level 3 of the fair value hierarchy defined above:

	Beginning October 1, 2008	Investment Income	Realized Losses	Unrealized Gains/ (Losses)	Investment Fees	Net Transfers	Ending September 30, 2009
Investment pool							
Hedge funds	$ -	$ 98,508	$ (57,951)	$ 2,370,124	$ (25,813)	$ 17,394,381	$ 19,779,249
Funds held in trust	5,783,882	-	-	(172,315)	-	-	5,611,567
Total	$ 5,783,882	$ 98,508	$ (57,951)	$ 2,197,809	$ (25,813)	$ 17,394,381	$ 25,390,816

A summary of the pooled endowment investment return is presented below:

	2009	2008
Investment income	$ 424,804	$ 469,149
Realized and unrealized losses	(579,258)	(3,708,251)
Management fees and other costs	(13,096)	(31,378)
Total return on pooled endowment investments	$ (167,550)	$ (3,270,480)

4. Endowments

The Hospital's endowments consist of donor restricted endowment funds for a variety of purposes. The net assets associated with endowment funds including funds designated by the Board of Directors to function as endowments are classified and reported based on the existence or absence of donor imposed restrictions.

The Hospital understands net asset classification guidance requires that donor restricted endowment gifts be maintained in perpetuity. Consistent with net asset classification guidance, the Hospital classified 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. The Hospital considers the following factors in making a determination to appropriate or accumulate endowment funds:

- The duration and preservation of the fund
- The purposes of the Hospital and donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Hospital
- The investment policies of the Hospital

The Hospital had the following endowment activities during the years ended September 30, 2009 and 2008 delineated by net asset class and donor-restricted funds:

Endowment net asset composition by type of fund as of September 30:

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ -	$ 14,398,301	$ 2,839,683	$ 17,237,984
	$ -	$ 14,398,301	$ 2,839,683	$ 17,237,984

	2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ -	$ 15,097,077	$ 2,839,683	$ 17,936,760
	$ -	$ 15,097,077	$ 2,839,683	$ 17,936,760

Changes in endowment net assets for year ended September 30:

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 15,097,077	$ 2,839,683	$ 17,936,760
Investment return				
Investment income	-	80,589	-	80,589
Net realized and unrealized loss	-	(579,243)	-	(579,243)
Total investment return	-	(498,654)	-	(498,654)
Income distribution	-	(200,122)	-	(200,122)
Endowment net assets, end of year	$ -	$ 14,398,301	$ 2,839,683	$ 17,237,984

	2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 13,502,732	$ 2,138,881	$ 2,839,683	$ 18,481,296
Cumulative effect of change in accounting principle (Note 1)	(13,502,732)	13,502,732	-	-
Endowment net assets, beginning of year, as reclassified	-	15,641,613	2,839,683	18,481,296
Investment return				
Investment income	-	73,928	-	73,928
Net realized and unrealized loss	-	(532,241)	-	(532,241)
Total investment return	-	(458,315)	-	(458,315)
Income distribution	-	(86,221)	-	(86,221)
Endowment net assets, end of year	$ -	$ 15,097,077	$ 2,839,683	$ 17,936,760

The portion of perpetual endowment funds retained permanently either by explicit donor stipulation or by net asset classification guidance is summarized as follows:

	2009	2008
Permanently restricted net assets		
Corpus of permanently restricted contributions for purchase of equipment and healthcare services	$ 2,839,683	$ 2,839,683
Total endowment funds classified as permanently restricted net assets	$ 2,839,683	$ 2,839,683
Temporarily restricted net assets		
Unspent income and appreciation on permanently restricted endowments for purchase of equipment and healthcare services	$ 11,222,301	$ 11,921,077
Total endowment funds classified as Temporarily restricted net assets	$ 11,222,301	$ 11,921,077

Endowment Funds with Deficits
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor endowment deficits exist they are classified as a reduction of unrestricted net assets. The Hospital analyzed the endowments and notes there are no deficits as of September 30, 2009 and 2008.

Endowment Investment Return Objectives and Risk Parameters
The Hospital has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by the endowment while seeking to maintain the permanent nature of endowment funds. Under this policy, the return objective for the endowment assets measured over a full market cycle shall be to maximize the return against a blended index, based on the endowment's target asset allocation applied to the appropriate individual benchmarks.

Strategies Employed for Achieving Endowment Investment Objectives
To achieve its long-term rate of return objectives, the Hospital relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The Hospital targets a diversified asset allocation to achieve its long-term objectives within prudent Hospital risk constraints.

Endowment Spending Allocation and Relationship of Spending Policy to Investment Objectives
Spending is guided by several factors most important is the value of the portfolio. Generally, the Board will approve a spending policy limiting annual expenditures for grants and operating expenses up to 4.5% of the value of the Funds' assets based on a 12 quarter rolling average for the endowment, Kitchings and operating funds. The Hospital will designate the spending amount on an as-needed basis for the special account.

Investment managers are given ample notice of the required withdrawal schedule. Appropriate liquidity is maintained to fund these withdrawals without impairing the investment process.

5. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at September 30:

	2009	2008 (as reclassified)
Funds held in trust by others	$ 2,924,192	$ 2,984,519
Contributions receivable	48,469	96,961
Free beds and plant replacement and expansion	11,222,301	11,921,077
Specific purpose reserves	3,016,875	2,866,406
	$ 17,211,837	$ 17,868,963

Permanently restricted net assets at September 30, are restricted to:

	2009	2008
Funds held in trust by others	$ 2,705,430	$ 2,768,541
Donor restricted endowment funds	2,839,683	2,839,683
	$ 5,545,113	$ 5,608,224

6. Property, Plant and Equipment

Property, plant and equipment consists of the following:

	2009	2008
Land and land improvements	$ 5,128,782	$ 5,128,782
Buildings	105,218,566	99,620,031
Equipment	170,465,895	154,156,033
	280,813,243	258,904,846
Less: Accumulated depreciation	(180,112,431)	(165,554,431)
	100,700,812	93,350,415
Construction in progress (estimated cost to complete at September 30, 2009 is $6,280,990)	5,352,416	7,377,180
	$ 106,053,228	$ 100,727,595

7. Long-Term Debt

	2009	2008
CHEFA Series D revenue bonds		
5.0% Term bonds due, 2009 to 2013	$ 11,390,000	$ 13,905,000
5.0% Term bonds due, 2014 to 2022	33,870,000	33,870,000
CHEFA Series E revenue bonds		
Variable rate bonds, due 2023 to 2034	22,990,000	22,990,000
	68,250,000	70,765,000
Less: Amounts classified as current	2,640,000	2,515,000
Long term portion of long term debt	$ 65,610,000	$ 68,250,000

On June 24, 2004 CHEFA issued $22,990,000 of Series E Bonds (the "Series E Bonds") on behalf of the Hospital and Lawrence & Memorial Corporation (collectively referred to as the "Obligated Group" under the Series E Bond agreement). The Series E Bonds are structured with a term bond due July 1, 2034, with annual sinking fund payments due each July 1st commencing July 1, 2023. Interest on the Series E Bonds accrues at the weekly rate and is payable on the first business day of each month commencing July 1, 2004.

The proceeds of the Series E Bonds are being used to finance the acquisition, construction, capital improvements, renovation, and/or equipping of the expansion of the Hospital's Pequot Health Center, including a new 37,000 square foot building addition to house an ambulatory surgery unit, MRI series, and mobile medical technologies. The proceeds are also being used to fund the debt service reserve fund and costs related to the issuance and interest related to the Series E Bonds. Under the terms of the trust indenture for the Series E Bonds, the Obligated Group is required to meet certain financial covenants including a debt service coverage ratio and days cash on hand ratio. Members of the Obligated Group are jointly and severally obligated to provide amounts sufficient to enable the Authority to pay principal and interest on the Series E Bonds. The Bonds and bond proceeds have been allocated to the Hospital and as such, the Hospital will make future debt service payments as required under the terms of the bonds.

The bonds may be retired at an earlier date pursuant to terms of the master indenture. Payment of the bonds is collateralized by a pledge of the gross receipts, as defined, and certain real property of the Hospital.

Effective January 16, 2008, the Hospital refinanced its CHEFA Series E bonds with JPMorgan Chase Bank, N.A. This reoffering does not update information contained in the original official statement but provides a new letter of credit, which expires in January 2013.

The Series E Bonds are considered variable rate demand bonds and are remarketed on a weekly basis. If the bonds are unable to be remarketed, the letter of credit could be utilized to purchase the bonds. The Obligated Group would then be subject to the payment terms of the letter of credit, which are equal quarterly installments beginning in the first quarter that is at least 367 days after the initial draw down on the letter of credit. The Series E Bonds have been successfully remarketed and there have been no draws on the letter of credit.

In accordance with the long-term loan agreement with CHEFA, certain trusteed funds are required to be maintained. These funds provide for debt service and other related payments. The income derived from these funds is required to be reinvested in the trusteed funds and is not available for current operating purposes.

The agreements will remain in force until principal and interest on the bonds and any other costs of the Authority with respect to the project have been fully paid or provided for. Annual payments due under the loan agreements include interest on the outstanding bonds.

The fair value of the Series E Bonds, using discounted cash flow analyses approximates carrying value at September 30, 2009 and 2008. The fair value of the Series D Bonds is approximately $45.4 million and $43.5 million as of September 30, 2009 and 2008, respectively.

Principal repayments are as follows:

Year	Annual Principal Repayment
2010	$ 2,640,000
2011	2,775,000
2012	2,915,000
2013	3,060,000
Thereafter	56,860,000
	$ 68,250,000

The Hospital made cash interest payments of $2,500,964 and $3,359,213 in fiscal year 2009 and 2008, respectively. No interest was capitalized during 2009 or 2008.

8. Pension and Other Postretirement Benefits

The Hospital has a defined benefit plan covering all employees who elected to stay in the plan. The plan is frozen to new participants as of June 30, 1999. The benefits are based on years of service and the employee's compensation during the last five years of employment. Assets of the plan include mutual funds, marketable equity securities, corporate and government bonds, notes and hedge funds. The investments have been selected to generate a return on the investments and protect the principal.

The Hospital provides health care and life insurance benefits to its retired employees who meet certain eligibility requirements. The Hospital's policy is to fund the cost of postretirement benefits other than pension as incurred. This plan was frozen to include only those employees who retired prior to May 1, 1994.

The following table sets forth the plan's funded status and amounts recognized in the statement of financial position at September 30, 2009 and 2008 (measurement date of September 30):

	Pension Benefits		Other Postretirement Benefits	
	2009	2008	2009	2008
Change in benefit obligation				
Benefit obligation at beginning of year	$ 92,839,307	$ 102,691,106	$ 1,305,378	$ 1,594,902
Service cost	1,456,782	2,088,945	-	-
Interest cost	6,784,733	6,328,208	85,675	87,570
Employee contributions	184,560	196,482	-	-
Benefits paid	(4,825,526)	(4,342,286)	(141,246)	(149,919)
Actuarial loss/(gain)	20,890,290	(14,123,148)	40,771	(227,175)
Benefit obligation at end of year	$ 117,330,146	$ 92,839,307	$ 1,290,578	$ 1,305,378
Change in plan assets				
Fair value of plan assets at beginning of year	$ 74,130,658	$ 88,881,587	$ -	$ -
Actual return on plan assets	4,690,576	(12,105,125)	-	-
Employee contributions	184,560	196,482	-	-
Employer contributions	2,164,304	1,500,000	141,246	149,919
Benefits paid	(4,825,526)	(4,342,286)	(141,246)	(149,919)
Fair value of plan assets at end of year	$ 76,344,572	$ 74,130,658	$ -	$ -
Funded status of the plan	(40,985,574)	(18,708,649)	(1,290,578)	(1,305,378)
Unrecognized net loss (gain) from past experience different from that assumed and effects of changes in assumptions	29,882,430	7,503,368	(639,914)	(763,507)
Unrecognized prior service cost	721,505	846,461	-	-
Accrued benefit costs recognized in the statement of financial position	$ (10,381,639)	$ 8,349,829	$ (1,930,492)	$ (763,507)
Components of net periodic benefit costs				
Service cost	$ 1,456,782	$ 2,088,945	$ -	$ -
Interest cost	6,784,733	6,328,208	85,675	87,570
Expected return on plan assets	(6,179,348)	(7,449,086)	-	-
Gain	-	-	(82,822)	(63,014)
Net amortization and deferral	124,956	(336,668)	-	163,000
Benefit cost	$ 2,187,123	$ 631,399	$ 2,853	$ 187,556

The weighted average assumptions used to determine the net benefit cost at the beginning of the year are as follows:

	2009	2008
Discount rate	7.50%	6.29%
Average rate of compensation increases	4.25%	4.25%
Expected return on assets	8.50%	8.50%

The weighted average assumptions used to determine the benefit obligation at the end of the year are as follows:

	2009	2008
Discount rate	5.80%	7.50%
Average rate of compensation increases	4.25%	4.25%

The Plan's asset allocations as of September 30, 2009 and 2008 are as follows:

	2009	2008
Asset Category		
Equity securities	50%	47%
Debt securities	33%	52%
Other	17%	1%
Total	100%	100%

The expected rate of return on assets is calculated based on past experience.

Expected benefits to be paid under the plans are as follows:

Fiscal Years Beginning October 1	Expected Benefits
2009	$ 5,461,268
2010	5,732,572
2011	6,270,622
2012	6,573,598
2013	6,987,610
Expected Aggregate for 5 fiscal years beginning 2014	40,008,411

Annual contributions are determined by the Hospital based upon calculations prepared by the plan's actuary. Expected contributions to the Pension and Retiree Health Plan for 2010 are approximately:

Pension	$ 2,000,000
Retiree Health	131,755

The weighted-average annual assumed rate of increase in the per capita cost of covered benefits (i.e., health care cost trend rate) for participants is assumed to be 9.0% in 2010 reducing to 5.0% by the year 2016 and remaining at that level thereafter. This health care cost trend rate assumption has a significant effect on the amounts reported. To illustrate, a one percentage point increase in the assumed health care cost trend rate would increase the accumulated post-retirement benefit obligation and service cost plus interest cost by approximately $98,000 and $87,000, respectively, at September 30, 2009 and 2008. A one percentage point decrease in the assumed health care cost trend rate would decrease the accumulated postretirement benefit obligation and service cost plus interest cost by approximately $76,000 and $69,000, respectively, at September 30, 2009 and 2008.

The Hospital's 401(k) plan covers eligible employees who elect to participate in the plan. Eligible employees may contribute a percentage of their salary to the plan. The Hospital matches 100% of the first 4% of gross pay deferred by employees for those employees who do not participate in the defined benefit plan. Plan contributions charged to operations were approximately $2,131,755 and $2,253,036 for 2009 and 2008, respectively.

9. Medical Malpractice Self-Insurance

There have been malpractice claims that fall within the Hospital's self-insured program which have been asserted against the Hospital. In addition, there are known incidents that have occurred through September 30, 2009 that may result in the assertion of claims. The Hospital has engaged independent actuaries to estimate the ultimate cost of the settlement of such claims. Accrued malpractice losses have been discounted at 5.0% for 2009 and 2008. The Hospital maintains a trust to fund these liabilities on a long-term basis.

10. Functional Expenses

The Hospital provides general health care services to residents within its geographic location including pediatric care, cardiac catheterization, and outpatient surgery. Expenses by function are as follows:

	2009	2008
Health care services	$ 223,767,253	$ 215,898,106
General and administrative	63,113,841	57,390,636
	$ 286,881,094	$ 273,288,742

11. Contingency

The Hospital is a party to various lawsuits incidental to its business. Management believes that the lawsuits will not have a material adverse effect on the Hospital's financial position, results of operations, changes in net assets or cash flows.

Lawrence & Memorial Hospital
Consolidating Balance Sheet
September 30, 2009

	Lawrence & Memorial Hospital	Associated Specialists of Connecticut	Eliminating Entities	Consolidated
Assets				
Current assets				
Cash	$ 17,038,903	$ 5,831,010	$ -	$ 22,869,913
Investments	99,233,961	-	-	99,233,961
Accounts receivable	27,664,974	905,396	-	28,570,370
Other receivables	5,800,680	194,556	-	5,995,236
Inventories	3,506,113	-	-	3,506,113
Due from affiliates	20,140,708	-	(17,237,552)	2,903,156
Prepaid expenses	2,312,579	-	-	2,312,579
Debt service fund	1,295,094	-	-	1,295,094
Total current assets	176,993,012	6,930,962	(17,237,552)	166,686,422
Assets limited as to use				
Cash	177,710	-	-	177,710
Construction funds	6,170	-	-	6,170
Investments held in trust	12,678,851	-	-	12,678,851
Endowment investments	14,150,668	-	-	14,150,668
Contributions receivable	5,611,568	-	-	5,611,568
Funds held in escrow	48,469			48,469
Debt Service fund	7,159,610	-	-	7,159,610
Total assets limited as to use	39,833,046	-	-	39,833,046
Other assets				
Deferred financing costs	2,779,069	-	-	2,779,069
Property, plant and equipment	106,053,228	-	-	106,053,228
Total assets	$ 325,658,355	$ 6,930,962	$ (17,237,552)	$ 315,351,765

RIDOH 0924

Lawrence & Memorial Hospital
Consolidating Balance Sheet
September 30, 2009

	Lawrence & Memorial Hospital	Associated Specialists of Connecticut	Eliminating Entities	Consolidated
Liabilities				
Current liabilities				
Accounts payable	$ 13,893,859	$ -	$ -	$ 13,893,859
Accrued vacation and sick pay	9,798,961	842,490	-	10,641,451
Salaries, wages and payroll taxes	3,934,850	249,483	-	4,184,333
Due to affiliates	1,682,710	17,237,552	(17,237,552)	1,682,710
Due to third parties	9,089,438	-	-	9,089,438
Current portion of long-term debt	2,640,000	-	-	2,640,000
Total current liabilities	41,039,818	18,329,525	(17,237,552)	42,131,791
Accrued pension and other postretirement benefits	43,029,547	-	-	43,029,547
Other liabilities	12,202,253	-	-	12,202,253
Long-term debt, less current portion	65,610,000	-	-	65,610,000
Total liabilities	77,812,253	-	-	162,973,591
Net assets				
Unrestricted	141,020,827	(11,399,603)	-	129,621,224
Temporarily restricted	17,210,797	1,040	-	17,211,837
Permanently restricted	5,545,113	-	-	5,545,113
Total net assets	163,776,737	(11,398,563)	-	152,378,174
	$ 282,628,808	$ 6,930,962	$ (17,237,552)	$ 315,351,765

RIDOH 0925

Lawrence & Memorial Hospital
Consolidating Balance Sheet
September 30, 2008, as reclassified

	Lawrence & Memorial Hospital	Associated Specialists of Connecticut	Eliminating Entities	Consolidated
Assets				
Current assets	$ 16,232,768	$ 2,024,579	$ -	$ 18,257,347
Cash	98,453,853	-	-	98,453,853
Investments	33,459,260	1,359,257	-	34,818,517
Accounts receivable	3,934,289	283	-	3,934,572
Other receivables	3,357,049	-	-	3,357,049
Inventories	6,118,853	-	(4,930,153)	1,188,700
Due from affiliates	1,906,505	-	-	1,906,505
Prepaid expenses	1,294,037	-	-	1,294,037
Debt service fund	164,756,614	3,384,119	(4,930,153)	163,210,580
Total current assets				
Assets limited as to use	210,229	-	-	210,229
Cash	6,127	-	-	6,127
Construction funds	12,999,368	-	-	12,999,368
Investments held in trust	14,857,509	-	-	14,857,509
Endowment investments	5,783,882	-	-	5,783,882
Funds held by Trustee	96,961	-	-	96,961
Contributions receivable				
Funds held in escrow	7,341,007	-	-	7,341,007
Debt Service fund	41,295,083	-	-	41,295,083
Total assets limited as to use				
Other assets	2,989,857	-	-	2,989,857
Deferred financing costs	100,727,595	-	-	100,727,595
Property, plant and equipment	$ 309,769,149	$ 3,384,119	$ (4,930,153)	$ 308,223,115
Total assets				

RIDOH 0926

Lawrence & Memorial Hospital
Consolidating Balance Sheet
September 30, 2008, as reclassified

	Lawrence & Memorial Hospital	Associated Specialists of Connecticut	Eliminating Entities	Consolidated
Liabilities				
Current liabilities				
Accounts payable	$ 17,863,591	$ -	$ -	$ 17,863,591
Accrued vacation and sick pay	9,551,696	614,201	-	10,165,897
Salaries, wages and payroll taxes	3,554,835	146,085	-	3,700,920
Due to affiliates	573,153	4,930,153	(4,930,153)	573,153
Due to third parties	7,993,615	-	-	7,993,615
Current portion of long-term debt	2,515,000	-	-	2,515,000
Total current liabilities	42,051,890	5,690,439	(4,930,153)	42,812,176
Accrued pension and other postretirement benefits	20,629,212	-	-	20,629,212
Other liabilities	11,764,379	-	-	11,764,379
Long-term debt, less current portion	68,250,000	-	-	68,250,000
Total liabilities	142,695,481	5,690,439	-	143,455,767
Net assets				
Unrestricted	143,597,261	(2,307,100)	-	141,290,161
Temporarily restricted	17,868,183	780	-	17,868,963
Permanently restricted	5,608,224	-	-	5,608,224
Total net assets	167,073,668	(2,306,320)	-	164,767,348
	$ 309,769,149	$ 3,384,119	$ (4,930,153)	$ 308,223,115

RIDOH 0927

Lawrence & Memorial Hospital
Consolidating Statement of Operations
September 30, 2009

	Lawrence & Memorial Hospital	Associated Specialists of Connecticut	Eliminating Entities	Consolidated
Net revenues	$ 280,126,452	$ 3,807,066	$ -	$ 283,933,518
Other operating revenues	12,473,743	104,661	(3,653,871)	8,924,533
Net assets released from restriction	460,320	-	-	460,320
	293,060,515	3,911,727	(3,653,871)	293,318,371
Operating expenses				
Salaries and wages	128,119,767	7,414,225	-	135,533,992
Employee benefits	35,453,540	1,897,584	(1,622,324)	35,728,800
Supplies	30,981,518	35,668	-	31,017,186
Purchased services	20,689,716	1,993,733	(1,355,280)	21,328,169
Bad debts	15,090,955	716,891	-	15,807,846
Other	28,732,892	946,129	(676,267)	29,002,754
Interest	2,570,991	-	-	2,570,991
Depreciation and amortization	15,891,356	-	-	15,891,356
	277,530,735	13,004,230	(3,653,871)	286,881,094
Income from operations	15,529,780	(9,092,503)	-	6,437,277
Nonoperating gains and losses				
Unrestricted income	266,039	-	-	266,039
Income from investments	(691,170)	-	-	(691,170)
	(425,131)	-	-	(425,131)
Excess of revenues over expenses	$ 15,104,649	$ (9,092,503)	$ -	$ 6,012,146
Net unrealized gains on investments	4,304,504	-	-	4,304,504
Net assets released from restriction used for the purchase of property, plant and equipment	208,519	-	-	208,519
Minimum pension liability adjustment	(22,254,106)	-	-	(22,254,106)
Donated equipment	60,000	-	-	60,000
	$ (17,681,083)	$ (9,092,503)	$ -	$ (17,681,083)
Decrease in unrestricted net assets	$ (2,576,434)	$ (9,092,503)	$ -	$ (11,668,937)

RIDOH 0928

Lawrence & Memorial Hospital
Consolidating Statement of Operations
September 30, 2008

	Lawrence & Memorial Hospital	Associated Specialists of Connecticut	Eliminating Entities	Consolidated
Net revenues	$ 265,186,141	$ 3,472,726	$ -	$ 268,658,867
Other operating revenues	11,202,386	1,856,199	(4,144,905)	8,913,680
Net assets released from restriction	422,147	-	-	422,147
	276,810,674	5,328,925	(4,144,905)	277,994,694
Operating expenses				
Salaries and wages	122,607,453	4,561,933	-	127,169,386
Employee benefits	32,600,475	1,458,962	(1,272,171)	32,787,266
Supplies	29,399,959	4	-	29,399,963
Purchased services	23,316,935	934,875	(2,545,144)	21,706,666
Bad debts	16,989,650	221,400	-	17,211,050
Other	27,336,784	458,851	(327,590)	27,468,045
Interest	3,359,213	-	-	3,359,213
Depreciation and amortization	14,187,153	-	-	14,187,153
	269,797,622	7,636,025	(4,144,905)	273,288,742
Income from operations	7,013,052	(2,307,100)	-	4,705,952
Nonoperating gains and losses				
Unrestricted income	322,958	-	-	322,958
Income from investments	4,103,651	-	-	4,103,651
Realized losses on investments deemed other than temporarily impaired	(2,751,358)	-	-	(2,751,358)
	1,675,251	-	-	1,675,251
Excess of revenues over expenses	$ 8,688,303	$ (2,307,100)	$ -	$ 6,381,203
Transfers from affiliated entity	9,127	-	-	9,127
Net unrealized (losses) on investments	(16,993,099)	-	-	(16,993,099)
Net assets released from restriction used for the purchase of property, plant and equipment	203,651	-	-	203,651
Minimum pension liability adjustment	(5,290,651)	-	-	(5,290,651)
Donated equipment	1,214,894	-	-	1,214,894
	(20,856,078)	-	-	(20,856,078)
Decrease in unrestricted net assets	$ (12,167,775)	$ (2,307,100)	$ -	$ (14,474,875)

RIDOH 0929

Lawrence & Memorial Hospital

Consolidated Financial Statements
September 30, 2010 and 2009

Lawrence & Memorial Hospital
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September 30, 2010 and 2009

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Report of Independent Auditors

To the Board of Trustees of
Lawrence & Memorial Hospital

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, changes in net assets, and cash flows present fairly, in all material respects, the financial position of Lawrence & Memorial Hospital (a subsidiary of Lawrence & Memorial Corporation, the "Hospital") at September 30, 2010 and 2009, and the results of their operations, their changes in net assets, and of their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These consolidated financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information, on pages 25 through 30, is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual organizations. Accordingly, we do not express an opinion on the financial position, results of operations, and changes in net assets, of the individual organizations. However, the consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, based on our audits is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

PricewaterhouseCoopers LLP

December 17, 2010

Lawrence & Memorial Hospital
Consolidated Balance Sheets
September 30, 2010 and 2009

	2010	2009
Assets		
Current assets		
Cash and cash equivalents	$ 33,160,240	$ 22,869,913
Investments	106,795,008	99,233,961
Patient accounts receivable, net of allowance for doubtful accounts of $8,760,213 and $8,535,167, respectively	30,942,261	30,054,404
Other receivables	5,765,211	5,995,236
Inventories	3,796,086	3,508,113
Due from affiliates	6,243,478	2,903,158
Prepaid expenses and other current assets	1,624,613	2,312,579
Debt service fund	1,248,032	1,295,094
Total current assets	189,574,927	168,170,456
Assets limited as to use		
Cash	179,215	177,710
Construction fund	-	6,170
Investments held in trust	11,986,573	12,678,851
Endowment investments	14,741,092	14,150,668
Funds held in trust by others	5,876,049	5,611,568
Contributions receivable	46,092	48,469
Funds held in escrow by agreement with State of Connecticut Health and Educational Facilities Authority and trustees	7,156,167	7,159,610
Total assets limited as to use	39,985,188	39,833,046
Deferred financing costs and other assets, net	1,330,365	1,418,292
Property, plant and equipment, net	109,171,111	106,053,228
	$ 340,061,591	$ 315,475,022
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 19,524,046	$ 15,377,893
Accrued vacation and sick pay	11,220,455	10,641,451
Salaries, wages, payroll taxes and amounts withheld from employees	5,023,219	4,184,333
Due to affiliates	4,764,147	1,682,710
Due to third party payors	8,559,110	9,089,438
Current portion of long-term debt	2,866,493	2,640,000
Total current liabilities	51,957,470	43,615,825
Accrued pension and other postretirement benefits	52,131,286	43,029,547
Other liabilities	12,279,482	12,202,253
Long-term debt, less current portion	61,883,130	64,249,223
Total liabilities	178,251,368	163,096,848
Net assets		
Unrestricted	137,908,558	129,621,224
Temporarily restricted	18,251,340	17,211,837
Permanently restricted	5,650,325	5,545,113
Total net assets	161,810,223	152,378,174
	$ 340,061,591	$ 315,475,022

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

Lawrence & Memorial Hospital
Consolidated Statements of Operations
Years Ended September 30, 2010 and 2009

	2010	2009
Unrestricted revenues, gains and other support:		
Net revenues from services to patients	$ 314,168,301	$ 283,933,518
Other operating revenues	9,926,307	8,924,533
Net assets released from restriction used for operations	412,940	460,320
Total unrestricted revenues, gains and other support	324,507,548	293,318,371
Expenses:		
Salaries and wages	143,999,074	135,533,992
Employee benefits	40,325,006	35,728,800
Supplies	33,524,606	31,017,186
Purchased services	21,093,240	21,328,169
Other	38,810,998	29,002,754
Interest	2,332,245	2,570,991
Depreciation and amortization	16,728,407	15,891,356
Bad debts	15,052,335	15,807,846
Total expenses	311,865,909	286,881,094
Income from operations	12,641,639	6,437,277
Non-operating gains		
Unrestricted investment income	175,335	266,039
Income/(loss) from investments	2,341,396	(691,170)
Total non-operating gains (losses)	2,516,731	(425,131)
Excess of revenues over expenses	15,158,370	6,012,146
Transfers to affiliated entity	(4,900,000)	-
Net unrealized gains on investments	5,459,058	4,304,504
Net assets released from restriction used for purchase of property, plant and equipment	181,470	208,519
Pension - related changes other than periodic pension costs	(7,611,564)	(22,254,106)
Donated equipment	-	60,000
Increase/(decrease) in unrestricted net assets	$ 8,287,334	$ (11,668,937)

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

Lawrence & Memorial Hospital
Consolidated Statements of Changes in Net Assets
Years Ended September 30, 2010 and 2009

	2010	2009
Unrestricted net assets		
Excess of revenues over expenses	$ 15,158,370	$ 6,012,146
Transfers to affiliated entity	(4,900,000)	-
Net unrealized gains on investments	5,459,058	4,304,504
Net assets released from restrictions used for purchase of property and equipment	181,470	208,519
Pension - related changes other than periodic pension costs	(7,611,564)	(22,254,106)
Donated equipment	-	60,000
Increase/(decrease) in unrestricted net assets	8,287,334	(11,668,937)
Beginning of year unrestricted net assets	129,621,224	141,290,161
End of year unrestricted net assets	$ 137,908,558	$ 129,621,224
Temporarily restricted net assets		
Income from investments	$ 268,083	$ 445,602
Net assets released from restrictions	(594,410)	(668,839)
Contributions received	191,238	254,173
Change in value of irrevocable trust	159,705	(108,819)
Net realized and unrealized gains/(losses) on investments	1,014,887	(579,243)
Increase/(decrease) in temporarily restricted net assets	1,039,503	(657,126)
Beginning of year temporarily restricted net assets	17,211,837	17,868,963
End of year temporarily restricted net assets	$ 18,251,340	$ 17,211,837
Permanently restricted net assets		
Change in value of funds held in trust by others	$ 105,212	$ (63,111)
Increase/(decrease) in permanently restricted net assets	105,212	(63,111)
Beginning of year permanently restricted net assets	5,545,113	5,608,224
End of year permanently restricted net assets	$ 5,650,325	$ 5,545,113
Increase/(decrease) in net assets	$ 9,432,049	$ (12,389,174)

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

Lawrence & Memorial Hospital
Consolidated Statements of Cash Flows
Years Ended September 30, 2010 and 2009

	2010	2009
Cash flows from operating activities		
Change in net assets	$ 9,432,049	$ (12,389,174)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	16,728,407	15,891,356
Receipt of contributed securities	(427,788)	(125,724)
Net unrealized and realized gain on investments	(6,340,835)	(5,010,566)
Provision for bad debts	15,052,335	15,807,846
(Increase)/decrease in funds held in trust by others	(264,481)	172,314
Decrease in contributions receivable	2,377	48,492
Changes in other operating accounts		
Patient accounts receivable, net	(15,940,192)	(9,559,699)
Other receivables, net	230,025	(2,060,664)
Inventories	(289,973)	(149,064)
Due from affiliates	(3,340,320)	(1,714,456)
Prepaid expenses and other current assets	687,966	(406,074)
Deferred financing costs and other assets	87,927	210,788
Accounts payable	4,355,867	(2,183,593)
Accrued vacation and sick pay	579,004	475,554
Salaries, wages, payroll taxes and amounts withheld from employees	838,886	483,413
Due to affiliates	3,081,437	1,109,557
Due to third party payors	(530,328)	1,095,823
Pension, postretirement and other liabilities	9,178,968	22,838,209
Net cash provided by operating activities	33,121,331	24,534,338
Cash flows from investing activities		
Purchase of property, plant and equipment, net	(19,933,142)	(23,003,127)
Purchase of investments	(94,425,145)	(45,924,191)
Sales of investments	93,311,452	51,214,482
Decrease/(increase) in debt service fund	47,062	(1,057)
Income from temporarily and permanently restricted investments	427,788	125,724
Decrease in funds held in escrow	3,443	181,397
Net cash used in investing activities	(20,568,542)	(17,406,772)
Cash flows from financing activities		
Principal payments of long term debt	(2,262,462)	(2,515,000)
Net cash used in financing activities	(2,262,462)	(2,515,000)
Net increase in cash and cash equivalents	10,290,327	4,612,566
Cash and cash equivalents		
Beginning of year	22,869,913	18,257,347
End of year	$ 33,160,240	$ 22,869,913
Supplemental disclosure of non cash activities		
Construction in process included in accounts payable	$ 1,526,923	$ 1,317,209
Contributed securities	$ 427,788	$ 125,724

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

1. Significant Accounting Policies and Organization

Organization
Lawrence & Memorial Hospital (the "Hospital"), a nonprofit organization incorporated under the General Statutes of the State of Connecticut, is a wholly-owned subsidiary of Lawrence & Memorial Corporation (the "Corporation"). The Board of the Corporation elects a Board of Directors who manages the property and affairs of the Hospital.

Principles of Consolidation
The consolidated financial statements include the accounts of the Hospital and its wholly owned subsidiary, Associated Specialists of Southeastern Connecticut, Inc ("Associated Specialists"). All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates
The preparation of consolidated 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 amounts reported in the consolidated financial statements and accompanying footnotes. Actual results could differ from those estimates and there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The Hospital's significant estimates include the collectibility of patient accounts receivable, useful lives of fixed assets, estimated settlements due to third party payors, estimated reserves for self-insurance liabilities, and benefit plan assumptions.

Regulatory Matters
The Hospital is required to file annual operating information with the State of Connecticut Office of Health Care Access ("OHCA").

Temporarily and Permanently Restricted Net Assets
Temporarily restricted net assets are those whose use by the Hospital has been limited by donors to a specific time frame or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Hospital and its subsidiary in perpetuity or in funds held in trust by others whose purpose is for the funds to be maintained in perpetuity.

Donor Restricted Gifts
Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of operations as net assets released from restrictions. Donor restricted contributions whose restrictions are met within the same year as received are recorded as unrestricted contributions in the accompanying consolidated statement of operations.

Cash and Cash Equivalents
The Hospital and its subsidiary consider all highly liquid investments with original maturities of three months or less at the date of purchase to be cash equivalents.

Investments
Investments in equity and debt securities are recorded at fair value in the balance sheet. Fair value is generally determined based on quoted market prices. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the excess of revenues over expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are included in the change in net assets.

Realized and unrealized gains and losses on donor restricted endowment funds are included in temporarily restricted net assets under State law which allows the Board to appropriate as much of the net appreciation of investments as is prudent considering the Hospital's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends and general economic conditions.

Investments in limited liability companies are accounted for using the equity method in instances where the limited partner's interest is more than minor (3-5%).

Fair Value Measurements
Fair value guidance establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entities own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The guidance describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the Hospital for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

- Level 1 – Quoted prices in active markets for identical assets.
- Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets in active markets, quoted prices in markets that are not active, or can be corroborated by observable market data for substantially the same term of the assets.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets.

Assets Held in Trust by Others
The Hospital has been named sole or participating beneficiary in several perpetual and charitable remainder trusts. Under the terms of these trusts, the Hospital has the irrevocable right to receive the income earned on the trust assets in perpetuity from the perpetual trusts and to receive the remainder of the trust assets for the charitable remainder trusts. For perpetual trusts, the estimated present value of the future payments to the Hospital is recorded at the fair value of the assets held in the trust. The charitable remainder trusts are recorded at the present value of the estimated future distributions expected to be received over the expected term of the trust agreement. The Hospital uses appropriate credit adjusted rates.

Assets Limited as to Use
Assets limited as to use include assets set aside by the Board of Directors to fund the deductible portion of malpractice insurance coverage (maintained in an irrevocable trust) and for the established purpose of providing for future improvement, expansion and replacement of plant and equipment. In addition, funds held in trust by others, unexpended bond proceeds for construction purposes, and assets held by trustees under indenture agreements relating to financing activities with the State of Connecticut Health and Education Facilities Authority ("CHEFA") are also included therein.

Property, Plant and Equipment
Property, plant and equipment are recorded at cost, or, if received as a donation, at the fair value on the date received. The Hospital provides for depreciation of property, plant and equipment using the straight-line method in amounts sufficient to amortize the cost of its assets over their useful lives. American Hospital Association lives are generally used and provide for a 2-25 year life for land improvements, 5-50 year life for buildings and 2-25 year life for equipment. Lease improvements are amortized over the life of the lease.

Non-Operating Gains and Losses
Activities other than in connection with providing health care services are considered to be non-operating.

Excess of Revenues over Expenses
The consolidated statement of operations includes excess of revenues over expenses. Changes in unrestricted net assets which are excluded from the excess of revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments, permanent transfers of assets to and from affiliates for other than goods and services, contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets), and pension-related charges other than periodic pension costs and other postretirement benefits liabilities.

Fair Value of Financial Instruments
Investments and other assets and liabilities are carried at amounts that approximate fair value based on current market conditions. The fair value of long-term debt is estimated based on the quoted market prices for the same or similar issues or on current rates offered to the Hospital for debt of the same remaining maturities.

Benefit Plans
The Hospital has a defined benefit plan and a defined contribution plan (see Note 8).

Medical Malpractice Self-Insurance
The Hospital purchases occurrence-based professional and general liability insurance to cover medical malpractice claims. The Hospital has adopted the policy of self-insuring the deductible portion of its malpractice insurance coverage up to certain per claim and aggregate limits. The Hospital has established an irrevocable trust for the purpose of setting aside assets which can only be used for the payment of malpractice losses, related expenses, and the cost of administering the trust. Management accrues its best estimate of losses as incidents which give rise to potential losses occur.

Income Taxes
The Hospital and its wholly owned subsidiary, Associated Specialists are not-for-profit organizations and are exempt from federal income taxes on related income under Section 501(c)(3) of the Internal Revenue Code.

Inventories
Inventory consists of supplies, both medical and general pharmaceuticals and food products needed to sustain daily operation of patient care. Inventories are carried at the lower of cost or market under the first-in-first-out (FIFO) method.

Impairment of Long-Lived Assets
Long-lived assets to be held and used are reviewed for impairment whenever circumstances indicate that the carrying amount of an asset may not be recoverable. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to dispose.

Accrued Vacation and Sick Pay
Accrued vacation is recorded as a liability as time is earned. As the time is used, the time is relieved from the liability. Accrued sick time is recorded as a percent for employees who have a balance greater than or equal to 800 hours. This payout is only upon termination of employment.

Subsequent Events
The Hospital has performed an evaluation of subsequent events through December 17, 2010, which is the date the financial statements were issued.

Reclassifications
Certain 2009 information was reclassified to conform with 2010 presentation.

2. **Revenues from Services to Patients and Charity Care**

The following summarizes net revenues from services to patients:

	2010	2009
Gross charges from services to patients	$651,382,509	$592,625,075
Less: Charity care	5,279,619	4,820,444
Charges from services to patients, net of charity care	646,102,890	587,804,631
Deductions		
Allowances	333,840,923	305,921,290
State of Connecticut uncompensated care system (receipts)	(1,906,334)	(2,050,177)
Total deductions	331,934,589	303,871,113
Net revenues from services to patients	$314,168,301	$283,933,518

Patient accounts receivable and revenues are recorded when patient services are performed. Amounts received from most payors are different from established billing rates of the Hospital, and these differences are accounted for as allowances. The Hospital receives cash from the State of Connecticut Uncompensated Care Pool. The Hospital records this as an increase to their net revenues from services to patients.

Net patient service revenue is reported at the estimated net realizable amounts from patients, third party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Adjustments related to prior year settlements increased the Hospital's revenues by approximately $16,000 and $385,000 in 2010 and 2009, respectively.

During 2010 and 2009, approximately 32% and 31%, respectively, of net patient service revenue was received under the Medicare program, and 9% and 8%, respectively, under the state Medicaid program. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Hospital believes that it is in compliance with all applicable laws and egulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs. Changes in the Medicare and Medicaid programs and reductions of funding levels could have an adverse impact on the Hospital.

The Hospital accepts all patients regardless of their ability to pay. A patient is classified as a charity patient by reference to the established policies of the Hospital. Essentially, these policies define charity services as those services for which no payment is anticipated. In assessing a patient's inability to pay, the Hospital utilizes the generally recognized federal poverty income guidelines, but also includes certain cases where incurred charges are significant when compared to income. These charges are not included in net patient service revenues for financial reporting purposes.

3. Investments

Investments at September 30 consist of:

	2010	2009
Pooled endowment funds		
Cash and cash equivalents	$ 432,604	$ 33,303
Bonds	2,259,321	2,942,940
Hedge funds	3,527,534	2,540,801
Marketable equities	8,521,633	8,633,624
Total pooled endowment funds	14,741,092	14,150,668
Investments held in trust by others		
Cash and cash equivalents	168,922	195,198
Bonds	1,949,338	1,811,440
Marketable equities	3,580,952	3,453,625
Other investments	176,837	151,305
Total investments held in trust by others	5,876,049	5,611,568
Other investments		
Cash and cash equivalents	842,700	5,971,472
Bonds	25,490,811	32,561,346
Hedge funds	36,420,934	17,226,555
Marketable equities	44,026,882	43,462,694
Connecticut Hospital Laboratory Network	13,681	11,894
Total other investments	106,795,008	99,233,961
	$ 127,412,149	$ 118,996,197

The Hospital's financial instrument categorization is based upon the lowest level of input that is significant to the fair value measurement within the valuation hierarchy. The following table presents the financial instruments carried at fair value using the valuation hierarchy defined above:

	2010			
	Level 1	Level 2	Level 3	Total Fair Value
Pooled endowment funds				
Cash and cash equivalents	$ 432,604	$ -	$ -	$ 432,604
Bonds	115,698	2,143,623	-	2,259,321
Hedge funds	-	-	3,527,534	3,527,534
Marketable equities	5,300,337	3,221,296	-	8,521,633
Total pooled endowment funds	5,848,639	5,364,919	3,527,534	14,741,092
Held in trust by others				
Cash and cash equivalents	-	-	168,922	168,922
Bonds	-	-	1,949,338	1,949,338
Marketable equities	-	-	3,580,952	3,580,952
Other investments	-	-	176,837	176,837
Total held in trust by others	-	-	5,876,049	5,876,049
Other investments				
Cash and cash equivalents	842,700	-	-	842,700
Bonds	-	25,490,811	-	25,490,811
Hedge funds	-	-	36,420,934	36,420,934
Marketable equities	20,965,635	23,061,247	-	44,026,882
Connecticut Hospital Laboratory Network	-	-	13,681	13,681
Total other investments	21,808,335	48,552,058	36,434,615	106,795,008
	$ 27,656,974	$ 53,916,977	$ 45,838,198	$ 127,412,149

	2009			
	Level 1	Level 2	Level 3	Total Fair Value
Pooled endowment funds				
Cash and cash equivalents	$ 33,303	$ -	$ -	$ 33,303
Bonds	105,204	2,837,736	-	2,942,940
Hedge funds	-	-	2,540,801	2,540,801
Marketable equities	4,890,475	3,743,149	-	8,633,624
Total pooled endowment funds	5,028,982	6,580,885	2,540,801	14,150,668
Held in trust by others				
Cash and cash equivalents	-	-	195,198	195,198
Bonds	-	-	1,811,440	1,811,440
Marketable equities	-	-	3,453,625	3,453,625
Other investments	-	-	151,305	151,305
Total held in trust by others	-	-	5,611,568	5,611,568
Other investments				
Cash and cash equivalents	5,971,471	-	-	5,971,471
Bonds	-	32,561,347	-	32,561,347
Hedge funds	-	-	17,226,554	17,226,554
Marketable equities	12,624,134	30,838,561	-	43,462,695
Connecticut Hospital Laboratory Network	-	-	11,894	11,894
Total other investments	18,595,605	63,399,908	17,238,448	99,233,961
	$ 23,624,587	$ 69,980,793	$ 25,390,817	$ 118,996,197

Fair value for Level 1 is based upon quoted prices in active markets that the Hospital has the ability to access at the measurement date. Market price data is generally obtained from exchange or dealer markets. The Hospital does not adjust the quoted price for such assets.

Fair value for Level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers and brokers.

Fair value for Level 3 is based on valuation techniques that use significant inputs that are unobservable as they trade infrequently or not at all and reflect assumptions based on the best information available in the circumstances.

Investments included in Level 3 primarily consist of the Hospital's ownership in alternative investments (principally limited partnership interests in hedge funds). The value of these alternative investments represents the ownership interest in the net asset value ("NAV") of the respective partnership. The fair values of the securities held by limited partnerships that do not have readily determinable fair values are determined by the general partner and are based on appraisals, or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by the general partner taking into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate. Also included in Level 3 investments are charitable remainder trusts held by

third parties which are recorded at the present value of the future distributions expected to be received over the term of the agreement.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Hospital believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following table is a roll forward of the amounts by investment type for financial instruments classified by the Hospital within Level 3 of the fair value hierarchy defined above:

	Beginning October 1, 2009	Investment Income	Realized Gains	Unrealized Gains	Investment Fees	Net Purchases	Ending September 30, 2010
Investment pool							
Hedge funds	$ 19,767,355	$ 161,672	$ 115,119	$ 1,692,231	$ (63,366)	$ 18,275,457	$ 39,948,468
Partnerships	11,894	-	1,787	-	-	-	13,681
Funds held in trust	5,611,568	-	-	264,481	-	-	5,876,049
Total	$ 25,390,817	$ 161,672	$ 116,906	$ 1,956,712	$ (63,366)	$ 18,275,457	$ 45,838,198

A summary of the pooled endowment investment return is presented below:

	2010	2009
Investment income	$ 267,855	$ 424,804
Realized and unrealized gains/(losses)	1,014,886	(579,258)
Management fees and other costs	(40,275)	(13,096)
Total return on pooled endowment investments	$ 1,242,466	$ (167,550)

Following is additional information related to funds whose fair value is not readily determinable as of September 30, 2010.

	Strategy	Fair Value	# of Investments	Remaining Life	$ Amount of Unfunded Commitments	Timing to Draw Down Commitments	Redemption Terms	Redemption Restrictions	Restrictions in Place at Year End
Equity securities	Global, developed and emerging market equity	$ 7,512,220	1	N/A	$ -	No remaining commitments	Monthly with 10 days notice		None
Absolute return	Long/short and long biased equity and credit hedge funds	11,481,309	1	N/A	-	No remaining commitments	Annual with 90 days notice	Lock up provision of 12 months from the purchase date	None
Directional hedge	Long/short and long biased equity and credit hedge funds	16,732,480	1	N/A	-	No remaining commitments	Quarterly with 60 days notice	Lock up provision of 25 months from the purchase date	None
Commodities	Commodity index	3,422,581	1	N/A	-	No remaining commitments	Monthly with 5 days notice		None

4. Endowments

The Hospital's endowment consists of donor restricted endowment funds for a variety of purposes. The net assets associated with endowment funds including funds designated by the Board of Directors to function as endowments are classified and reported based on the existence or absence of donor imposed restrictions.

The Hospital understands net asset classification guidance requires that donor restricted endowment gifts be maintained in perpetuity. Consistent with net asset classification guidance, the Hospital classified 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. The Hospital considers the following factors in making a determination to appropriate or accumulate endowment funds:

- The duration and preservation of the fund
- The purposes of the Hospital and donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Hospital
- The investment policies of the Hospital

Changes in endowment net assets for year ended September 30:

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 11,222,301	$ 2,839,683	$ 14,061,984
Investment return	-			
Investment income	-	55,426	-	55,426
Net realized and unrealized loss	-	1,014,887	-	1,014,887
Total investment return	-	1,070,313	-	1,070,313
Income distribution	-	(158,010)	-	(158,010)
Endowment net assets, end of year	$ -	$ 12,134,604	$ 2,839,683	$ 14,974,287

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 11,921,077	$ 2,839,683	$ 14,760,760
Investment return				
Investment income	-	80,589	-	80,589
Net realized and unrealized loss	-	(579,243)	-	(579,243)
Total investment return	-	(498,654)	-	(498,654)
Income distribution	-	(200,122)	-	(200,122)
Endowment net assets, end of year	$ -	$ 11,222,301	$ 2,839,683	$ 14,061,984

The portion of perpetual endowment funds retained permanently either by explicit donor stipulation or by net asset classification guidance is summarized as follows:

	2010	2009
Temporarily restricted net assets		
Unspent income and appreciation on permanently restricted endowments for purchase of equipment and healthcare services	$ 12,134,604	$ 11,222,301
Total endowment funds classified as Temporarily restricted net assets	$ 12,134,604	$ 11,222,301
Permanently restricted net assets		
Corpus of permanently restricted contributions for purchase of equipment and healthcare services	$ 2,839,683	$ 2,839,683
Total endowment funds classified as permanently restricted net assets	$ 2,839,683	$ 2,839,683

Endowment Funds with Deficits
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor endowment deficits exist they are classified as a reduction of unrestricted net assets. The Hospital analyzed the endowments and notes there are no deficits as of September 30, 2010 and 2009.

Endowment Investment Return Objectives and Risk Parameters
The Hospital has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by the endowment while seeking to maintain the permanent nature of endowment funds. Under this policy, the return objective for the endowment assets measured over a full market cycle shall be to maximize the return against a blended index, based on the endowment's target asset allocation applied to the appropriate individual benchmarks.

Strategies Employed for Achieving Endowment Investment Objectives
To achieve its long-term rate of return objectives, the Hospital relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The Hospital targets a diversified asset allocation to achieve its long-term objectives within prudent Hospital risk constraints.

Endowment Spending Allocation and Relationship of Spending Policy to Investment Objectives
Spending is guided by several factors most important is the value of the portfolio. Generally, the Board will approve a spending policy limiting annual expenditures for grants and operating expenses up to 4.5% of the value of the Funds' assets based on a 12 quarter rolling average for the endowment, Kitchings and operating funds. The Hospital will designate the spending amount on an as-needed basis for the special account.

Investment managers are given ample notice of the required withdrawal schedule. Appropriate liquidity is maintained to fund these withdrawals without impairing the investment process.

5. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at September 30:

	2010	2009
Funds held in trust by others	$ 3,086,274	$ 2,924,192
Contributions receivable	46,092	48,469
Free beds and plant replacement and expansion	12,134,604	11,222,301
Specific purpose reserves	2,984,370	3,016,875
	$ 18,251,340	$ 17,211,837

Permanently restricted net assets at September 30 are restricted to:

	2010	2009
Funds held in trust by others	$ 2,810,642	$ 2,705,430
Donor restricted endowment funds	2,839,683	2,839,683
	$ 5,650,325	$ 5,545,113

6. Property, Plant and Equipment

Property, plant and equipment consists of the following:

	2010	2009
Land and land improvements	$ 5,212,649	$ 5,128,782
Buildings	107,593,741	105,218,566
Equipment	180,454,333	170,465,895
	293,260,723	280,813,243
Less: Accumulated depreciation	(193,724,896)	(180,112,431)
	99,535,827	100,700,812
Construction in progress (estimated cost to complete at September 30, 2010 is $23,718,310)	9,635,284	5,352,416
	$ 109,171,111	$ 106,053,228

7. Long-Term Debt

	2010	2009
CHEFA Series D revenue bonds		
5.0% Term bonds due, 2009 to 2013	$ 8,750,000	$ 11,390,000
5.0% Term bonds due, 2014 to 2022	33,870,000	33,870,000
CHEFA Series E revenue bonds		
Variable rate bonds, due 2023 to 2034	22,990,000	22,990,000
Capital lease obligation	377,538	-
	65,987,538	68,250,000
Less: Bond discount	1,237,916	1,360,777
Less: Amounts classified as current	2,866,493	2,640,000
Long term portion of long term debt	$ 61,883,129	$ 64,249,223

On June 24, 2004 CHEFA issued $22,990,000 of Series E Bonds (the "Series E Bonds") on behalf of the Hospital and Lawrence & Memorial Corporation (collectively referred to as the "Obligated Group" under the Series E Bond agreement). The Series E Bonds are structured with a term bond due July 1, 2034, with annual sinking fund payments due each July 1st commencing July 1, 2023. Interest on the Series E Bonds accrues at the weekly rate and is payable on the first business day of each month commencing July 1, 2004.

The proceeds of the Series E Bonds were used to finance the acquisition, construction, capital improvements, renovation, and/or equipping of the expansion of the Hospital's Pequot Health Center, including a new 37,000 square foot building addition to house an ambulatory surgery unit, MRI series, and mobile medical technologies. The proceeds were also used to fund the debt service reserve fund and costs related to the issuance and interest related to the Series E Bonds. Under the terms of the trust indenture for the Series E Bonds, the Obligated Group is required to meet certain financial covenants including a debt service coverage ratio and days cash on hand ratio. Members of the Obligated Group are jointly and severally obligated to provide amounts sufficient to enable the Authority to pay principal and interest on the Series E Bonds. The Bonds and bond proceeds have been allocated to the Hospital and as such, the Hospital will make future debt service payments as required under the terms of the bonds.

The bonds may be retired at an earlier date pursuant to terms of the master indenture. Payment of the bonds is collateralized by a pledge of the gross receipts, as defined, and certain real property of the Hospital.

Effective January 16, 2008, the Hospital refinanced its CHEFA Series E bonds with JPMorgan Chase Bank, N.A. This reoffering does not update information contained in the original official statement but provides a new letter of credit, which expires in January 2013.

The Series E Bonds are considered variable rate demand bonds and are remarketed on a weekly basis. If the bonds are unable to be remarketed, the letter of credit could be utilized to purchase the bonds. The Obligated Group would then be subject to the payment terms of the letter of credit, which are equal quarterly installments beginning in the first quarter that is at least 367 days after the initial draw down on the letter of credit. The Series E Bonds have been successfully remarketed and there have been no draws on the letter of credit.

In accordance with the long-term loan agreement with CHEFA, certain trusteed funds are required to be maintained. These funds provide for debt service and other related payments. The income derived from these funds is required to be reinvested in the trusteed funds and is not available for current operating purposes.

The agreements will remain in force until principal and interest on the bonds and any other costs of the Authority with respect to the project have been fully paid or provided for. Annual payments due under the loan agreements include interest on the outstanding bonds.

The fair value of the Series E Bonds, using discounted cash flow analyses approximates carrying value at September 30, 2010 and 2009. The fair value of the Series D Bonds is approximately $64.5 million and $45.4 million as of September 30, 2010 and 2009, respectively.

Principal repayments on the CHEFA bonds are as follows:

Year	Annual Principal Repayment
2011	$ 2,775,000
2012	2,915,000
2013	3,060,000
2014	3,210,000
Thereafter	53,650,000
	$ 65,610,000

The Hospital made cash interest payments of $2,314,076 and $2,500,964 in fiscal year 2010 and 2009, respectively. No interest was capitalized during 2010 or 2009.

8. Pension and Other Postretirement Benefits

The Hospital has a defined benefit plan covering all employees who elected to stay in the plan. The plan is frozen to new participants as of June 30, 1999. The benefits are based on years of service and the employee's compensation during the last five years of employment. Assets of the plan include mutual funds, marketable equity securities, corporate and government bonds, notes and hedge funds. The investments have been selected to generate a return on the investments and protect the principal.

The Hospital provides health care and life insurance benefits to its retired employees who meet certain eligibility requirements. The Hospital's policy is to fund the cost of postretirement benefits other than pension as incurred. This plan was frozen to include only those employees who retired prior to May 1, 1994.

The following table sets forth the plans' funded status and amounts recognized in the consolidated statement of financial position at September 30, 2010 and 2009 (measurement date of September 30):

	Pension Benefits		Other Postretirement Benefits	
	2010	2009	2010	2009
Change in benefit obligation				
Benefit obligation at beginning of year	$ 117,330,146	$ 92,839,307	$ 1,290,578	$ 1,305,378
Service cost	1,927,395	1,456,782	-	-
Interest cost	6,646,772	6,784,733	70,433	85,675
Employee contributions	180,479	184,560	-	-
Benefits paid	(5,267,983)	(4,825,526)	(130,095)	(141,246)
Actuarial loss	10,384,113	20,890,290	46,604	40,771
Benefit obligation at end of year	$ 131,200,922	$ 117,330,146	$ 1,277,520	$ 1,290,578
Change in plan assets				
Fair value of plan assets at beginning of year	$ 76,344,572	$ 74,130,658	$ -	$ -
Actual return on plan assets	7,130,751	4,690,576	-	-
Employee contributions	180,479	184,560	-	-
Employer contributions	3,000,000	2,164,304	130,095	141,246
Benefits paid	(5,267,983)	(4,825,526)	(130,095)	(141,246)
Fair value of plan assets at end of year	$ 81,387,819	$ 76,344,572	$ -	$ -
Funded status of the plan	(49,813,103)	(40,985,574)	(1,277,520)	(1,290,578)
Unrecognized net loss from past experience different from that assumed and effects of changes in assumptions	37,618,950	29,882,430	(531,764)	(639,914)
Unrecognized prior service cost	596,549	721,505	-	-
Accrued benefit costs recognized in the statement of financial position	$ (11,597,604)	$ (10,381,639)	$ (1,809,284)	$ (1,930,492)
Components of net periodic benefit costs				
Service cost	$ 1,927,395	$ 1,456,782	$ -	$ -
Interest cost	6,646,772	6,784,733	70,433	85,675
Expected return on plan assets	(6,350,382)	(6,179,348)	-	-
Gain	-	-	(61,546)	(82,822)
Net amortization and deferral	124,956	124,956	-	-
Benefit cost	$ 2,348,741	$ 2,187,123	$ 8,887	$ 2,853

The weighted average assumptions used to determine the net benefit cost at the beginning of the year are as follows:

	2010	2009
Discount rate	5.80%	7.50%
Average rate of compensation increases	4.25%	4.25%
Expected return on assets	8.50%	8.50%

The weighted average assumptions used to determine the benefit obligation at the end of the year are as follows:

	2010	2009
Discount rate	5.07%	5.80%
Average rate of compensation increases	4.25%	4.25%

The Plan's asset allocations as of September 30, 2010 and 2009 are as follows:

Asset Category	2010	2009
Cash	2%	4%
Bonds	24%	33%
Hedge Funds	30%	26%
Marketable Equities	44%	37%
Total	100%	100%

The expected rate of return on assets is calculated based on past experience.

Expected benefits to be paid under the plans are as follows:

Fiscal Years Beginning October 1	Expected Benefits
2010	$ 5,759,993
2011	6,267,258
2012	6,545,984
2013	6,961,595
2014	7,201,011
Expected Aggregate for 5 fiscal years beginning 2015	41,672,965

Annual contributions are determined by the Hospital based upon calculations prepared by the plan's actuary. Expected contributions to the Pension and Retiree Health Plan for 2010 are approximately:

Pension	$ 4,000,000
Retiree Health	132,780

The weighted-average annual assumed rate of increase in the per capita cost of covered benefits (i.e., health care cost trend rate) for participants is assumed to be 9.0% in 2010 reducing to 5.0% by the year 2016 and remaining at that level thereafter. This health care cost trend rate assumption has a significant effect on the amounts reported. To illustrate, a one percentage point increase in the assumed health care cost trend rate would increase the accumulated post-retirement benefit obligation and service cost plus interest cost by approximately $94,000 and $98,000, respectively, at September 30, 2010 and 2009. A one percentage point decrease in the assumed health care cost trend rate would decrease the accumulated postretirement benefit obligation and service cost plus interest cost by approximately $86,000 and $76,000, respectively, at September 30, 2010 and 2009.

Plan Assets
The defined benefit plan assets are valued utilizing the same fair value hierarchy as the Hospital's investments as described in Note 1.

The following table summarizes the fair values of investments by major type held by the staff pension plan at September 30, 2010:

	Level 1	Level 2	Level 3	2010
Investments, at fair value				
Cash	$ 1,873,724	$ -	$ -	$ 1,873,724
Bonds	-	19,609,144	-	19,609,144
Hedge Funds	-	-	24,333,144	24,333,144
Marketable Equities	14,103,283	21,468,524	-	35,571,807
Total investments, at fair value	$ 15,977,007	$ 41,077,668	$ 24,333,144	$ 81,387,819

The following table summarizes the fair values of investments by major type held by the staff pension health plan at September 30, 2009:

	Level 1	Level 2	Level 3	2009
Investments, at fair value				
Cash	$ 2,889,101	$ -	$ -	$ 2,889,101
Bonds	2,581	25,256,126	-	25,258,707
Hedge Funds	-	-	19,719,016	19,719,016
Marketable Equities	11,890,189	16,587,559	-	28,477,748
Total investments, at fair value	$ 14,781,871	$ 41,843,685	$ 19,719,016	$ 76,344,572

The table below represents the change in fair value measurements for Level 3 investments held by the staff pension plans' year ended September 30, 2010 and 2009 respectively.

	2010	2009
Beginning Balance	$ 19,719,016	$ -
Realized and unrealized gain, net	1,629,862	2,946,715
Purchases (sales), net	2,984,266	16,772,301
Ending Balance	$ 24,333,144	$ 19,719,016

The investment objective for the pension and post retirement plans seeks a positive long-term total return after inflation to meet the Hospital's current and future plan obligations.

Asset allocations for both plans combine tested theory and informed market judgment to balance investment risks with the need for high returns.

The Hospital's 401(k) plan covers eligible employees who elect to participate in the plan. Eligible employees may contribute a percentage of their salary to the plan. The Hospital matches 100% of the first 4% of gross pay deferred by employees for those employees who do not participate in the defined benefit plan. Plan contributions charged to operations were approximately $3,247,418 and $2,977,019 for 2010 and 2009, respectively.

9. **Medical Malpractice Self-Insurance**

There have been malpractice claims that fall within the Hospital's self-insured program which have been asserted against the Hospital. In addition, there are known incidents that have occurred through September 30, 2010 that may result in the assertion of claims. The Hospital has engaged independent actuaries to estimate the ultimate cost of the settlement of such claims. Accrued malpractice losses have been discounted at 5.0% for 2010 and 2009. The Hospital maintains a trust to fund these liabilities on a long-term basis.

10. **Functional Expenses**

The Hospital provides general health care services to residents within its geographic location including pediatric care, cardiac catheterization, and outpatient surgery. Expenses by function are as follows:

	2010	2009
Health care services	$ 237,018,091	$ 223,767,253
General and administrative	74,847,818	63,113,841
	$ 311,865,909	$ 286,881,094

11. **Contingency**

The Hospital is a party to various lawsuits incidental to its business. Management believes that the lawsuits will not have a material adverse effect on the Hospital's financial position, results of operations, changes in net assets or cash flows.

Lawrence & Memorial Hospital
Consolidating Balance Sheet
September 30, 2010

	Lawrence & Memorial Hospital	Associated Specialists of Connecticut	Eliminating Entities	Consolidated
Assets				
Current assets				
Cash	$ 29,002,112	$ 4,158,128	$ -	$ 33,160,240
Investments	106,795,008	-	-	106,795,008
Accounts receivable	29,686,477	1,255,784	-	30,942,261
Other receivables	5,607,525	157,686	-	5,765,211
Inventories	3,796,086	-	-	3,796,086
Due from affiliates	10,399,677	-	(4,156,201)	6,243,476
Prepaid expenses	1,624,613	-	-	1,624,613
Debt service fund	1,248,032	-	-	1,248,032
Total current assets	188,159,530	5,571,598	(4,156,201)	189,574,927
Assets limited as to use				
Cash	179,215	-	-	179,215
Construction funds	-	-	-	-
Investments held in trust	11,986,573	-	-	11,986,573
Endowment investments	14,741,092	-	-	14,741,092
Funds held in escrow	5,876,049	-	-	5,876,049
Contributions receivable	46,092	-	-	46,092
Debt Service fund	7,156,167	-	-	7,156,167
Total assets limited as to use	39,985,188	-	-	39,985,188
Other assets				
Deferred financing costs	1,330,365	-	-	1,330,365
Property, plant and equipment	109,171,111	-	-	109,171,111
Total assets	$ 338,646,194	$ 5,571,598	$ (4,156,201)	$ 340,061,591

RIDOH 0954

Lawrence & Memorial Hospital
Consolidating Balance Sheet
September 30, 2010

	Lawrence & Memorial Hospital	Associated Specialists of Connecticut	Eliminating Entities	Consolidated
Liabilities				
Current liabilities				
Accounts payable	$ 19,524,046	$ -	$ -	$ 19,524,046
Accrued vacation and sick pay	10,275,147	945,308	-	11,220,455
Salaries, wages and payroll taxes	4,746,675	276,544	-	5,023,219
Due to affiliates	4,764,147	4,156,201	(4,156,201)	4,764,147
Due to third parties	8,559,110	-	-	8,559,110
Current portion of long-term debt	2,866,493	-	-	2,866,493
Total current liabilities	50,735,618	5,378,053	(4,156,201)	51,957,470
Accrued pension and other postretirement benefits	52,131,286	-	-	52,131,286
Other liabilities	12,279,482	-	-	12,279,482
Long-term debt, less current portion	61,883,130	-	-	61,883,130
Total liabilities	126,293,898	-	-	178,251,368
Net assets				
Unrestricted	137,717,053	191,505	-	137,908,558
Temporarily restricted	18,249,300	2,040	-	18,251,340
Permanently restricted	5,650,325	-	-	5,650,325
Total net assets	161,616,678	193,545	-	161,810,223
	$ 338,646,194	$ 5,571,598	$ (4,156,201)	$ 340,061,591

RIDOH 0955

Lawrence & Memorial Hospital
Consolidating Balance Sheet
September 30, 2009

	Lawrence & Memorial Hospital	Associated Specialists of Connecticut	Eliminating Entities	Consolidated
Assets				
Current assets				
Cash	$ 17,038,903	$ 5,831,010	$ -	$ 22,869,913
Investments	99,233,961	-	-	99,233,961
Accounts receivable	29,149,008	905,396	-	30,054,404
Other receivables	5,800,680	194,556	-	5,995,236
Inventories	3,506,113	-	-	3,506,113
Due from affiliates	20,140,708	-	(17,237,552)	2,903,156
Prepaid expenses	2,312,579	-	-	2,312,579
Debt service fund	1,295,094	-	-	1,295,094
Total current assets	178,477,046	6,930,962	(17,237,552)	168,170,456
Assets limited as to use				
Cash	177,710	-	-	177,710
Construction funds	6,170	-	-	6,170
Investments held in trust	12,678,851	-	-	12,678,851
Endowment investments	14,150,668	-	-	14,150,668
Contributions receivable	5,611,568	-	-	5,611,568
Funds held in escrow	48,469	-	-	48,469
Debt Service fund	7,159,610	-	-	7,159,610
Total assets limited as to use	39,833,046	-	-	39,833,046
Other assets				
Deferred financing costs	1,418,292	-	-	1,418,292
Property, plant and equipment	106,053,228	-	-	106,053,228
Total assets	$ 325,781,612	$ 6,930,962	$ (17,237,552)	$ 315,475,022

RIDOH 0956

Lawrence & Memorial Hospital
Consolidating Balance Sheet
September 30, 2009

	Lawrence & Memorial Hospital	Associated Specialists of Connecticut	Eliminating Entities	Consolidated
Liabilities				
Current liabilities				
Accounts payable	$ 15,377,893	$ -	$ -	$ 15,377,893
Accrued vacation and sick pay	9,798,961	842,490	-	10,641,451
Salaries, wages and payroll taxes	3,934,850	249,483	-	4,184,333
Due to affiliates	1,682,710	17,237,552	(17,237,552)	1,682,710
Due to third parties	9,089,438	-	-	9,089,438
Current portion of long-term debt	2,640,000	-	-	2,640,000
Total current liabilities	42,523,852	18,329,525	(17,237,552)	43,615,825
Accrued pension and other postretirement benefits	43,029,547	-	-	43,029,547
Other liabilities	12,202,253	-	-	12,202,253
Long-term debt, less current portion	64,249,223	-	-	64,249,223
Total liabilities	162,004,875	18,329,525	(17,237,552)	163,096,848
Net assets				
Unrestricted	141,020,827	(11,399,603)	-	129,621,224
Temporarily restricted	17,210,797	1,040	-	17,211,837
Permanently restricted	5,545,113	-	-	5,545,113
Total net assets	163,776,737	(11,398,563)	-	152,378,174
	$ 325,781,612	$ 6,930,962	$ (17,237,552)	$ 315,475,022

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Lawrence & Memorial Hospital
Consolidating Statement of Operations
September 30, 2010

	Lawrence & Memorial Hospital	Associated Specialists of Connecticut	Eliminating Entities	Consolidated
Net revenues	$ 306,562,977	$ 7,605,324	$ -	$ 314,168,301
Other operating revenues	14,292,897	20,732,875	(25,099,465)	9,926,307
Net assets released from restriction	412,940	-	-	412,940
	321,268,814	28,338,199	(25,099,465)	324,507,548
Operating expenses				
Salaries and wages	134,554,159	9,513,214	(68,299)	143,999,074
Employee benefits	39,948,123	1,747,633	(1,370,750)	40,325,006
Supplies	33,399,993	124,613	-	33,524,606
Purchased services	20,028,640	3,416,826	(2,352,226)	21,093,240
Other	38,276,193	1,273,647	(738,844)	38,810,996
Interest	2,332,245	-	-	2,332,245
Depreciation and amortization	16,728,407	-	-	16,728,407
Bad debts	14,381,176	671,159	-	15,052,335
	299,648,936	16,747,092	(4,530,119)	311,865,909
Income from operations	21,619,878	11,591,107	(20,569,346)	12,641,639
Nonoperating gains and losses				
Unrestricted income	175,335	-	-	175,335
(Loss)/Income from investments	(18,227,950)	-	20,569,346	2,341,396
	(18,052,615)	-	20,569,346	2,516,731
Excess of revenues over expenses	3,567,263	11,591,107	-	15,158,370
Transfer to affiliate	(4,900,000)	-	-	(4,900,000)
Net unrealized gains on investments	5,459,058	-	-	5,459,058
Net assets released from restriction used for the purchase of property, plant and equipment	181,470	-	-	181,470
Minimum pension liability adjustment	(7,611,564)	-	-	(7,611,564)
Decrease in unrestricted net assets	$ (3,303,773)	$ 11,591,107	$ -	$ 8,287,334

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Lawrence & Memorial Hospital
Consolidating Statement of Operations
September 30, 2009

	Lawrence & Memorial Hospital	Associated Specialists of Connecticut	Eliminating Entities	Consolidated
Net revenues	$ 280,126,452	$ 3,807,066	$ -	$ 283,933,518
Other operating revenues	12,473,743	104,661	(3,653,871)	8,924,533
Net assets released from restriction	460,320	-	-	460,320
	293,060,515	3,911,727	(3,653,871)	293,318,371
Salaries and wages	128,119,767	7,414,225	-	135,533,992
Employee benefits	35,453,540	1,897,584	(1,622,324)	35,728,800
Supplies	30,981,518	35,668	-	31,017,186
Purchased services	20,689,716	1,993,733	(1,355,280)	21,328,169
Other	28,732,892	946,129	(676,267)	29,002,754
Interest	2,570,991	-	-	2,570,991
Depreciation and amortization	15,891,356	-	-	15,891,356
Bad debts	15,090,955	716,891	-	15,807,846
	277,530,735	13,004,230	(3,653,871)	286,881,094
Income from operations	15,529,780	(9,092,503)	-	6,437,277
Nonoperating gains and losses				
Unrestricted income	266,039	-	-	266,039
Income from investments	(691,170)	-	-	(691,170)
	(425,131)	-	-	(425,131)
Excess of revenues over expenses	15,104,649	(9,092,503)	-	6,012,146
Net unrealized gains on investments	4,304,504	-	-	4,304,504
Net assets released from restriction used for the purchase of property, plant and equipment	208,519	-	-	208,519
Minimum pension liability adjustment	(22,254,106)	-	-	(22,254,106)
Donated equipment	60,000	-	-	60,000
Decrease in unrestricted net assets	$ (2,576,434)	$ (9,092,503)	$ -	$ (11,668,937)

RIDOH 0959

Lawrence & Memorial Hospital

Consolidated Financial Statements
September 30, 2011 and 2010

Lawrence & Memorial Hospital
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September 30, 2011 and 2010

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Report of Independent Auditors

To the Board of Trustees of
Lawrence & Memorial Hospital

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, changes in net assets, and cash flows present fairly, in all material respects, the financial position of Lawrence & Memorial Hospital (a subsidiary of Lawrence & Memorial Corporation, the "Hospital") at September 30, 2011 and 2010, and the results of their operations, their changes in net assets, and of their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These consolidated financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information, on pages 24 through 29, is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual organizations. Accordingly, we do not express an opinion on the financial position, results of operations, and changes in net assets, of the individual organizations. However, the consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, based on our audits is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

PricewaterhouseCoopers LLP

December 16, 2011

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Lawrence & Memorial Hospital
Consolidated Balance Sheets
September 30, 2011 and 2010

	2011	2010
Assets		
Current assets		
Cash and cash equivalents	$ 41,797,328	$ 33,180,240
Investments	105,904,042	106,795,008
Patient accounts receivable, net of allowance for doubtful accounts of $6,727,011 and $6,760,213, respectively	30,483,331	30,942,281
Other receivables	3,998,458	5,765,211
Inventories	4,528,017	3,796,086
Due from affiliates	578,161	8,243,478
Prepaid expenses and other current assets	1,739,804	1,624,613
Debt service fund	1,109,892	1,248,032
Total current assets	190,139,033	189,574,927
Assets limited as to use		
Cash	179,900	179,215
Construction fund	8,427,695	-
Investments held in trust	11,241,951	11,986,573
Endowment investments	14,398,888	14,741,092
Funds held in trust by others	5,607,933	5,876,049
Contributions receivable	20,328	46,092
Funds held in escrow by agreement with State of Connecticut Health and Educational Facilities Authority and trustees	2,247,370	7,156,167
Total assets limited as to use	42,124,065	39,985,188
Deferred financing costs and other assets, net	1,938,833	1,330,365
Property, plant and equipment, net	120,976,861	109,171,111
	$ 355,178,792	$ 340,061,591
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 22,690,113	$ 19,524,046
Accrued vacation and sick pay	11,705,811	11,220,455
Salaries, wages, payroll taxes and amounts withheld from employees	3,125,898	5,023,219
Due to affiliates	1,913,391	4,764,147
Due to third party payors	7,838,088	8,559,110
Current portion of long-term debt	2,976,493	2,866,493
Total current liabilities	50,250,394	51,957,470
Accrued pension and other postretirement benefits	43,423,221	52,131,286
Other liabilities	14,213,720	12,279,482
Long-term debt, less current portion	82,249,920	61,883,130
Total liabilities	190,137,255	178,251,368
Net assets		
Unrestricted	141,738,900	137,908,558
Temporarily restricted	17,792,779	18,251,340
Permanently restricted	5,509,858	5,650,325
Total net assets	165,041,537	161,810,223
	$ 355,178,792	$ 340,061,591

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

Lawrence & Memorial Hospital
Consolidated Statements of Operations
Years Ended September 30, 2011 and 2010

	2011	2010
Unrestricted revenues, gains and other support		
Net revenues from services to patients	$ 325,275,690	$ 314,168,301
Other operating revenues	11,091,202	9,926,307
Net assets released from restriction used for operations	394,829	412,940
Total unrestricted revenues, gains and other support	336,761,721	324,507,548
Expenses		
Salaries and wages	149,953,412	143,999,074
Employee benefits	41,985,784	40,325,006
Supplies	45,904,757	43,164,547
Purchased services	23,474,674	21,093,240
Other	29,046,249	29,171,055
Interest	2,212,181	2,332,245
Depreciation and amortization	17,199,566	16,728,407
Bad debts	14,356,474	15,052,335
Total expenses	324,133,097	311,865,909
Income from operations	12,628,624	12,641,639
Nonoperating gains		
Unrestricted investment income	171,387	175,335
Income/(loss) from investments	5,993,369	2,341,396
Loss on refinancing of debt	(2,026,984)	-
Total nonoperating gains (losses)	4,137,772	2,516,731
Excess of revenues over expenses	16,766,396	15,158,370
Transfers to affiliated entity	(12,670,075)	(4,900,000)
Net unrealized (losses)/gains on investments	(6,282,024)	5,459,058
Net assets released from restriction used for purchase of property, plant and equipment	176,082	181,470
Pension - related changes other than periodic pension costs	5,839,963	(7,611,564)
Increase/(decrease) in unrestricted net assets	$ 3,830,342	$ 8,287,334

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

Lawrence & Memorial Hospital
Consolidated Statements of Changes in Net Assets
Years Ended September 30, 2011 and 2010

	2011	2010
Unrestricted net assets		
Excess of revenues over expenses	$ 16,766,396	$ 15,158,370
Transfer (to)/from affiliated entities	(12,670,075)	(4,900,000)
Net unrealized (losses)/gains on investments	(6,282,024)	5,459,058
Net assets released from restrictions used for purchase of property, plant and equipment	176,082	181,470
Pension - related changes other than periodic pension costs	5,839,963	(7,611,564)
Increase/(decrease) in unrestricted net assets	3,830,342	8,287,334
Beginning of year unrestricted net assets	137,908,558	129,621,224
End of year unrestricted net assets	$ 141,738,900	$ 137,908,558
Temporarily restricted net assets		
Income from investments	$ 321,776	$ 268,083
Net assets released from restrictions	(570,911)	(594,410)
Contributions received	229,693	191,238
Change in value of irrevocable trust	(152,473)	159,705
Net realized and unrealized (losses)/gains on investments	(286,646)	1,014,887
(Decrease)/Increase in temporarily restricted net assets	(458,561)	1,039,503
Beginning of year temporarily restricted net assets	18,251,340	17,211,837
End of year temporarily restricted net assets	$ 17,792,779	$ 18,251,340
Permanently restricted net assets		
Change in value of funds held in trust by others	$ (140,467)	$ 105,212
(Decrease)/increase in permanently restricted net assets	(140,467)	105,212
Beginning of year permanently restricted net assets	5,650,325	5,545,113
End of year permanently restricted net assets	$ 5,509,858	$ 5,650,325
Increase/(decrease) in net assets	$ 3,231,314	$ 9,432,049

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

Lawrence & Memorial Hospital
Consolidated Statements of Cash Flows
Years Ended September 30, 2011 and 2010

	2011	2010
Cash flows from operating activities		
Change in net assets	$ 3,231,314	$ 9,432,049
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	17,199,566	16,728,407
Receipt of contributed securities	(169,303)	(427,788)
Net unrealized and realized losses/(gain) on investments	7,312,953	(6,340,835)
Provision for bad debts	14,356,474	15,052,335
Decrease/(increase) in funds held in trust by others	268,116	(264,481)
Decrease in contributions receivable	25,764	2,377
Changes in other operating accounts		
Patient accounts receivable, net	(13,897,544)	(15,940,192)
Other receivables, net	1,766,753	230,025
Inventories	(731,931)	(289,973)
Due from affiliates	5,665,315	(3,340,320)
Prepaid expenses and other current assets	(115,191)	687,966
Deferred financing costs and other assets	(608,468)	87,927
Accounts payable	3,283,709	4,355,867
Accrued vacation and sick pay	485,356	579,004
Salaries, wages, payroll taxes and amounts withheld from employees	(1,897,321)	838,886
Due to affiliates	(2,850,156)	3,081,437
Due to third party payors	(721,022)	(530,328)
Pension, postretirement and other liabilities	(6,773,827)	9,178,968
Net cash provided by operating activities	25,830,557	33,121,331
Cash flows from investing activities		
Purchase of property, plant and equipment, net	(29,122,958)	(19,933,142)
Purchase of investments	(81,028,014)	(94,425,145)
Sales of investments	67,264,473	93,311,452
Decrease/(increase) in debt service fund	138,140	47,062
Income from temporarily and permanently restricted investments	169,303	427,788
Decrease in funds held in escrow	4,908,797	3,443
Net cash used in investing activities	(37,670,259)	(20,568,542)
Cash flows from financing activities		
Principal payments of long term debt	(2,926,158)	(2,262,462)
Proceeds of long term debt	23,402,948	-
Net cash provided by/(used in) financing activities	20,476,790	(2,262,462)
Net increase in cash and cash equivalents	8,637,088	10,290,327
Cash and cash equivalents		
Beginning of year	33,160,240	22,869,913
End of year	$ 41,797,328	$ 33,160,240
Supplemental disclosure of noncash activities		
Construction in process included in accounts payable	$ 1,644,565	$ 1,526,923
Contributed securities	$ 169,303	$ 427,788

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

1. Significant Accounting Policies and Organization

Organization

Lawrence & Memorial Hospital (the "Hospital"), a nonprofit organization incorporated under the General Statutes of the State of Connecticut, is a wholly-owned subsidiary of Lawrence & Memorial Corporation (the "Corporation"). The Board of the Corporation elects a Board of Directors who manages the property and affairs of the Hospital.

Principles of Consolidation

The consolidated financial statements include the accounts of the Hospital and its wholly owned subsidiary, Associated Specialists of Southeastern Connecticut, Inc ("Associated Specialists"). All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated 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 amounts reported in the consolidated financial statements and accompanying footnotes. Actual results could differ from those estimates and there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The Hospital's significant estimates include the collectibility of patient accounts receivable, useful lives of fixed assets, estimated settlements due to third party payors, estimated reserves for self-insurance liabilities, and benefit plan assumptions.

Regulatory Matters

The Hospital is required to file annual operating information with the State of Connecticut Office of Health Care Access ("OHCA").

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Hospital has been limited by donors to a specific time frame or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Hospital and its subsidiary in perpetuity or in funds held in trust by others whose purpose is for the funds to be maintained in perpetuity

Donor Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of operations as net assets released from restrictions. Donor restricted contributions whose restrictions are met within the same year as received are recorded as unrestricted contributions in the accompanying consolidated statement of operations.

Cash and Cash Equivalents

The Hospital and its subsidiary consider all highly liquid investments with original maturities of three months or less at the date of purchase to be cash equivalents.

Investments
Investments in equity and debt securities are recorded at fair value in the balance sheet. Fair value is generally determined based on quoted market prices. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the excess of revenues over expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are included in the change in net assets.

Realized and unrealized gains and losses on donor restricted endowment funds are included in temporarily restricted net assets under State law which allows the Board to appropriate as much of the net appreciation of investments as is prudent considering the Hospital's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends and general economic conditions.

Investments in limited liability companies are accounted for using the equity method in instances where the limited partner's interest is more than minor (3-5%).

Fair Value Measurements
Fair value guidance establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entities own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The guidance describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the Hospital for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

- Level 1 – Quoted prices in active markets for identical assets.
- Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets in active markets, quoted prices in markets that are not active, or can be corroborated by observable market data for substantially the same term of the assets.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets.

Assets Held in Trust by Others
The Hospital has been named sole or participating beneficiary in several perpetual and charitable remainder trusts. Under the terms of these trusts, the Hospital has the irrevocable right to receive the income earned on the trust assets in perpetuity from the perpetual trusts and to receive the remainder of the trust assets for the charitable remainder trusts. For perpetual trusts, the estimated present value of the future payments to the Hospital is recorded at the fair value of the assets held in the trust. The charitable remainder trusts are recorded at the present value of the estimated future distributions expected to be received over the expected term of the trust agreement. The Hospital uses appropriate credit adjusted rates.

Assets Limited as to Use
Assets limited as to use include assets set aside by the Board of Directors to fund the deductible portion of malpractice insurance coverage (maintained in an irrevocable trust), contribution receivables and for the established purpose of providing for future improvement, expansion and replacement of plant and equipment. In addition, funds held in trust by others, unexpended bond proceeds for construction purposes, and assets held by trustees under indenture agreements relating to financing activities with the State of Connecticut Health and Education Facilities Authority ("CHEFA") are also included therein.

Property, Plant and Equipment
Property, plant and equipment are recorded at cost, or, if received as a donation, at the fair value on the date received. The Hospital provides for depreciation of property, plant and equipment using the straight-line method in amounts sufficient to amortize the cost of its assets over their useful lives. American Hospital Association lives are generally used and provide for a 2-25 year life for land improvements, 5-50 year life for buildings and 2-25 year life for equipment. Lease improvements are amortized over the life of the lease.

Non-Operating Gains and Losses
Activities other than in connection with providing health care services are considered to be non-operating.

Excess of Revenues over Expenses
The consolidated statement of operations includes excess of revenues over expenses. Changes in unrestricted net assets which are excluded from the excess of revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments, permanent transfers of assets to and from affiliates for other than goods and services, contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets), and pension-related charges other than periodic pension costs and other postretirement benefits liabilities.

Fair Value of Financial Instruments
Certain investments and other assets and liabilities are carried at amounts that approximate fair value based on current market conditions. The fair value of long-term debt is estimated based on the quoted market prices for the same or similar issues or on current rates offered to the Hospital for debt of the same remaining maturities.

Benefit Plans
The Hospital has a defined benefit plan and a defined contribution plan (see Note 8).

Medical Malpractice Self-Insurance
The Hospital purchases occurrence-based professional and general liability insurance to cover medical malpractice claims. The Hospital has adopted the policy of self-insuring the deductible portion of its malpractice insurance coverage up to certain per claim and aggregate limits. The Hospital has established an irrevocable trust for the purpose of setting aside assets which can only be used for the payment of malpractice losses, related expenses, and the cost of administering the trust. Management accrues its best estimate of losses as incidents which give rise to potential losses occur.

Income Taxes
The Hospital and its wholly owned subsidiary, Associated Specialists are not-for-profit organizations and are exempt from federal income taxes on related income under Section 501(c)(3) of the Internal Revenue Code.

Inventories
Inventory consists of supplies, both medical and general pharmaceuticals and food products needed to sustain daily operation of patient care. Inventories are carried at the lower of cost or market under the first-in-first-out (FIFO) method.

Impairment of Long-Lived Assets
Long-lived assets to be held and used are reviewed for impairment whenever circumstances indicate that the carrying amount of an asset may not be recoverable. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to dispose.

Accrued Vacation and Sick Pay
Accrued vacation is recorded as a liability as time is earned. As the time is used, the time is relieved from the liability. Accrued sick time is recorded as a percent for employees who have a balance greater than or equal to 800 hours. This payout is only upon termination of employment

Subsequent Events
The Hospital has performed an evaluation of subsequent events through December 16, 2011, which is the date the financial statements were issued.

2. **Revenues from Services to Patients and Charity Care**

The following summarizes net revenues from services to patients:

	2011	2010
Gross charges from services to patients	$ 666,081,059	$ 651,382,509
Less: Charity care	6,368,501	5,279,619
Charges from services to patients, net of charity care	659,712,558	646,102,890
Deductions		
Allowances	336,363,800	333,840,923
State of Connecticut uncompensated care system (receipts)	(1,926,932)	(1,906,334)
Total deductions	334,436,868	331,934,589
Net revenues from services to patients	$ 325,275,690	$ 314,168,301

Patient accounts receivable and revenues are recorded when patient services are performed. Amounts received from most payors are different from established billing rates of the Hospital, and these differences are accounted for as allowances. The Hospital receives cash from the State of Connecticut Uncompensated Care Pool. The Hospital records this as an increase to their net revenues from services to patients.

Net patient service revenue is reported at the estimated net realizable amounts from patients, third party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Adjustments related to prior year settlements increased the Hospital's revenues by approximately $3,852,000 and $16,000 in 2011 and 2010, respectively.

During 2011 and 2010, approximately 32% and 33%, respectively, of net patient service revenue was received under the Medicare program, and 12% and 10%, respectively, under the state Medicaid program. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Hospital believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs. Changes in the Medicare and Medicaid programs and reductions of funding levels could have an adverse impact on the Hospital.

The Hospital accepts all patients regardless of their ability to pay. A patient is classified as a charity patient by reference to the established policies of the Hospital. Essentially, these policies define charity services as those services for which no payment is anticipated. In assessing a patient's inability to pay, the Hospital utilizes the generally recognized federal poverty income guidelines, but also includes certain cases where incurred charges are significant when compared to income. These charges are not included in net patient service revenues for financial reporting purposes.

3. Investments

Investments at September 30 consist of:

	2011	2010
Pooled endowment funds		
Cash and cash equivalents	$ 249,730	$ 432,604
Bonds	2,593,730	2,259,321
Hedge funds	3,885,010	3,527,534
Marketable equities	7,670,418	8,521,633
Total pooled endowment funds	14,398,888	14,741,092
Investments held in trust by others		
Cash and cash equivalents	140,077	168,922
Bonds	2,814,055	1,949,338
Marketable equities	2,389,834	3,580,952
Other investments	263,967	176,837
Total investments held in trust by others	5,607,933	5,876,049
Other investments		
Cash and cash equivalents	1,225,923	842,700
Bonds	23,780,506	25,490,811
Hedge funds	38,440,365	36,420,934
Equity investments	14,117	13,681
Marketable equities	42,443,131	44,026,882
Total other investments	105,904,042	106,795,008
	$ 125,910,863	$ 127,412,149

The Hospital's financial instrument categorization is based upon the lowest level of input that is significant to the fair value measurement within the valuation hierarchy. The following table presents the financial instruments carried at fair value using the valuation hierarchy:

	2011			
	Level 1	Level 2	Level 3	Total Fair Value
Pooled endowment funds				
Cash and cash equivalents	$ 249,730	$ -	$ -	$ 249,730
Bonds	2,593,731	-	-	2,593,731
Hedge funds	-	-	3,885,010	3,885,010
Marketable equities	7,670,418	-	-	7,670,418
Total pooled endowment funds	10,513,879	-	3,885,010	14,398,889
Held in trust by others				
Cash and cash equivalents	-	-	140,077	140,077
Bonds	-	-	2,814,054	2,814,054
Marketable equities	-	-	2,653,801	2,653,801
Total held in trust by others	-	-	5,607,932	5,607,932
Other investments				
Cash and cash equivalents	1,225,923	-	-	1,225,923
Bonds	23,780,506	-	-	23,780,506
Hedge funds	-	-	38,440,365	38,440,365
Marketable equities	42,443,131	-	-	42,443,131
Total other investments	67,449,560	-	38,440,365	105,889,925
	$ 77,963,439	$ -	$ 47,933,307	$ 125,896,746

	2010			
	Level 1	Level 2	Level 3	Total Fair Value
Pooled endowment funds				
Cash and cash equivalents	$ 432,604	$ -	$ -	$ 432,604
Bonds	115,698	2,143,623	-	2,259,321
Hedge funds	-	-	3,527,534	3,527,534
Marketable equities	5,300,337	3,221,296	-	8,521,633
Total pooled endowment funds	5,848,639	5,364,919	3,527,534	14,741,092
Held in trust by others				
Cash and cash equivalents	-	-	168,922	168,922
Bonds	-	-	1,949,338	1,949,338
Marketable equities	-	-	3,580,952	3,580,952
Other investments	-	-	176,837	176,837
Total held in trust by others	-	-	5,876,049	5,876,049
Other investments				
Cash and cash equivalents	842,700	-	-	842,700
Bonds	-	25,490,811	-	25,490,811
Hedge funds	-	-	36,420,934	36,420,934
Marketable equities	20,965,635	23,061,247	-	44,026,882
Total other investments	21,808,335	48,552,058	36,420,934	106,781,327
	$ 27,656,974	$ 53,916,977	$ 45,824,517	$ 127,398,468

Fair value for Level 1 is based upon quoted prices in active markets that the Hospital has the ability to access at the measurement date. Market price data is generally obtained from exchange or dealer markets. The Hospital does not adjust the quoted price for such assets.

Fair value for Level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers and brokers.

Fair value for Level 3 is based on valuation techniques that use significant inputs that are unobservable as they trade infrequently or not at all and reflect assumptions based on the best information available in the circumstances.

Investments included in Level 3 primarily consist of the Hospital's ownership in alternative investments (principally limited partnership interests in hedge funds). The value of these alternative investments represents the ownership interest in the net asset value ("NAV") of the respective partnership. The fair values of the securities held by limited partnerships that do not have readily determinable fair values are determined by the general partner and are based on appraisals, or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by the general partner taking into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate. Also included in Level 3 investments are charitable remainder trusts held by third parties which are recorded at the present value of the future distributions expected to be received over the term of the agreement.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Hospital believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following table is a roll forward of the amounts by investment type for financial instruments classified by the Hospital within Level 3 of the fair value hierarchy defined above:

	Beginning October 1, 2010	Investment Income	Realized Gains	Unrealized Losses	Investment Fees	Net Purchases	Ending September 30, 2011
Investment pool							
Hedge funds	$ 39,948,468	$ 274,823	$ 290,825	$ (158,547)	$ (99,615)	$ 2,089,421	$ 42,325,375
Funds held in trust	5,876,049	-	-	(268,117)	-	-	5,607,932
Total	$ 45,824,517	$ 274,823	$ 290,825	$ (426,664)	$ (99,615)	$ 2,089,421	$ 47,933,307

	Beginning October 1, 2009	Investment Income	Realized Gains	Unrealized Losses	Investment Fees	Net Purchases	Ending September 30, 2010
Investment pool							
Hedge funds	$ 19,787,355	$ 161,672	$ 115,119	$ 1,692,231	$ (63,366)	$ 18,275,457	$ 39,948,468
Funds held in trust	5,611,568	-	-	264,481	-	-	5,876,049
Total	$ 25,378,923	$ 161,672	$ 115,119	$ 1,956,712	$ (63,366)	$ 18,275,457	$ 45,824,517

A summary of the pooled endowment investment return is presented below:

	2011	2010
Investment income	$ 304,147	$ 267,855
Realized and unrealized (losses)/gains	(286,648)	1,014,888
Management fees and other costs	(35,237)	(40,275)
Total return on pooled endowment investments	$ (17,738)	$ 1,242,466

Following is additional information related to funds whose fair value is not readily determinable as of September 30, 2011.

	Strategy	Fair Value	# of Investments	Remaining Life	$ Amount of Unfunded Commitments	Timing to Draw Down Commitments	Redemption Terms	Redemption Restrictions	Restrictions in Place at Year End
Equity securities	Global developed and emerging market equity	$ 8,406,189	1	N/A	$ -	No remaining commitments	Monthly with 10 days notice		None
Absolute return	Long/short and long biased equity and credit hedge funds	12,195,388	1	N/A		No remaining commitments	Annual with 90 days notice	lock up provision of 12 months from the purchase date	None
Directional hedge	Long/short and long biased equity and credit hedge funds	17,415,554	1	N/A		No remaining commitments	Quarterly with 60 days notice	lock up provision of 45 months from the purchase date	None
Commodities	Commodity index	4,028,264	1	N/A	-	No remaining commitments	Monthly with 5 days notice		None
Private Equity	Private equity	80,000	1	N/A	-	Illiquid long term 5 years	None	None	None
		$ 42,325,375							

4. Endowments

The Hospital's endowment consists of donor restricted endowment funds for a variety of purposes. The net assets associated with endowment funds including funds designated by the Board of Directors to function as endowments are classified and reported based on the existence or absence of donor imposed restrictions.

The Hospital understands net asset classification guidance requires that donor restricted endowment gifts be maintained in perpetuity. Consistent with net asset classification guidance, the Hospital classified 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. The Hospital considers the following factors in making a determination to appropriate or accumulate endowment funds:

- The duration and preservation of the fund
- The purposes of the Hospital and donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Hospital
- The investment policies of the Hospital

Changes in endowment net assets for year ended September 30:

	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 12,134,604	$ 2,839,683	$ 14,974,287
Investment return				
Investment income	-	114,203	-	114,203
Net realized and unrealized (losses)/gains	-	(286,646)	-	(286,646)
Total investment return	-	(172,443)	-	(172,443)
Income distribution	-	(173,182)	-	(173,182)
Endowment net assets, end of year	$ -	$ 11,788,979	$ 2,839,683	$ 14,628,662

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 11,222,301	$ 2,839,683	$ 14,061,984
Investment return				
Investment income	-	55,426	-	55,426
Net realized and unrealized gain/(losses)	-	1,014,887	-	1,014,887
Total investment return	-	1,070,313	-	1,070,313
Income distribution	-	(158,010)	-	(158,010)
Endowment net assets, end of year	$ -	$ 12,134,604	$ 2,839,683	$ 14,974,287

The portion of perpetual endowment funds retained permanently either by explicit donor stipulation or by net asset classification guidance is summarized as follows:

	2011	2010
Temporarily restricted net assets		
Unspent income and appreciation on permanently restricted endowments for purchase of equipment and healthcare services	$ 11,788,979	$ 12,134,604
Total endowment funds classified as Temporarily restricted net assets	$ 11,788,979	$ 12,134,604
Permanently restricted net assets		
Corpus of permanently restricted contributions for purchase of equipment and healthcare services	$ 2,839,683	$ 2,839,683
Total endowment funds classified as permanently restricted net assets	$ 2,839,683	$ 2,839,683

Endowment Funds with Deficits
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor endowment deficits exist they are classified as a reduction of unrestricted net assets.

Endowment Investment Return Objectives and Risk Parameters
The Hospital has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by the endowment while seeking to maintain the permanent nature of endowment funds. Under this policy, the return objective for the endowment assets measured over a full market cycle shall be to maximize the return against a blended index, based on the endowment's target asset allocation applied to the appropriate individual benchmarks.

Strategies Employed for Achieving Endowment Investment Objectives
To achieve its long-term rate of return objectives, the Hospital relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The Hospital targets a diversified asset allocation to achieve its long-term objectives within prudent Hospital risk constraints.

Endowment Spending Allocation and Relationship of Spending Policy to Investment Objectives
Spending is guided by several factors most important is the value of the portfolio. Generally, the Board will approve a spending policy limiting annual expenditures for grants and operating expenses up to 4.5% of the value of the Funds' assets based on a 12 quarter rolling average for the endowment, Kitchings and operating funds. The Hospital will designate the spending amount on an as-needed basis for the special account.

Investment managers are given ample notice of the required withdrawal schedule. Appropriate liquidity is maintained to fund these withdrawals without impairing the investment process.

5. **Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes at September 30:

	2011	2010
Funds held in trust by others	$ 2,959,565	$ 3,086,274
Contributions receivable	20,328	46,092
Free beds and plant replacement and expansion	11,788,979	12,134,604
Specific purpose reserves	3,023,907	2,984,370
	$ 17,792,779	$ 18,251,340

Permanently restricted net assets at September 30 are restricted to:

	2011	2010
Funds held in trust by others	$ 2,670,175	$ 2,810,642
Donor restricted endowment funds	2,839,683	2,839,683
	$ 5,509,858	$ 5,650,325

6. Property, Plant and Equipment

Property, plant and equipment consists of the following:

	2011	2010
Land and land improvements	$ 6,506,216	$ 5,212,649
Buildings	111,446,370	107,593,741
Equipment	203,329,727	180,454,333
	321,282,313	293,260,723
Less: Accumulated depreciation	(210,414,909)	(193,724,896)
	110,867,404	99,535,827
Construction in progress (estimated cost to complete at September 30, 2011 is $14,873,263(unaudited))	10,109,457	9,635,284
	$ 120,976,861	$ 109,171,111

7. Long-Term Debt

	2011	2010
CHEFA Series F Revenue Bonds		
Various rate bonds, due 2012 to 2026	$ 39,135,000	-
5.0% Term Bonds, due 2027 to 2031	8,705,000	-
5.0% Term Bonds, due 2032 to 2036	11,100,000	-
CHEFA Series D revenue bonds		
5.0% Term bonds, due 2009 to 2013	-	8,750,000
5.0% Term bonds, due 2014 to 2022	-	33,870,000
CHEFA Series E revenue bonds		
Variable rate bonds, due 2023-2034	22,990,000	22,990,000
Capital lease obligation	405,373	377,538
Total long-term debt outstanding	82,335,373	65,987,538
Less: Amounts classified as current	2,976,493	2,866,493
Less: Bond discount	-	1,237,916
Add: Bond Premium	2,891,040	-
Total long-term portion of long-term debt	$ 82,249,920	$ 61,883,129

On September 15, 2011 CHEFA issued $58,940,000 of Series F Bonds (the "Series F Bonds") on behalf of the Hospital and the Corporation (collectively referred to as the "Obligated Group" under the Series F Bond agreements). The Series F Bonds are structured with a term bond due July 1, 2036, with annual sinking fund payments due each July 1st commencing July 1, 2012. Interest on the Series F Bonds is payable semiannually on the first business day of January 1 and July 1 beginning January 1, 2012.

The proceeds of the Series F Bonds will be used to refund the outstanding Authority Revenue Bonds, Lawrence & Memorial Hospital Issue, Series D (the "Series D Bonds") and to fund all or a portion of the following capital projects: (i) replacement of a linear accelerator on the main campus of the Hospital; (ii) capital improvements for infrastructure renovation and improvement on the main campus, including heating, ventilation, and air conditioning project; (iii) replacement of a catheterization lab and equipment on the main campus; (iv) acquisition of approximately 100 acres of land in Waterford, Connecticut for development of a new cancer center ; and (v) acquisition and installation of Magnetic Resonance Imaging ("MRI") and CT equipment at the Crossroads facility

On June 24, 2004 CHEFA issued $22,990,000 of Series E Bonds (the "Series E Bonds") on behalf of the Hospital and Lawrence & Memorial Corporation (collectively referred to as the "Obligated Group" under the Series E Bond agreement). The Series E Bonds are structured with a term bond due July 1, 2034, with annual sinking fund payments due each July 1st commencing July 1, 2023. Interest on the Series E Bonds accrues at the weekly rate and is payable on the first business day of each month commencing July 1, 2004.

The proceeds of the Series E Bonds were used to finance the acquisition, construction, capital improvements, renovation, and/or equipping of the expansion of the Hospital's Pequot Health Center, including a new 37,000 square foot building addition to house an ambulatory surgery unit, MRI series, and mobile medical technologies. The proceeds were also used to fund the debt service reserve fund and costs related to the issuance and interest related to the Series E Bonds. Under the terms of the trust indenture for the Series E Bonds, the Obligated Group is required to meet certain financial covenants including a debt service coverage ratio and days cash on hand ratio. Members of the Obligated Group are jointly and severally obligated to provide amounts sufficient to enable the Authority to pay principal and interest on the Series E Bonds. The Bonds and bond proceeds have been allocated to the Hospital and as such, the Hospital will make future debt service payments as required under the terms of the bonds.

The bonds may be retired at an earlier date pursuant to terms of the master indenture. Payment of the bonds is collateralized by a pledge of the gross receipts, as defined, and certain real property of the Hospital.

Effective January 16, 2008, the Hospital refinanced its CHEFA Series E bonds with JPMorgan Chase Bank, N.A. This reoffering does not update information contained in the original official statement but provides a new letter of credit, which expires in January 2013.

The Series E Bonds are considered variable rate demand bonds and are remarketed on a weekly basis. If the bonds are unable to be remarketed, the letter of credit could be utilized to purchase the bonds. The Obligated Group would then be subject to the payment terms of the letter of credit, which are equal quarterly installments beginning in the first quarter that is at least 367 days after the initial draw down on the letter of credit. The Series E Bonds have been successfully remarketed and there have been no draws on the letter of credit.

In accordance with the long-term loan agreement with CHEFA, certain trusteed funds are required to be maintained. These funds provide for debt service and other related payments. The income derived from these funds is required to be reinvested in the trusteed funds and is not available for current operating purposes.

The agreements will remain in force until principal and interest on the bonds and any other costs of the Authority with respect to the project have been fully paid or provided for. Annual payments due under the loan agreements include interest on the outstanding bonds.

The fair value of the Series E Bonds, using discounted cash flow analyses approximates carrying value at September 30, 2011 and 2010. The fair value of the Series D Bonds is approximately $0 million and $64.5 million as of September 30, 2011 and 2010, respectively.

Principal repayments on the CHEFA bonds are as follows:

Year	Annual Principal Repayment
2012	$ 2,885,000
2013	2,625,000
2014	2,725,000
2015	2,835,000
2016 and thereafter	70,860,000
	$ 81,930,000

The Hospital made cash interest payments of $2,178,800 and $2,314,076 in fiscal year 2011 and 2010, respectively. No interest was capitalized during 2011 or 2010.

8. **Pension and Other Postretirement Benefits**

The Hospital has a defined benefit plan covering all employees who elected to stay in the plan. The plan is frozen to new participants as of June 30, 1999. The benefits are based on years of service and the employee's compensation during the last five years of employment. Assets of the plan include mutual funds, marketable equity securities, corporate and government bonds, notes and hedge funds. The investments have been selected to generate a return on the investments and protect the principal.

The Hospital provides health care and life insurance benefits to its retired employees who meet certain eligibility requirements. The Hospital's policy is to fund the cost of postretirement benefits other than pension as incurred. This plan was frozen to include only those employees who retired prior to May 1, 1994.

The following table sets forth the plans' funded status and amounts recognized in the consolidated statement of financial position at September 30, 2011 and 2010 (measurement date of September 30):

	Pension Benefits		Other Postretirement Benefits	
	2011	2010	2011	2010
Change in benefit obligation				
Benefit obligation at beginning of year	$ 131,200,922	$ 117,330,148	$ 1,277,520	$ 1,290,578
Service cost	1,941,270	1,927,395	-	-
Interest cost	6,505,871	6,646,772	59,018	70,433
Employee contributions	163,401	180,479	-	-
Benefits paid	(5,255,985)	(5,267,983)	(120,183)	(130,095)
Actuarial (gain)/loss	(7,891,942)	10,384,113	(49,354)	46,604
Benefit obligation at end of year	$ 126,663,537	$ 131,200,922	$ 1,167,001	$ 1,277,520
Change in plan assets				
Fair value of plan assets at beginning of year	$ 81,387,819	$ 76,344,572	$ -	$ -
Actual return on plan assets	2,092,350	7,130,751	-	-
Employee contributions	163,401	180,479	-	-
Employer contributions	7,100,000	3,000,000	120,183	130,095
Benefits paid	(5,255,985)	(5,267,983)	(120,183)	(130,095)
Fair value of plan assets at end of year	$ 85,487,585	$ 81,387,819	$ -	$ -
Funded status of the plan	(41,175,952)	(49,813,103)	(1,167,001)	(1,277,520)
Unrecognized net loss/(gain) from past experience different from that assumed and effects of changes in assumptions	31,903,948	37,618,950	(526,034)	(531,764)
Unrecognized prior service cost	471,588	596,549	-	-
Accrued benefit costs recognized in the statement of financial position	$ (8,800,416)	$ (11,597,604)	$ (1,693,035)	$ (1,809,284)
Components of net periodic benefit costs				
Service cost	$ 1,941,270	$ 1,927,355	$ -	$ -
Interest cost	6,505,871	6,646,772	59,018	70,433
Expected return on plan assets	(6,850,835)	(6,350,382)	-	-
Amortization of net loss/(gain)	2,581,545	1,867,224	(55,084)	(61,546)
Net amortization and deferral	124,961	124,956	-	-
Benefit cost	$ 4,302,812	$ 4,215,965	$ 3,934	$ 8,887

The weighted average assumptions used to determine the net benefit cost at the beginning of the year are as follows:

	2011	2010
Discount rate	5.07%	5.80%
Average rate of compensation increases	4.25%	4.25%
Expected return on assets	8.50%	8.50%

The weighted average assumptions used to determine the benefit obligation at the end of the year are as follows:

	2011	2010
Discount rate	5.34%	5.07%
Average rate of compensation increases	3.50%	4.25%

The Plan's asset allocations as of September 30, 2011 and 2010 are as follows:

Asset Category	2011	2010
Cash	5%	2%
Bonds	30%	24%
Hedge Funds	31%	30%
Marketable Equities	34%	44%
Total	100%	100%

The expected rate of return on assets is calculated based on past experience.

Expected benefits to be paid under the plans are as follows:

Fiscal Years Beginning October 1	Expected Benefits
2011	$ 6,227,427
2012	6,509,958
2013	6,910,790
2014	7,155,303
2015	7,572,842
Expected Aggregate for 5 fiscal years beginning 2016	42,922,899

Annual contributions are determined by the Hospital based upon calculations prepared by the plan's actuary. Expected contributions to the Pension and Retiree Health Plan for 2012 are approximately:

Pension	$ 6,509,958
Retiree Health	125,125

The weighted-average annual assumed rate of increase in the per capita cost of covered benefits (i.e., health care cost trend rate) for participants is assumed to be 9.0% in 2011 reducing to 5.0% by the year 2016 and remaining at that level thereafter. This health care cost trend rate assumption has a significant effect on the amounts reported. To illustrate, a one percentage point increase in the assumed health care cost trend rate would increase the accumulated post-retirement benefit obligation and service cost plus interest cost by approximately $84,000 and $94,000, respectively, at September 30, 2011 and 2010. A one percentage point decrease in the assumed health care cost trend rate would decrease the accumulated postretirement benefit obligation and service cost plus interest cost by approximately $77,000 and $86,000, respectively, at September 30, 2011 and 2010.

Plan Assets
The defined benefit plan assets are valued utilizing the same fair value hierarchy as the Hospital's investments as described in Note 1.

The following table summarizes the fair values of investments by major type held by the staff pension plan at September 30, 2011:

	Level 1	Level 2	Level 3	2011
Investments, at fair value				
Cash	$ 3,847,979	$ -	$ -	3,847,979
Bonds	25,779,769	-	-	25,779,769
Hedge Funds	-	-	26,524,387	26,524,387
Marketable Equities	26,050,106	3,285,344	-	29,335,450
Total investments, at fair value	$ 55,677,854	$ 3,285,344	$ 26,524,387	$ 85,487,585

The following table summarizes the fair values of investments by major type held by the staff pension health plan at September 30, 2010:

	Level 1	Level 2	Level 3	2010
Investments, at fair value				
Cash	$ 1,873,724	$ -	$ -	$ 1,873,724
Bonds	-	19,609,144	-	19,609,144
Hedge Funds	-	-	24,333,144	24,333,144
Marketable Equities	14,103,283	21,468,524	-	35,571,807
Total investments, at fair value	$ 15,977,007	$ 41,077,668	$ 24,333,144	$ 81,387,819

There were no transfers between levels comparing last to this year for assets that are in the portfolio.

The table below represents the change in fair value measurements for Level 3 investments held by the staff pension plans' year ended September 30, 2011 and 2010 respectively:

	2011	2010
Beginning Balance	$ 24,333,144	$ 19,719,016
Realized and unrealized gain, net	249,105	1,629,862
Purchases (sales), net	1,942,138	2,984,266
Ending Balance	$ 26,524,387	$ 24,333,144

The investment objective for the pension and post retirement plans seeks a positive long-term total return after inflation to meet the Hospital's current and future plan obligations.

Asset allocations for both plans combine tested theory and informed market judgment to balance investment risks with the need for high returns.

The Hospital's 401(k) plan covers eligible employees who elect to participate in the plan. Eligible employees may contribute a percentage of their salary to the plan. The Hospital matches 100% of the first 4% of gross pay deferred by employees for those employees who do not participate in the defined benefit plan. Plan contributions charged to operations were approximately $3,677,000 and $3,628,000 for 2011 and 2010, respectively.

9. Medical Malpractice Self-Insurance

There have been malpractice claims that fall within the Hospital's self-insured program which have been asserted against the Hospital. In addition, there are known incidents that have occurred through September 30, 2011 that may result in the assertion of claims. The Hospital has engaged independent actuaries to estimate the ultimate cost of the settlement of such claims. Accrued malpractice losses have been discounted at 4% for 2011 and 5% for 2010. The Hospital maintains a trust to fund these liabilities on a long-term basis. As of October 1, 2011, the Hospital is insured for general liability and professional liability claims by L&M Indemnity Company, Ltd.. L&M Indemnity was established on September 28, 2011.

10. Functional Expenses

The Hospital provides general health care services to residents within its geographic location including pediatric care, cardiac catheterization, and outpatient surgery. Expenses by function are as follows:

	2011	2010
Health care services	$ 246,193,019	$ 239,228,653
General and administrative	77,940,078	72,637,256
	$ 324,133,097	$ 311,865,909

11. Contingencies

The Hospital is a party to various lawsuits incidental to its business. Management believes that the lawsuits will not have a material adverse effect on the Hospital's financial position, results of operations, changes in net assets or cash flows.

Lawrence & Memorial Hospital
Consolidating Balance Sheet
September 30, 2011

	Lawrence & Memorial Hospital	Associated Specialists of Connecticut	Eliminating Entities	Consolidated
Assets				
Current assets				
Cash	$ 39,933,225	$ 1,864,103	$ -	$ 41,797,328
Investments	105,904,042	-	-	105,904,042
Accounts receivable	29,920,862	562,469	-	30,483,331
Other receivables	3,881,712	116,746	-	3,998,458
Inventories	4,528,017	-	-	4,528,017
Due from affiliates	2,441,664	-	(1,863,503)	578,161
Prepaid expenses	1,739,804	-	-	1,739,804
Debt service fund	1,109,892	-	-	1,109,892
Total current assets	189,459,218	2,543,318	(1,863,503)	190,139,033
Assets limited as to use				
Cash	179,900	-	-	179,900
Construction funds	8,427,695	-	-	8,427,695
Investments held in trust	11,241,951	-	-	11,241,951
Endowment investments	14,398,888	-	-	14,398,888
Funds held in escrow	5,607,933	-	-	5,607,933
Contributions receivable	20,328	-	-	20,328
Debt Service fund	2,247,370	-	-	2,247,370
Total assets limited as to use	42,124,065	-	-	42,124,065
Other assets				
Deferred financing costs	1,938,833	-	-	1,938,833
Property, plant and equipment	120,976,861	-	-	120,976,861
Total assets	$ 354,498,977	$ 2,543,318	$ (1,863,503)	$ 355,178,792

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Lawrence & Memorial Hospital
Consolidating Balance Sheet
September 30, 2011

	Lawrence & Memorial Hospital	Associated Specialists of Connecticut	Eliminating Entities	Consolidated
Liabilities				
Current liabilities				
Accounts payable	$ 22,689,860	$ 253	$ -	$ 22,690,113
Accrued vacation and sick pay	10,661,313	1,044,498	-	11,705,811
Salaries, wages and payroll taxes	2,751,697	374,201	-	3,125,898
Due to affiliates	1,913,991	1,863,503	(1,863,503)	1,913,991
Due to third parties	7,838,088	-	-	7,838,088
Current portion of long-term debt	2,976,493	-	-	2,976,493
Total current liabilities	48,831,442	3,282,455	(1,863,503)	50,250,394
Accrued pension and other postretirement benefits	43,423,221	-	-	43,423,221
Other liabilities	14,213,720	-	-	14,213,720
Long-term debt, less current portion	82,249,920	-	-	82,249,920
Total liabilities	188,718,303	3,282,455	(1,863,503)	190,137,255
Net assets				
Unrestricted	142,478,037	(739,137)	-	141,738,900
Temporarily restricted	17,792,779	-	-	17,792,779
Permanently restricted	5,509,858	-	-	5,509,858
Total net assets	165,780,674	(739,137)	-	165,041,537
	$ 354,498,977	$ 2,543,318	$ (1,863,503)	$ 355,178,792

RIDOH 0986

Lawrence & Memorial Hospital
Consolidating Balance Sheet
September 30, 2010

	Lawrence & Memorial Hospital	Associated Specialists of Connecticut	Eliminating Entities	Consolidated
Assets				
Current assets				
Cash	$ 29,002,112	$ 4,158,128	$ -	$ 33,160,240
Investments	106,795,008	-	-	106,795,008
Accounts receivable	29,686,477	1,255,784	-	30,942,261
Other receivables	5,607,525	157,686	-	5,765,211
Inventories	3,796,086	-	-	3,796,086
Due from affiliates	10,399,677	-	(4,156,201)	6,243,476
Prepaid expenses	1,624,613	-	-	1,624,613
Debt service fund	1,248,032	-	-	1,248,032
Total current assets	188,159,530	5,571,598	(4,156,201)	189,574,927
Assets limited as to use				
Cash	179,215	-	-	179,215
Construction funds	-	-	-	-
Investments held in trust	11,986,573	-	-	11,986,573
Endowment investments	14,741,092	-	-	14,741,092
Funds held in escrow	5,876,049	-	-	5,876,049
Contributions receivable	46,092	-	-	46,092
Debt Service fund	7,156,167	-	-	7,156,167
Total assets limited as to use	39,985,188	-	-	39,985,188
Other assets				
Deferred financing costs	1,330,365	-	-	1,330,365
Property, plant and equipment	109,171,111	-	-	109,171,111
Total assets	$ 338,646,194	$ 5,571,598	$ (4,156,201)	$ 340,061,591

RIDOH 0987

Lawrence & Memorial Hospital
Consolidating Balance Sheet
September 30, 2010

	Lawrence & Memorial Hospital	Associated Specialists of Connecticut	Eliminating Entities	Consolidated
Liabilities				
Current liabilities				
Accounts payable	$ 19,524,046	$ -	$ -	$ 19,524,046
Accrued vacation and sick pay	10,275,147	945,308	-	11,220,455
Salaries, wages and payroll taxes	4,746,675	276,544	-	5,023,219
Due to affiliates	4,764,147	4,156,201	(4,156,201)	4,764,147
Due to third parties	8,559,110	-	-	8,559,110
Current portion of long-term debt	2,866,493	-	-	2,866,493
Total current liabilities	50,735,618	5,378,053	(4,156,201)	51,957,470
Accrued pension and other postretirement benefits	52,131,286	-	-	52,131,286
Other liabilities	12,279,482	-	-	12,279,482
Long-term debt, less current portion	61,883,130	-	-	61,883,130
Total liabilities	177,029,516	5,378,053	(4,156,201)	178,251,368
Net assets				
Unrestricted	137,717,053	191,505	-	137,908,558
Temporarily restricted	18,249,300	2,040	-	18,251,340
Permanently restricted	5,650,325	-	-	5,650,325
Total net assets	161,616,678	193,545	-	161,810,223
	$ 338,646,194	$ 5,571,598	$ (4,156,201)	$ 340,061,591

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Lawrence & Memorial Hospital
Consolidating Statement of Operations
September 30, 2011

	Lawrence & Memorial Hospital	Associated Specialists of Connecticut	Eliminating Entities	Consolidated
Net revenues	$ 318,813,210	$ 6,462,480	$ -	$ 325,275,690
Other operating revenues	15,662,907	33,290	(4,604,995)	11,091,202
Net assets released from restriction	394,829	-	-	394,829
	334,870,946	6,495,770	(4,604,995)	336,761,721
Operating expenses				
Salaries and wages	141,165,650	8,910,864	(123,102)	149,953,412
Employee benefits	41,723,413	1,535,471	(1,273,100)	41,985,784
Supplies	45,855,424	49,333		45,904,757
Purchased services	22,304,506	3,688,219	(2,518,051)	23,474,674
Other	28,005,159	1,731,832	(690,742)	29,046,249
Interest	2,212,181	-	-	2,212,181
Depreciation and amortization	17,199,566	-	-	17,199,566
Bad debts	13,865,210	491,264	-	14,356,474
	312,331,109	16,406,983	(4,604,995)	324,133,097
Income from operations	22,539,837	(9,911,213)	-	12,628,624
Nonoperating gains and losses				
Unrestricted income	171,387	-	-	171,387
Income/(loss) from investments	5,993,369	-	-	5,993,369
Loss on refinancing of debt	(2,026,984)	-	-	(2,026,984)
	4,137,772	-	-	4,137,772
Excess of revenues over expenses	26,677,609	(9,911,213)	-	16,766,396
Transfer to affiliate	(12,670,075)	-	-	(12,670,075)
Net unrealized (losses)/gains on investments	(6,282,024)	-	-	(6,282,024)
Net assets released from restriction used for the purchase of property, plant and equipment	176,082	-	-	176,082
Minimum pension liability adjustment	5,839,963	-	-	5,839,963
Decrease in unrestricted net assets	$ 13,741,555	$ (9,911,213)	$ -	$ 3,830,342

RIDOH 0989

Lawrence & Memorial Hospital
Consolidating Statement of Operations
September 30, 2010

	Lawrence & Memorial Hospital	Associated Specialists of Connecticut	Eliminating Entities	Consolidated
Net revenues	$ 306,562,977	$ 7,605,324	$ -	$ 314,168,301
Other operating revenues	14,292,897	20,732,875	(25,099,465)	9,926,307
Net assets released from restriction	412,940	-	-	412,940
	321,268,814	28,338,199	(25,099,465)	324,507,548
Operating expenses				
Salaries and wages	134,554,159	9,513,214	(68,299)	143,999,074
Employee benefits	39,948,123	1,747,633	(1,370,750)	40,325,006
Supplies	43,039,934	124,613	-	43,164,547
Purchased services	20,028,640	3,416,826	(2,352,226)	21,093,240
Other	28,636,252	1,273,647	(738,844)	29,171,055
Interest	2,332,245	-	-	2,332,245
Depreciation and amortization	16,728,407	-	-	16,728,407
Bad debts	14,381,176	671,159	-	15,052,335
	299,648,936	16,747,092	(4,530,119)	311,865,909
Income from operations	21,619,878	11,591,107	(20,569,346)	12,641,639
Nonoperating gains and losses				
Unrestricted income	175,335	-	-	175,335
(Loss)/income from investments	(18,227,950)	-	20,569,346	2,341,396
	(18,052,615)	-	20,569,346	2,516,731
Excess of revenues over expenses	3,567,263	11,591,107	-	15,158,370
Transfer to affiliate	(4,900,000)	-	-	(4,900,000)
Net unrealized gains on investments	5,459,058	-	-	5,459,058
Net assets released from restriction used for the purchase of property, plant and equipment	181,470	-	-	181,470
Minimum pension liability adjustment	(7,611,564)	-	-	(7,611,564)
Decrease in unrestricted net assets	$ (3,303,773)	$ 11,591,107	$ -	$ 8,287,334

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Lawrence & Memorial Corporation and Subsidiaries

Consolidated Financial Statements
September 30, 2011 and 2010

Lawrence & Memorial Corporation and Subsidiaries
Index
September 30, 2011 and 2010

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Report of Independent Auditors

To the Board of Directors of
Lawrence & Memorial Corporation

In our opinion, based on our audits and the report of other auditors, the accompanying consolidated balance sheets and the related consolidated statements of operations, changes in net assets, and cash flows present fairly, in all material respects, the financial position of Lawrence & Memorial Corporation (the "Corporation") and subsidiaries at September 30, 2011 and 2010 and the results of their operations, of their changes in net assets, and of their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Visiting Nurses Association ("VNA") of Southeastern Connecticut, Inc., a wholly-owned subsidiary, whose statements as of September 30, 2011 and 2010 reflect total net assets constituting 6.0% and 5.5%, respectively, and total net revenues constituting 4.1% and 3.6%, respectively, of the related consolidated totals. Those statements have been audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to data included for VNA of Southeastern Connecticut, Inc., is based solely on the reports of the other auditors. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information, on pages 25 through 30, is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual organizations. Accordingly, we do not express an opinion on the financial position, results of operations, and changes in net assets, of the individual organizations. However, the consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, based on our audits and the report of other auditors, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

PricewaterhouseCoopers LLP

December 16, 2011

PricewaterhouseCoopers LLP, 185 Asylum Street, Suite 2400, Hartford, CT 06103-3404
T: (860) 241 7000, F: (860) 241 7590, www.pwc.com/us

Lawrence & Memorial Corporation and Subsidiaries
Consolidated Balance Sheets
September 30, 2011 and 2010

	2011	2010
Assets		
Current assets		
Cash and cash equivalents	$ 44,580,932	$ 41,222,090
Investments	156,173,381	155,780,987
Patient accounts receivable, net of allowance for doubtful accounts of $7,901,271 and $7,673,848, respectively	32,212,263	32,328,543
Other receivables	4,594,541	6,025,606
Inventories	4,552,611	3,796,086
Due from affiliates	-	1,928
Prepaid expenses and other current assets	2,322,555	1,931,561
Debt service fund	1,109,892	1,248,032
Total current assets	245,546,175	242,334,833
Assets limited as to use		
Cash	179,900	179,215
Construction fund	8,427,695	-
Investments held in trust	11,241,951	11,986,573
Endowment investments	22,056,116	21,666,014
Funds held in trust by others	5,607,933	5,876,049
Contributions receivable	887,468	1,110,916
Fund held in escrow by agreement with State of Connecticut Health and Educational Facilities Authority and trustees	2,247,370	7,156,167
Total assets limited as to use	50,648,433	47,974,934
Deferred financing costs and other assets, net	1,938,833	1,330,365
Property, plant and equipment, net	134,658,395	112,579,230
	$ 432,791,836	$ 404,219,362
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 24,115,376	$ 21,876,869
Accrued vacation and sick pay	11,705,811	11,220,455
Salaries, wages, payroll taxes and amounts withheld from employees	3,577,694	5,036,999
Due to affiliates	98,310	-
Due to third party payors	8,013,088	8,839,110
Other current liabilities	65,242	156,861
Current portion of long-term debt	3,202,481	2,906,408
Total current liabilities	50,778,002	50,036,702
Accrued pension and other postretirement benefits	43,423,221	52,135,334
Other liabilities	14,213,720	12,279,482
Long-term debt less current portion	82,249,920	62,148,146
Total liabilities	190,664,863	176,599,664
Net assets		
Unrestricted	217,665,390	202,218,901
Temporarily restricted	18,924,725	19,723,472
Permanently restricted	5,536,858	5,677,325
Total net assets	242,126,973	227,619,698
	$ 432,791,836	$ 404,219,362

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

Lawrence & Memorial Corporation and Subsidiaries
Consolidated Statements of Operations
Years Ended September 30, 2011 and 2010

	2011	2010
Unrestricted revenues, gains and other support		
Net revenues from services to patients	$ 346,642,222	$ 326,063,574
Other operating revenues	17,511,017	19,082,821
Net assets released from restriction used for operations	926,208	891,515
Total unrestricted revenues, gains and other support	365,079,447	346,037,910
Expenses		
Salaries and wages	172,671,132	156,922,676
Employee benefits	45,553,162	43,343,606
Supplies	47,120,092	44,707,786
Purchased services	24,514,687	22,229,769
Other	31,411,435	31,015,798
Interest	2,248,313	2,373,694
Depreciation and amortization	17,704,358	17,160,934
Bad debts	14,608,057	17,229,746
Total expenses	355,831,236	334,984,009
Income from operations	9,248,211	11,053,901
Nonoperating gains/(losses)		
Unrestricted investment income	171,387	175,335
Income/(loss) from investments	8,510,159	3,332,139
Loss on refinancing of debt	(2,026,984)	-
Total nonoperating gains/(losses)	6,654,562	3,507,474
Excess of revenues over expenses	15,902,773	14,561,375
Net unrealized (losses)/gains on investments	(6,670,014)	8,133,243
Transfer to/from affiliate	-	694,257
Net assets released from restrictions used for purchase of property, plant and equipment	176,082	181,470
Pension - related changes other than periodic pension costs	5,839,963	(7,611,564)
Increase/(decrease) in unrestricted net assets	$ 15,248,804	$ 15,958,781

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

Lawrence & Memorial Corporation and Subsidiaries
Consolidated Statements of Changes in Net Assets
Years Ended September 30, 2011 and 2010

	2011	2010
Unrestricted net assets		
Excess of revenues over expenses	$ 15,902,773	$ 14,082,800
Net unrealized (losses)/gains on investments	(6,670,014)	8,133,243
Transfer to/from affiliate	-	694,257
Transfer between donor classification	(867,139)	(1,064,824)
Net assets released from restrictions used for purchase of property, plant and equipment	176,082	660,045
Pension - related changes other than periodic pension costs	5,839,963	(7,611,564)
Increase in unrestricted net assets	14,381,665	14,893,957
Beginning of year unrestricted net assets	203,283,725	187,324,944
End of year unrestricted net assets, as reclassified	$ 217,665,390	$ 202,218,901
Temporarily restricted net assets		
Income from investments	$ 321,776	$ 268,083
Net assets released from restrictions	(1,102,290)	(1,072,985)
Transfer between donor classification	867,139	1,064,824
Contributions received	618,571	530,003
Change in value of irrevocable trusts	(286,648)	159,705
Net realized and unrealized (losses)/gains on investments	(152,473)	1,014,887
(Decrease)/increase in temporarily restricted net assets	266,077	1,964,517
Beginning of year temporarily restricted net assets	18,658,648	17,758,955
End of year temporarily restricted net assets	$ 18,924,725	$ 19,723,472
Permanently restricted net assets		
Change in value of funds held in trust by others	$ (140,467)	$ 105,212
(Decrease)/increase in permanently restricted net assets	(140,467)	105,212
Beginning of year permanently restricted net assets	5,677,325	5,572,113
End of year permanently restricted net assets	$ 5,536,858	$ 5,677,325

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

Lawrence & Memorial Corporation and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended September 30, 2011 and 2010

	2011	2010
Cash flows from operating activities		
Change in net assets	$ 14,507,275	$ 16,963,686
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	17,704,358	17,160,934
Net unrealized and realized losses/(gains) on investments	7,717,656	(8,864,739)
Provision for bad debts	14,608,057	17,229,746
(Increase)/decrease in funds held in trust by others	268,116	(264,481)
Decrease/(increase) in contributions receivable	223,448	216,197
Restricted contributions and investment income	(940,347)	(798,086)
Changes in other operating accounts		
Patient accounts receivable, net	(14,491,777)	(18,112,620)
Other receivables, net	1,431,065	517,804
Inventories	(756,525)	(289,973)
Prepaid expenses and other current assets	(390,994)	606,440
Deferred financing costs and other assets	(608,468)	87,927
Accounts payable	2,356,149	5,125,506
Accrued vacation and sick pay	485,356	579,004
Salaries, wages, payroll taxes and amounts withheld from employees	(1,459,305)	852,666
Due to affiliates	98,310	(718,757)
Due from affiliates	1,928	22,572
Due to third party payors	(826,022)	(383,626)
Pension, postretirement and other liabilities	(6,869,494)	8,970,087
Net cash provided by operating activities	33,058,786	38,900,287
Cash flows from investing activities		
Purchase of property, plant and equipment, net	(39,901,165)	(20,085,147)
Purchases of investments	(107,504,126)	(151,368,583)
Sales of investments	91,320,215	145,197,517
Decrease/(increase) in debt service fund	138,140	47,062
Decrease in funds held in escrow	4,908,797	3,443
Net cash used in investing activities	(51,038,139)	(26,205,708)
Cash flows from financing activities		
Restricted contributions	940,347	798,086
Contributions restricted for purchasing equipment	-	-
Principal payments of long term debt	(3,005,100)	(2,320,524)
Proceeds of long term debt	23,402,948	-
Net cash used in financing activities	21,338,195	(1,522,438)
Net increase in cash and cash equivalents	3,358,842	11,172,141
Cash and cash equivalents		
Beginning of year	41,222,090	30,049,949
End of year	$ 44,580,932	$ 41,222,090
Supplemental disclosure of non cash activities		
Construction in process included in accounts payable	$ 1,644,565	$ 1,526,923
Contributed securities	$ 940,347	$ 798,086

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

1. Significant Accounting Policies and Organization

Organization

Lawrence & Memorial Corporation (the "Corporation") is a not-for-profit organization incorporated under the Nonstock Corporation Act of the State of Connecticut. The Corporation is organized exclusively for public welfare, charitable, scientific, literary and education purposes, including the furtherance of the welfare, programs and activities of Lawrence & Memorial Hospital (the "Hospital"), a nonprofit organization incorporated under the General Statutes of the State of Connecticut.

The following entities are subsidiaries of the Corporation: Lawrence & Memorial Hospital ("L&M"), L& M Physician Association Inc., L&M Systems, Inc., VNA of Southeastern Connecticut, L&M Healthcare, and L&M Indemnity Ltd. The VNA of Southeastern Connecticut Inc. is consolidated using financial statement balances at June 30, 2011 and 2010.

L&M Healthcare has an affiliation agreement effective January 31, 1999 (the "Agreement") with the Hospice of Southeastern Connecticut, Inc. (the "Hospice"). The Agreement gives L&M Healthcare a membership of the Hospice with one other not-for-profit healthcare organization. L&M Healthcare does not have an equity investment in the Hospice because the affiliation agreement does not require L&M Healthcare to provide capital to the Hospice and L&M Healthcare is not entitled to any of the net assets of the Hospice should the relationship terminate or the Hospice dissolve. The Corporation and its subsidiaries have never given capital to the Hospice and the Hospice has never made capital distributions to the Corporation or its subsidiaries.

L & M Physician Association, Inc. ("LMPA") was formed exclusively for the charitable purpose of benefiting, supporting, and furthering the charitable activities of Lawrence & Memorial Hospital by engaging physicians to provide physician services to the Hospital, organizations affiliated with the Hospital and communities they serve for purpose of practicing medicine and health care services.

Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying footnotes. Actual results could differ from those estimates and there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The Corporation's significant estimates include the collectability of patient accounts receivable, useful lives of fixed assets, settlements due to third party payors, estimated reserves for self-insurance liabilities, and benefit plan assumptions.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Corporation has been limited by donors to a specific time frame or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Corporation and its subsidiaries in perpetuity or in funds held in trust by others whose purpose is for the funds to be maintained in perpetuity.

Donor Restricted Gifts
Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of operations as net assets released from restrictions. Donor restricted contributions whose restrictions are met within the same year as received are recorded as unrestricted contributions in the accompanying consolidated statement of operations.

Cash and Cash Equivalents
The Corporation and its subsidiaries consider all highly liquid investments with original maturities of three months or less at the date of purchase to be cash equivalents.

Investments
Investments in equity and debt securities are recorded at fair value in the balance sheet. Fair value is generally determined based on quoted market prices. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the excess of revenues over expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are included in the change in net assets. Under accounting principles generally accepted in the United States of America, an "other than temporary impairment" is recognized if the Corporation does not expect the fair value of a security to recover above cost or amortized cost. Once an "other than temporary impairment" charge has been recorded, a new cost basis is established.

The Corporation continues to review its securities for appropriate valuation on an ongoing basis. The Corporation determined that none of their investments were impaired as of September 30, 2011 or 2010.

Realized and unrealized gains and losses on donor restricted endowment funds are included in temporarily restricted net assets under State law which allows the Board to appropriate as much of the net appreciation of investments as is prudent considering the Corporation's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions.

Investments in limited liability companies are accounted for using the equity method in instances where the limited partner's interest is more than minor (3-5%).

Fair Value Measurements
Fair value guidance establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entities own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The guidance describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the Corporation for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

- Level 1 – Quoted prices in active markets for identical assets.
- Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets in active markets, quoted prices in markets that are not active, or can be corroborated by observable market data for substantially the same term of the assets.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets.

Assets Held in Trust by Others
The Hospital has been named sole or participating beneficiary in several perpetual and charitable remainder trusts. Under the terms of these trusts, the Hospital has the irrevocable right to receive the income earned on the trust assets in perpetuity from the perpetual trusts and to receive the remainder of the trust assets for the charitable remainder trusts. For perpetual trusts, the estimated present value of the future payments to the Hospital is recorded at the fair value of the assets held in the trust. The charitable remainder trusts are recorded at the present value of the estimated future distributions expected to be received over the expected term of the trust agreement. The Hospital uses appropriate credit adjusted rates to discount amounts.

Assets Limited as to Use
Assets limited as to use include assets set aside by the Board of Directors to fund the deductible portion of malpractice insurance coverage (maintained in an irrevocable trust), contribution receivables and for the established purpose of providing for future improvement, expansion and replacement of plant and equipment. In addition, funds held in trust by others, unexpended bond proceeds for construction purposes, and assets held by trustees under indenture agreements relating to financing activities with the State of Connecticut Health and Education Facilities Authority ("CHEFA") are also included therein.

Property, Plant and Equipment
Property, plant and equipment are recorded at cost, or if received as a donation, at the fair value on the date received. The Corporation provides for depreciation of property, plant and equipment using the straight-line method in amounts sufficient to amortize the cost of its assets over their estimated useful lives. American Hospital Association lives are generally used and provide for a 2-25 year life for land improvements, 5-50 year life for buildings and a 2-25 year life for equipment. Lease improvements are amortized over the life of the lease.

Nonoperating Gains and Losses
Activities other than in connection with providing health care services are considered to be nonoperating.

Excess of Revenues over Expenses
The consolidated statement of operations includes excess of revenues over expenses. Changes in unrestricted net assets which are excluded from excess of revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments, permanent transfers of assets to and from affiliates for other than goods and services, contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets), and pension-related charges other than periodic pension costs and other postretirement benefits liabilities.

Fair Value of Financial Instruments
Investments and other assets and liabilities are carried at amounts that approximate fair value based on current market conditions. The fair value of long term debt is estimated based on the quoted market prices for the same or similar issues or on current rates offered to the Corporation and its Subsidiaries for debt of the same remaining maturities.

Benefit Plans
The Hospital has a defined benefit plan and a defined contribution plan. The VNA also has a defined contribution plan (see Note 8).

Medical Malpractice Self-Insurance
The Hospital purchases claims made professional and general liability insurance to cover medical malpractice claims. The Hospital has adopted the policy of self-insuring the deductible portion of its malpractice insurance coverage up to certain per claim and aggregate limits. The Hospital has established an irrevocable trust for the purpose of setting aside assets which can only be used for the payment of malpractice losses, related expenses, and the cost of administering the trust. Management accrues its best estimate of losses as incidents which give rise to potential losses occur. The Corporation has created an offshore captive insurance company, L&M Indemnity Ltd. to administer all medical malpractice and general liability coverage. L&M Indemnity Ltd. was created on September 28, 2011, however it will not process claims until fiscal year 2012.

Income Taxes
The Corporation and its subsidiaries are not-for-profit organizations and are exempt from federal income taxes on related income under Section 501(c)(3) of the Internal Revenue Code, except for L&M Systems. L&M Systems provides for taxes based on current taxable income and the future tax consequences of temporary differences between financial and income tax reporting. Such amounts are not material to the consolidated financial statements. LMPA became tax exempt under Section 501(c)(3) of the Internal Revenue Code on October 13, 2009.

Inventories
Inventory consists of supplies, both medical and general pharmaceuticals and food products needed to sustain daily operation of patient care. Inventories are carried at the lower of cost or market under the first-in-first-out (FIFO) method.

Impairment of Long-Lived Assets
Long-lived assets to be held and used are reviewed for impairment whenever circumstances indicate that the carrying amount of an asset may not be recoverable. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to dispose.

Accrued Vacation and Sick Pay
Accrued vacation is recorded as a liability as time is earned. As the time is used, the time is relieved from the liability. Accrued sick time is recorded as a percent for employees who have a balance greater than or equal to 800 hours. The payout is only upon termination of employment.

Subsequent Events
The Corporation has performed an evaluation of subsequent events through December 16, 2011, which is the date the financial statements were issued.

2. Revenues from Services to Patients and Charity Care

The following summarizes net revenues from services to patients:

	2011	2010
Gross charges from services to patients	$ 699,985,953	$ 663,899,138
Less: Charity care	6,383,831	5,279,619
Charges from services to patients, net of charity care	693,602,122	658,619,519
Deductions		
Allowances	348,886,832	334,462,279
State of Connecticut uncompensated care system (receipts)	(1,926,932)	(1,906,334)
Total deductions	346,959,900	332,555,945
Net revenues from services to patients	$ 346,642,222	$ 326,063,574

Patient accounts receivable and revenues are recorded when patient services are performed. Amounts received from most payors are different from established billing rates of the Corporation, and these differences are accounted for as allowances. The Corporation receives cash from the State of Connecticut Uncompensated Care Pool. The Corporation records this as an increase to their net revenues from services to patients.

Net patient service revenue is reported at the estimated net realizable amounts from patients, third party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Adjustments related to prior year settlements increased the Hospital's revenues by approximately $3,852,000 and $16,000 in 2011 and 2010, respectively.

During 2011 and 2010, approximately 32% and 33%, respectively, of net patient service revenue was received under the Medicare program, and 12% and 10%, respectively, under the state Medicaid program. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Hospital believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs. Changes in the Medicare and Medicaid programs and reductions of funding levels could have an adverse impact on the Hospital.

The Hospital accepts all patients regardless of their ability to pay. A patient is classified as a charity patient by reference to the established policies of the Hospital. Essentially, these policies define charity services as those services for which no payment is anticipated. In assessing a patient's inability to pay, the Hospital utilizes the generally recognized federal poverty income guidelines, but also includes certain cases where incurred charges are significant when compared to income. These charges are not included in net patient service revenues for financial reporting purposes.

3. Investments

Investments included in current assets consist of the following:

	2011	2010
Pooled endowment funds		
Cash and cash equivalents	$ 761,635	$ 635,077
Bonds	4,086,658	3,851,439
Mutual funds	10,672,092	986,991
Hedge funds	4,903,092	4,468,891
Marketable equities	1,632,639	11,723,616
Total pooled endowment funds	22,056,116	21,666,014
Investments held in trust by others		
Cash and cash equivalents	140,077	168,922
Bonds	2,814,055	1,949,338
Marketable equities	2,389,834	3,580,952
Other investments	263,967	176,837
Total investments held in trust by others	5,607,933	5,876,049
Other investments		
Cash and cash equivalents	11,416,712	10,528,349
Bonds	42,790,328	45,270,709
Mutual funds	2,508,041	1,014,889
Hedge funds	46,329,357	43,314,198
Equity investments	13,319	13,681
Marketable equities	53,115,624	55,639,161
Total other investments	156,173,381	155,780,987
	$ 183,837,430	$ 183,323,050

The Corporation's financial instrument categorization is based upon the lowest level of input that is significant to the fair value measurement within the valuation hierarchy. The following table presents the financial instruments carried at fair value using the by the fair value guidance valuation hierarchy defined above:

	2011			
	Level 1	Level 2	Level 3	Total Fair Value
Pooled endowment funds				
Cash and cash equivalents	$ 761,635	$ -	$ -	$ 761,635
Bonds	4,086,658	-	-	4,086,658
Mutual funds	10,672,092	-	-	10,672,092
Hedge funds	-	-	4,903,092	4,903,092
Marketable equities	1,632,639	-	-	1,632,639
Total pooled endowment funds	17,153,024	-	4,903,092	22,056,116
Held in trust by others				
Cash and cash equivalents	-	-	140,077	140,077
Bonds	-	-	2,814,055	2,814,055
Other assets	-	-	263,967	263,967
Marketable equities	-	-	2,389,834	2,389,834
Total held in trust by others	-	-	5,607,933	5,607,933
Other investments				
Cash and cash equivalents	11,416,712	-	-	11,416,712
Bonds	42,790,328	-	-	42,790,328
Mutual funds	2,508,041	-	-	2,508,041
Hedge funds	-	-	46,329,357	46,329,357
Marketable equities	53,115,624	-	-	53,115,624
Total other investments	109,830,705	-	46,329,357	156,160,062
	$ 126,983,729	$ -	$ 56,840,382	$ 183,824,111

	2010			
	Level 1	Level 2	Level 3	Total Fair Value
Pooled endowment funds				
Cash and cash equivalents	$ 635,077	$ -	$ -	$ 635,077
Bonds	1,253,172	2,598,267	-	3,851,439
Mutual funds	986,991	-	-	986,991
Hedge funds	-	-	4,468,891	4,468,891
Marketable equities	7,819,113	3,904,503	-	11,723,616
Total pooled endowment funds	10,694,353	6,502,770	4,468,891	21,666,014
Held in trust by others				
Cash and cash equivalents	-	-	168,922	168,922
Bonds	-	-	1,949,338	1,949,338
Other assets	-	-	3,580,952	3,580,952
Marketable equities	-	-	176,837	176,837
Total held in trust by others	-	-	5,876,049	5,876,049
Other investments				
Cash and cash equivalents	10,528,349	-	-	10,528,349
Bonds	15,249,556	30,021,153	-	45,270,709
Mutual funds	1,014,889	-	-	1,014,889
Hedge funds	-	-	43,314,996	43,314,996
Marketable equities	27,559,945	28,079,216	-	55,639,161
Total other investments	54,352,739	58,100,369	43,314,996	155,768,104
	$ 65,047,092	$ 64,603,139	$ 53,659,936	$ 183,310,167

Fair value for Level 1 is based upon quoted prices in active markets that the Corporation has the ability to access at the measurement date. Market price data is generally obtained from exchange or dealer markets. The Corporation does not adjust the quoted price for such assets.
Fair value for Level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers and brokers.

Fair value for Level 3 is based on valuation techniques that use significant inputs that are unobservable as they trade infrequently or not at all and reflect assumptions based on the best information available in the circumstances.

Investments included in Level 3 primarily consist of the Corporations ownership in alternative investments (principally limited partnership interests in hedge funds). The value of these alternative investments represents the ownership interest in the net asset value ("NAV") of the respective partnership. The fair values of the securities held by limited partnerships that do not have readily determinable fair values are determined by the general partner and are based on appraisals, or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by the general partner taking into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate. Also included in Level 3 investments are charitable remainder trusts held by third parties which are recorded at the present value of the future distributions expected to be received over the term of the agreement and investments in for-profit companies

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Corporation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following table is a roll forward of the amounts by investment type for financial instruments classified by the Corporation within Level 3 of the fair value hierarchy defined above:

	Beginning October 1, 2010	Investment Income	Realized Gains	Unrealized Losses	Investment Fees	Net Purchases	Ending September 30, 2011
Investment pool							
Hedge funds	$ 47,783,887	$ 325,584	$ 343,439	$ (192,120)	$ (116,775)	$ 3,088,434	$ 51,232,449
Funds held in trust	5,876,049	-	-	(268,116)	-	-	5,607,933
Total	$ 53,659,936	$ 325,584	$ 343,439	$ (460,236)	$ (116,775)	$ 3,088,434	$ 56,840,382

	Beginning October 1, 2009	Investment Income	Realized Gains	Unrealized Gains	Investment Fees	Net Purchases	Ending September 30, 2010
Investment pool							
Hedge funds	$ 24,801,331	$ 193,449	$ 138,022	$ 2,007,761	$ (75,692)	$ 20,719,016	$ 47,783,887
Funds held in trust	5,611,568	-	-	264,481	-	-	5,876,049
Total	$ 30,412,899	$ 193,449	$ 138,022	$ 2,272,242	$ (75,692)	$ 20,719,016	$ 53,659,936

There were no significant transfers of assets between levels for the year ended September 30, 2011. A summary of the pooled endowment investment return is presented below:

	2011	2010
Investment income	$ 486,586	$ 442,274
Realized and unrealized gains/(losses)	405,538	1,527,335
Management fees and other costs	(41,119)	(46,136)
Total return on pooled endowment investments	$ 851,005	$ 1,923,473

Following is additional information related to funds whose fair value is not readily determinable as of September 30, 2011.

	Strategy	Fair Value	# of Investments	Remaining Life	$ Amount of Unfunded Commitments	Timing to Draw Down Commitments	Redemption Terms	Redemption Restrictions	Restrictions in Place at Year End
Equity securities	Global developed and emerging market equity	$ 10,021,080	1	N/A	-	No remaining commitments	Monthly with 10 day's notice		None
Absolute return	Long/short and long-based equity and credit hedge funds	14,833,040	1	N/A	-	No remaining commitments	Annual with 90 day's notice	Lock up provision of 12 months from the purchase date	None
Directional hedge	Long/short and long-based equity and credit hedge funds	21,209,818	1	N/A	-	No remaining commitments	Quarterly with 60 day's notice	Lock up provision of 25 months from the purchase date	None
Commodities	Commodity index	5,288,513	1	N/A	-	No remaining commitments	Monthly with 5 day's notice		None
Private Equity	Private equity	80,000	1	N/A	-	Illiquid long term 5 years	None	None	None
		$ 51,232,449							

4. Endowments

The Corporation's endowments consist of donor restricted endowment funds for a variety of purposes. The net assets associated with endowment funds including funds designated by the Board of Directors to function as endowments are classified and reported based on the existence or absence of donor imposed restrictions.

The Corporation understands net asset classification guidance to require that donor restricted endowment gifts be maintained in perpetuity. Consistent with net asset classification guidance, the Corporation 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. The Corporation considers the following factors in making a determination to appropriate or accumulate endowment funds.

- The duration and preservation of the fund
- The purposes of the Corporation and donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Corporation
- The investment policies of the Corporation

Changes in endowment net assets for the year ended September 30:

	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 5,470,122	$12,134,604	$ 2,866,683	$20,471,409
Investment return				
Investment income	130,164	114,203	-	244,367
Net realized and unrealized gain (loss)	914,699	(286,646)	-	628,053
Total investment return	1,044,863	(172,443)	-	872,420
Income distribution	-	(173,182)	-	(173,182)
Endowment net assets, end of year	$ 6,514,985	$11,788,979	$ 2,866,683	$21,170,647

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 4,930,901	$11,222,301	$ 2,866,683	$19,019,885
Investment return				
Investment income	125,722	55,426	-	181,148
Net realized and unrealized gain (loss)	413,499	1,014,887	-	1,428,386
Total investment return	539,221	1,070,313	-	1,609,534
Income distribution		(158,010)	-	(158,010)
Endowment net assets, end of year	$ 5,470,122	$12,134,604	$ 2,866,683	$20,471,409

Endowment funds classified as permanently and temporarily restricted net assets:

The portion of perpetual endowment funds retained permanently either by explicit donor stipulation or by net asset classification guidance is summarized as follows:

	2011	2010
Temporarily restricted net assets		
Unspent income and appreciation on permanently restricted endowments for purchase of equipment and healthcare services	$ 12,053,786	$ 12,541,912
Total endowment funds classified as temporarily restricted net assets	$ 12,053,786	$ 12,541,912
Permanently restricted net assets		
Corpus of permanently restricted contributions for purchase of equipment and healthcare services	$ 2,866,683	$ 2,866,683
Total endowment funds classified as permanently restricted net assets	$ 2,866,683	$ 2,866,683

Endowment Funds with Deficits
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor endowment deficits exist they are classified as a reduction of unrestricted net assets. The Corporation analyzed the endowments and notes there are no deficits as of September 30, 2011 and 2010.

Endowment Investment Return Objectives and Risk Parameters
The Corporation has adopted endowment investment and spending policies that attempt to provide predictable stream of funding to programs supported by the endowment while seeking to maintain the permanent nature of endowment funds. Under this policy, the return objective for the endowment assets measured over a full market cycle shall be to maximize the return against a blended index, based on the endowment's target asset allocation applied to the appropriate individual benchmarks.

Strategies Employed for Achieving Endowment Investment Objectives
To achieve its long-term rate of return objectives, the Corporation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The Corporation targets a diversified asset allocation to achieve its long-term objectives within prudent Corporation risk constraints.

Endowment Spending Allocation and Relationship of Spending Policy to Investment Objectives
Spending is guided by several factors most important is the value of the portfolio. Generally, the Board will approve a spending policy limiting annual expenditures for grants and operating expenses up to 4.5% of the value of the Funds' assets based on a 12 quarter rolling average for the endowment, Kitchings and operating funds. The Corporation will designate the spending amount on an as-needed basis for the special account.

Investment managers are given ample notice of the required withdrawal schedule. Appropriate liquidity is maintained to fund these withdrawals without impairing the investment process.

5. **Temporary and Permanently Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes at September 30, 2011 and 2010:

	2011	2010
Temporarily restricted net assets		
Funds held in trust by others	$ 2,959,565	$ 3,086,274
Contributions receivable	387,467	1,110,916
Free beds and plant replacement and expansion	12,053,786	12,541,912
Specific purpose reserves	3,023,907	2,984,370
	$ 18,924,725	$ 19,723,472

Permanently restricted net assets at September 30, 2011 and 2010 are restricted to:

	2011	2010
Permanently restricted net assets		
Funds held in trust by others	$ 2,670,175	$ 2,810,642
Donor restricted endowment funds	2,866,683	2,866,683
	$ 5,536,858	$ 5,677,325

6. Property, Plant and Equipment

Property, plant and equipment consists of the following:

	2011	2010
Land and land improvements	$ 17,953,282	$ 6,073,611
Buildings	115,186,586	110,416,648
Equipment	205,006,378	181,640,842
	338,146,246	298,131,101
Less: Accumulated depreciation	(213,597,308)	(195,187,155)
	124,548,938	102,943,946
Construction in progress (estimated cost to complete at September 30, 2011 is $14,873,263 (unaudited))	10,109,457	9,635,284
	$ 134,658,395	$ 112,579,230

7. Long-Term Debt

	2011	2010
CHEFA Series F Revenue Bonds		
Various rate bonds, due 2012 to 2026	$ 39,135,000	$ -
5.0% Term Bonds, due 2027 to 2031	8,705,000	-
5.0% Term Bonds, due 2032 to 2036	11,100,000	-
CHEFA Series D revenue bonds		
5.0% Term bonds, due 2009 to 2013	-	8,750,000
5.0% Term bonds, due 2014 to 2022	-	33,870,000
CHEFA Series E revenue bonds		
Variable rate bonds, due 2023-2034	22,990,000	22,990,000
VNA mortgage note		
Variable rate, due 2001 to 2011	225,988	265,903
VNA Interest rate swap agreement	-	39,028
Capital lease obligation	405,373	377,538
Total long-term debt outstanding	82,561,361	66,292,469
Less: Amounts classified as current	3,202,481	2,906,408
Less: Bond discount	-	1,237,915
Add: Bond Premium	2,891,040	-
Total long-term portion of long-term debt	$ 82,249,920	$ 62,148,146

On September 15, 2011 CHEFA issued $58,940,000 of Series F Bonds (the "Series F Bonds") on behalf of the Hospital and the Corporation (collectively referred to as the "Obligated Group" under the Series F Bond agreements). The Series F Bonds are structured with a term bond due July 1, 2036, with annual sinking fund payments due each July 1st commencing July 1, 2012. Interest on the Series F Bonds is payable semiannually on the first business day of January 1 and July 1 beginning January 1, 2012.

The proceeds of the Series F Bonds were used to refund the outstanding Authority Revenue Bonds, Lawrence & Memorial Hospital Issue, Series D (the "Series D Bonds") and are being used to fund all or a portion of the following capital projects: (i) replacement of a linear accelerator on the main campus of the Hospital; (ii) capital improvements for infrastructure renovation and improvement on the main campus, including heating, ventilation, and air conditioning project; (iii) replacement of a catheterization lab and equipment on the main campus; (iv) acquisition of approximately 100 acres of land in Waterford, Connecticut for development of a new cancer center; and (v) acquisition and installation of Magnetic Resonance Imaging and CT equipment at the Crossroads facility.

On June 24, 2004 CHEFA issued $22,990,000 of Series E Bonds (the "Series E Bonds") on behalf of the Hospital and the Corporation (collectively referred to as the "Obligated Group" under the Series E Bond agreements). The Series E Bonds are structured with a term bond due July 1, 2034, with annual sinking fund payments due each July 1st commencing July 1, 2003. Interest on the Series E Bonds accrues at the weekly rate and is payable on the first business day of each month commencing July 1, 2004.

The proceeds of the Series E Bonds were used to finance the acquisition, construction, capital improvements, renovation, and/or equipping of the expansion of the Hospital's Pequot Health Center, including a new 37,000 square foot building addition to house an ambulatory surgery unit, MRI services, and mobile medical technologies. The proceeds were also used to fund the debt service reserve fund and costs related to the issuance and interest related to the Series E Bonds. Under the terms of the trust indenture for the Series E Bonds, the Obligated Group is required to meet certain financial covenants including a debt service coverage ratio and days cash on hand ratio. Members of the Obligated Group are jointly and severally obligated to provide amounts sufficient to enable the Authority to pay principal and interest on the Series E bonds. The bonds and bond proceeds have been allocated to the Hospital and as such, the Hospital will make future debt service payments as required under the terms of the bonds.

The bonds may be retired at an earlier date pursuant to terms of the master indenture. Payment of the bonds is collateralized by a pledge of the gross receipts (as defined) and certain real property of the Hospital and Corporation.

Effective January 16, 2008, the Hospital refinanced its CHEFA Series E bonds with JPMorgan Chase Bank, N.A. This reoffering does not update information contained in the original official statement but provides a new letter of credit, which expires in January 2013.

The Series E Bonds are considered variable rate demand bonds and are remarketed on a weekly basis. If the bonds are unable to be remarketed, the letter of credit could be utilized to purchase the bonds. The Obligated Group would then be subject to the payment terms of the letter of credit, which are equal quarterly installments beginning in the first quarter that is at least 367 days after the initial draw down on the letter of credit. The Series E Bonds have been successfully remarketed and there have been no draws on the letter of credit.

In accordance with the long-term loan agreement with CHEFA, certain trusteed funds are required to be maintained. These funds provide for debt service and other related payments. The income

derived from these funds is required to be reinvested in the trusteed funds and is not available for current operating purposes.

The agreements will remain in force until principal and interest on the bonds and any other costs of the Authority with respect to the project have been fully paid or provided for. Annual payments due under the loan agreements include interest on the outstanding bonds.

The fair value of the Series E Bonds, using discounted cash flow analyses, approximates carrying value. The fair value of the Series D Bonds is approximately $0 million and $64.5 million at September 30, 2011 and 2010, respectively.

The VNA has a $1.0 million ten year variable rate mortgage note bearing interest at one percent above the LIBOR rate (1.181% and 2.19% at June 30, 2011 and 2010, respectively). The VNA maintains an interest rate swap agreement for this debt at a rate of 8.35%. The loan is based on a 20 year amortization period. The balance of the loan is $225,988 and $265,903 at June 30, 2011 and 2010, respectively. The remaining principal balance is due September 2011. The note is collateralized by a first mortgage on the property, buildings and building improvements located in Waterford, Connecticut.

Principal repayments, excluding the capital lease, are as follows:

Year	Annual Principal Repayment
2012	$ 2,885,000
2013	2,625,000
2014	2,725,000
2015	2,835,000
2016 and thereafter	70,860,000
	$ 81,930,000

Cash interest payments of $2,215,476 and $2,350,752 were made in fiscal year 2011 and 2010, respectively. No interest was capitalized during 2011 and 2010.

8. Pension and Other Postretirement Benefits

The Hospital has a defined benefit plan covering all employees who elected to stay in the plan. The plan is frozen to new participants as of June 30, 1999. The benefits are based on years of service and the employee's compensation during the last five years of employment. Assets of the plan include mutual funds, marketable equity securities, corporate and government bonds, notes, and hedge funds.

The Hospital provides health care and life insurance benefits to its retired employees who meet certain eligibility requirements. The Hospital's policy is to fund the cost of postretirement benefits other than pensions as incurred. This plan was frozen to include only those employees who retired prior to May 1, 1994.

The following table sets forth the Hospital's plans' funded status and amounts recognized in the consolidated statement of financial position for fiscal year 2011 and 2010 as of September 30 (measurement date of September 30):

	Pension Benefits		Other Postretirement Benefits	
	2011	2010	2011	2010
Change in benefit obligation				
Benefit obligation at beginning of year	$ 131,200,922	$ 117,330,146	$ 1,277,520	$ 1,290,578
Service cost	1,941,270	1,927,395	-	-
Interest cost	6,505,871	6,648,772	59,018	70,433
Employee contributions	163,401	180,479	-	-
Benefits paid	(5,255,985)	(5,267,983)	(120,183)	(130,095)
Actuarial (gain)/loss	(7,891,942)	10,384,113	(49,354)	46,604
Benefit obligation at end of year	$ 126,663,537	$ 131,200,922	$ 1,167,001	$ 1,277,520
Change in plan assets				
Fair value of plan assets at beginning of year	$ 81,387,819	$ 76,344,572	$ -	$ -
Actual return on plan assets	2,092,350	7,130,751	-	-
Employee contributions	163,401	180,479	-	-
Employer contributions	7,100,000	3,000,000	120,183	130,095
Benefits paid	(5,255,985)	(5,267,983)	(120,183)	(130,095)
Fair value of plan assets at end of year	$ 85,487,585	$ 81,387,819	$ -	$ -
Funded status of the plan	$ (41,175,952)	$ (49,813,103)	$ (1,167,001)	$ (1,277,520)
Unrecognized net loss (gain) from past experience different from that assumed and effects of changes in assumptions	31,903,948	37,618,950	(526,034)	(531,764)
Unrecognized prior service cost	471,588	596,549	-	-
Accrued benefit costs recognized in the statement of operation	$ (8,800,416)	$ (11,597,604)	$ (1,693,035)	$ (1,809,284)
Components of net periodic benefit costs				
Service cost	$ 1,941,270	$ 1,927,395	$ -	$ -
Interest cost	6,505,871	6,648,772	59,018	70,433
Expected return on plan assets	(6,850,835)	(6,350,382)	-	-
Amortization of net loss/(gain)	2,581,545	1,867,224	(55,084)	(61,546)
Net amortization and deferral	124,961	124,956	-	-
Benefit cost	$ 4,302,812	$ 4,215,965	$ 3,934	$ 8,887

The weighted average assumptions used to determine the net benefit cost at the beginning of the year are as follows:

	2011	2010
Discount rate	5.07 %	5.80 %
Average rate of compensation increases	4.25 %	4.25 %
Expected return on assets	8.50 %	8.50 %

The weighted average assumptions used to determine the benefit obligation at the end of the year are as follows:

	2011	2010
Discount rate	5.34 %	5.07 %
Average rate of compensation increases	3.50 %	4.25 %

The Plan's asset allocations as of September 30, 2011 and 2010 are as follows:

Asset Category	2011	2010
Cash	5%	2%
Bonds	30%	24%
Hedge Funds	31%	30%
Marketable Equities	34%	44%
Total	100%	100%

The expected rate of return on plan assets is calculated based on past experience.

Expected benefits to be paid under the Hospital's plans are as follows:

Fiscal Years Beginning October 1	Expected Benefits
2011	$ 6,227,427
2012	6,509,958
2013	6,910,790
2014	7,155,303
2015	7,572,842
Expected Aggregate for 5 fiscal years beginning 2016	42,922,899

Annual contributions are determined by the Hospital based upon calculations prepared by the plan's actuary. Expected contributions to the Pension and Retiree Health Plan for 2011 are approximately:

Pension	$ 6,509,958
Retiree Health	125,125

The weighted-average annual assumed rate of increase in the per capita cost of covered benefits (i.e., health care cost trend rate) for participants is assumed to be 9% in 2012 reducing to 5.0% by the year 2016 and remaining at that level thereafter. This health care cost trend rate assumption has a significant effect on the amounts reported. To illustrate, a one percentage point increase in the assumed health care cost trend rate would increase the accumulated postretirement benefit obligation and service cost plus interest cost by approximately $80,000 and $94,000, respectively, at September 30, 2011 and 2010. A one percentage point decrease in the assumed health care cost trend rate would decrease the accumulated postretirement benefit obligation and service cost plus interest cost by approximately $73,000 and $86,000, respectively, at September 30, 2011 and 2010.

Plan Assets
The defined benefit plan assets are valued utilizing the same fair value hierarchy as the Hospital's investments as described in Note 1.

The following table summarizes the fair values of investments by major type held by the staff pension plan at September 30, 2011:

	Level 1	Level 2	Level 3	2011
Investments, at fair value				
Cash	$ 3,847,979	$ -	$ -	3,847,979
Bonds	25,779,769	-	-	25,779,769
Hedge Funds	-	-	26,524,387	26,524,387
Marketable Equities	26,050,106	3,285,344	-	29,335,450
Total investments, at fair value	$ 55,677,854	$ 3,285,344	$ 26,524,387	$ 85,487,585

The following table summarizes the fair values of investments by major type held by the staff pension health plan at September 30, 2010:

	Level 1	Level 2	Level 3	2010
Investments, at fair value				
Cash	$ 1,873,724	$ -	$ -	$ 1,873,724
Bonds	-	19,609,144	-	19,609,144
Hedge Funds	-	-	24,333,144	24,333,144
Marketable Equities	14,103,283	21,468,524	-	35,571,807
Total investments, at fair value	$ 15,977,007	$ 41,077,668	$ 24,333,144	$ 81,387,819

There are no transfers between levels comparing last to this year for assets that are in the portfolio.

The table below represents the change in fair value measurements for Level 3 investments held by the staff pension plans' years ended September 30, 2011 and 2010, respectively:

	2011	2010
Beginning balance	$ 24,333,144	$ 19,719,016
Realized and unrealized gain, net	249,105	1,629,862
Purchases (sales), net	1,942,138	2,984,266
Ending balance	$ 26,524,387	$ 24,333,144

The investment objective for the pension and post retirement plans seeks a positive long-term total return after inflation to meet the Hospital's current and future plan obligations.

Asset allocations for both plans combine tested theory and informed market judgment to balance investment risks with the need for high returns.

The Hospital's 401(k) plan covers eligible employees who elected to participate in the plan. Eligible employees may contribute a percentage of their salary to the plan. The Hospital matches 100% of the first 4% of gross pay deferred by employees for those employees who do not participate in the defined benefit plan. Plan contributions charged to operations were approximately $3,677,000 and $3,628,000 for 2011 and 2010, respectively.

The VNA has a defined contribution pension plan which covers substantially all of its employees who have met specified age and length of service requirements. Contributions to the plan are

based on 5% of eligible salaries and totaled approximately $432,537 and $433,118 for the years ended June 30, 2011 and 2010, respectively.

9. Medical Malpractice Self-Insurance

There have been malpractice claims that fall within the Hospital's self-insured program which have been asserted against the Hospital. In addition, there are known incidents that have occurred through September 30, 2010 that may result in the assertion of claims. The Hospital has engaged independent actuaries to estimate the ultimate cost of the settlement of such claims. Accrued malpractice losses have been discounted at 4% for 2011 and 5% for 2010. The Hospital maintains a trust to fund these liabilities on a long-term basis. The Corporation has adopted an offshore captive to administer all medical malpractice and general liability coverage in the coming year.

10. Functional Expenses

The Corporation and its subsidiaries provide general health care services to residents within its geographic location including pediatric care, cardiac catheterization, and outpatient surgery. Expenses by function are as follows:

	2011	2010
Health care services	$ 271,059,762	$ 256,962,275
General and administrative	84,771,474	78,021,734
	$ 355,831,236	$ 334,984,009

11. Contingencies

The Corporation and its subsidiaries are parties to various lawsuits incidental to their business. Management believes that the lawsuits will not have a material adverse effect on their financial position, results of operations, changes in net assets or cash flows.

Lawrence & Memorial Corporation and Subsidiaries
Consolidating Balance Sheet
September 30, 2011

	Lawrence & Memorial Hospital	Lawrence & Memorial Corporation	Eliminating Entries	Obligated Group	L&M Systems, Inc.	LMPA	L&M Indemity	VNA of Southeastern Connecticut, Inc.	Eliminating Entries	Consolidated
Assets										
Current assets										
Cash and cash equivalents	$ 41,797,328	$ 814,528	$ -	$ 42,611,856	$ 399	$ 56,951	$ 120,000	$ 1,791,726	$ -	$ 44,580,932
Investments	105,904,042	44,333,741	-	150,237,783	-	-	-	5,935,598	-	156,173,381
Accounts receivable	30,483,331	-	-	30,483,331	-	589,495	-	1,139,437	-	32,212,263
Other receivables	3,998,458	-	-	3,998,458	559,288	36,795	-	-	-	4,594,541
Inventories	4,528,017	-	-	4,528,017	-	24,594	-	-	-	4,552,611
Due from affiliates	578,161	861,452	(578,161)	861,456	1,087,749	3,754	-	-	(1,952,961)	-
Prepaid expenses and other current assets	1,739,804	-	-	1,739,804	-	283,749	-	299,002	-	2,322,555
Debt service fund	1,109,892	-	-	1,109,892	-	-	-	-	-	1,109,892
Total current assets	190,139,033	46,009,727	(578,161)	235,570,599	1,647,436	995,338	120,000	9,165,763	(1,952,961)	245,546,175
Assets limited as to use										
Cash	179,900	-	-	179,900	-	-	-	-	-	179,900
Construction funds	8,427,695	-	-	8,427,695	-	-	-	-	-	8,427,695
Investments held in trust	11,241,951	-	-	11,241,951	-	-	-	-	-	11,241,951
Endowment investments	14,398,888	2,598,927	-	16,997,815	-	-	-	5,058,301	-	22,056,116
Investment in subsidiaries	-	3,182,689	-	3,182,689	-	-	-	-	(3,182,689)	-
Funds held in Trust by others	5,607,933	-	-	5,607,933	-	-	-	-	-	5,607,933
Contributions receivable	20,328	867,140	-	887,468	-	-	-	-	-	887,468
Funds held in escrow by agreement with	-	-	-	-	-	-	-	-	-	-
Statement of Connecticut Health and	-	-	-	-	-	-	-	-	-	-
Debt service reserve fund										
Educational Facilities Authority and trustees	2,247,370	-	-	2,247,370	-	-	-	-	-	2,247,370
Total assets limited as to use	42,124,065	6,648,756	-	48,772,821	-	-	-	5,058,301	(3,182,689)	50,648,433
Other assets										
Deferred financing costs and other assets, net	1,938,833	-	-	1,938,833	-	-	-	-	-	1,938,833
Property, plant and equipment										
Land improvements	6,506,216	11,116,791	-	17,623,007	-	-	-	330,275	-	17,953,282
Buildings/leasehold improvements	111,446,370	148,821	-	111,595,191	-	1,396,975	-	2,194,420	-	115,186,586
Equipment/furniture	203,329,727	21,774	-	203,351,501	-	745,052	-	909,825	-	205,006,378
Accumulated depreciation	(210,414,909)	(74,691)	-	(210,489,600)	-	(1,631,229)	-	(1,476,479)	-	(213,597,308)
Construction in progress	10,169,457	-	-	10,108,457	-	-	-	-	-	10,169,457
Property, plant and equipment, net	120,976,861	11,212,695	-	132,189,556	-	510,798	-	1,958,041	-	134,658,395
	$ 355,178,792	$ 63,871,178	$ (578,161)	$ 418,471,809	$ 1,647,436	$ 1,506,136	$ 120,000	$ 16,182,105	$ (5,135,650)	$ 432,791,836

RIDOH 1017

Lawrence & Memorial Corporation and Subsidiaries
Consolidating Balance Sheet
September 30, 2011

	Lawrence & Memorial Hospital	Lawrence & Memorial Corporation	Eliminating Entries	Obligated Group	L&M Systems, Inc	LMPA	L&M Indemnity	VNA of Southeastern Connecticut, Inc.	Eliminating Entries	Consolidated
Liabilities and Net Assets										
Current liabilities										
Accounts payable	$ 22,690,113	$ 236,343	$ -	$ 22,926,456	$ -	$ 60,230	$ -	$ 1,128,690	$ -	$ 24,115,376
Accrued vacation and sick pay	11,705,811	-	-	11,705,811	-	-	-	-	-	11,705,811
Salaries, wages, payroll taxes and amounts withheld from employees	3,125,898	-	-	3,125,898	-	451,796	-	-	-	3,577,694
Due to affiliates	1,913,991	-	(578,161)	1,335,830	617,131	98,310	-	-	(1,952,961)	98,310
Due to third party payors	7,838,088	-	-	7,838,088	-	-	-	175,000	-	8,013,088
Other current liabilities	-	-	-	-	-	-	-	65,242	-	65,242
Current portion of long-term debt	2,976,493	-	-	2,976,493	-	-	-	225,988	-	3,202,481
Total current liabilities	50,250,394	236,343	(578,161)	49,908,576	617,131	610,336	-	1,594,920	(1,952,961)	50,778,002
Accrued pension and other postretirement benefits	43,423,221	-	-	43,423,221	-	-	-	-	-	43,423,221
Other liabilities	14,213,720	-	-	14,213,720	-	-	-	-	-	14,213,720
Long-term debt less current portion	82,249,920	-	-	82,249,920	-	-	-	-	-	82,249,920
Total liabilities	190,137,255	236,343	(578,161)	189,795,437	617,131	610,336	-	1,594,920	(1,952,961)	190,664,863
Net assets										
Unrestricted	141,738,900	62,502,889	-	204,241,789	1,030,305	895,800	120,000	14,560,185	(3,182,689)	217,665,390
Temporarily restricted	17,792,779	1,131,946	-	18,924,725	-	-	-	-	-	18,924,725
Permanently restricted	5,509,858	-	-	5,509,858	-	-	-	27,000	-	5,536,858
Total net assets	165,041,537	63,634,835	-	228,676,372	1,030,305	895,800	120,000	14,587,185	(3,182,689)	242,126,973
	$ 355,178,792	$ 63,871,178	$ (578,161)	$ 418,471,809	$ 1,647,436	$ 1,506,136	$ 120,000	$ 16,182,105	$ (5,135,650)	$ 432,791,836

RIDOH 1018

Lawrence & Memorial Corporation and Subsidiaries
Consolidating Balance Sheet
September 30, 2010

	Lawrence & Memorial Hospital	Lawrence & Memorial Corporation	Eliminating Entries	Obligated Group	L&M Systems, Inc.	LMPA	VNA of Southeastern Connecticut, Inc.	Eliminating Entries	Consolidated
Assets									
Current assets									
Cash and cash equivalents	$ 33,160,240	$ 5,255,792	$ -	$ 38,446,032	$ 8,054	$ 239,297	$ 2,528,707	$ -	$ 41,222,090
Investments	106,795,008	44,866,427	-	151,661,435	-	-	4,119,552	-	155,780,987
Accounts receivable	30,942,261	-	-	30,942,261	-	143,715	1,242,567	-	32,328,543
Other receivables	5,765,211	-	-	5,765,211	224,500	35,895	-	-	6,025,606
Inventories	3,796,086	-	-	3,796,086	-	-	-	-	3,796,086
Due from affiliates	6,243,476	541,500	(6,243,476)	541,500	917,707	-	-	(1,457,279)	1,928
Prepaid expenses and other current assets	1,624,613	-	-	1,624,613	-	-	306,948	-	1,931,561
Debt service fund	1,248,032	-	-	1,248,032	-	-	-	-	1,248,032
Total current assets	189,574,927	50,693,719	(6,243,476)	234,025,170	1,150,261	418,907	8,197,774	(1,457,279)	242,334,833
Assets limited as to use									
Cash	179,215	-	-	179,215	-	-	-	-	179,215
Investments held in trust	11,986,573	-	-	11,986,573	-	-	-	-	11,986,573
Endowment investments	14,741,092	2,744,154	-	17,485,246	-	-	4,180,768	-	21,666,014
Investment in subsidiaries	-	3,182,689	-	3,182,689	-	-	-	(3,182,689)	-
Funds held in Trust by others	5,876,049	-	-	5,876,049	-	-	-	-	5,876,049
Contributions receivable	46,092	1,064,824	-	1,110,916	-	-	-	-	1,110,916
Funds held in escrow by agreement with Statement of Connecticut Health and Educational Facilities Authority and trustees	7,156,167	-	-	7,156,167	-	-	-	-	7,156,167
Total assets limited as to use	39,985,188	6,991,667	-	46,976,855	-	-	4,180,768	(3,182,689)	47,974,934
Other assets									
Deferred financing costs and other assets, net	1,330,365	-	-	1,330,365	-	-	-	-	1,330,365
Property, plant and equipment									
Land improvements	5,212,649	530,687	-	5,743,336	-	-	330,275	-	6,073,611
Buildings/leasehold improvements	107,593,741	148,821	-	107,742,562	-	467,701	2,206,385	-	110,416,648
Equipment/furniture	180,454,333	21,774	-	180,476,107	-	157,952	1,006,783	-	181,640,842
Accumulated depreciation	(193,724,896)	(67,012)	-	(193,791,908)	-	-	(1,395,247)	-	(195,187,155)
Construction in progress	9,635,284	-	-	9,635,284	-	-	-	-	9,635,284
Property, plant and equipment, net	109,171,111	634,270	-	109,805,381	-	625,653	2,148,196	-	112,579,230
	$ 340,061,591	$ 58,319,656	$ (6,243,476)	$ 392,137,771	$ 1,150,261	$ 1,044,560	$ 14,526,738	$ (4,639,968)	$ 404,219,362

RIDOH 1019

Lawrence & Memorial Corporation and Subsidiaries
Consolidating Balance Sheet
September 30, 2010

	Lawrence & Memorial Hospital	Lawrence & Memorial Corporation	Eliminating Entries	Obligated Group	L&M Systems, Inc.	LMPA	VNA of Southeastern Connecticut, Inc.	Eliminating Entries	Consolidated
Liabilities and Net Assets									
Current liabilities									
Accounts payable	$ 19,524,046	$ 85,083	$ -	$ 19,609,129	$ 1,688	$ 925,527	$ 1,340,525	$ -	$ 21,876,869
Accrued vacation and sick pay	11,220,455	-	-	11,220,455	-	-	-	-	11,220,455
Salaries, wages, payroll taxes and amounts withheld from employees	5,023,219	-	-	5,023,219	-	13,780	-	-	5,036,999
Due to affiliates	4,764,147	2,395,108	(6,243,476)	915,779	541,500	-	-	(1,457,279)	-
Due to third party payors	8,559,110	-	-	8,559,110	-	-	280,000	-	8,839,110
Other current liabilities	-	-	-	-	5,969	-	150,892	-	156,861
Current portion of long-term debt	2,866,493	-	-	2,866,493	-	-	39,915	-	2,906,408
Total current liabilities	51,957,470	2,480,191	(6,243,476)	48,194,185	549,157	939,307	1,811,332	(1,457,279)	50,036,702
Accrued pension and other postretirement benefits	52,131,286	-	-	52,131,286	4,048	-	-	-	52,135,334
Other liabilities	12,279,482	-	-	12,279,482	-	-	-	-	12,279,482
Long-term debt less current portion	61,883,130	-	-	61,883,130	-	-	265,016	-	62,148,146
Total liabilities	178,251,368	2,480,191	(6,243,476)	174,488,083	553,205	939,307	2,076,348	(1,457,279)	176,599,664
Net assets									
Unrestricted	137,908,558	54,367,333	-	192,275,891	597,056	105,253	12,423,390	(3,182,689)	202,218,901
Temporarily restricted	18,251,340	1,472,132	-	19,723,472	-	-	-	-	19,723,472
Permanently restricted	5,650,325	-	-	5,650,325	-	-	27,000	-	5,677,325
Total net assets	161,810,223	55,839,465	-	217,649,688	597,056	105,253	12,450,390	(3,182,689)	227,619,698
	$ 340,061,591	$ 58,319,656	$ (6,243,476)	$ 392,137,771	$ 1,150,261	$ 1,044,560	$ 14,526,738	$ (4,639,968)	$ 404,219,362

RIDOH 1020

Lawrence & Memorial Corporation and Subsidiaries
Consolidating Statement of Operations
Year Ended September 30, 2011

	Lawrence & Memorial Hospital	Lawrence & Memorial Corporation	Eliminating Entries	Obligated Group	L&M Systems, Inc.	LMPA	L&M Indemnity	VNA of Southeastern Connecticut, Inc.	Eliminating Entries	Consolidated
Net revenues from services to patients	$ 325,275,690	$ -	$ -	$ 325,275,690	$ -	$ 9,653,134	$ -	$ 11,713,398	$ -	$ 346,642,222
Other operating revenues	11,091,212	4,915,892	-	16,005,094	514,414	1,445,368	-	3,410,342	(3,864,201)	17,511,017
Net assets released from restriction	394,829	531,379	-	926,208	-	-	-	-	-	926,208
	336,761,731	5,445,271	-	342,206,992	514,414	11,098,502	-	15,123,740	(3,864,201)	365,079,447
Operating expenses										
Salaries and wages	149,953,412	-	-	149,953,412	-	13,088,769	-	10,144,682	(515,730)	172,671,133
Employee benefits	41,885,784	-	-	41,885,784	252,925	2,238,134	-	2,678,647	(1,602,328)	45,553,162
Supplies	46,436,631	-	-	46,436,631	50	543,449	-	139,962	-	47,120,092
Purchased services	45,904,757	531,874	-	23,862,067	6,284	1,447,160	-	730,460	(1,531,315)	24,514,656
Other	23,474,674	387,423	-	29,121,919	29	1,806,420	-	698,016	(214,828)	31,411,556
Interest	29,646,249	75,670	-	2,212,181	-	-	-	36,011	-	2,248,192
Depreciation and amortization	2,212,181	-	-	17,207,246	-	270,863	-	226,249	-	17,704,358
Bad debts	17,198,566	7,680	-	14,356,474	-	176,603	-	74,180	-	14,608,057
	14,356,474	-	-	324,135,744	259,288	19,571,398	-	14,729,007	(3,864,201)	355,831,236
	324,133,697	1,002,647	-							
Income from operations	12,628,624	4,442,624	-	17,071,248	255,126	(8,472,896)	-	394,733	-	9,248,211
Nonoperating gains										
Unrestricted investment income	171,387	-	-	171,387	-	-	-	-	-	171,387
Income(loss) from investments	5,993,309	2,233,886	-	8,227,255	-	-	-	282,904	-	8,510,159
Loss on refinancing of debt	(2,026,984)	-	-	(2,026,984)	-	-	-	-	-	(2,026,984)
	4,137,772	2,233,886	-	6,371,658	-	-	-	282,904	-	6,654,562
Excess of revenues over expenses	16,766,396	6,676,510	-	23,442,906	255,126	(8,472,896)	-	677,637	-	15,902,773
Net unrealized (losses)/gains on investments	(6,282,024)	(1,847,148)	-	(8,129,172)	-	-	-	1,459,158	-	(6,670,014)
Transfer to L & M Affiliate	(12,670,075)	3,228,506	-	(9,441,569)	178,123	9,263,443	-	-	-	-
Net assets released from restrictions used for purchases of property and equipment	176,082	-	-	176,082	-	-	-	-	-	176,082
Pension - related changes other than periodic pension costs	5,839,963	-	-	5,839,963	-	-	-	-	-	5,839,963
Decrease in unrestricted net assets	$ (3,169,342)	$ (8,957,671)	$ -	$ (11,866,211)	$ (433,249)	$ (790,547)	$ -	$ (2,136,795)	$ -	$ (15,248,804)

RIDOH 1021

Lawrence & Memorial Corporation and Subsidiaries
Consolidating Statement of Operations
Year Ended September 30, 2010

	Lawrence & Memorial Hospital	Lawrence & Memorial Corporation	Eliminating Entries	Obligated Group	L&M Systems, Inc.	LMPA	VNA of Southeastern Connecticut, Inc.	Eliminating Entries	Consolidated
Net revenues from services to patients	$ 314,168,301	$ -	$ -	314,168,301	$ -	$ -	$ 11,895,273	$ -	$ 326,063,574
Other operating revenues	9,926,307	1,839,866	-	11,766,193	2,526,955	2,513,560	3,103,359	(827,246)	19,082,821
Net assets released from restriction	412,940	478,595	-	891,515	-	-	-	-	891,515
	324,507,548	2,318,461	-	326,826,009	2,526,955	2,513,560	14,998,632	(827,246)	346,037,910
Operating expenses									
Salaries and wages	143,999,074	-	-	143,999,074	914,300	2,523,605	9,714,975	(229,278)	156,922,676
Employee benefits	40,325,006	-	-	40,325,006	346,137	909,151	2,361,280	(597,968)	43,343,606
Supplies	43,164,547	480,820	-	43,645,367	176,928	144,643	740,847	-	44,707,786
Purchased services	21,093,240	115,342	-	21,208,582	396,398	448,152	176,637	-	22,229,769
Other	29,171,055	76,723	-	29,247,778	522,190	587,347	658,483	-	31,015,798
Interest	2,332,245	-	-	2,332,245	4,773	-	36,676	-	2,373,694
Depreciation and amortization	16,728,407	7,680	-	16,736,087	168,695	-	256,152	-	17,160,934
Bad debts	15,052,335	-	-	15,052,335	670,481	1,619,872	125,000	(237,942)	17,229,746
	311,865,909	680,565	-	312,546,474	3,199,903	6,232,770	14,070,050	(1,065,188)	334,984,009
Income from operations	12,641,639	1,637,896	-	14,279,535	(672,948)	(3,719,210)	928,582	237,942	11,053,901
Nonoperating gains									
Unrestricted investment income	175,335	-	-	175,335	-	-	-	-	175,335
(Loss)/income on investments	2,341,396	(15,980,979)	-	(13,639,583)	(297,132)	-	99,780	17,169,074	3,332,139
	2,516,731	(15,980,979)	-	(13,464,248)	(297,132)	-	99,780	17,169,074	3,507,474
Excess of revenues over expenses	15,158,370	(14,343,083)	-	815,287	(970,080)	(3,719,210)	1,028,362	17,407,016	14,561,375
Net unrealized gains/(losses) on investments	5,459,058	1,901,354	-	7,360,412	-	-	772,831	-	8,133,243
Transfer to L & M Affiliate	(4,900,000)	4,900,000	-	-	(642,774)	642,774	-	-	-
Net assets released from restrictions used for purchases of property and equipment	181,470	-	-	181,470	-	-	-	-	181,470
Transfer to/from affiliate	-	-	-	-	694,257	-	-	-	694,257
Forgiveness of debt	-	-	-	-	399,419	3,181,689	-	(3,581,108)	-
Pension - related changes other than periodic pension costs	(7,611,564)	-	-	(7,611,564)	-	-	-	-	(7,611,564)
Decrease in unrestricted net assets	$ 8,287,134	$ (7,541,729)	$ -	$ 745,605	$ (519,178)	$ 105,253	$ 1,801,193	$ 13,825,908	$ 15,956,781

RIDOH 1022

Lawrence & Memorial Corporation and Subsidiaries

Consolidated Financial Statements
September 30, 2010 and 2009

Lawrence & Memorial Corporation and Subsidiaries

Index

September 30, 2010 and 2009

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Report of Independent Auditors

To the Board of Directors of
Lawrence & Memorial Corporation

In our opinion, based on our audits and the report of other auditors, the accompanying consolidated balance sheets and the related consolidated statements of operations, changes in net assets, and cash flows present fairly, in all material respects, the financial position of Lawrence & Memorial Corporation (the "Corporation") and subsidiaries at September 30, 2010 and 2009 and the results of their operations, of their changes in net assets, and of their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Visiting Nurses Association ("VNA") of Southeastern Connecticut, Inc., a wholly-owned subsidiary, whose statements as of September 30, 2010 and 2009 reflect total net assets constituting 5.5% and 5.0%, respectively, and total net revenues constituting 3.6% and 3.8%, respectively, of the related consolidated totals. Those statements have been audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to data included for VNA of Southeastern Connecticut, Inc., is based solely on the reports of the other auditors. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information, on pages 24 through 29, is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual organizations. Accordingly, we do not express an opinion on the financial position, results of operations, and changes in net assets, of the individual organizations. However, the consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, based on our audits and the report of other auditors, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

PricewaterhouseCoopers LLP

December 17, 2010

Lawrence & Memorial Corporation and Subsidiaries
Consolidated Balance Sheets
September 30, 2010 and 2009

	2010	2009
Assets		
Current assets		
Cash and cash equivalents	$ 41,222,090	$ 30,049,949
Investments	155,780,987	141,225,546
Patient accounts receivable, net of allowance for doubtful accounts of $7,673,848 and $6,674,799, respectively	32,328,543	31,445,669
Other receivables	6,025,606	6,543,410
Inventories	3,796,086	3,506,113
Due from affiliates	1,928	24,500
Prepaid expenses and other current assets	1,931,561	2,538,001
Debt service fund	1,248,032	1,295,094
Total current assets	242,334,833	216,628,282
Assets limited as to use		
Cash	179,215	177,710
Construction fund	-	6,170
Investments held in trust	11,986,573	12,678,851
Endowment investments	21,666,014	20,488,707
Funds held in trust by others	5,876,049	5,611,568
Contributions receivable	1,110,916	1,327,113
Fund held in escrow by agreement with State of Connecticut Health and Educational Facilities Authority and trustees	7,156,167	7,159,610
Total assets limited as to use	47,974,934	47,449,729
Deferred financing costs and other assets, net	1,330,365	1,418,292
Property, plant and equipment, net	112,579,230	109,741,869
	$ 404,219,362	$ 375,238,172
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 21,876,869	$ 16,961,077
Accrued vacation and sick pay	11,220,455	10,641,451
Salaries, wages, payroll taxes and amounts withheld from employees	5,036,999	4,184,333
Due to affiliates	-	718,757
Due to third party payors	8,839,110	9,222,736
Other current liabilities	156,861	364,053
Current portion of long-term debt	2,906,408	2,674,572
Total current liabilities	50,036,702	44,766,979
Accrued pension and other postretirement benefits	52,135,334	43,035,284
Other liabilities	12,279,482	12,202,253
Long-term debt less current portion	62,148,146	64,577,644
Total liabilities	176,599,664	164,582,160
Net assets		
Unrestricted	203,283,725	187,324,944
Temporarily restricted	18,658,648	17,758,955
Permanently restricted	5,677,325	5,572,113
Total net assets	227,619,698	210,656,012
	$ 404,219,362	$ 375,238,172

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

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Lawrence & Memorial Corporation and Subsidiaries
Consolidated Statements of Operations
Years Ended September 30, 2010 and 2009

	2010	2009
Unrestricted revenues, gains and other support:		
Net revenues from services to patients	$ 326,063,574	$ 295,154,990
Other operating revenues	19,082,821	17,579,868
Net assets released from restriction used for operations	412,940	460,320
Total unrestricted revenues, gains and other support	345,559,335	313,195,178
Expenses:		
Salaries and wages	156,922,676	146,830,700
Employee benefits	43,343,606	38,489,945
Supplies	34,587,025	32,245,723
Purchased services	22,115,804	22,007,293
Other	41,250,524	30,368,297
Interest	2,373,694	2,673,379
Depreciation and amortization	17,160,934	16,403,646
Bad debts	17,229,746	17,657,789
Total expenses	334,984,009	306,676,772
Income from operations	10,575,326	6,518,406
Non-operating gains/(losses)		
Unrestricted investment income	175,335	266,039
Income/(loss) from investments	3,332,139	(983,287)
Realized losses on investments deemed other than temporarily impaired	-	(645,291)
Total non-operating gains/(losses)	3,507,474	(1,362,539)
Excess of revenues over expenses	14,082,800	5,155,867
Net unrealized gains on investments	8,133,243	5,217,924
Transfer to/from affiliate	694,257	-
Net assets released from restrictions used for purchase of property, plant and equipment	660,045	385,879
Pension - related changes other than periodic pension costs	(7,611,564)	(22,254,106)
Donated equipment	-	60,000
Increase/(decrease) in unrestricted net assets	$ 15,958,781	$ (11,434,436)

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

Lawrence & Memorial Corporation and Subsidiaries
Consolidated Statements of Changes in Net Assets
Years Ended September 30, 2010 and 2009

	2010	2009
Unrestricted net assets		
Excess of revenues over expenses	$ 14,082,800	$ 5,155,867
Net unrealized gains/(losses) on investments	8,133,243	5,217,924
Transfer to/from affiliate	694,257	
Net assets released from restrictions used for purchase of property, plant and equipment	660,045	385,879
Pension - related changes other than periodic pension costs	(7,611,564)	(22,254,106)
Donated equipment		60,000
Increase/(decrease) in unrestricted net assets	15,958,781	(11,434,436)
Beginning of year unrestricted net assets	187,324,944	198,759,380
End of year unrestricted net assets, as reclassified	$ 203,283,725	$ 187,324,944
Temporarily restricted net assets		
Income from investments	$ 268,083	$ 445,602
Net assets released from restrictions	(1,072,985)	(846,199)
Contributions received	530,003	709,585
Change in value of irrevocable trusts	159,705	(108,819)
Net realized and unrealized gains/(losses) on investments	1,014,887	(579,243)
Increase/(decrease) in temporarily restricted net assets	899,693	(379,074)
Beginning of year temporarily restricted net assets	17,758,955	18,138,029
End of year temporarily restricted net assets, as reclassified	$ 18,658,648	$ 17,758,955
Permanently restricted net assets		
Change in value of funds held in trust by others	$ 105,212	$ (63,111)
Increase/(decrease) in permanently restricted net assets	105,212	(63,111)
Beginning of year permanently restricted net assets	5,572,113	5,635,224
End of year permanently restricted net assets	$ 5,677,325	$ 5,572,113
Increase/(decrease) in net assets	$ 16,963,686	$ (11,876,621)

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

Lawrence & Memorial Corporation and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended September 30, 2010 and 2009

	2010	2009
Cash flows from operating activities		
Change in net assets	$ 16,963,686	$ (11,876,621)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	17,160,934	16,403,646
Net unrealized and realized gains on investments	(8,864,739)	(6,569,088)
Realized loss on other than temporarily impaired investments	-	645,291
Provision for bad debts	17,229,746	17,657,789
(Increase)/decrease in funds held in trust by others	(264,481)	172,314
Decrease/(increase) in contributions receivable	216,197	(645,861)
Other changes in net assets		
Restricted contributions and investment income	(798,086)	(125,724)
Changes in other operating accounts		
Patient accounts receivable, net	(18,112,620)	(11,033,091)
Other receivables, net	517,804	(1,854,993)
Inventories	(289,973)	(149,064)
Prepaid expenses and other current assets	606,440	(511,816)
Deferred financing costs and other assets	87,927	210,788
Accounts payable	5,125,506	(2,104,854)
Accrued vacation and sick pay	579,004	475,554
Salaries, wages, payroll taxes and amounts withheld from employees	852,666	483,413
Due to affiliates	(718,757)	295,846
Due from affiliates	22,572	1
Due to third party payors	(383,626)	1,095,823
Pension, postretirement and other liabilities	8,970,087	22,807,555
Net cash provided by operating activities	38,900,287	25,376,908
Cash flows from investing activities		
Purchase of property, plant and equipment, net	(20,085,147)	(23,242,099)
Purchases of investments	(151,368,583)	(108,381,734)
Sales of investments	145,197,517	113,345,116
Decrease/(increase) in debt service fund	47,062	(1,057)
Decrease in funds held in escrow	3,443	181,397
Net cash used in investing activities	(26,205,708)	(18,098,377)
Cash flows from financing activities		
Restricted contributions	798,086	125,724
Principal payments of long term debt	(2,320,524)	(2,537,012)
Net cash used in financing activities	(1,522,438)	(2,411,288)
Net increase in cash and cash equivalents	11,172,141	4,867,243
Cash and cash equivalents		
Beginning of year	30,049,949	25,182,706
End of year	$ 41,222,090	$ 30,049,949
Supplemental disclosure of non cash activities		
Construction in process included in accounts payable	$ 1,526,923	$ 1,317,209
Contributed securities	$ 798,086	$ 125,724

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

1. Significant Accounting Policies and Organization

Organization

Lawrence & Memorial Corporation (the "Corporation") is a not-for-profit organization incorporated under the Non-Stock Corporation Act of the State of Connecticut. The Corporation is organized exclusively for public welfare, charitable, scientific, literary and education purposes, including the furtherance of the welfare, programs and activities of Lawrence & Memorial Hospital (the "Hospital"), a non-profit organization incorporated under the General Statutes of the State of Connecticut.

The following entities are subsidiaries of the Corporation: Lawrence & Memorial Hospital ("L&M"), L&M Systems, Inc., VNA of Southeastern Connecticut, and L&M Healthcare. The VNA of Southeastern Connecticut Inc. is consolidated using financial statement balances at June 30, 2010 and 2009.

L&M Healthcare has an affiliation agreement effective January 31, 1999 (the "Agreement") with the Hospice of Southeastern Connecticut, Inc. (the "Hospice"). The Agreement gives L&M Healthcare a membership of the Hospice with one other not-for-profit healthcare organization. L&M Healthcare does not have an equity investment in the Hospice because the affiliation agreement does not require L&M Healthcare to provide capital to the Hospice and L&M Healthcare is not entitled to any of the net assets of the Hospice should the relationship terminate or the Hospice dissolve. The Corporation and its subsidiaries have never given capital to the Hospice and the Hospice has never made capital distributions to the Corporation or its subsidiaries.

L & M Physician Association, Inc. ("LMPA") was formed exclusively for the charitable purpose of benefitting, supporting, and furthering the charitable activities of Lawrence & Memorial Hospital by engaging physicians to provide physician services to the Hospital, organizations affiliated with the Hospital and communities they serve for purpose of practicing medicine and health care services.

Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying footnotes. Actual results could differ from those estimates and there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The Corporation's significant estimates include the collectability of patient accounts receivable, useful lives of fixed assets, settlements due to third party payors, estimated reserves for self-insurance liabilities, and benefit plan assumptions.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Corporation has been limited by donors to a specific time frame or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Corporation and its subsidiaries in perpetuity or in funds held in trust by others whose purpose is for the funds to be maintained in perpetuity.

Donor Restricted Gifts
Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of operations as net assets released from restrictions. Donor restricted contributions whose restrictions are met within the same year as received are recorded as unrestricted contributions in the accompanying consolidated statement of operations.

Cash and Cash Equivalents
The Corporation and its subsidiaries consider all highly liquid investments with original maturities of three months or less at the date of purchase to be cash equivalents.

Investments
Investments in equity and debt securities are recorded at fair value in the balance sheet. Fair value is generally determined based on quoted market prices. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the excess of revenues over expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are included in the change in net assets. Under accounting principles generally accepted in the United States of America, an "other than temporary impairment" is recognized if the Corporation does not expect the fair value of a security to recover above cost or amortized cost. Once an "other than temporary impairment" charge has been recorded, a new cost basis is established.

The Corporation continues to review its securities for appropriate valuation on an ongoing basis. The Corporation determined that a portion of their investments was impaired as of September 30, 2009. The Statement of Operations reflects an other than temporary impairment of $645,291 during fiscal year 2009.

Realized and unrealized gains and losses on donor restricted endowment funds are included in temporarily restricted net assets under State law which allows the Board to appropriate as much of the net appreciation of investments as is prudent considering the Corporation's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions.

Investments in limited liability companies are accounted for using the equity method in instances where the limited partner's interest is more than minor (3-5%).

Fair Value Measurements
Fair value guidance establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entities own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The guidance describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the Corporation for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

- Level 1 – Quoted prices in active markets for identical assets.
- Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets in active markets, quoted prices in markets that are not active, or can be corroborated by observable market data for substantially the same term of the assets.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets.

Assets Held in Trust by Others
The Hospital has been named sole or participating beneficiary in several perpetual and charitable remainder trusts. Under the terms of these trusts, the Hospital has the irrevocable right to receive the income earned on the trust assets in perpetuity from the perpetual trusts and to receive the remainder of the trust assets for the charitable remainder trusts. For perpetual trusts, the estimated present value of the future payments to the Hospital is recorded at the fair value of the assets held in the trust. The charitable remainder trusts are recorded at the present value of the estimated future distributions expected to be received over the expected term of the trust agreement. The Hospital uses appropriate credit adjusted rates to discount amounts.

Assets Limited as to Use
Assets limited as to use include assets set aside by the Board of Directors to fund the deductible portion of malpractice insurance coverage (maintained in an irrevocable trust) and for the established purpose of providing for future improvement, expansion and replacement of plant and equipment. In addition, funds held in trust by others, unexpended bond proceeds for construction purposes, and assets held by trustees under indenture agreements relating to financing activities with the State of Connecticut Health and Education Facilities Authority ("CHEFA") are also included therein.

Property, Plant and Equipment
Property, plant and equipment are recorded at cost, or if received as a donation, at the fair value on the date received. The Corporation provides for depreciation of property, plant and equipment using the straight-line method in amounts sufficient to amortize the cost of its assets over their estimated useful lives. American Hospital Association lives are generally used and provide for a 2-25 year life for land improvements, 5-50 year life for buildings and a 2-25 year life for equipment. Lease improvements are amortized over the life of the lease.

Non-Operating Gains and Losses
Activities other than in connection with providing health care services are considered to be nonoperating.

Excess of Revenues over Expenses
The consolidated statement of operations includes excess of revenues over expenses. Changes in unrestricted net assets which are excluded from excess of revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments, permanent transfers of assets to and from affiliates for other than goods and services, contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets), and pension-related charges other than periodic pension costs and other postretirement benefits liabilities.

Fair Value of Financial Instruments
Investments and other assets and liabilities are carried at amounts that approximate fair value based on current market conditions. The fair value of long term debt is estimated based on the quoted market prices for the same or similar issues or on current rates offered to the Corporation and its Subsidiaries for debt of the same remaining maturities.

Benefit Plans
The Hospital has a defined benefit plan and a defined contribution plan. The VNA also has a defined contribution plan (see Note 8).

Medical Malpractice Self-Insurance
The Hospital purchases occurrence-based professional and general liability insurance to cover medical malpractice claims. The Hospital has adopted the policy of self-insuring the deductible portion of its malpractice insurance coverage up to certain per claim and aggregate limits. The Hospital has established an irrevocable trust for the purpose of setting aside assets which can only be used for the payment of malpractice losses, related expenses, and the cost of administering the trust. Management accrues its best estimate of losses as incidents which give rise to potential losses occur.

Income Taxes
The Corporation and its subsidiaries are not-for-profit organizations and are exempt from federal income taxes on related income under Section 501(c)(3) of the Internal Revenue Code, except for L&M Systems. L&M Systems provides for taxes based on current taxable income and the future tax consequences of temporary differences between financial and income tax reporting. Such amounts are not material to the consolidated financial statements. LMPA became tax exempt under Section 501(c)(3) of the Internal Revenue Code on October 13, 2009.

Inventories
Inventory consists of supplies, both medical and general pharmaceuticals and food products needed to sustain daily operation of patient care. Inventories are carried at the lower of cost or market under the first-in-first-out (FIFO) method.

Impairment of Long-Lived Assets
Long-lived assets to be held and used are reviewed for impairment whenever circumstances indicate that the carrying amount of an asset may not be recoverable. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to dispose.

Accrued Vacation and Sick Pay
Accrued vacation is recorded as a liability as time is earned. As the time is used, the time is relieved from the liability. Accrued sick time is recorded as a percent for employees who have a balance greater than or equal to 800 hours. The payout is only upon termination of employment.

Subsequent Events
The Corporation has performed an evaluation of subsequent events through December 17, 2010, which is the date the financial statements were issued.

Reclassifications
Certain 2009 information was reclassified to conform with 2010 presentation.

2. Revenues from Services to Patients and Charity Care

The following summarizes net revenues from services to patients:

	2010	2009
Gross charges from services to patients	$ 663,899,138	$ 604,305,691
Less: charity care	5,279,619	4,820,444
Charges from services to patients, net of charity care	658,619,519	599,485,247
Deductions		
Allowances	334,462,279	306,380,434
State of Connecticut uncompensated care system (receipts)	(1,906,334)	(2,050,177)
Total deductions	332,555,945	304,330,257
Net revenues from services to patients	$ 326,063,574	$ 295,154,990

Patient accounts receivable and revenues are recorded when patient services are performed. Amounts received from most payors are different from established billing rates of the Corporation, and these differences are accounted for as allowances. The Corporation receives cash from the State of Connecticut Uncompensated Care Pool. The Corporation records this as an increase to their net revenues from services to patients.

Net patient service revenue is reported at the estimated net realizable amounts from patients, third party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Adjustments related to prior year settlements increased the Hospital's revenues by approximately $16,000 and $385,000 in 2010 and 2009, respectively.

During 2010 and 2009, approximately 32% and 31%, respectively, of net patient service revenue was received under the Medicare program, and 9% and 8%, respectively, under the state Medicaid program. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Hospital believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs. Changes in the Medicare and Medicaid programs and reductions of funding levels could have an adverse impact on the Hospital.

The Hospital accepts all patients regardless of their ability to pay. A patient is classified as a charity patient by reference to the established policies of the Hospital. Essentially, these policies define charity services as those services for which no payment is anticipated. In assessing a patient's inability to pay, the Hospital utilizes the generally recognized federal poverty income guidelines, but also includes certain cases where incurred charges are significant when compared to income. These charges are not included in net patient service revenues for financial reporting purposes.

3. Investments

Investments included in current assets consist of the following:

	2010	2009
Pooled endowment funds		
Cash and cash equivalents	$ 635,077	$ 460,598
Bonds	3,851,439	4,498,566
Mutual funds	986,991	812,537
Hedge funds	4,468,891	3,240,234
Marketable equities	11,723,616	11,476,772
Total pooled endowment funds	21,666,014	20,488,707
Investments held in trust by others		
Cash and cash equivalents	168,922	195,199
Bonds	1,949,338	1,811,440
Marketable equities	3,580,952	3,453,623
Other investments	176,837	151,306
Total investments held in trust by others	5,876,049	5,611,568
Other investments		
Cash and cash equivalents	10,528,349	13,344,183
Bonds	45,270,709	52,377,206
Mutual funds	1,014,889	853,798
Hedge funds	43,314,198	21,561,096
Marketable equities	55,639,161	53,077,369
Connecticut Hospital Laboratory Network	13,681	11,894
Total other investments	155,780,987	141,225,546
	$ 183,323,050	$ 167,325,821

The Corporation's financial instrument categorization is based upon the lowest level of input that is significant to the fair value measurement within the valuation hierarchy. The following table presents the financial instruments carried at fair value using the by the fair value guidance valuation hierarchy defined above:

	2010			
	Level 1	Level 2	Level 3	Total Fair Value
Pooled endowment funds				
Cash and cash equivalents	$ 635,077	$ -	$ -	$ 635,077
Bonds	1,253,172	2,598,267	-	3,851,439
Mutual funds	986,991	-	-	986,991
Hedge funds	-	-	4,468,891	4,468,891
Marketable equities	7,819,113	3,904,503	-	11,723,616
Total pooled endowment funds	10,694,353	6,502,770	4,468,891	21,668,014
Held in trust by others				
Cash and cash equivalents	-	-	168,922	168,922
Bonds	-	-	1,949,338	1,949,338
Other assets	-	-	3,580,952	3,580,952
Marketable equities	-	-	176,837	176,837
Total held in trust by others	-	-	5,876,049	5,876,049
Other investments				
Cash and cash equivalents	10,528,349	-	-	10,528,349
Bonds	15,249,556	30,021,153	-	45,270,709
Mutual funds	1,014,889	-	-	1,014,889
Hedge funds	-	-	43,314,198	43,314,198
Marketable equities	27,559,945	28,079,216	-	55,639,161
Connecticut Hospital Laboratory Network	-	-	13,681	13,681
Total other investments	54,352,739	58,100,369	43,327,879	155,780,987
	$ 65,047,092	$ 64,603,139	$ 53,672,819	$ 183,323,050

	2009			
	Level 1	Level 2	Level 3	Total Fair Value
Pooled endowment funds				
Cash and cash equivalents	$ 460,598	$ -	$ -	$ 460,598
Bonds	1,041,625	3,456,941	-	4,498,566
Mutual funds	812,537	-	-	812,537
Hedge funds	-	-	3,240,235	3,240,235
Marketable equities	6,916,352	4,559,919	-	11,476,771
Total pooled endowment funds	9,231,612	8,016,860	3,240,235	20,488,707
Held in trust by others				
Cash and cash equivalents	-	-	195,199	195,199
Bonds	-	-	1,811,440	1,811,440
Other assets	-	-	151,305	151,305
Marketable equities	-	-	3,453,624	3,453,624
Total held in trust by others	-	-	5,611,568	5,611,568
Other investments				
Cash and cash equivalents	13,344,183	-	-	13,344,183
Bonds	14,153,388	38,223,818	-	52,377,206
Mutual funds	853,798	-	-	853,798
Hedge funds	-	-	21,561,096	21,561,096
Marketable equities	16,827,749	36,249,620	-	53,077,369
Connecticut Hospital Laboratory Network	-	-	11,894	11,894
Total other investments	45,179,118	74,473,438	21,572,990	141,225,546
	$ 54,410,730	$ 82,490,298	$ 30,424,793	$ 167,325,821

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Fair value for Level 1 is based upon quoted prices in active markets that the Corporation has the ability to access at the measurement date. Market price data is generally obtained from exchange or dealer markets. The Corporation does not adjust the quoted price for such assets.

Fair value for Level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers and brokers.

Fair value for Level 3 is based on valuation techniques that use significant inputs that are unobservable as they trade infrequently or not at all and reflect assumptions based on the best information available in the circumstances.

Investments included in Level 3 primarily consist of the Corporations ownership in alternative investments (principally limited partnership interests in hedge funds). The value of these alternative investments represents the ownership interest in the net asset value ("NAV") of the respective partnership. The fair values of the securities held by limited partnerships that do not have readily determinable fair values are determined by the general partner and are based on appraisals, or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by the general partner taking into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate. Also included in Level 3 investments are charitable remainder trusts held by third parties which are recorded at the present value of the future distributions expected to be received over the term of the agreement and investments in for-profit companies.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Corporation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following table is a roll forward of the amounts by investment type for financial instruments classified by the Corporation within Level 3 of the fair value hierarchy defined above:

	Beginning October 1, 2009	Investment Income	Realized Gains	Unrealized Gains	Investment Fees	Net Purchases	Ending September 30, 2010
Investment pool							
Hedge funds	$ 24,801,331	$ 193,449	$ 138,022	$ 2,006,962	$ (75,692)	$ 20,719,016	$ 47,783,088
Partnerships	11,894		1,787				13,681
Funds held in trust	5,611,568			254,482			5,878,050
Total	$ 30,424,793	$ 193,449	$ 139,809	$ 2,271,444	$ (75,692)	$ 20,719,016	$ 53,672,819

A summary of the pooled endowment investment return is presented below:

	2010	2009
Investment income	$ 442,274	$ 571,426
Realized and unrealized gains/(losses)	1,527,335	(1,042,934)
Management fees and other costs	(46,136)	(13,975)
Total return on pooled endowment investments	$ 1,923,473	$ (485,483)

Following is additional information related to funds whose fair value is not readily determinable as of September 30, 2010.

	Strategy	Fair Value	# of Investments	Remaining Life	$ Amount of Unfunded Commitments	Timing to Draw Down Commitments	Redemption Terms	Redemption Restrictions	Restrictions in Place at Year End
Equity securities	Global developed and emerging market equity	$ 8,901,928	1	N/A	-	No remaining commitments	Monthly with 10 day's notice		None
Absolute return	Long/short and long-biased equity and credit hedge funds	13,673,723	1	N/A	-	No remaining commitments	Annual with 90 day's notice	Lock up provision of 12 months from the purchase date	None
Directional hedge	Long/short and long-biased equity and credit hedge funds	20,379,876	1	N/A	-	No remaining commitments	Quarterly with 60 day's notice	Lock up provision of 25 months from the purchase date	None
Commodities	Commodity index	4,828,361	1	N/A	-	No remaining commitments	Monthly with 5 day's notice		None

4. Endowments

The Corporation's endowments consist of donor restricted endowment funds for a variety of purposes. The net assets associated with endowment funds including funds designated by the Board of Directors to function as endowments are classified and reported based on the existence or absence of donor imposed restrictions.

The Corporation understands net asset classification guidance to require that donor restricted endowment gifts be maintained in perpetuity. Consistent with net asset classification guidance, the Corporation 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. The Corporation considers the following factors in making a determination to appropriate or accumulate endowment funds:

- The duration and preservation of the fund
- The purposes of the Corporation and donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Corporation
- The investment policies of the Corporation

Changes in endowment net assets for the year ended September 30:

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 4,930,901	$ 11,769,419	$ 2,866,683	$ 19,567,003
Investment return				
Investment income	125,722	(478,575)	-	(352,853)
Net realized and unrealized loss	413,499	55,426	-	468,925
Contributions	-	338,765	-	338,765
Total investment return	539,221	(84,384)	-	454,837
Income distribution	-	-	-	-
Endowment net assets, end of year	$ 5,470,122	$ 11,685,035	$ 2,866,683	$ 20,021,840

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 5,195,881	$ 12,190,143	$ 2,866,683	$ 20,252,707
Investment return				
Investment income	61,050	(96,771)	-	(35,721)
Net realized and unrealized loss	(383,527)	(579,243)	-	(962,770)
Contributions	57,497	455,412	-	512,909
Total investment return	(264,980)	(220,602)	-	(485,582)
Income distribution	-	(200,122)	-	(200,122)
Endowment net assets, end of year	$ 4,930,901	$ 11,769,419	$ 2,866,683	$ 19,567,003

Endowment funds classified as permanently and temporarily restricted net assets:

The portion of perpetual endowment funds retained permanently either by explicit donor stipulation or by net asset classification guidance is summarized as follows:

	2010	2009
Temporarily restricted net assets		
Unspent income and appreciation on permanently restricted endowments for purchase of equipment and healthcare services	$ 12,541,912	$ 11,769,419
Total endowment funds classified as temporarily restricted net assets	$ 12,541,912	$ 11,769,419
Permanently restricted net assets		
Corpus of permanently restricted contributions for purchase of equipment and healthcare services	$ 2,866,683	$ 2,866,683
Total endowment funds classified as permanently restricted net assets	$ 2,866,683	$ 2,866,683

Endowment Funds with Deficits
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor endowment deficits exist they are classified as a reduction of unrestricted net assets. The Corporation analyzed the endowments and notes there are no deficits as of September 30, 2010 and 2009.

Endowment Investment Return Objectives and Risk Parameters
The Corporation has adopted endowment investment and spending policies that attempt to provide predictable stream of funding to programs supported by the endowment while seeking to maintain the permanent nature of endowment funds. Under this policy, the return objective for the endowment assets measured over a full market cycle shall be to maximize the return against a blended index, based on the endowment's target asset allocation applied to the appropriate individual benchmarks.

Strategies Employed for Achieving Endowment Investment Objectives
To achieve its long-term rate of return objectives, the Corporation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The Corporation targets a diversified asset allocation to achieve its long-term objectives within prudent Corporation risk constraints.

Endowment Spending Allocation and Relationship of Spending Policy to Investment Objectives
Spending is guided by several factors most important is the value of the portfolio. Generally, the Board will approve a spending policy limiting annual expenditures for grants and operating expenses up to 4.5% of the value of the Funds' assets based on a 12 quarter rolling average for the endowment, Kitchings and operating funds. The Corporation will designate the spending amount on an as-needed basis for the special account.

Investment managers are given ample notice of the required withdrawal schedule. Appropriate liquidity is maintained to fund these withdrawals without impairing the investment process.

5. Temporary and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at September 30, 2010 and 2009:

	2010	2009
Temporarily restricted net assets		
Funds held in trust by others	$ 3,086,274	$ 2,924,192
Contributions receivable	46,092	1,327,113
Free beds and plant replacement and expansion	12,541,912	11,769,419
Other	2,984,370	1,738,231
	$ 18,658,648	$ 17,758,955

Permanently restricted net assets at September 30, 2010 and 2009 are restricted to:

	2010	2009
Permanently restricted net assets		
Funds held in trust by others	$ 2,810,642	$ 2,705,430
donor restricted endowment funds	2,866,683	2,866,683
	$ 5,677,325	$ 5,572,113

6. Property, Plant and Equipment

Property, plant and equipment consists of the following:

	2010	2009
Land and land improvements	$ 6,073,611	$ 5,989,744
Buildings	110,416,648	109,065,547
Equipment	181,640,842	172,887,816
	298,131,101	287,943,107
Less: Accumulated depreciation	(195,187,155)	(183,553,654)
	102,943,946	104,389,453
Construction in progress (estimated cost to complete at September 30, 2010 is $23,718,310)	9,635,284	5,352,416
	$ 112,579,230	$ 109,741,869

7. Long-Term Debt

	2010	2009
CHEFA Series D revenue bonds		
5.0% Term bonds, due 2009 to 2013	$ 8,750,000	$ 11,390,000
5.0% Term bonds, due 2014 to 2022	33,870,000	33,870,000
CHEFA Series E revenue bonds		
Variable rate bonds, due 2023-2034	22,990,000	22,990,000
VNA mortgage note		
Variable rate, due 2001 to 2011	265,903	302,734
VNA Interest rate swap agreement	39,028	60,259
Capital lease obligation	377,538	-
Total long-term debt outstanding	66,292,469	68,612,993
Less: Amounts classified as current	2,906,408	2,674,572
Less: Bond discount	1,237,915	1,360,777
Total long-term portion of long-term debt	$ 62,148,146	$ 64,577,644

On June 24, 2004 CHEFA issued $22,990,000 of Series E Bonds (the "Series E Bonds") on behalf of the Hospital and the Corporation (collectively referred to as the "Obligated Group" under the Series E Bond agreements). The Series E Bonds are structured with a term bond due July 1, 2034, with annual sinking fund payments due each July 1st commencing July 1, 2003. Interest on the Series E Bonds accrues at the weekly rate and is payable on the first business day of each month commencing July 1, 2004.

The proceeds of the Series E Bonds were used to finance the acquisition, construction, capital improvements, renovation, and/or equipping of the expansion of the Hospital's Pequot Health Center, including a new 37,000 square foot building addition to house an ambulatory surgery unit, MRI services, and mobile medical technologies. The proceeds were also used to fund the debt service reserve fund and costs related to the issuance and interest related to the Series E Bonds. Under the terms of the trust indenture for the Series E Bonds, the Obligated Group is required to meet certain financial covenants including a debt service coverage ratio and days cash on hand ratio. Members of the Obligated Group are jointly and severally obligated to provide amounts sufficient to enable the Authority to pay principal and interest on the Series E bonds. The bonds and bond proceeds have been allocated to the Hospital and as such, the Hospital will make future debt service payments as required under the terms of the bonds.

The bonds may be retired at an earlier date pursuant to terms of the master indenture. Payment of the bonds is collateralized by a pledge of the gross receipts (as defined) and certain real property of the Hospital and Corporation.

Effective January 16, 2008, the Hospital refinanced its CHEFA Series E bonds with JPMorgan Chase Bank, N.A. This reoffering does not update information contained in the original official statement but provides a new letter of credit, which expires in January 2013.

The Series E Bonds are considered variable rate demand bonds and are remarketed on a weekly basis. If the bonds are unable to be remarketed, the letter of credit could be utilized to purchase the bonds. The Obligated Group would then be subject to the payment terms of the letter of credit, which are equal quarterly installments beginning in the first quarter that is at least 367 days after the initial draw down on the letter of credit. The Series E Bonds have been successfully remarketed and there have been no draws on the letter of credit.

In accordance with the long-term loan agreement with CHEFA, certain trusteed funds are required to be maintained. These funds provide for debt service and other related payments. The income derived from these funds is required to be reinvested in the trusteed funds and is not available for current operating purposes.

The agreements will remain in force until principal and interest on the bonds and any other costs of the Authority with respect to the project have been fully paid or provided for. Annual payments due under the loan agreements include interest on the outstanding bonds.

The fair value of the Series E Bonds, using discounted cash flow analyses, approximates carrying value. The fair value of the Series D Bonds is approximately $64.5 million and $45.4 million at September 30, 2010 and 2009, respectively.

The VNA has a $1.0 million ten year variable rate mortgage note bearing interest at one percent above the LIBOR rate (2.19% and 1.60% at June 30, 2010 and 2009, respectively). The VNA maintains an interest rate swap agreement for this debt at a rate of 8.35%. The loan is based on a 20 year amortization period. The VNA's interest rate swap agreement has a negative fair value of $39,028 and $60,259 as of June 30, 2010 and 2009, respectively, which has been reflected as a long-term liability included with long-term debt. The balance of the loan is $265,903 and $302,734 at June 30, 2010 and 2009, respectively. The note is collateralized by a first mortgage on the property, buildings and building improvements located in Waterford, Connecticut.

Principal repayments, excluding the capital lease, are as follows:

Year	Annual Principal Repayment
2011	$ 2,814,915
2012	3,180,016
2013	3,060,000
2014	3,210,000
2015 and thereafter	53,650,000
	$ 65,914,931

Cash interest payments of $2,350,752 and $2,536,615 were made in fiscal year 2010 and 2009, respectively. No interest was capitalized during 2010 and 2009.

8. **Pension and Other Postretirement Benefits**

The Hospital has a defined benefit plan covering all employees who elected to stay in the plan. The plan is frozen to new participants as of June 30, 1999. The benefits are based on years of service and the employee's compensation during the last five years of employment. Assets of the plan include mutual funds, marketable equity securities, corporate and government bonds, notes, and hedge funds.

The Hospital provides health care and life insurance benefits to its retired employees who meet certain eligibility requirements. The Hospital's policy is to fund the cost of postretirement benefits other than pensions as incurred. This plan was frozen to include only those employees who retired prior to May 1, 1994

The following table sets forth the Hospital's plans' funded status and amounts recognized in the consolidated statement of financial position for fiscal year 2010 and 2009 as of September 30 (measurement date of September 30):

	Pension Benefits		Other Postretirement Benefits	
	2010	2009	2010	2009
Change in benefit obligation				
Benefit obligation at beginning of year	$ 117,330,148	$ 92,839,307	$ 1,290,578	$ 1,305,378
Service cost	1,927,395	1,456,782	-	-
Interest cost	6,648,772	6,784,733	70,433	85,675
Employee contributions	180,479	184,560	-	-
Benefits paid	(5,287,983)	(4,825,526)	(130,095)	(141,246)
Actuarial gain/(loss)	10,384,113	20,890,290	46,604	40,771
Benefit obligation at end of year	$ 131,200,922	$ 117,330,146	$ 1,277,520	$ 1,290,578
Change in plan assets				
Fair value of plan assets at beginning of year	$ 78,344,572	$ 74,130,658	$ -	$ -
Actual return on plan assets	7,130,751	4,690,576	-	-
Employee contributions	180,479	184,560	-	-
Employer contributions	3,000,000	2,164,304	130,095	141,246
Benefits paid	(5,287,983)	(4,825,526)	(130,095)	(141,246)
Fair value of plan assets at end of year	$ 81,387,819	$ 76,344,572	$ -	$ -
Funded status of the plan	(49,813,103)	(40,985,574)	(1,277,520)	(1,290,578)
Unrecognized net loss (gain) from past experience different from that assumed and effects of changes in assumptions	37,618,950	29,882,430	(531,764)	(639,914)
Unrecognized prior service cost	596,549	721,505	-	-
Accrued benefit costs recognized in the statement of operation	$ (11,597,604)	$ (10,381,639)	$ (1,809,284)	$ (1,930,492)
Components of net periodic benefit costs				
Service cost	$ 1,927,395	$ 1,456,782	$ -	$ -
Interest cost	6,846,772	6,784,733	70,433	85,675
Expected return on plan assets	(6,350,382)	(6,179,348)	-	-
Gain	-	-	(61,548)	(82,822)
Net amortization and deferral	124,956	124,956	-	-
Benefit cost	$ 2,348,741	$ 2,187,123	$ 8,887	$ 2,853

The weighted average assumptions used to determine the net benefit cost at the beginning of the year are as follows:

	2010	2009
Discount rate	5.80%	7.50%
Average rate of compensation increases	4.25%	4.25%
Expected return on assets	8.50%	8.50%

The weighted average assumptions used to determine the benefit obligation at the end of the year are as follows:

	2010	2009
Discount rate	5.07%	5.80%
Average rate of compensation increases	4.25%	4.25%

The Plan's asset allocations as of September 30, 2010 and 2009 are as follows:

Asset Category	2010	2009
Cash	2%	4%
Bonds	24%	33%
Hedge Funds	30%	26%
Marketable Equities	44%	37%
Total	100%	100%

The expected rate of return on plan assets is calculated based on past experience.

Expected benefits to be paid under the Hospital's plans are as follows:

Fiscal Years Beginning October 1	Expected Benefits
2010	$ 5,759,993
2011	6,267,258
2012	6,545,984
2013	6,961,595
2014	7,201,011
Expected Aggregate for 5 fiscal years beginning 2015	41,672,965

Annual contributions are determined by the Hospital based upon calculations prepared by the plan's actuary. Expected contributions to the Pension and Retiree Health Plan for 2011 are approximately:

Pension	$ 4,000,000
Retiree Health	132,780

The weighted-average annual assumed rate of increase in the per capita cost of covered benefits (i.e., health care cost trend rate) for participants is assumed to be 9% in 2011 reducing to 5.0% by the year 2016 and remaining at that level thereafter. This health care cost trend rate assumption has a significant effect on the amounts reported. To illustrate, a one percentage point increase in the assumed health care cost trend rate would increase the accumulated postretirement benefit obligation and service cost plus interest cost by approximately $94,000 and $98,000, respectively, at September 30, 2010 and 2009. A one percentage point decrease in the assumed health care cost trend rate would decrease the accumulated postretirement benefit obligation and service cost plus interest cost by approximately $86,000 and $76,000, respectively, at September 30, 2010 and 2009.

Plan Assets
The defined benefit plan assets are valued utilizing the same fair value hierarchy as the Hospital's investments as described in Note 1.

The following table summarizes the fair values of investments by major type held by the staff pension plan at September 30, 2010:

	Level 1	Level 2	Level 3	2010
Investments, at fair value				
Cash	$ 1,873,724	$ -	$ -	$ 1,873,724
Bonds	-	19,609,144	-	19,609,144
Hedge Funds	-	-	24,333,144	24,333,144
Marketable Equities	14,103,283	21,468,524	-	35,571,807
Total investments, at fair value	$ 15,977,007	$ 41,077,668	$ 24,333,144	$ 81,387,819

The following table summarizes the fair values of investments by major type held by the staff pension health plan at September 30, 2009:

	Level 1	Level 2	Level 3	2009
Investments, at fair value				
Cash	$ 2,889,101	$ -	$ -	$ 2,889,101
Bonds	2,581	25,256,126	-	25,258,707
Hedge Funds	-	-	19,719,016	19,719,016
Marketable Equities	11,890,189	16,587,559	-	28,477,748
Total investments, at fair value	$ 14,781,871	$ 41,843,685	$ 19,719,016	$ 76,344,572

The table below represents the change in fair value measurements for Level 3 investments held by the staff pension plans' year ended September 30, 2010 and 2009 respectively:

	2010	2009
Beginning Balance	$ 19,719,016	$ -
Realized and unrealized gain, net	1,629,862	2,946,715
Purchases (sales), net	2,984,266	16,772,301
Ending Balance	$ 24,333,144	$ 19,719,016

The investment objective for the pension and post retirement plans seeks a positive long-term total return after inflation to meet the Hospital's current and future plan obligations.

Asset allocations for both plans combine tested theory and informed market judgment to balance investment risks with the need for high returns.

The Hospital's 401(k) plan covers eligible employees who elected to participate in the plan. Eligible employees may contribute a percentage of their salary to the plan. The Hospital matches 100% of the first 4% of gross pay deferred by employees for those employees who do not participate in the defined benefit plan. Plan contributions charged to operations were approximately $3,247,418 and $2,977,019 for 2010 and 2009, respectively

The VNA has a defined contribution pension plan which covers substantially all of its employees who have met specified age and length of service requirements. Contributions to the plan are based on 5% of eligible salaries and totaled approximately $433,118 and $411,000 for the years ended June 30, 2010 and 2009, respectively.

9. Medical Malpractice Self-Insurance

There have been malpractice claims that fall within the Hospital's self-insured program which have been asserted against the Hospital. In addition, there are known incidents that have occurred through September 30, 2010 that may result in the assertion of claims. The Hospital has engaged independent actuaries to estimate the ultimate cost of the settlement of such claims. Accrued malpractice losses have been discounted at 5% for 2010 and 2009. The Hospital maintains a trust to fund these liabilities on a long-term basis.

10. Functional Expenses

The Corporation and its subsidiaries provide general health care services to residents within its geographic location including pediatric care, cardiac catheterization, and outpatient surgery. Expenses by function are as follows:

	2010	2009
Health Care Services	$ 254,587,848	$ 239,207,882
General and Administrative	80,396,162	67,468,890
	$ 334,984,010	$ 306,676,772

11. Contingency

The Corporation and its subsidiaries are parties to various lawsuits incidental to their business. Management believes that the lawsuits will not have a material adverse effect on their financial position, results of operations, changes in net assets or cash flows.

Lawrence & Memorial Corporation and Subsidiaries
Consolidating Balance Sheet
September 30, 2010

	Lawrence & Memorial Hospital	Lawrence & Memorial Corporation	Eliminating Entries	Obligated Group	L&M Systems, Inc.	LMPA	VNA of Southeastern Connecticut, Inc.	Eliminating Entries	Consolidated
Assets									
Current assets									
Cash and cash equivalents	$ 33,160,240	$ 5,285,792	$ -	$ 38,446,032	$ 8,054	$ 239,297	$ 2,528,707	$ -	41,222,090
Investments	106,795,008	44,866,427	-	151,661,435	-	-	4,119,552	-	155,780,987
Accounts receivable	30,942,261	-	-	30,942,261	-	143,715	1,242,567	-	32,328,543
Other receivables	5,765,211	-	-	5,765,211	224,500	35,895	-	-	6,025,606
Inventories	3,796,086	-	-	3,796,086	-	-	-	-	3,796,086
Due from affiliates	6,243,476	541,500	(6,243,476)	541,500	917,707	-	-	(1,457,279)	1,928
Prepaid expenses and other current assets	1,624,613	-	-	1,624,613	-	-	306,948	-	1,931,561
Debt service fund	1,248,032	-	-	1,248,032	-	-	-	-	1,248,032
Total current assets	189,574,927	50,693,719	(6,243,476)	234,025,170	1,150,261	418,907	8,197,774	(1,457,279)	242,334,833
Assets limited as to use									
Cash	179,215	-	-	179,215	-	-	-	-	179,215
Investments held in trust	11,986,573	-	-	11,986,573	-	-	-	-	11,986,573
Endowment investments	14,741,092	2,744,154	-	17,485,246	-	-	4,180,768	-	21,666,014
Investment in subsidiaries	-	3,182,689	-	3,182,689	-	-	-	(3,182,689)	-
Funds held in Trust by others	5,876,049	-	-	5,876,049	-	-	-	-	5,876,049
Contributions receivable	46,092	1,064,824	-	1,110,916	-	-	-	-	1,110,916
Funds held in escrow by agreement with Statement of Connecticut Health and Educational Facilities Authority and trustees	7,156,167	-	-	7,156,167	-	-	-	-	7,156,167
Total assets limited as to use	39,985,188	6,991,667	-	46,976,855	-	-	4,180,768	(3,182,689)	47,974,934
Other assets									
Deferred financing costs and other assets, net	1,330,365	-	-	1,330,365	-	-	-	-	1,330,365
Property, plant and equipment									
Land improvements	5,212,649	530,687	-	5,743,336	-	-	330,275	-	6,073,611
Buildings/leasehold improvements	107,593,741	148,821	-	107,742,562	-	467,701	2,206,385	-	110,416,648
Equipment/furniture	180,454,333	21,774	-	180,476,107	-	157,952	1,006,783	-	181,640,842
Accumulated depreciation	(193,724,896)	(67,012)	-	(193,791,908)	-	-	(1,395,247)	-	(195,187,155)
Construction in progress	9,635,284	-	-	9,635,284	-	-	-	-	9,635,284
Property, plant and equipment, net	109,171,111	634,270	-	109,805,381	-	625,653	2,148,196	-	112,579,230
	$ 340,061,591	$ 58,319,656	$ (6,243,476)	$ 392,137,771	$ 1,150,261	$ 1,044,560	$ 14,526,738	$ (4,639,968)	$ 404,219,362

RIDOH 1048

Lawrence & Memorial Corporation and Subsidiaries
Consolidating Balance Sheet
September 30, 2010

	Lawrence & Memorial Hospital	Lawrence & Memorial Corporation	Eliminating Entries	Obligated Group	L&M Systems, Inc.	LMPA	VNA of Southeastern Connecticut, Inc.	Eliminating Entries	Consolidated
Liabilities and Net Assets									
Current liabilities									
Accounts payable	$ 19,524,046	$ 85,083	$ -	$ 19,609,129	$ 1,688	$ 925,527	$ 1,340,525	$ -	$ 21,876,869
Accrued vacation and sick pay	11,220,455	-	-	11,220,455	-	-	-	-	11,220,455
Salaries, wages, payroll taxes and amounts withheld from employees	5,023,219	-	-	5,023,219	-	13,780	-	-	5,036,999
Due to affiliates	4,764,147	2,395,108	(6,243,476)	915,779	541,500	-	-	(1,457,279)	-
Due to third party payors	8,559,110	-	-	8,559,110	-	-	280,000	-	8,839,110
Other current liabilities	-	-	-	-	5,969	-	150,892	-	156,861
Current portion of long-term debt	2,866,493	-	-	2,866,493	-	-	39,915	-	2,906,408
Total current liabilities	51,957,470	2,480,191	(6,243,476)	48,194,185	549,157	939,307	1,811,332	(1,457,279)	50,036,702
Accrued pension and other postretirement benefits	52,131,286	-	-	52,131,286	4,048	-	-	-	52,135,334
Other liabilities	12,279,482	-	-	12,279,482	-	-	-	-	12,279,482
Long-term debt less current portion	61,883,130	-	-	61,883,130	-	-	265,016	-	62,148,146
Total liabilities	178,251,368	2,480,191	(6,243,476)	174,488,083	553,205	939,307	2,076,348	(1,457,279)	176,599,664
Net assets									
Unrestricted	137,908,558	55,432,157	-	193,340,715	597,056	105,253	12,423,390	(3,182,689)	203,283,725
Temporarily restricted	18,251,340	407,308	-	18,658,648	-	-	-	-	18,658,648
Permanently restricted	5,650,325	-	-	5,650,325	-	-	27,000	-	5,677,325
Total net assets	161,810,223	55,839,465	-	217,649,688	597,056	105,253	12,450,390	(3,182,689)	227,619,698
	$ 340,061,591	$ 58,319,656	$ (6,243,476)	$ 392,137,771	$ 1,150,261	$ 1,044,560	$ 14,526,738	$ (4,639,968)	$ 404,219,362

RIDOH 1049

Lawrence & Memorial Corporation and Subsidiaries
Consolidating Balance Sheet
September 30, 2009

	Lawrence & Memorial Hospital	Lawrence & Memorial Corporation	Eliminating Entries	Obligated Group	L&M Systems, Inc.	VNA of Southeastern Connecticut, Inc.	Eliminating Entries	Consolidated
Assets								
Current assets								
Cash and cash equivalents	$ 22,869,913	$ 5,214,133	$ -	$ 28,084,046	$ 506,860	$ 1,459,043	$ -	$ 30,049,949
Investments	99,233,961	38,239,335	-	137,473,296	-	3,752,250	-	141,225,546
Accounts receivable	30,054,404	-	-	30,054,404	-	1,391,265	-	31,445,669
Other receivables	5,995,236	-	-	5,995,236	548,174	-	-	6,543,410
Inventories	3,506,113	-	-	3,506,113	-	-	-	3,506,113
Due from affiliates	2,903,156	541,500	(2,903,156)	541,500	-	-	(517,000)	24,500
Prepaid expenses and other current assets	2,312,579	-	-	2,312,579	-	225,422	-	2,538,001
Debt service fund	1,295,094	-	-	1,295,094	-	-	-	1,295,094
Total current assets	168,170,456	43,994,968	(2,903,156)	209,262,268	1,055,034	6,827,980	(517,000)	216,628,282
Assets limited as to use								
Cash	177,710	-	-	177,710	-	-	-	177,710
Construction fund	6,170	-	-	6,170	-	-	-	6,170
Investments held in trust	12,678,851	-	-	12,678,851	-	-	-	12,678,851
Endowment investments	14,150,668	2,633,876	-	16,784,544	-	3,704,163	-	20,488,707
Investment in subsidiaries	-	17,008,597	-	17,008,597	-	-	(17,008,597)	-
Funds held in Trust by others	5,611,568	-	-	5,611,568	-	-	-	5,611,568
Contributions receivable	48,469	1,278,644	-	1,327,113	-	-	-	1,327,113
Funds held in escrow by agreement with Statement of Connecticut Health and Educational Facilities Authority and trustees	7,159,610	-	-	7,159,610	-	-	-	7,159,610
Total assets limited as to use	39,833,046	20,921,117	-	60,754,163	-	3,704,163	(17,008,597)	47,449,729
Other assets								
Deferred financing costs and other assets, net	1,418,292	-	-	1,418,292	-	-	-	1,418,292
Property, plant and equipment								
Land improvements	5,128,782	530,687	-	5,659,469	-	330,275	-	5,989,744
Buildings/leasehold improvements	105,218,566	148,821	-	105,367,387	1,330,730	2,367,430	-	109,065,547
Equipment/furniture	170,465,895	21,774	-	170,487,669	628,079	1,772,068	-	172,887,816
Accumulated depreciation	(180,112,431)	(59,332)	-	(180,171,763)	(1,195,609)	(2,186,282)	-	(183,553,654)
Construction in progress	5,352,416	-	-	5,352,416	-	-	-	5,352,416
Property, plant and equipment, net	106,053,228	641,950	-	106,695,178	763,200	2,283,491	-	109,741,869
	$ 315,475,022	$ 65,558,035	$ (2,903,156)	$ 378,129,901	$ 1,818,234	$ 12,815,634	$ (17,525,597)	$ 375,238,172

RIDOH 1050

Lawrence & Memorial Corporation and Subsidiaries
Consolidating Balance Sheet
September 30, 2009

	Lawrence & Memorial Hospital	Lawrence & Memorial Corporation	Eliminating Entries	Obligated Group	L&M Systems, Inc.	VNA of Southeastern Connecticut, Inc.	Eliminating Entries	Consolidated
Liabilities and Net Assets								
Current liabilities								
Accounts payable	$ 15,377,893	$ 97,828	$ -	$ 15,475,721	$ 173,294	$ 1,312,062	$ -	$ 16,961,077
Accrued vacation and sick pay	10,641,451	-	-	10,641,451	-	-	-	10,641,451
Salaries, wages, payroll taxes and amounts withheld from employees	4,184,333	-	-	4,184,333	-	-	-	4,184,333
Due to affiliates	1,682,710	1,939,203	(2,903,156)	718,757	517,000	-	(517,000)	718,757
Due to third party payors	9,089,438	-	-	9,089,438	-	133,298	-	9,222,736
Other current liabilities	-	-	-	-	5,969	358,084	-	364,053
Current portion of long-term debt	2,640,000	-	-	2,640,000	-	34,572	-	2,674,572
Total current liabilities	43,615,825	2,037,031	(2,903,156)	42,749,700	696,263	1,838,016	(517,000)	44,766,979
Accrued pension and other postretirement benefits	43,029,547	-	-	43,029,547	5,737	-	-	43,035,284
Other liabilities	12,202,253	-	-	12,202,253	-	-	-	12,202,253
Long-term debt less current portion	64,249,223	-	-	64,249,223	-	328,421	-	64,577,644
Total liabilities	163,096,848	2,037,031	(2,903,156)	162,230,723	702,000	2,166,437	(517,000)	164,582,160
Net assets								
Unrestricted	129,621,224	62,973,886	-	192,595,110	1,116,234	10,622,197	(17,008,597)	187,324,944
Temporarily restricted	17,211,837	547,118	-	17,758,955	-	-	-	17,758,955
Permanently restricted	5,545,113	-	-	5,545,113	-	27,000	-	5,572,113
Total net assets	152,378,174	63,521,004	-	215,899,178	1,116,234	10,649,197	(17,008,597)	210,656,012
	$ 315,475,022	$ 65,558,035	$ (2,903,156)	$ 378,129,901	$ 1,818,234	$ 12,815,634	$ (17,525,597)	$ 375,238,172

RIDOH 1051

Lawrence & Memorial Corporation and Subsidiaries
Consolidating Statement of Operations
Year Ended September 30, 2010

	Lawrence & Memorial Hospital	Lawrence & Memorial Corporation	Eliminating Entries	Obligated Group	L&M Systems, Inc.	LMPA	VNA of Southeastern Connecticut, Inc.	Eliminating Entries	Consolidated
Net revenues from services to patients	$ 314,168,301	$ -	$ -	314,168,301	$ -	$ -	$ 11,895,273	$ -	$ 326,063,574
Other operating revenues	9,926,307	1,839,886	-	11,766,193	2,526,955	2,513,560	3,103,359	(827,246)	19,082,821
Net assets released from restriction	412,940	-	-	412,940	-	-	-	-	412,940
	324,507,548	1,839,886	-	326,347,434	2,526,955	2,513,560	14,998,632	(827,246)	345,559,335
Operating expenses									
Salaries and wages	143,999,074	-	-	143,999,074	914,300	2,523,605	9,714,975	(229,278)	156,922,676
Employee benefits	40,325,006	-	-	40,325,006	346,137	909,151	2,361,280	(597,968)	43,343,606
Supplies	33,524,606	-	-	33,524,606	176,929	144,643	740,847	-	34,587,025
Purchased services	21,093,240	1,377	-	21,094,617	396,398	448,152	176,637	-	22,115,804
Other	38,810,996	671,508	-	39,482,504	522,190	587,347	658,483	-	41,250,524
Interest	2,332,245	-	-	2,332,245	4,773	-	36,676	-	2,373,694
Depreciation and amortization	16,728,407	7,680	-	16,736,087	168,695	-	256,152	-	17,160,934
Bad debts	15,052,335	-	-	15,052,335	670,481	1,619,872	125,000	(237,942)	17,229,746
	311,865,909	680,565	-	312,546,474	3,199,903	6,232,770	14,070,050	(1,065,188)	334,984,009
Income from operations	12,641,639	1,159,321	-	13,800,960	(672,948)	(3,719,210)	928,582	237,942	10,575,326
Nonoperating gains	175,335	-	-	175,335	-	-	-	-	175,335
Unrestricted investment income	2,341,396	(15,980,979)	-	(13,639,583)	(297,132)	-	99,780	17,169,074	3,332,139
(Loss)income on investments	2,516,731	(15,980,979)	-	(13,464,248)	(297,132)	-	99,780	17,169,074	3,507,474
Excess of revenues over expenses	15,158,370	(14,821,658)	-	336,712	(970,080)	(3,719,210)	1,028,362	17,407,016	14,082,800
Net unrealized gains/(losses) on investments	5,459,058	1,901,354	-	7,360,412	-	-	772,831	-	8,133,243
Transfer to L & M Affiliate	(4,900,000)	4,900,000	-	-	(642,774)	642,774	-	-	-
Net assets released from restrictions used for purchases of property and equipment	181,470	478,575	-	660,045	-	-	-	-	660,045
Transfer to/from affiliate	-	-	-	-	694,257	-	-	-	694,257
Forgiveness of debt	-	-	-	-	399,419	3,181,689	-	(3,581,108)	-
Pension - related changes other than periodic pension costs	(7,611,564)	-	-	(7,611,564)	-	-	-	-	(7,611,564)
Decrease in unrestricted net assets	$ 8,287,334	$ (7,541,729)	$ -	$ 745,605	$ (519,178)	$ 105,253	$ 1,801,193	$ 13,825,908	$ 15,958,781

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Lawrence & Memorial Corporation and Subsidiaries
Consolidating Statement of Operations
Year Ended September 30, 2009

	Lawrence & Memorial Hospital	Lawrence & Memorial Corporation	Eliminating Entries	Obligated Group	L&M Systems, Inc.	VNA of Southeastern Connecticut, Inc.	Eliminating Entries	Consolidated
Net revenues from services to patients	$ 283,933,518	$ -	$ -	$ 283,933,518	$ -	$ 11,221,472	$ -	$ 295,154,990
Other operating revenues	8,924,533	2,179,900	-	11,104,433	3,324,953	3,150,482	-	17,579,868
Net assets released from restriction	460,320	-	-	460,320	-	-	-	460,320
	293,318,371	2,179,900	-	295,498,271	3,324,953	14,371,954	-	313,195,178
Operating expenses								
Salaries and wages	135,533,992	-	-	135,533,992	1,839,702	9,457,006	-	146,830,700
Employee benefits	35,728,800	-	-	35,728,800	548,276	2,212,869	-	38,489,945
Supplies	31,017,186	14	-	31,017,200	229,317	999,206	-	32,245,723
Purchased services	21,328,169	1,215	-	21,329,384	506,800	171,109	-	22,007,293
Other	29,002,754	323,970	-	29,326,724	700,765	340,808	-	30,368,297
Interest	2,570,991	-	-	2,570,991	66,572	35,816	-	2,673,379
Depreciation and amortization	15,891,356	8,156	-	15,899,512	253,761	250,373	-	16,403,646
Bad debts	15,807,846	-	-	15,807,846	1,785,718	64,225	-	17,657,789
	286,881,094	333,355	-	287,214,449	5,930,911	13,531,412	-	306,676,772
Income from operations	6,437,277	1,846,545	-	8,283,822	(2,605,958)	840,542	-	6,518,406
Nonoperating gains								
Unrestricted investment income	266,039	-	-	266,039	-	-	-	266,039
(Loss)/income on investments	(691,170)	47,448	-	(643,722)	(647,881)	308,316	-	(983,287)
Realized losses on investments deemed other than temporarily impaired	-	-	-	-	-	(645,291)	-	(645,291)
	(425,131)	47,448	-	(377,683)	(647,881)	(336,975)	-	(1,362,539)
Excess of revenues over expenses	6,012,146	1,893,993	-	7,906,139	(3,253,839)	503,567	-	5,155,867
Net unrealized gains/(losses) on investments	4,304,504	1,529,423	-	5,833,927	-	(616,003)	-	5,217,924
Net assets released from restrictions used for purchases of property and equipment	208,519	177,360	-	385,879	-	-	-	385,879
Forgiveness of debt	-	-	-	-	2,987,065	-	(2,987,065)	-
Pension - related changes other than periodic pension costs	(22,254,106)	-	-	(22,254,106)	-	-	-	(22,254,106)
Donated equipment	60,000	-	-	60,000	-	-	-	60,000
Decrease in unrestricted net assets	$ (11,668,937)	$ 3,600,776	$ -	$ (8,068,161)	$ (266,774)	$ (112,436)	$ (2,987,065)	$ (11,434,436)

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Lawrence & Memorial Corporation and Subsidiaries

Consolidated Financial Statements
September 30, 2009 and 2008

Lawrence & Memorial Corporation and Subsidiaries
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September 30, 2009 and 2008

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Report of Independent Auditors

To the Board of Directors of
Lawrence & Memorial Corporation

In our opinion, based on our audits and the report of other auditors, the accompanying consolidated balance sheets and the related consolidated statements of operations, changes in net assets, and cash flows present fairly, in all material respects, the financial position of Lawrence & Memorial Corporation (the "Corporation") and subsidiaries at September 30, 2009 and 2008 and the results of their operations, of their changes in net assets, and of their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Visiting Nurses Association ("VNA") of Southeastern Connecticut, Inc., a wholly-owned subsidiary, whose statements as of September 30, 2009 and 2008 reflect total net assets constituting 5.0% and 4.9%, respectively, and total net revenues constituting 3.8% and 5.0%, respectively, of the related consolidated totals. Those statements have been audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to data included for VNA of Southeastern Connecticut, Inc., is based solely on the reports of the other auditors. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information, on pages 23 through 28, is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual organizations. Accordingly, we do not express an opinion on the financial position, results of operations, and changes in net assets, of the individual organizations. However, the consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, based on our audits and the report of other auditors, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

As discussed in Note 1 to the accompanying financial statements, the Corporation changed the manner in which it accounts for the classification of its endowment funds in 2009.

PricewaterhouseCoopers LLP

January 8, 2010

Lawrence & Memorial Corporation and Subsidiaries
Consolidated Balance Sheets
September 30, 2009 and 2008

	2009	2008
Assets		
Current assets		
Cash and cash equivalents	$ 30,049,949	$ 25,182,706
Investments	141,225,546	138,861,705
Patient accounts receivable, net of allowance for doubtful accounts of $6,674,799 and $8,101,192, respectively	29,961,635	36,586,333
Other receivables	6,543,410	4,688,417
Inventories	3,506,113	3,357,049
Due from affiliates	24,500	24,501
Prepaid expenses and other current assets	2,538,001	2,026,185
Debt service fund	1,295,094	1,294,037
Total current assets	215,144,248	212,020,933
Assets limited as to use		
Cash	177,710	210,229
Construction fund	6,170	6,127
Investments held in trust	12,678,851	12,999,368
Endowment investments	20,488,707	21,539,140
Funds held in trust by others	5,611,568	5,783,882
Contributions receivable	1,327,113	681,252
Fund held in escrow by agreement with State of Connecticut Health and Educational Facilities Authority and trustees	7,159,610	7,341,007
Total assets limited as to use	47,449,729	48,561,005
Deferred financing costs and other assets, net	2,779,069	2,989,857
Property, plant and equipment, net	109,741,869	104,689,555
	$ 375,114,915	$ 368,261,350
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 15,477,043	$ 19,368,036
Accrued vacation and sick pay	10,641,451	10,165,897
Salaries, wages, payroll taxes and amounts withheld from employees	4,184,333	3,700,920
Due to affiliates	718,757	422,911
Due to third party payors	9,222,736	8,126,913
Other current liabilities	364,053	398,376
Current portion of long-term debt	2,674,572	2,548,684
Total current liabilities	43,282,945	44,731,737
Accrued pension and other postretirement benefits	43,035,284	20,631,280
Other liabilities	12,202,253	11,764,379
Long-term debt less current portion	65,938,421	68,601,321
Total liabilities	164,458,903	145,728,717
Net assets		
Unrestricted (as reclassified (Note 1))	187,324,944	198,759,380
Temporarily restricted (as reclassified (Note 1))	17,758,955	18,138,029
Permanently restricted	5,572,113	5,635,224
Total net assets	210,656,012	222,532,633
	$ 375,114,915	$ 368,261,350

The accompanying notes are an integral part of these financial statements.

Lawrence & Memorial Corporation and Subsidiaries
Consolidated Statements of Operations
Years Ended September 30, 2009 and 2008

	2009	2008
Unrestricted revenues, gains and other support:		
Net revenues from services to patients	$ 295,154,990	$ 279,109,234
Other operating revenues	17,579,868	19,822,014
Net assets released from restriction	460,320	422,147
Total unrestricted revenues, gains and other support	313,195,178	299,353,395
Expenses:		
Salaries and wages	146,830,700	138,981,242
Employee benefits	38,489,945	35,795,053
Supplies	32,245,723	30,117,327
Purchased services	22,007,293	22,102,969
Bad debts	17,657,789	18,131,375
Other	30,368,297	30,465,084
Interest	2,673,379	3,480,601
Depreciation and amortization	16,403,646	14,667,108
Total expenses	306,676,772	293,740,759
Income from operations	6,518,406	5,612,636
Non-operating gains/(losses)		
Unrestricted investment income	266,039	322,958
(Loss)/income from investments	(983,287)	4,689,581
Realized losses on investments deemed other than temporarily impaired	(645,291)	(3,234,968)
Total non-operating (losses)/gains	(1,362,539)	1,777,571
Excess of revenues over expenses	5,155,867	7,390,207
Net unrealized gains/(losses) on investments	5,217,924	(22,613,479)
Net assets released from restrictions used for purchase of property, plant and equipment	385,879	1,365,403
Pension - related changes other than periodic pension costs	(22,254,106)	(5,290,651)
Donated equipment	60,000	1,214,894
Decrease in unrestricted net assets	$ (11,434,436)	$ (17,933,626)

The accompanying notes are an integral part of these financial statements.

Lawrence & Memorial Corporation and Subsidiaries
Consolidated Statements of Changes in Net Assets
Years Ended September 30, 2009 and 2008

	2009	2008
Unrestricted net assets		
Excess of revenues over expenses	$ 5,155,867	$ 7,390,207
Net unrealized gains/(losses) on investments	5,217,924	(22,613,479)
Net assets released from restrictions used for purchase of property, plant and equipment	385,879	1,365,403
Pension - related changes other than periodic pension costs	(22,254,106)	(5,290,651)
Donated equipment	60,000	1,214,894
Decrease in unrestricted net assets	(11,434,436)	(17,933,626)
Beginning of year unrestricted net assets	198,759,380	230,195,738
Cumulative effect of change in accounting principle (Note 1)	-	(13,502,157)
Beginning of year unrestricted net assets, as reclassified	198,759,380	216,693,006
End of year unrestricted net assets, as reclassified	$ 187,324,944	$ 198,759,380
Temporarily restricted net assets		
Income from investments	$ 445,602	$ 427,612
Net assets released from restrictions	(846,199)	(1,787,550)
Contributions received	709,585	429,886
Change in value of irrevocable trusts	(108,819)	(860,363)
Net realized and unrealized losses on investments	(579,243)	(3,708,241)
Decrease in temporarily restricted net assets	(379,074)	(5,498,656)
Beginning of year temporarily restricted net assets	18,138,029	10,133,953
Cumulative effect of change in accounting principal (Note 1)	-	13,502,157
Beginning of year temporarily restricted net assets, as reclassified	18,138,029	23,636,685
End of year temporarily restricted net assets, as reclassified	$ 17,758,955	$ 18,138,029
Permanently restricted net assets		
Change in value of funds held in trust by others	$ (63,111)	$ (611,219)
Decrease in permanently restricted net assets	(63,111)	(611,219)
Beginning of year permanently restricted net assets	5,635,224	6,246,443
End of year permanently restricted net assets	$ 5,572,113	$ 5,635,224
Decrease in net assets	$ (11,876,621)	$ (24,043,501)

The accompanying notes are an integral part of these financial statements.

Lawrence & Memorial Corporation and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended September 30, 2009 and 2008

	2009	2008
Cash flows from operating activities		
Change in net assets	$ (11,876,621)	$ (24,043,501)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	16,403,646	14,667,108
Receipt of contributed securities	(125,724)	(1,487,646)
Net unrealized and realized (gains)/losses on investments	(6,569,088)	26,722,010
Realized loss on other than temporarily impaired investments	645,291	3,234,968
Provision for bad debts	17,657,789	18,131,375
Decrease in funds held in trust by others	172,314	1,463,327
(Increase) in contributions receivable	(645,861)	(528,527)
Other changes in net assets		
Restricted contributions and investment income	-	2,865
Changes in other operating accounts		
Patient accounts receivable, net	(11,033,091)	(12,989,038)
Other receivables, net	(1,854,993)	862,533
Inventories	(149,064)	(210,013)
Prepaid expenses and other current assets	(511,816)	(466,973)
Deferred financing costs and other assets	210,788	210,788
Accounts payable	(2,104,854)	5,891,872
Accrued vacation and sick pay	475,554	717,647
Salaries, wages, payroll taxes and amounts withheld from employees	483,413	(81,218)
Due to affiliates	295,846	228,282
Due from affiliates	1	(1)
Due to third party payors	1,095,823	3,317,903
Pension, postretirement and other liabilities	22,807,555	4,756,861
Net cash provided by operating activities	25,376,908	40,400,622
Cash flows from investing activities		
Purchase of property, plant and equipment, net	(23,173,702)	(23,446,532)
Purchases of investments	(108,381,734)	(201,832,408)
Sales of investments	113,345,116	186,447,325
(Increase)/decrease in debt service fund	(1,057)	14,523
Decrease in funds held in escrow	181,397	88,239
Net cash used in investing activities	(17,904,256)	(38,728,853)
Cash flows from financing activities		
Contributions restricted for long term initiatives	(68,397)	(1,335,189)
Principal payments of long term debt	(2,537,012)	(2,415,682)
Net cash used in financing activities	(2,605,409)	(3,750,871)
Net increase/(decrease) in cash and cash equivalents	4,867,243	(2,079,105)
Cash and cash equivalents		
Beginning of year	25,182,706	27,261,811
End of year	$ 30,049,949	$ 25,182,706
Supplemental disclosure of non cash activities		
Construction in process included in accounts payable	$ 1,317,209	$ 3,103,348
Asset retirement obligation	$ 604,532	$ 576,542
Contributed securities	$ 125,724	$ 1,487,646

The accompanying notes are an integral part of these financial statements.

1. Significant Accounting Policies and Organization

Organization

Lawrence & Memorial Corporation (the "Corporation") is a not-for-profit organization incorporated under the Non-Stock Corporation Act of the State of Connecticut. The Corporation is organized exclusively for public welfare, charitable, scientific, literary and education purposes, including the furtherance of the welfare, programs and activities of Lawrence & Memorial Hospital (the "Hospital"), a non-profit organization incorporated under the General Statutes of the State of Connecticut.

The following entities are subsidiaries of the Corporation: Lawrence & Memorial Hospital ("L&M"), L&M Systems, Inc., VNA of Southeastern Connecticut, and L&M Healthcare. The VNA of Southeastern Connecticut Inc. is consolidated using financial statement balances at June 30, 2009 and 2008.

L&M Healthcare has an affiliation agreement effective January 31, 1999 (the "Agreement") with the Hospice of Southeastern Connecticut, Inc. (the "Hospice"). The Agreement gives L&M Healthcare a membership of the Hospice with one other not-for-profit healthcare organization. L&M Healthcare does not have an equity investment in the Hospice because the affiliation agreement does not require L&M Healthcare to provide capital to the Hospice and L&M Healthcare is not entitled to any of the net assets of the Hospice should the relationship terminate or the Hospice dissolve. The Corporation and its subsidiaries have never given capital to the Hospice and the Hospice has never made capital distributions to the Corporation or its subsidiaries.

Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying footnotes. Actual results could differ from those estimates and there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The Corporation's significant estimates include the collectibility of patient accounts receivable, settlements due to third party payors, estimated reserves for self-insurance liabilities, and benefit plan assumptions.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Corporation has been limited by donors to a specific time frame or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Corporation and its subsidiaries in perpetuity or in funds held in trust by others whose purpose is for the funds to be maintained in perpetuity.

Donor Restricted Gifts
Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of operations as net assets released from restrictions. Donor restricted contributions whose restrictions are met within the same year as received are recorded as unrestricted contributions in the accompanying statement of operations.

The Corporation adopted net asset classification guidance, which was effective for the Hospital as of October 1, 2007. The guidance was issued to provide clarification on net asset classifications on donor restricted endowment funds and improve the quality and consistency of financial reporting of endowments held by not-for-profit organizations subject to the guidance. Upon initial adoption, the Corporation recognized a reclassification in the amount of $13,502,732, from unrestricted net assets to temporarily restricted net assets which reflects the portion of unrestricted net assets that had not been appropriated for spending as of October 1, 2007 and are therefore considered subject to time restrictions.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or law. Expirations of temporary restrictions on net assets because the donor-imposed purpose has been accomplished, the stipulated time period has elapsed, or the Corporation has appropriated gains for spending are reported as net assets released from restrictions.

From October 1, 2007 to September 30, 2008, the investment activity in the accompanying statements of operations, net unrealized gains/(losses) on investments was reclassified in the amount of $3,176,000 to reflect the time restriction on true endowment activity.

Cash and Cash Equivalents
The Corporation and its subsidiaries consider all highly liquid investments with original maturities of three months or less at the date of purchase to be cash equivalents.

Investments
Investments in equity and debt securities are recorded at fair value in the balance sheet. Fair value is generally determined based on quoted market prices. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the excess of revenues over expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are included in the change in net assets. Under accounting principles generally accepted in the United States of America, an "other than temporary impairment" is recognized if the Corporation does not expect the fair value of a security to recover above cost or amortized cost. Once an "other than temporary impairment" charge has been recorded, a new cost basis is established.

The Corporation continues to review its securities for appropriate valuation on an ongoing basis. The Corporation determined that a portion of their investments was impaired as of September 30, 2008. The Statement of Operations reflects an other than temporary impairment of $3,234,968 during fiscal year 2008. VNA recognized $645,291 of other than temporary impairment on investments in 2009.

Realized and unrealized gains and losses on donor restricted endowment funds are included in temporarily restricted net assets under State law which allows the Board to appropriate as much of the net appreciation of investments as is prudent considering the Corporation's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions.

Investments in limited liability companies are accounted for using the equity method in instances where the limited partner's interest is more than minor (3-5%).

Fair Value Measurements
Effective October 1, 2008, the Corporation adopted fair value guidance. The guidance defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles, and enhances disclosures about fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair value guidance provides guidance on how to measure fair value by providing a fair value hierarchy used to classify the source of the information used to determine fair value.

Assets Held in Trust by Others
The Hospital has been named sole or participating beneficiary in several perpetual and charitable remainder trusts. Under the terms of these trusts, the Hospital has the irrevocable right to receive the income earned on the trust assets in perpetuity from the perpetual trusts and to receive the remainder of the trust assets for the charitable remainder trusts. For perpetual trusts, the estimated present value of the future payments to the Hospital is recorded at the fair value of the assets held in the trust. The charitable remainder trusts are recorded at the present value of the estimated future distributions expected to be received over the expected term of the trust agreement. The Hospital uses appropriate credit adjusted rates to discount amounts.

Assets Limited as to Use
Assets limited as to use include assets set aside by the Board of Directors to fund the deductible portion of malpractice insurance coverage (maintained in an irrevocable trust) and for the established purpose of providing for future improvement, expansion and replacement of plant and equipment. In addition, funds held in trust by others, unexpended bond proceeds for construction purposes, and assets held by trustees under indenture agreements relating to financing activities with the State of Connecticut Health and Education Facilities Authority ("CHEFA") are also included therein.

Property, Plant and Equipment
Property, plant and equipment are recorded at cost, or if received as a donation, at the fair value on the date received. The Corporation provides for depreciation of property, plant and equipment using the straight-line method in amounts sufficient to amortize the cost of its assets over their estimated useful lives. American Hospital Association lives are generally used and provide for a 2-25 year life for land improvements, 5-50 year life for buildings and a 2-25 year life for equipment. Lease improvements are amortized over the life of the lease.

Non-Operating Gains and Losses
Activities other than in connection with providing health care services are considered to be nonoperating.

Excess of Revenues over Expenses
The statement of operations includes excess of revenues over expenses. Changes in unrestricted net assets which are excluded from excess of revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments, permanent transfers of assets to and from affiliates for other than goods and services, contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets), and pension-related charges other than periodic pension costs and other postretirement benefits liabilities.

Fair Value of Financial Instruments
Investments and other assets and liabilities are carried at amounts that approximate fair value based on current market conditions. The fair value of long term debt is estimated based on the quoted market prices for the same or similar issues or on current rates offered to the Corporation and its Subsidiaries for debt of the same remaining maturities.

Benefit Plans
The Hospital has a defined benefit plan and a defined contribution plan. The VNA also has a defined contribution plan (see Note 8).

Medical Malpractice Self-Insurance
The Hospital purchases occurrence-based professional and general liability insurance to cover medical malpractice claims. The Hospital has adopted the policy of self-insuring the deductible portion of its malpractice insurance coverage up to certain per claim and aggregate limits. The Hospital has established an irrevocable trust for the purpose of setting aside assets which can only be used for the payment of malpractice losses, related expenses, and the cost of administering the trust. Management accrues its best estimate of losses as incidents which give rise to potential losses occur.

Income Taxes
The Corporation and its subsidiaries are not-for-profit organizations and are exempt from federal income taxes on related income under Section 501(c)(3) of the Internal Revenue Code, except for L&M Systems. L&M Systems provides for taxes based on current taxable income and the future tax consequences of temporary differences between financial and income tax reporting. Such amounts are not material to the consolidated financial statements.

Inventories
Inventory consists of supplies, both medical and general pharmaceuticals and food products needed to sustain daily operation of patient care. Inventories are carried at the lower of cost or market under the first-in-first-out (FIFO) method.

Impairment of Long-Lived Assets
Long-lived assets to be held and used are reviewed for impairment whenever circumstances indicate that the carrying amount of an asset may not be recoverable. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to dispose.

Accrued Vacation and Sick Pay
Accrued vacation is recorded as a liability as time is earned. As the time is used, the time is relieved from the liability. Accrued sick time is recorded as a percent for employees who have a balance greater than or equal to 800 hours. The payout is only upon termination of employment.

Subsequent Events
The Corporation has performed an evaluation of subsequent events through December 18, 2009, which is the date the financial statements were available to be issued.

2. Revenues from Services to Patients and Charity Care

The following summarizes net revenues from services to patients:

	2009	2008
Gross charges from services to patients	$ 604,305,691	$ 521,130,208
Less: charity care	4,820,444	4,316,427
Charges from services to patients, net of charity care	599,485,247	516,813,781
Deductions		
Allowances	306,380,434	239,892,364
State of Connecticut uncompensated care system	(2,050,177)	(2,187,817)
Total deductions	304,330,257	237,704,547
Net revenues from services to patients	$ 295,154,990	$ 279,109,234

Patient accounts receivable and revenues are recorded when patient services are performed. Amounts received from most payors are different from established billing rates of the Corporation, and these differences are accounted for as allowances. The Corporation receives cash from the State of Connecticut Uncompensated Care Pool. The Corporation records this as an increase to their net revenues from services to patients.

Net patient service revenue is reported at the estimated net realizable amounts from patients, third party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Adjustments related to prior year settlements increased the Hospital's revenues by approximately $385,000 and $2,300,000 in 2009 and 2008, respectively.

During 2009 and 2008, approximately 31% and 32%, respectively, of net patient service revenue was received under the Medicare program, and 8% and 5%, respectively, under the state Medicaid program. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Hospital believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs. Changes in the Medicare and Medicaid programs and reductions of funding levels could have an adverse impact on the Hospital.

The Hospital accepts all patients regardless of their ability to pay. A patient is classified as a charity patient by reference to the established policies of the Hospital. Essentially, these policies define charity services as those services for which no payment is anticipated. In assessing a patient's inability to pay, the Hospital utilizes the generally recognized federal poverty income guidelines, but also includes certain cases where incurred charges are significant when compared to income. These charges are not included in net patient service revenues for financial reporting purposes.

3. Investments

Investments included in current assets consist of the following:

	2009	2008
Pooled endowment funds		
Cash and cash equivalents	$ 247,120	$ 253,556
Fixed income	1,174,041	1,093,178
Bonds	3,562,145	5,183,207
Mutual funds	855,154	999,404
Hedge funds	3,240,234	-
Marketable equities	11,410,013	14,009,795
Total pooled endowment funds	20,488,707	21,539,140
Investments held in trust by others		
Cash and cash equivalents	195,199	237,391
Bonds	1,811,440	1,917,632
Marketable equities	3,453,623	3,446,019
Other investments	151,306	182,840
Total investments held in trust by others	5,611,568	5,783,882
Other investments		
Cash and cash equivalents	13,344,183	12,670,139
Fixed income	1,172,180	1,103,518
Bonds	51,205,026	59,780,246
Mutual funds	853,798	1,008,857
Hedge funds	21,561,096	-
Marketable equities	53,077,369	64,254,653
Health Connecticut LLC	-	44,292
Connecticut Hospital Laboratory Network	11,894	-
Total other investments	141,225,546	138,861,705
	$ 167,325,821	$ 166,184,727

Fair value guidance establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entities own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The guidance describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the Corporation for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

- Level 1 – Quoted prices in active markets for identical assets.

- Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets in active markets, quoted prices in markets that are not active, or can be corroborated by observable market data for substantially the same term of the assets.

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

The Corporation's financial instrument categorization is based upon the lowest level of input that is significant to the fair value measurement within the valuation hierarchy. The following table presents the financial instruments carried at fair value using the by the fair value guidance valuation hierarchy defined above:

	2009				2008
	Level 1	Level 2	Level 3	Total Fair Value	Total Fair Value
Pooled endowment funds					
Cash and cash equivalents	$ 247,120	$ -	$ -	$ 247,120	$ 253,556
Fixed income	130,375	1,043,666	-	1,174,041	1,093,178
Bonds	3,562,145	-	-	3,562,145	5,183,207
Mutual funds	855,154	-	-	855,154	999,404
Hedge funds	-	-	3,240,234	3,240,234	-
Marketable equities	11,410,013	-	-	11,410,013	14,009,795
Total pooled endowment funds	16,204,807	1,043,666	3,240,234	20,488,707	21,539,140
Held in trust by others					
Cash and cash equivalents	-	-	195,199	195,199	237,391
Bonds	-	-	1,811,440	1,811,440	1,917,632
Other assets	-	-	151,306	151,306	182,840
Marketable equities	-	-	3,453,623	3,453,623	3,446,019
Total held in trust by others	-	-	5,611,568	5,611,568	5,783,882
Other investments					
Cash and cash equivalents	13,344,183	-	-	13,344,183	12,670,139
Fixed income	130,166	1,042,014		1,172,180	1,103,518
Bonds	51,205,026	-	-	51,205,026	59,780,246
Mutual funds	853,798	-	-	853,798	1,008,857
Hedge funds	-	-	21,561,096	21,561,096	-
Marketable equities	53,077,369		-	53,077,369	64,254,653
Health Connecticut LLC	-	-	-	-	44,292
Connecticut Hospital Laboratory Network	-	-	11,894	11,894	-
Total other investments	118,610,542	1,042,014	21,572,990	141,225,546	138,861,705
	$ 134,815,349	$ 2,085,680	$ 30,424,792	$ 167,325,821	$ 166,184,727

Fair value for Level 1 is based upon quoted prices in active markets that the Corporation has the ability to access at the measurement date. Market price data is generally obtained from exchange or dealer markets. The Corporation does not adjust the quoted price for such assets.

Fair value for Level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers and brokers.

Fair value for Level 3 is based on valuation techniques that use significant inputs that are unobservable as they trade infrequently or not at all and reflect assumptions based on the best information available in the circumstances.

Investments included in Level 3 primarily consist of the Corporations ownership in alternative investments (principally limited partnership interests in hedge funds). The value of these alternative investments represents the ownership interest in the net asset value ("NAV") of the respective partnership. The fair values of the securities held by limited partnerships that do not have readily determinable fair values are determined by the general partner and are based on appraisals, or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by the general partner taking into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate. Also included in Level 3 investments are charitable remainder trusts held by third parties which are recorded at the present value of the future distributions expected to be received over the term of the agreement and investments in for-profit companies.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Corporation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following table is a roll forward of the amounts by investment type for financial instruments classified by the Corporation within Level 3 of the fair value hierarchy defined above:

	Beginning October 1, 2008	Investment Income	Realized Losses	Unrealized Gains/ (Losses)	Investment Fees	Net Transfers	Ending September 30, 2009
Investment pool							
Hedge funds	$ -	$ 131,180	$ (70,175)	$ 2,893,941	$ (31,255)	$ 21,889,534	$ 24,813,224
Funds held in trust	5,783,882	-	-	(172,314)	-	-	5,611,568
Total	$ 5,783,882	$ 131,180	$ (70,175)	$ 2,721,627	$ (31,255)	$ 21,889,534	$ 30,424,792

A summary of the pooled endowment investment return is presented below:

	2009	2008
Investment income	$ 510,376	$ 558,150
Realized and unrealized losses	(659,407)	(4,402,156)
Management fees and other costs	(13,974)	(33,727)
Total return on pooled endowment investments	$ (163,005)	$ (3,877,733)

4. Endowments

The Corporation's endowments consist of donor restricted endowment funds for a variety of purposes. The net assets associated with endowment funds including funds designated by the Board of Directors to function as endowments are classified and reported based on the existence or absence of donor imposed restrictions.

The Corporation understands net asset classification guidance to require that donor restricted endowment gifts be maintained in perpetuity. Consistent with net asset classification guidance, the Corporation 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. The Corporation considers the following factors in making a determination to appropriate or accumulate endowment funds:

- The duration and preservation of the fund
- The purposes of the Corporation and donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Corporation
- The investment policies of the Corporation

The Corporation had the following endowment activities during the years ended September 30, 2009 and 2008 delineated by net asset class and donor-restricted funds:

Endowment net asset composition by type of fund as of September 30:

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ -	$ 14,945,419	$ 2,866,683	$ 17,812,102
Board designated endowment funds	4,930,901	-	-	4,930,901
	$ 4,930,901	$ 14,945,419	$ 2,866,683	$ 22,743,003

	2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ -	$ 15,366,143	$ 2,866,683	$ 18,232,826
Board designated endowment funds	5,195,881	-	-	5,195,881
	$ 5,195,881	$ 15,366,143	$ 2,866,683	$ 23,428,707

Changes in endowment net assets for the year ended September 30:

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 5,195,881	$ 15,366,143	$ 2,866,683	$ 23,428,707
Investment return				
Investment income	61,050	(96,771)	-	(35,721)
Net realized and unrealized loss	(383,527)	(579,243)	-	(962,770)
Contributions	57,497	455,412	-	512,909
Total investment return	(264,980)	(220,602)	-	(485,582)
Income distribution	-	(200,122)	-	(200,122)
Endowment net assets, end of year	$ 4,930,901	$ 14,945,419	$ 2,866,683	$ 22,743,003

	2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 18,806,152	$ 3,413,410	$ 2,866,683	$ 25,086,245
Cumulative effect of change in accounting principle (Note 1)	(13,502,732)	13,502,732	-	-
Endowment net assets, beginning of year, as reclassified	5,303,420	16,916,142	2,866,683	25,086,245
Investment return				
Investment income	182,125	(1,087,827)	-	(905,702)
Net realized and unrealized loss	(343,790)	(532,241)	-	(876,031)
Contributions	54,126	156,290	-	210,416
Total investment return	(107,539)	(1,463,778)	-	(1,571,317)
Income distribution	-	(86,221)	-	(86,221)
Endowment net assets, end of year	$ 5,195,881	$ 15,366,143	$ 2,866,683	$ 23,428,707

Endowment funds classified as permanently and temporarily restricted net assets:

The portion of perpetual endowment funds retained permanently either by explicit donor stipulation or by net asset classification guidance is summarized as follows:

	2009	2008
Permanently restricted net assets		
Corpus of permanently restricted contributions for purchase of equipment and healthcare services	$ 2,866,683	$ 2,866,683
Total endowment funds classified as permanently restricted net assets	$ 2,866,683	$ 2,866,683
Temporarily restricted net assets		
Unspent income and appreciation on permanently restricted endowments for purchase of equipment and healthcare services	$ 11,769,419	$ 12,190,143
Total endowment funds classified as Temporarily restricted net assets	$ 11,769,419	$ 12,190,143

Endowment Funds with Deficits
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor endowment deficits exist they are classified as a reduction of unrestricted net assets. The Corporation analyzed the endowments and notes there are no deficits as of September 30, 2009 and 2008.

Endowment Investment Return Objectives and Risk Parameters
The Corporation has adopted endowment investment and spending policies that attempt to provide predictable stream of funding to programs supported by the endowment while seeking to maintain the permanent nature of endowment funds. Under this policy, the return objective for the endowment assets measured over a full market cycle shall be to maximize the return against a blended index, based on the endowment's target asset allocation applied to the appropriate individual benchmarks.

Strategies Employed for Achieving Endowment Investment Objectives
To achieve its long-term rate of return objectives, the Corporation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The Corporation targets a diversified asset allocation to achieve its long-term objectives within prudent Corporation risk constraints.

Endowment Spending Allocation and Relationship of Spending Policy to Investment Objectives
Spending is guided by several factors most important is the value of the portfolio. Generally, the Board will approve a spending policy limiting annual expenditures for grants and operating expenses up to 4.5% of the value of the Funds' assets based on a 12 quarter rolling average for the endowment, Kitchings and operating funds. The Corporation will designate the spending amount on an as-needed basis for the special account.

Investment managers are given ample notice of the required withdrawal schedule. Appropriate liquidity is maintained to fund these withdrawals without impairing the investment process

5. Temporary and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at September 30, 2009 and 2008:

	2009	2008 (as reclassified)
Funds held in trust by others	$ 2,924,192	$ 2,984,519
Contributions receivable	1,327,113	96,961
Free beds and plant replacement and expansion	11,769,419	12,190,143
Specific purpose reserves	1,738,231	2,866,406
	$ 17,758,955	$ 18,138,029

Permanently restricted net assets at September 30, 2009 and 2008 are restricted to:

	2009	2008
Funds held in trust by others	$ 2,705,430	$ 2,768,541
Donor restricted endowment funds	2,866,683	2,866,683
	$ 5,572,113	$ 5,635,224

6. Property, Plant and Equipment

Property, plant and equipment consists of the following:

	2009	2008
Land and land improvements	$ 5,989,744	$ 5,989,744
Buildings	109,065,547	102,714,391
Equipment	172,887,816	157,096,129
	287,943,107	265,800,264
Less: Accumulated depreciation	(183,553,654)	(168,487,889)
	104,389,453	97,312,375
Construction in progress (estimated cost to complete at September 30, 2009 is $6,280,990)	5,352,416	7,377,180
	$ 109,741,869	$ 104,689,555

7. Long-Term Debt

	2009	2008
CHEFA Series D revenue bonds		
5.0% Term bonds, due 2009 to 2013	$ 11,390,000	$ 13,905,000
5.0% Term bonds, due 2014 to 2022	33,870,000	33,870,000
CHEFA Series E revenue bonds		
Variable rate bonds, due 2023-2034	22,990,000	22,990,000
VNA mortgage note		
Variable rate, due 2001 to 2011	302,734	333,833
VNA Interest rate swap agreement	60,259	51,172
Total long-term debt outstanding	68,612,993	71,150,005
Less amounts classified as current	2,674,572	2,548,684
Total long-term portion of long-term debt	$ 65,938,421	$ 68,601,321

On June 24, 2004 CHEFA issued $22,990,000 of Series E Bonds (the "Series E Bonds") on behalf of the Hospital and the Corporation (collectively referred to as the "Obligated Group" under the Series E Bond agreements). The Series E Bonds are structured with a term bond due July 1, 2034, with annual sinking fund payments due each July 1st commencing July 1, 2003. Interest on the Series E Bonds accrues at the weekly rate and is payable on the first business day of each month commencing July 1, 2004.

The proceeds of the Series E Bonds are being used to finance the acquisition, construction, capital improvements, renovation, and/or equipping of the expansion of the Hospital's Pequot Health Center, including a new 37,000 square foot building addition to house an ambulatory surgery unit, MRI services, and mobile medical technologies. The proceeds are also being used to fund the debt service reserve fund and costs related to the issuance and interest related to the Series E Bonds. Under the terms of the trust indenture for the Series E Bonds, the Obligated Group is required to meet certain financial covenants including a debt service coverage ratio and days cash on hand ratio. Members of the Obligated Group are jointly and severally obligated to provide amounts sufficient to enable the Authority to pay principal and interest on the Series E bonds. The bonds and bond proceeds have been allocated to the Hospital and as such, the Hospital will make future debt service payments as required under the terms of the bonds.

The bonds may be retired at an earlier date pursuant to terms of the master indenture. Payment of the bonds is collateralized by a pledge of the gross receipts (as defined) and certain real property of the Hospital and Corporation.

Effective January 16, 2008, the Hospital refinanced its CHEFA Series E bonds with JPMorgan Chase Bank, N.A. This reoffering does not update information contained in the original official statement but provides a new letter of credit, which expires in January 2013.

The Series E Bonds are considered variable rate demand bonds and are remarketed on a weekly basis. If the bonds are unable to be remarketed, the letter of credit could be utilized to purchase the bonds. The Obligated Group would then be subject to the payment terms of the letter of credit, which are equal quarterly installments beginning in the first quarter that is at least 367 days after the initial draw down on the letter of credit. The Series E Bonds have been successfully remarketed and there have been no draws on the letter of credit.

In accordance with the long-term loan agreement with CHEFA, certain trusteed funds are required to be maintained. These funds provide for debt service and other related payments. The income derived from these funds is required to be reinvested in the trusteed funds and is not available for current operating purposes.

The agreements will remain in force until principal and interest on the bonds and any other costs of the Authority with respect to the project have been fully paid or provided for. Annual payments due under the loan agreements include interest on the outstanding bonds.

The fair value of the Series E Bonds, using discounted cash flow analyses, approximates carrying value. The fair value of the Series D Bonds is approximately $45.4 and $43.5 million at September 30, 2009 and 2008, respectively.

The VNA has a $1.0 million ten year variable rate mortgage note bearing interest at one percent above the LIBOR rate (1.60% and 3.42% at June 30, 2009 and 2008, respectively). The VNA maintains an interest rate swap agreement for this debt at a rate of 8.35%. The loan is based on a 20 year amortization period. The VNA's interest rate swap agreement has a negative fair value of $60,259 and $51,172 as of June 30, 2009 and 2008, respectively, which has been reflected as a long-term liability included with long-term debt. The balance of the loan is $302,734 and $333,833 at June 30, 2009 and 2008, respectively. The note is collateralized by a first mortgage on the property, buildings and building improvements located in Waterford, Connecticut.

Principal repayments are as follows:

Year	Annual Principal Repayment
2010	$ 2,674,572
2011	2,814,915
2012	3,203,506
2013	3,060,000
2014 and thereafter	56,860,000
	$ 68,612,993

Cash interest payments of $2,536,615 and $3,393,141 were made in fiscal year 2009 and 2008, respectively. No interest was capitalized during 2009 and 2008.

8. Pension and Other Postretirement Benefits

The Hospital has a defined benefit plan covering all employees who elected to stay in the plan. The plan is frozen to new participants as of June 30, 1999. The benefits are based on years of service and the employee's compensation during the last five years of employment. Assets of the plan include mutual funds, marketable equity securities, corporate and government bonds, notes, and hedge funds.

The Hospital provides health care and life insurance benefits to its retired employees who meet certain eligibility requirements. The Hospital's policy is to fund the cost of postretirement benefits other than pensions as incurred. This plan was frozen to include only those employees who retired prior to May 1, 1994.

The following table sets forth the Hospital's plans' funded status and amounts recognized in the statement of financial position for fiscal year 2009 and 2008 as of September 30 (measurement date of September 30):

	Pension Benefits		Other Postretirement Benefits	
	2009	2008	2009	2008
Change in benefit obligation				
Benefit obligation at beginning of year	$ 92,839,307	$ 102,691,106	$ 1,305,378	$ 1,594,902
Service cost	1,456,782	2,088,945	-	-
Interest cost	6,784,733	6,328,208	85,675	87,570
Employee contributions	184,560	196,482	-	-
Benefits paid	(4,825,528)	(4,342,286)	(141,246)	(149,919)
Actuarial gain/(loss)	20,890,290	(14,123,148)	40,771	(227,175)
Benefit obligation at end of year	$ 117,330,146	$ 92,839,307	$ 1,290,578	$ 1,305,378
Change in plan assets				
Fair value of plan assets at beginning of year	$ 74,130,658	$ 88,881,587	$ -	$ -
Actual return on plan assets	4,690,576	(12,105,125)	-	-
Employee contributions	184,560	196,482	-	-
Employer contributions	2,164,304	1,500,000	141,246	149,919
Benefits paid	(4,825,528)	(4,342,286)	(141,246)	(149,919)
Fair value of plan assets at end of year	$ 76,344,572	$ 74,130,658	$ -	$ -
Funded status of the plan	(40,985,574)	(18,708,649)	(1,290,578)	(1,305,378)
Unrecognized net loss (gain) from past experience different from that assumed and effects of changes in assumptions	29,882,430	7,503,368	(639,914)	(763,507)
Unrecognized prior service cost	721,505	846,461	-	-
Accrued benefit costs recognized in the statement of operation	$ (10,381,639)	$ 8,349,829	$ (1,930,492)	$ (763,885)
Components of net periodic benefit costs				
Service cost	$ 1,456,782	$ 2,088,945	$ -	$ -
Interest cost	6,784,733	6,328,208	85,675	87,570
Expected return on plan assets	(5,179,348)	(7,449,086)	-	-
Gain	-	-	(82,822)	(63,014)
Net amortization and deferral	124,956	(336,668)	-	163,000
Benefit cost	$ 2,187,123	$ 631,399	$ 2,853	$ 187,556

The weighted average assumptions used to determine the net benefit cost at the beginning of the year are as follows:

	2009	2008
Discount rate	7.50%	6.29%
Average rate of compensation increases	4.25%	4.25%
Expected return on assets	8.50%	8.50%

The weighted average assumptions used to determine the benefit obligation at the end of the year are as follows:

	2009	2008
Discount rate	5.80%	7.50%
Average rate of compensation increases	4.25%	4.25%

The Plan's asset allocations as of September 30, 2009 and 2008 are as follows:

	2009	2008
Asset Category		
Equity securities	50%	47%
Debt securities	33%	52%
Other	17%	1%
Total	100%	100%

The expected rate of return on plan assets is calculated based on past experience.

Expected benefits to be paid under the Hospital's plans are as follows:

Fiscal Years Beginning October 1	Expected Benefits
2009	$ 5,461,268
2010	5,732,572
2011	6,270,622
2012	6,573,598
2013	6,987,610
Expected Aggregate for 5 fiscal years beginning 2014	40,008,411

Annual contributions are determined by the Hospital based upon calculations prepared by the plan's actuary. Expected contributions to the Pension and Retiree Health Plan for 2010 are approximately:

Pension	$ 2,000,000
Retiree Health	131,755

The weighted-average annual assumed rate of increase in the per capita cost of covered benefits (i.e., health care cost trend rate) for participants is assumed to be 9% in 2010 reducing to 5.0% by the year 2016 and remaining at that level thereafter. This health care cost trend rate assumption has a significant effect on the amounts reported. To illustrate, a one percentage point increase in the assumed health care cost trend rate would increase the accumulated postretirement benefit obligation and service cost plus interest cost by approximately $98,000 and $87,000, respectively, at September 30, 2009 and 2008. A one percentage point decrease in the assumed health care cost trend rate would decrease the accumulated postretirement benefit obligation and service cost plus interest cost by approximately $76,000 and $69,000, respectively, at September 30, 2009 and 2008.

The Hospital's 401(k) plan covers eligible employees who elected to participate in the plan. Eligible employees may contribute a percentage of their salary to the plan. The Hospital matches 100% of the first 4% of gross pay deferred by employees for those employees who do not participate in the defined benefit plan. Plan contributions charged to operations were approximately $2,131,755 and $2,253,036 for 2009 and 2008, respectively.

The VNA has a defined contribution pension plan which covers substantially all of its employees who have met specified age and length of service requirements. Contributions to the plan are based on 5% of eligible salaries and totaled approximately $411,000 and $459,000 for the years ended June 30, 2009 and 2008, respectively.

9. Medical Malpractice Self-Insurance

There have been malpractice claims that fall within the Hospital's self-insured program which have been asserted against the Hospital. In addition, there are known incidents that have occurred through September 30, 2009 that may result in the assertion of claims. The Hospital has engaged independent actuaries to estimate the ultimate cost of the settlement of such claims. Accrued malpractice losses have been discounted at 5.0% for 2009 and 2008. The Hospital maintains a trust to fund these liabilities on a long-term basis.

10. Functional Expenses

The Corporation and its subsidiaries provide general health care services to residents within its geographic location including pediatric care, cardiac catheterization, and outpatient surgery. Expenses by function are as follows:

	2009	2008
Health care services	$ 239,207,882	$ 232,055,202
General and administrative	67,468,890	61,685,560
	$ 306,676,772	$ 293,740,762

11. Contingency

The Corporation and its subsidiaries are parties to various lawsuits incidental to their business. Management believes that the lawsuits will not have a material adverse effect on their financial position, results of operations, changes in net assets or cash flows.

Lawrence & Memorial Corporation and Subsidiaries
Consolidating Balance Sheet
September 30, 2009

	Lawrence & Memorial Hospital	Lawrence & Memorial Corporation	Eliminating Entries	Obligated Group	L&M Systems, Inc.	VNA of Southeastern Connecticut, Inc.	Eliminating Entries	Consolidated
Assets								
Current assets								
Cash and cash equivalents	$ 22,669,913	$ 5,214,133	$ -	$ 28,084,046	$ 506,860	$ 1,459,043	$ -	$ 30,049,949
Investments	99,203,961	38,239,335	-	137,473,296	-	3,752,250	-	141,225,546
Accounts receivable	28,570,370	-	-	28,570,370	-	1,391,265	-	29,961,635
Other receivables	5,995,236	-	-	5,995,236	548,174	-	-	6,543,410
Inventories	3,506,113	-	-	3,506,113	-	-	-	3,506,113
Due from affiliates	2,903,156	541,500	(2,903,156)	541,500	-	-	(517,000)	24,500
Prepaid expenses and other current assets	2,312,579	-	-	2,312,579	-	225,422	-	2,538,001
Debt service fund	1,295,094	-	-	1,295,094	-	-	-	1,295,094
Total current assets	166,686,422	43,994,968	(2,903,156)	207,778,234	1,055,034	6,827,980	(517,000)	215,144,248
Assets limited as to use								
Cash	177,710	-	-	177,710	-	-	-	177,710
Construction fund	6,170	-	-	6,170	-	-	-	6,170
Investments held in trust	12,678,851	-	-	12,678,851	-	-	-	12,678,851
Endowment investments	14,150,668	2,633,876	-	16,784,544	-	3,704,163	-	20,488,707
Investment in subsidiaries	-	17,008,597	-	17,008,597	-	-	(17,008,597)	-
Funds held in Trust by others	5,611,568	-	-	5,611,568	-	-	-	5,611,568
Contributions receivable	48,469	1,278,644	-	1,327,113	-	-	-	1,327,113
Funds held in escrow by agreement with Statement of Connecticut Health and Educational Facilities Authority and trustees	7,159,610	-	-	7,159,610	-	-	-	7,159,610
Total assets limited as to use	39,833,046	20,921,117	-	80,754,163	-	3,704,163	(17,008,597)	47,449,729
Other assets								
Deferred financing costs and other assets, net	2,779,069	-	-	2,779,069	-	-	-	2,779,069
Property, plant and equipment								
Land improvements	5,128,762	530,667	-	5,659,429	-	330,275	-	5,989,744
Buildings/leasehold improvements	105,218,506	148,821	-	105,367,327	1,330,733	2,367,430	-	109,065,547
Equipment/furniture	170,465,895	21,774	-	170,487,669	628,079	1,772,068	-	172,887,816
Accumulated depreciation	(180,112,431)	(58,332)	-	(180,171,763)	(1,195,609)	(2,186,282)	-	(183,553,654)
Construction in progress	5,352,416	-	-	5,352,416	-	-	-	5,352,416
Property, plant and equipment, net	106,053,228	641,930	-	106,695,178	763,200	2,283,491	-	109,741,869
	$ 315,351,765	$ 65,558,015	$ (2,903,156)	$ 378,006,644	$ 1,818,234	$ 12,815,634	$ (17,525,597)	$ 375,114,915

RIDOH 1078

Lawrence & Memorial Corporation and Subsidiaries
Consolidating Balance Sheet
September 30, 2009

	Lawrence & Memorial Hospital	Lawrence & Memorial Corporation	Eliminating Entries	Obligated Group	L&M Systems, Inc.	VNA of Southeastern Connecticut, Inc.	Eliminating Entries	Consolidated
Liabilities and Net Assets								
Current liabilities								
Accounts payable	$ 13,899,658	$ 97,828	$ -	$ 13,997,687	$ 173,294	$ 1,312,062	$ -	$ 15,477,043
Accrued vacation and sick pay	10,641,451	-	-	10,641,451	-	-	-	10,641,451
Salaries, wages, payroll taxes and amounts withheld from employees	4,184,333	-	-	4,184,333	-	-	-	4,184,333
Due to affiliates	1,682,710	1,999,203	(2,903,156)	718,757	517,000	-	(517,000)	718,757
Due to third party payors	9,089,438	-	-	9,089,438	-	133,298	-	9,222,736
Other current liabilities	-	-	-	-	5,969	358,084	-	364,053
Current portion of long-term debt	2,640,000	-	-	2,640,000	-	34,572	-	2,674,572
Total current liabilities	42,131,781	2,037,031	(2,903,156)	41,265,666	696,263	1,838,016	(517,000)	43,282,945
Accrued pension and other postretirement benefits	43,029,547	-	-	43,029,547	5,737	-	-	43,035,284
Other liabilities	12,202,253	-	-	12,202,253	-	-	-	12,202,253
Long-term debt less current portion	65,610,000	-	-	65,610,000	-	328,421	-	65,938,421
Total liabilities	162,973,591	2,037,031	(2,903,156)	162,107,466	702,000	2,166,437	(517,000)	164,458,903
Net assets								
Unrestricted	129,621,224	62,970,886	-	192,592,110	1,116,234	10,622,197	(17,008,597)	187,324,944
Temporarily restricted	17,211,837	547,118	-	17,758,955	-	-	-	17,758,955
Permanently restricted	5,545,113	-	-	5,545,113	-	27,000	-	5,572,113
Total net assets	152,378,174	63,521,004	-	215,899,178	1,116,234	10,649,197	(17,008,597)	210,656,012
	$ 315,351,765	$ 65,558,035	$ (2,903,156)	$ 378,006,644	$ 1,818,234	$ 12,815,634	$ (17,525,597)	$ 375,114,915

RIDOH 1079

Lawrence & Memorial Corporation and Subsidiaries
Consolidating Balance Sheet
September 30, 2008

	Lawrence & Memorial Hospital	Lawrence & Memorial Corporation	Eliminating Entries	Obligated Group	L&M Systems, Inc	VNA of Southeastern Connecticut, Inc.	Eliminating Entries	Consolidated
Assets								
Current assets								
Cash and cash equivalents	$ 18,257,347	$ 6,204,928	$ -	$ 24,462,275	$ 22,278	$ 698,153	$ -	$ 25,182,706
Investments	96,453,653	36,401,166	-	134,855,019	-	4,006,686	-	138,861,705
Accounts receivable	34,818,517	-	-	34,818,517	-	1,767,816	-	36,586,333
Other receivables	3,944,572	71,622	-	4,016,194	672,223	-	-	4,688,417
Inventories	3,357,049	-	-	3,357,049	-	-	-	3,357,049
Due from affiliates	1,188,700	24,500	(1,188,699)	24,501	-	-	-	24,501
Prepaid expenses and other current assets	1,906,505	-	-	1,906,505	-	119,680	-	2,026,185
Debt service fund	1,294,037	-	-	1,294,037	-	-	-	1,294,037
Total current assets	163,210,580	42,712,216	(1,188,699)	204,734,097	694,501	6,592,335	-	212,020,933
Assets limited as to use								
Cash	210,229	-	-	210,229	-	-	-	210,229
Construction fund	6,127	-	-	6,127	-	-	-	6,127
Investments held in trust	12,999,368	-	-	12,999,368	-	-	-	12,999,368
Endowment investments	14,857,509	2,712,488	-	17,569,997	-	3,969,143	-	21,539,140
Investment in subsidiaries	-	14,021,532	-	14,021,532	-	-	(14,021,532)	-
Funds held in Trust by others	5,783,862	-	-	5,783,862	-	-	-	5,783,862
Contributions receivable	66,961	584,291	-	681,252	-	-	-	681,252
Funds held in escrow by agreement with Statument of Connecticut Health and Educational Facilities Authority and trustees	7,341,007	-	-	7,341,007	-	-	-	7,341,007
Total assets limited as to use	41,295,083	17,318,311	-	58,613,394	-	3,969,143	(14,021,532)	48,561,005
Other assets								
Deferred financing costs	2,989,857			2,989,857	-	-	-	2,989,857
Property, plant and equipment								
Land and land improvement	5,126,782	530,087	-	5,659,469	-	330,275	-	5,989,744
Buildings/leasehold improvements	99,620,031	146,821	-	99,766,852	1,330,730	2,367,430	-	103,467,012
Equipment/furniture	154,156,033	21,773	-	154,177,806	578,108	1,587,594	-	156,343,508
Accumulated depreciation	(165,554,431)	(51,175)	-	(165,605,606)	(946,374)	(1,835,909)	-	(168,487,889)
Construction in progress	7,377,180	-	-	7,377,180	-	-	-	7,377,180
Property, plant and equipment, net	100,725,595	650,106	-	101,377,701	962,464	2,349,390	-	104,689,555
	$ 308,221,115	$ 60,680,633	$ (1,188,699)	$ 367,715,049	$ 1,656,965	$ 12,910,868	$ (14,021,532)	$ 368,261,350

RIDOH 1080

Lawrence & Memorial Corporation and Subsidiaries
Consolidating Balance Sheet
September 30, 2008, as reclassified

	Lawrence & Memorial Hospital	Lawrence & Memorial Corporation	Eliminating Entries	Obligated Group	L&M Systems, Inc.	VNA of Southeastern Connecticut, Inc.	Eliminating Entries	Consolidated
Liabilities and Net Assets								
Current liabilities								
Accounts payable	$ 17,863,591	$ -	$ -	$ 17,863,591	$ 265,920	$ 1,238,525	$ -	$ 19,368,036
Accrued vacation and sick pay	10,165,897	-	-	10,165,897	-	-	-	10,165,897
Salaries, wages, payroll taxes and amounts withheld from employees	3,700,920	-	-	3,700,920	-	-	-	3,700,920
Due to affiliates	573,153	1,038,457	(1,188,699)	422,911	-	-	-	422,911
Due to third party payors	7,993,615	-	-	7,993,615	-	133,298	-	8,126,913
Other current liabilities	-	-	-	-	5,969	392,407	-	398,376
Current portions of long-term debt	2,515,000	-	-	2,515,000	-	33,684	-	2,548,684
Total current liabilities	42,812,176	1,038,457	(1,188,699)	42,661,934	271,889	1,797,914	-	44,731,737
Accrued pension and other postretirement benefits	20,629,212	-	-	20,629,212	2,068	-	-	20,631,280
Other liabilities	11,764,379	-	-	11,764,379	-	-	-	11,764,379
Long-term debt, less current portion	68,250,000	-	-	68,250,000	-	351,321	-	68,601,321
Total liabilities	143,455,767	1,038,457	(1,188,699)	143,305,525	273,957	2,149,235	-	145,728,717
Net assets								
Unrestricted, as reclassified	141,296,161	59,373,110	-	200,663,271	1,383,008	10,734,633	(14,021,532)	198,759,380
Temporarily restricted, as reclassified	17,868,963	269,066	-	18,138,029	-	-	-	18,138,029
Permanently restricted	5,608,224	-	-	5,608,224	-	27,000	-	5,635,224
Total net assets	164,772,348	59,642,176	-	224,409,524	1,383,008	10,761,633	(14,021,532)	222,532,633
	$ 308,228,115	$ 60,680,633	$ (1,188,699)	$ 367,715,049	$ 1,656,965	$ 12,910,868	$ (14,021,532)	$ 368,261,350

RIDOH 1081

Lawrence & Memorial Corporation and Subsidiaries
Consolidating Statement of Operations
Year Ended September 30, 2009

	Lawrence & Memorial Hospital	Lawrence & Memorial Corporation	Eliminating Entries	Obligated Group	L&M Systems, Inc.	VNA of Southeastern Connecticut, Inc.	Eliminating Entries	Consolidated
Net revenues from services to patients	$ 283,933,518	$ -	$ -	$ 283,933,518	$ -	$ 11,221,472	$ -	$ 295,154,990
Other operating revenues	8,924,533	2,179,900	-	11,104,433	3,324,953	3,150,482	-	17,579,868
Net assets released from restriction	460,320	-	-	460,320	-	-	-	460,320
	293,318,371	2,179,900	-	295,498,271	3,324,953	14,371,954	-	313,195,178
Operating expenses								
Salaries and wages	135,533,992	-	-	135,533,992	1,839,702	9,457,006	-	146,830,700
Employee benefits	35,728,800	-	-	35,728,800	548,276	2,212,869	-	38,489,945
Supplies	31,017,186	14	-	31,017,200	229,317	999,206	-	32,245,723
Purchased services	21,328,169	1,415	-	21,329,584	506,800	171,109	-	22,007,293
Bad debts	15,807,846	-	-	15,807,846	1,785,718	64,225	-	17,657,789
Other	29,002,754	323,970	-	29,326,724	700,765	340,808	-	30,368,297
Interest	2,570,991	-	-	2,570,991	66,572	35,816	-	2,673,379
Depreciation and amortization	15,891,356	6,156	-	15,898,512	253,761	250,373	-	16,403,646
	286,881,094	333,555	-	287,214,449	5,930,911	13,531,412	-	306,676,772
Income from operations	6,437,277	1,846,545	-	8,283,822	(2,605,958)	840,542	-	6,518,406
Nonoperating gains								
Unrestricted investment income	266,039	-	-	266,039	-	-	-	266,039
(Loss) income on investments	(691,170)	47,448	-	(643,722)	(647,881)	308,316	-	(983,287)
Realized losses on investments deemed other than temporarily impaired	-	-	-	-	-	(645,267)	-	(645,267)
	(425,131)	47,448	-	(377,683)	(647,881)	(336,951)	-	(1,362,515)
Excess of revenues over expenses	6,012,146	1,893,993	-	7,906,139	(3,253,839)	503,571	-	5,155,871
Net unrealized gains/(losses) on investments	4,304,504	1,529,423	-	5,833,927	-	(616,003)	-	5,217,924
Net assets released from restrictions used for purchases of property and equipment	208,519	177,360	-	385,879	-	-	-	385,879
Forgiveness of debt	-	-	-	-	2,987,065	-	(2,987,065)	-
Pension - related changes other than periodic pension costs	(22,254,106)	-	-	(22,254,106)	-	-	-	(22,254,106)
Donated equipment	60,000	-	-	60,000	-	-	-	60,000
Decrease in unrestricted net assets	$ (11,668,937)	$ 3,600,776	$ -	$ (8,068,161)	$ (266,774)	$ (112,432)	$ (2,987,065)	$ (11,434,432)

RIDOH 1082

Lawrence & Memorial Corporation and Subsidiaries
Consolidating Statement of Operations
Year Ended September 30, 2008

	Lawrence & Memorial Hospital	Lawrence & Memorial Corporation	Eliminating Entries	Obligated Group	L&M Systems, Inc.	VNA of Southeastern Connecticut, Inc.	Eliminating Entries	Consolidated
Net revenues from services to patients	$ 268,658,867	$ -	$ -	$ 268,658,867	$ -	$ 10,450,367	$ -	$ 279,109,234
Other operating revenues	8,913,680	5,468,712	-	14,382,392	2,379,599	3,060,023	-	19,822,014
Net assets released from restriction	422,147	-	-	422,147	-	-	-	422,147
	277,994,694	5,468,712	-	283,463,406	2,379,599	13,510,390		299,353,395
Operating expenses								
Salaries and wages	127,169,306	63,620	-	127,232,926	1,611,972	10,136,264	-	138,981,242
Employee benefits	32,787,266	-	-	32,787,266	452,753	2,555,034	-	35,795,053
Supplies	29,399,963	10,333	-	29,410,296	254,218	452,813	-	30,117,327
Purchased services	21,706,666	13,839	-	21,720,505	317,781	64,683	-	22,102,969
Bad debts	17,211,050	-	-	17,211,050	867,825	52,500	-	18,131,375
Other	27,468,045	1,345,600	-	28,813,645	596,388	1,055,051	-	30,465,084
Interest	3,359,213	-	-	3,359,213	87,972	33,416	-	3,480,601
Depreciation and amortization	14,187,153	8,633	-	14,195,786	221,356	249,966	-	14,667,108
	273,288,742	1,442,025	-	274,730,767	4,410,265	14,599,727	-	293,740,759
Income from operations	4,705,952	4,026,687	-	8,732,639	(2,030,666)	(1,089,337)	-	5,612,636
Nonoperating gains								
Unrestricted investment income	322,958	-	-	322,958	-	-	-	322,958
Income from investments	4,103,651	-	-	4,103,651	-	585,930	-	4,689,581
Realized losses on investments deemed other than temporarily impaired	(2,751,358)	(483,610)	-	(3,234,968)	-	-	-	(3,234,968)
	1,675,251	(483,610)	-	1,191,641	-	585,930	-	1,777,571
Excess of revenues over expenses	6,381,203	3,543,077	-	9,924,280	(2,030,666)	(503,407)	-	7,390,207
Transfers among affiliated entities	9,127	(9,127)	-	-	-	-	-	-
Net unrealized gains (losses) on investments	(16,990,099)	(4,783,079)	-	(21,786,178)	-	(827,301)	-	(22,613,479)
Net assets released from restrictions used for purchase of property, plant and equipment	203,651	1,161,752	-	1,365,403	-	-	-	1,365,403
Forgiveness of debt	-	-	-	-	2,524,658	-	(2,524,658)	-
Pension - related changes other than periodic pension costs	(5,290,651)	-	-	(5,290,651)	-	-	-	(5,290,651)
Donated equipment	1,214,894	-	-	1,214,894	-	-	-	1,214,894
Decrease in unrestricted net assets as reclassified	$ (14,474,875)	$ (97,377)	$ -	$ (14,572,252)	$ 49,992	$ (1,330,708)	$ (2,524,658)	$ (17,933,626)

RIDOH 1083

Supplemental Exhibit 9(a)

Supplemental Exhibit 9(a)

Index
Question 9

1. Westerly Hospital and Subsidiary Combined Financial Statements, September 30, 2010 and 2009 RIDOH 0842-RIDOH 0899
2. Lawrence + Memorial Hospital Consolidated Financial Statements September 30, 2009 and 2008 RIDOH 0900-RIDOH 0929
3. Lawrence + Memorial Hospital Consolidated Financial Statements September 30, 2010 and 2009 RIDOH 0930-RIDOH 0959
4. Lawrence + Memorial Hospital Consolidated Financial Statements September 30, 2011 and 2010 RIDOH 0960-RIDOH 0990
5. Lawrence + Memorial Corporation and Subsidiaries Consolidated Financial Statements September 30, 2011 and 2010 RIDOH 0991-RIDOH 1022
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9. Lawrence + Memorial Corporation and Subsidiaries Consolidated Financial Statements 2012-2011 RIDOHSC0090.0032-RIDOHSC0090.0064

Supplemental Exhibit 9(b)

THE WESTERLY HOSPITAL
CONSOLIDATED BALANCE SHEET
September 30,2012

	Hospital
ASSETS	
CURRENT ASSETS:	
CASH AND CASH EQUIVALENTS	$4,733,139
PATIENT ACCOUNTS RECEIVABLE, NET	$5,572,909
INVENTORIES	$1,539,239
OTHER CURRENT ASSETS	$3,170,056
TOTAL CURRENT ASSETS	$15,015,343
BY BOARD TO FUNCTION AS ENDOWMENT	$1,289,835
PROMISES TO GIVE	$0
UNDER LOAN AGREEMENT, FUNDS INVESTED	$1,353,863
ACCUMULATED EARNINGS	$575,614
BY DONORS FOR SPECIFIC PURPOSE	$60,338
BY DONORS FOR PERMANENT ENDOWMENT	$5,006,605
HELD IN TRUST	$4,130,797
TOTAL RESTRICTED ASSETS	$12,417,052
OTHER ASSETS:	
PROPERTY, PLANT AND EQUIPMENT, NET	$32,114,287
DUE FROM RELATED PARTIES	$6,298,578
OTHER ASSETS:	$513,420
DEFERRED FINANCING COSTS, NET	$162,920
TOTAL OTHER ASSETS	$39,089,205
TOTAL ASSETS	**$66,521,600**

	Hospital
LIABILITIES & NET ASSETS	
CURRENT LIABILITIES:	
LINE OF CREDIT	$4,040,700
CURRENT PORTION OF LONG-TERM DEBT	$2,592,099
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	$20,611,449
ACCRUED PAYROLL	$3,449,185
AMOUNTS DUE TO THIRD-PARTY PAYORS	$268,105
TOTAL CURRENT LIABILITIES	$30,961,538
LONG TERM DEBT:	
LONG TERM DEBT	$8,050,878
ASSET RETIREMENT OBLIGATION	$1,425,678
ADDITIONAL PENSION LIABILITY	$26,310,958
	$35,787,514
NET ASSETS:	
UNRESTRICTED	($12,235,721)
TEMPORARILY RESTRICTED	$2,870,867
PERMANENTLY RESTRICTED	$9,137,402
TOTAL NET ASSETS	($227,452)
TOTAL LIABILITIES AND NET ASSETS	**$66,521,600**

The Westerly Hospital
Statement of Revenue and Expenses-Compared to Budget
September 2012

	September 2012			2012 YTD		
	Actual	Budget	Variance	Actual	Budget	Variance
Revenues:						
Inpatient	5,086,344	7,344,684	(2,258,340)	68,909,177	74,744,583	(5,835,406)
Outpatient	11,729,966	13,558,774	(1,828,808)	150,078,139	158,149,827	(8,071,688)
	16,816,310	20,903,458	(4,087,148)	218,987,316	232,894,410	(13,907,094)
Less deductions from revenue:						
Contractual allowance	(10,192,419)	(12,938,127)	2,745,708	(134,877,087)	(144,149,268)	9,272,181
Disproportionate Share	(148,637)	(148,636)	(1)	(1,783,642)	(1,783,639)	(3)
Uncompensated care	(165,926)	(160,326)	(5,600)	(1,646,101)	(1,786,263)	140,162
Total Deductions	(10,506,981)	(13,247,089)	2,740,108	(138,306,830)	(147,719,170)	9,412,340
Net patient revenue	6,309,328	7,656,369	(1,347,041)	80,680,486	85,175,240	(4,494,754)
Other operating revenue	1,770,591	1,823,256	(52,665)	3,918,855	3,344,571	574,284
Total net operating revenue	8,079,919	9,479,625	(1,399,706)	84,599,341	88,519,811	(3,920,470)
Operating Expenses:						
Salaries and Wages	2,917,024	2,981,725	64,701	35,114,553	35,973,126	858,573
Vacation and sick accrual	14,851	(18,915)	(33,766)	(156,728)	342,001	498,729
Temporary help	89,511	27,848	(61,663)	673,527	335,963	(337,564)
Total Salaries	3,021,386	2,990,658	(30,728)	35,631,353	36,651,090	1,019,738
Employee benefits	1,102,186	1,225,090	122,904	14,159,284	15,287,289	1,128,005
Workers compensation	19,111	24,238	5,127	295,743	284,567	(11,176)
Professional fees	194,063	308,972	114,909	1,588,191	1,977,820	389,629
Med/Surg Supplies	397,737	523,966	126,229	5,495,451	5,837,733	342,283
Drugs	152,815	272,932	120,117	2,764,708	3,040,827	276,119
Other supplies	165,186	193,063	27,877	1,895,401	2,012,759	117,358
Utilities	106,909	120,957	14,048	1,265,818	1,570,166	304,348
Purchased services	778,455	840,153	61,698	10,606,085	11,258,289	652,204
Insurance	140,159	177,656	37,497	1,351,365	1,395,182	43,817
Other expenses	104,188	156,828	52,640	913,722	1,152,359	238,637
Bad debts	342,785	643,785	301,000	7,099,449	7,172,692	73,243
Leases and rentals	36,269	(43,858)	(80,127)	402,011	403,765	1,754
Depreciation	402,084	402,084	0	4,775,000	4,825,000	50,000
Interest	60,172	121,040	60,868	865,468	1,114,318	248,850
Total Operating Expenses	7,023,504	7,957,564	934,060	89,109,048	93,983,856	4,874,808
Operating Income (Loss) before transition	1,056,414	1,522,061	(465,647)	(4,509,707)	(5,464,045)	954,338
Transition Costs	243,848	0	(243,848)	2,151,478	0	(2,151,478)
Operating Income (Loss) with transition	812,566	1,522,061	(709,495)	(6,661,185)	(5,464,045)	(1,197,139)
Non-Operating Revenue and Expense:						
Interest income	0	0	0	0	0	0
Realized gain on sale of stock	8,158	0	8,158	133,143	0	133,143
Contributions	0	0	0	111,819	0	111,819
Other than temporary loss	0	0	0	0	0	0
Transfer to Hospital						
Total non-operating revenue	8,158	0	8,158	244,962	0	244,962
Excess of Rev and Gains over Expenses	820,724	1,522,061	(701,337)	(6,416,222)	(5,464,045)	(952,177)
Foundation transfers(Net Assets Released)	0	0	0	626,000	0	626,000
Transfers to parent corp	(386,680)	0	(386,680)	(4,363,472)	0	(4,363,472)
Transfers from perm endow	0	0	0	0	0	0
Additional minimum pension liability	0	0	0	0	0	0
Trans to/from temp restrict	0	0	0	0	0	0
Unrealized gains (losses)	(133)	0	(133)	231,608		231,608
Restricted Contributions	0	0	0	0	0	0
Increase in unrestricted net assets	433,911	1,522,061	(1,088,150)	(9,922,087)	(5,464,045)	(4,458,041)

Supplemental Exhibit 9(b)

Affiliates
Balance Sheet
As of September 30,2012

	The Weserly Hospital Foundation		North Stonington	WHOW	AMG	OM	Consolidating	Total
ASSETS								
Current Assets								
Checking/Savings								
Washington Trust Checking	851,769	646,861	65,859	80,840	209,575	7,222		1,862,126
Washington Trust Money Market	64,456		324	1,254	2,442			68,477
Washington Trust Special Master	3,814,623		44,584					3,859,207
LEFFERTS TEMP ,								-
INV WASH TR 94,								-
DEBT SVC RESERV,								-
CAPITAL GIFTS,								-
PEDIATRIC MM II,								-
PEDI MM III,								-
Workers Comp								-
Petty Cash	2,290		150	100	1,090			3,630
Total Checking/Savings	4,733,139	646,861	110,917	82,194	213,108	7,222		5,793,441
Accounts Receivable								
Accounts Receivable (net of B/C Advance)	30,131,263		1,298,689	676,829	1,446,069	-		33,552,850
Allowance for Third Party and Bad Debt	(24,558,354)		(910,628)	(381,757)	(711,856)			(26,562,594)
Other Receivable			5,601		17,600			23,201
Leases Receivable								-
Leases Receivable - Affiliates					-			-
Leases Receivable - Other						10,400		10,400
Total Accounts Receivable	5,572,909	-	393,664	295,072	751,813	10,400	-	7,023,857
Inventory	1,539,239							1,539,239
Prepaid Expenses	22,579							22,579
Other Current Assets								
Due From AMG								-
Due From NSHC						146,202	(146,202)	(0)
Due from Women's Health	102,152		-			81,993	(184,145)	0
Due from Sport Performance West			12,543					12,543
TRAllowance for Third Party								-
Accrued Receivables	3,045,324				-		(862,313)	2,183,011
Total Other Current Assets	3,147,476	-	12,543	-	-	228,195	(1,192,660)	2,195,554
Total Current Assets	15,015,342	646,861	517,124	377,266	964,920	245,817	(1,192,660)	16,574,670
Restricted Assets								
By Board to Function as Endowment	1,289,835	347,121						1,636,956
Under Loan Agreement, Funds Invested	1,353,863							1,353,863
Accumulated Earnings on Permanent Endowment	575,614							575,614
By Donors for Specific Purpose	60,338	54,773						115,111
By Donor for Permanent Endowment	5,006,605							5,006,605
Held In Trust	4,130,797							4,130,797
Total Restricted Assets	12,417,052	401,894	-	-	-	-	-	12,818,946
Fixed Assets								
Property, Plant, & Equipment	117,094,999							117,094,999
Capital Improvement			104,121		211,091			315,212
Furniture and Equipment			182,488	86,991	97,635			347,113
IT Equipment			58,973	-	93,132			152,105
Medical Equipment			376,603	4,183	150,143			530,930
Accumulated Depreciation	(84,980,711)		(128,300)	(81,181)	(217,080)			(85,407,271)
Total Fixed Assets	32,114,288	-	573,885	9,993	334,921	-	-	33,033,087
Other Assets								
Due from Weserly Hospital					(248,867)		248,867	0
Due from Dr. Benoit					524,049			524,049
Due from Drs. Iovino					237,201			237,201
Due from Dr. Weaver					-			-
Due from Women's Health of West					285,408		(285,408)	(0)
Due from Ocean Myst MSO					39,758		(39,758)	(0)
Due from THW Community Health					906,342		(888,994)	17,348

RIDOHS 0446.0002

Affiliates
Balance Sheet
As of September 30,2012

Security Deposits Asset					3,900			3,900
Due from Related Parties	6,298,578	(862,313)					(5,436,265)	-
Other Assets	513,420		25,000					538,420
Deferred Financing Costs, Net	162,920							162,920
Total Other Assets	6,974,918	(862,313)	25,000	-	1,747,790		(6,401,558)	1,483,837
TOTAL ASSETS	$ 66,521,600	$ 186,442	$ 1,116,009	$ 387,258	$ 3,047,632	$ 245,817	$ (7,594,218)	$ 63,910,540
LIABILITIES & EQUITY								
Liabilities								
Current Liabilities								
Line of Credit	4,040,700							4,040,700
Current Portion of Long-Term Debt	2,592,100							2,592,100
Accounts Payable								
Accounts Payable	12,871,529	6,338	439,712	101,451	302,678	11,725		13,433,433
Accrued Expenses	8,039,919		5,672			-		8,045,591
Accrued Payroll	3,449,185		4,153					3,453,338
Amounts due To Third Party Payors	268,105							268,105
Accounts Payable - Affiliates						-		-
Total Accounts Payable	24,328,738	6,338	449,537	101,451	302,678	11,725	-	25,200,467
Other Current Liabilities								
Bonus Payable					323,656			323,656
Bad Debt Reserve			244,235	-				244,235
401K Safe Harbor Payable			31,414	73,505	245,539	28,195		378,653
Due to Affiliates			429,849		-		(429,849)	-
Due to NSHC			-				-	-
Due to Ocean Myst MSO			[redacted]	81,993			(228,195)	(21,120)
Due To Atlantic Medical Gorup			459,145	285,408		39,758	(784,311)	(0)
Sales Tax Payable			19					19
401K Payable			4,055		(654)			3,401
Accrued Payables			-	69,494	-	5,000		74,494
Accrued Payroll				13,325	123,653	8,659		145,637
FSA Payable			(1,603)	(1,377)	(1,066)	-		(4,046)
Malpractice Insurance Accrual			3,347	-	-			3,347
Total Other Current Liabilities	-	-	1,295,541	522,348	691,128	81,612	(1,442,355)	1,148,275
Total Current Liabilities	30,961,538	6,338	1,745,079	623,799	993,806	93,338	(1,442,355)	32,981,541
Long Term Liabilities								
Long Term Debt	8,050,878							8,050,878
Asset Retirement Obligation	1,425,678							1,425,678
Additional Pension Liability	26,310,958							26,310,958
Note Payable - Pantheon Lease			276,357					276,357
Due to Westerly Hospital			[redacted]	102,152	-		(6,151,863)	(185,199)
Malpractice Tail Ins. Accrual				205,971	201,102			407,073
Total Long Term Liabilities	35,787,514	-	6,140,869	308,123	201,102	-	(6,151,863)	36,285,745
Total Liabilities	66,749,052	6,338	7,885,948	931,922	1,194,908	93,338	(7,594,218)	69,267,286
Equity								
Unrestricted Net Assets	(12,235,721)	125,331	(2,951,387)	771,741	5,273,611	177,777		(8,838,648)
Temporarily Restricted	2,879,867	54,773						2,925,640
Permanently Restricted	9,137,402							9,137,402
Net Income			(3,818,552)	(1,316,404)	(3,420,887)	(25,298)		(8,581,141)
Total Equity	(227,452)	180,104	(6,769,939)	(544,663)	1,852,724	152,479	-	(5,356,747)
TOTAL LIABILITIES & EQUITY	66,521,600	$ 186,442	$ 1,116,009	$ 387,259	$ 3,047,632	$ 245,817	$ (7,594,218)	$ 63,910,539

RIDOHS 0446.0003

COMMUNITY HEALTH OF WESTERLY INC. CONSOLIDATING STATEMENT OF OPERATIONS ($ 000s) 12 Months Ending 9/30/2012		YEAR-TO-DATE ACTUAL								
		The Westerly Hospital	Foundation	North Stonington	AMG	Women's Health Of Wstrly	Ocean Myst MSO,LLC	CHOW	Consol/ Elims	Consol-dated
Unrestricted Revenues:	Inpatient acute	68,909			-	-				68,909
	Outpatient acute	150,078		3,827	9,980	3,254				167,139
	Charges	-			-	-	-			-
	Other contractual income	-			3,028	-	850		(3,878)	-
									-	
	Gross Patient Revenues	**218,987**	**-**	**3,827**	**13,008**	**3,254**	**850**	**-**	**(3,878)**	**236,048**
Deductions From Revenue:	Contractual allowance	134,877		2,441	4,737	1,983				144,038
	Disproportionate share	1,784			-	-				1,784
	Uncompensated care	1,646			-	-				1,646
	Total Deductions From Revenue	**138,307**	**-**	**2,441**	**4,737**	**1,983**	**-**	**-**	**-**	**147,468**
	Net Patient Revenues	**80,680**	**-**	**1,386**	**8,271**	**1,271**	**850**	**-**	**(3,878)**	**88,580**
Total Other Operating Revenue		3,919	688	23	-	2	4		(688)	3,948
TOTAL NET OPERATING REVENUE		**84,599**	**688**	**1,409**	**8,271**	**1,273**	**854**	**-**	**(4,566)**	**92,528**
Operating Expenses:	Salaries and wages	35,115	130	1,519	5,860	1,288	573		-	44,485
	Vacation and sick accrual	(157)			-	-				(157)
	Temporary help	674			-	-	-			674
	Employee benefits	14,159	32	338	982	297	195			16,003
	Salaries, wages and benefits	-			-	-				-
	Total salaries and benefits	49,791	162	1,857	6,842	1,585	768	-	-	61,005
	Workers compensation	296			-	-	-			296
	Administrative fees	-			-	-				-
	Net admin & billing allocations	-			-	-				-
	Professional fees	1,588	-	222	274	119	63		-	2,266
	Medical/surgical supplies	5,496		146	177	96				5,915
	Drugs	2,765		13	2	46				2,826
	Other supplies	1,895		38	-	18	6			1,957
	Utilities	1,266	18	40	52	16	4			1,396
	Purchased / leased services	10,606	1	816	1,944	213	29		(3,878)	9,731
	Insurance	1,351		78	345	287	-			2,061
	Bad debts	7,099		869	71	16				7,855
	Leases and rentals	402		1,213	1,374	170	2			3,161
	Depreciation	4,775		86	77	2				4,940
	Interest	865		5	-	-				870
	Other expenses	914	43	44	729	21	8			1,759
TOTAL OPERATING EXPENSES		**89,109**	**224**	**5,227**	**11,887**	**2,589**	**880**	**-**	**(3,878)**	**106,038**
OPERATING INCOME (LOSS) BEFORE RESTRUCTURE		(4,510)	464	(3,818)	(3,616)	(1,316)	(26)		(688)	(13,510)
RESTRUCTURE COSTS		2,151								2,151
OPERATING INCOME (LOSS)		**(6,661)**	**464**	**(3,818)**	**(3,616)**	**(1,316)**	**(26)**	**-**	**(688)**	**(15,661)**
Non-operating Items:	Interest income				-	-				-
	Realized gain on sale of stock	133	60		105	-				298
	Contributions	112			-	-			688	800
	Other than temporary loss	-			-	-				-
	Misc Revenue				90					
NON-OPERATING REVENUE AND EXPENSE		**245**	**60**	**-**	**195**	**-**	**-**	**-**	**688**	**1,098**
REVENUES & GAINS OVER (UNDER) EXPENSES		**(6,416)**	**524**	**(3,818)**	**(3,421)**	**(1,316)**	**(26)**	**-**	**-**	**(14,563)**
Other Net Asset Adjustments:		-			-					-
	Change in Accounting Priciple	-			-	-				-
	Transfers to Parent Corp	(4,364)			3,001	1,103	300			40
	Foundation trnsfrs; net assets released	626	(626)		-	-				-
	Unrealized gain/loss investments	232	(9)		-	-				223
	Minimum pension liability adjustment	-			-	-				-
INCREASE/DECREASE IN UNRESTRICTED NET ASSETS		**(9,922)**	**(111)**	**(3,818)**	**(420)**	**(213)**	**274**	**-**	**-**	**(14,300)**

SUPPLEMENTAL EXHIBIT 9(d)

Lawrence & Memorial Hospital

Consolidated Financial Statements and Supplemental Information
September 30, 2012 and 2011

Lawrence & Memorial Hospital
Index
September 30, 2012 and 2011

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Report of Independent Auditors

To the Board of Trustees of
Lawrence & Memorial Hospital

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, changes in net assets, and cash flows present fairly, in all material respects, the financial position of Lawrence & Memorial Hospital (a subsidiary of Lawrence & Memorial Corporation, the "Hospital") at September 30, 2012 and 2011, and the results of their operations, their changes in net assets, and of their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These consolidated financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information, on pages 23 through 28, is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual organizations. Accordingly, we do not express an opinion on the financial position, results of operations, and changes in net assets, of the individual organizations. However, the consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, based on our audits is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

PricewaterhouseCoopers LLP

December 14, 2012

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Lawrence & Memorial Hospital
Consolidated Balance Sheets
September 30, 2012 and 2011

	2012	2011
Assets		
Current assets		
Cash and cash equivalents	$ 13,709,499	$ 41,797,328
Investments	138,433,638	105,904,042
Patient accounts receivable, net of allowance for doubtful accounts of $6,514,265 and $7,135,219, respectively	28,946,593	30,483,331
Other receivables	17,488,730	3,998,458
Inventories	4,469,470	4,528,017
Due from affiliates	639,799	578,161
Prepaid expenses and other current assets	2,004,576	1,739,804
Debt service fund	1,307,110	1,109,892
Total current assets	206,999,415	190,139,033
Assets limited as to use		
Cash	180,789	179,900
Construction fund	-	8,427,695
Investments held in trust	971,261	11,241,951
Endowment investments	16,251,376	14,398,888
Funds held in trust by others	6,451,420	5,607,933
Contributions receivable	20,366	20,328
Funds held in escrow by agreement with State of Connecticut Health and Educational Facilities Authority and trustees	2,247,125	2,247,370
Total assets limited as to use	26,122,337	42,124,065
Deferred financing costs and other assets, net	1,857,504	1,938,833
Property, plant and equipment, net	134,926,548	120,976,861
	$ 369,905,804	$ 355,178,792
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 25,447,380	$ 22,690,113
Accrued vacation and sick pay	12,283,930	11,705,811
Salaries, wages, payroll taxes and amounts withheld from employees	3,887,888	3,125,898
Due to affiliates	2,421,244	1,913,991
Due to third party payors	5,409,556	7,838,088
Current portion of long-term debt	2,762,007	2,976,493
Total current liabilities	52,212,005	50,250,394
Accrued pension and other postretirement benefits	51,185,800	43,423,221
Other liabilities	17,998,408	14,213,720
Long-term debt, less current portion	79,507,217	82,249,920
Total liabilities	200,903,430	190,137,255
Net assets		
Unrestricted	143,045,328	141,738,900
Temporarily restricted	20,092,239	17,792,779
Permanently restricted	5,864,807	5,509,858
Total net assets	169,002,374	165,041,537
	$ 369,905,804	$ 355,178,792

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

Lawrence & Memorial Hospital
Consolidated Statements of Operations
Years Ended September 30, 2012 and 2011

	2012	2011
Unrestricted revenues, gains and other support		
Net revenues from services to patients	$ 329,278,379	$ 325,275,690
Other operating revenues	11,277,917	11,091,202
Net assets released from restriction used for operations	449,575	394,829
Total unrestricted revenues, gains and other support	341,005,871	336,761,721
Expenses		
Salaries and wages	152,912,737	149,953,412
Employee benefits	42,122,837	41,985,784
Supplies	46,248,498	45,904,757
Purchased services	24,623,743	23,474,674
Other	28,877,147	29,046,249
Interest	2,315,992	2,212,181
Depreciation and amortization	18,825,589	17,199,566
Bad debts	12,114,319	14,356,474
Total expenses	328,040,862	324,133,097
Income from operations	12,965,009	12,628,624
Nonoperating gains		
Unrestricted investment income	160,370	171,387
Income from investments	4,424,194	5,993,369
Loss on refinancing of debt	-	(2,026,984)
Total nonoperating gains	4,584,564	4,137,772
Excess of revenues over expenses	17,549,573	16,766,396
Transfers to affiliated entity	(16,931,534)	(12,670,075)
Net unrealized gains/(losses) on investments	11,303,455	(6,282,024)
Net assets released from restriction used for purchase of property, plant and equipment	136,178	176,082
Pension - related changes other than periodic pension costs	(10,751,244)	5,839,963
Increase in unrestricted net assets	$ 1,306,428	$ 3,830,342

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

Lawrence & Memorial Hospital
Consolidated Statements of Changes in Net Assets
Years Ended September 30, 2012 and 2011

	2012	2011
Unrestricted net assets		
Excess of revenues over expenses	$ 17,549,573	$ 16,766,396
Transfer (to)/from affiliated entities	(16,931,534)	(12,670,075)
Net unrealized gains/(losses) on investments	11,303,455	(6,282,024)
Net assets released from restrictions used for purchase of property, plant and equipment	136,178	176,082
Pension – related changes other than periodic pension costs	(10,751,244)	5,839,963
Increase in unrestricted net assets	1,306,428	3,830,342
Unrestricted net assets		
Beginning of year	141,738,900	137,908,558
End of year	$ 143,045,328	$ 141,738,900
Temporarily restricted net assets		
Income from investments	$ 357,100	$ 321,776
Net assets released from restrictions	(585,753)	(570,911)
Contributions received	161,666	229,693
Change in value of irrevocable trust	488,575	(152,473)
Net realized and unrealized gains/(losses) on investments	1,877,872	(286,646)
Increase/(decrease) in temporarily restricted net assets	2,299,460	(458,561)
Temporarily restricted net assets		
Beginning of year	17,792,779	18,251,340
End of year	$ 20,092,239	$ 17,792,779
Permanently restricted net assets		
Change in value of funds held in trust by others	$ 354,949	$ (140,467)
Increase/(Decrease) in permanently restricted net assets	354,949	(140,467)
Permanently restricted net assets		
Beginning of year	5,509,858	5,650,325
End of year	$ 5,864,807	$ 5,509,858
Increase in net assets	$ 3,960,837	$ 3,231,314

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

Lawrence & Memorial Hospital
Consolidated Statements of Cash Flows
Years Ended September 30, 2012 and 2011

	2012	2011
Cash flows from operating activities		
Change in net assets	$ 3,960,837	$ 3,231,314
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	18,825,589	17,199,566
Receipt of contributed securities	(845,675)	(169,303)
Net unrealized and realized (gain)losses/ on investments	(12,785,921)	7,312,953
Provision for bad debts	12,114,319	14,356,474
(Increase)/decrease in funds held in trust by others	(843,487)	268,116
(Increase)/decrease in contributions receivable	(38)	25,764
Changes in other operating accounts		
Patient accounts receivable, net	(10,577,581)	(13,897,544)
Other receivables, net	(13,490,272)	1,766,753
Inventories	58,547	(731,931)
Due from affiliates	(61,638)	5,665,315
Prepaid expenses and other current assets	(264,772)	(115,191)
Deferred financing costs and other assets	81,329	(608,468)
Accounts payable	4,239,453	3,283,709
Accrued vacation and sick pay	578,119	485,356
Salaries, wages, payroll taxes and amounts withheld from employees	761,990	(1,897,321)
Due to affiliates	507,253	(2,850,156)
Due to third party payors	(2,428,532)	(721,022)
Pension, postretirement and other liabilities	11,547,267	(6,773,827)
Net cash provided by operating activities	11,376,787	25,830,557
Cash flows from investing activities		
Purchase of property, plant and equipment, net	(34,257,462)	(29,122,958)
Purchase of investments	(66,467,708)	(81,028,014)
Sales of investments	63,569,041	67,264,473
(Increase)Decrease in debt service fund	(197,218)	138,140
Income from temporarily and permanently restricted investments	845,675	169,303
Decrease in funds held in escrow	245	4,908,797
Net cash (used in) investing activities	(36,507,427)	(37,670,259)
Cash flows from financing activities		
Principal payments of long term debt	(2,957,189)	(2,926,158)
Proceeds of long term debt	-	23,402,948
Net cash provided by/(used in) financing activities	(2,957,189)	20,476,790
Net increase in cash and cash equivalents	(28,087,829)	8,637,088
Cash and cash equivalents		
Beginning of year	41,797,328	33,160,240
End of year	$ 13,709,499	$ 41,797,328
Supplemental disclosure of noncash activities		
Construction in process included in accounts payable	$ 3,126,751	$ 1,644,565
Contributed securities	$ 845,675	$ 169,303

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

1. Significant Accounting Policies and Organization

Organization
Lawrence & Memorial Hospital (the "Hospital"), a nonprofit organization incorporated under the General Statutes of the State of Connecticut, is a wholly-owned subsidiary of Lawrence & Memorial Corporation (the "Corporation"). The Board of the Corporation elects a Board of Directors who manages the property and affairs of the Hospital.

Principles of Consolidation
The consolidated financial statements include the accounts of the Hospital and its wholly owned subsidiary, Associated Specialists of Southeastern Connecticut, Inc. ("Associated Specialists"). All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates
The preparation of consolidated 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 amounts reported in the consolidated financial statements and accompanying footnotes. Actual results could differ from those estimates and there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The Hospital's significant estimates include the collectibility of patient accounts receivable, useful lives of fixed assets, estimated settlements due to third party payors, estimated reserves for self-insurance liabilities, and benefit plan assumptions.

Regulatory Matters
The Hospital is required to file annual operating information with the State of Connecticut Office of Health Care Access ("OHCA").

Temporarily and Permanently Restricted Net Assets
Temporarily restricted net assets are those whose use by the Hospital has been limited by donors to a specific time frame or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Hospital and its subsidiary in perpetuity or in funds held in trust by others whose purpose is for the funds to be maintained in perpetuity.

Donor Restricted Gifts
Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of operations as net assets released from restrictions. Donor restricted contributions whose restrictions are met within the same year as received are recorded as unrestricted contributions in the accompanying consolidated statements of operations.

Cash and Cash Equivalents
The Hospital and its subsidiary consider all highly liquid investments with original maturities of three months or less at the date of purchase to be cash equivalents.

Investments
Investments in equity and debt securities are recorded at fair value in the balance sheet. Fair value is generally determined based on quoted market prices. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the excess of revenues over expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are included in the change in net assets.

Realized and unrealized gains and losses on donor restricted endowment funds are included in temporarily restricted net assets under State law which allows the Board to appropriate as much of the net appreciation of investments as is prudent considering the Hospital's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends and general economic conditions.

Investments in limited liability companies are accounted for using the equity method in instances where the limited partner's interest is more than minor (3-5%).

Fair Value Measurements
Fair value guidance establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entities own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The guidance describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the Hospital for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

- Level 1 – Quoted prices in active markets for identical assets.
- Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets in active markets, quoted prices in markets that are not active, or can be corroborated by observable market data for substantially the same term of the assets.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets.

Assets Held in Trust by Others
The Hospital has been named sole or participating beneficiary in several perpetual and charitable remainder trusts. Under the terms of these trusts, the Hospital has the irrevocable right to receive the income earned on the trust assets in perpetuity from the perpetual trusts and to receive the remainder of the trust assets for the charitable remainder trusts. For perpetual trusts, the estimated present value of the future payments to the Hospital is recorded at the fair value of the assets held in the trust. The charitable remainder trusts are recorded at the present value of the estimated future distributions expected to be received over the expected term of the trust agreement. The Hospital uses appropriate credit adjusted rates.

Assets Limited as to Use
Assets limited as to use include assets set aside by the Board of Directors to fund the deductible portion of malpractice insurance coverage (maintained in an irrevocable trust), contribution receivables and for the established purpose of providing for future improvement, expansion and replacement of plant and equipment. In addition, funds held in trust by others, unexpended bond proceeds for construction purposes, and assets held by trustees under indenture agreements relating to financing activities with the State of Connecticut Health and Education Facilities Authority ("CHEFA") are also included therein.

Property, Plant and Equipment
Property, plant and equipment are recorded at cost, or, if received as a donation, at the fair value on the date received. The Hospital provides for depreciation of property, plant and equipment using the straight-line method in amounts sufficient to amortize the cost of its assets over their useful lives. American Hospital Association lives are generally used and provide for a 2-25 year life for land improvements, 5-50 year life for buildings and 2-25 year life for equipment. Lease improvements are amortized over the life of the lease.

Nonoperating Gains and Losses
Activities other than in connection with providing health care services are considered to be nonoperating.

Excess of Revenues Over Expenses
The consolidated statements of operations includes excess of revenues over expenses. Changes in unrestricted net assets which are excluded from the excess of revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments, permanent transfers of assets to and from affiliates for other than goods and services, contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets), and pension-related charges other than periodic pension costs and other postretirement benefits liabilities.

Fair Value of Financial Instruments
Certain investments and other assets and liabilities are carried at amounts that approximate fair value based on current market conditions. The fair value of long-term debt is estimated based on the quoted market prices for the same or similar issues or on current rates offered to the Hospital for debt of the same remaining maturities.

Benefit Plans
The Hospital has a defined benefit plan and a defined contribution plan (see Note 8).

Medical Malpractice Self-Insurance
The Hospital purchases claims made-based professional and general liability insurance to cover medical malpractice claims from L & M Indemnity, Ltd. The Hospital has adopted the policy of self-insuring the tail coverage portion of its malpractice insurance coverage. Management has accrued the estimate of losses anticipated to be incurred.

Income Taxes
The Hospital and its wholly owned subsidiary, Associated Specialists are not-for-profit organizations and are exempt from federal income taxes on related income under Section 501(c) (3) of the Internal Revenue Code.

Inventories
Inventory consists of supplies, both medical and general pharmaceuticals and food products needed to sustain daily operation of patient care. Inventories are carried at the lower of cost or market under the first-in-first-out (FIFO) method.

Impairment of Long-Lived Assets
Long-lived assets to be held and used are reviewed for impairment whenever circumstances indicate that the carrying amount of an asset may not be recoverable. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to dispose.

Accrued Vacation and Sick Pay
Accrued vacation is recorded as a liability as time is earned. As the time is used, the time is relieved from the liability. Accrued sick time is recorded as a percent for employees who have a balance greater than or equal to 800 hours. This payout is only upon termination of employment.

Subsequent Events
The Hospital has performed an evaluation of subsequent events through December 14, 2012, which is the date the financial statements were issued.

2. **Revenues from Services to Patients and Charity Care**

The following summarizes net revenues from services to patients:

	2012	2011
Gross charges from services to patients	$ 704,064,528	$ 666,081,059
Less: Charity care	5,735,971	6,368,501
Charges from services to patients, net of charity care	698,328,557	659,712,558
Deductions		
Allowances	371,629,305	336,363,800
State of Connecticut uncompensated care system (receipts)	(2,579,127)	(1,926,932)
Total deductions	369,050,178	334,436,868
Net revenues from services to patients	$ 329,278,379	$ 325,275,690

Patient accounts receivable and revenues are recorded when patient services are performed. Amounts received from most payors are different from established billing rates of the Hospital, and these differences are accounted for as allowances. The Hospital receives cash from the State of Connecticut Uncompensated Care Pool. The Hospital records this as an increase to their net revenues from services to patients.

Net patient service revenue is reported at the estimated net realizable amounts from patients, third party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Adjustments related to prior year settlements increased the Hospital's revenues by approximately $4,271,085 and $3,852,000 in 2012 and 2011, respectively.

During 2012 and 2011, approximately 33% and 32%, respectively, of net patient service revenue was received under the Medicare program, and 11% and 12%, respectively, under the state Medicaid program. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Hospital believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs. Changes in the Medicare and Medicaid programs and reductions of funding levels could have an adverse impact on the Hospital.

The Hospital accepts all patients regardless of their ability to pay. A patient is classified as a charity patient by reference to the established policies of the Hospital. Essentially, these policies define charity services as those services for which no payment is anticipated. In assessing a patient's inability to pay, the Hospital utilizes the generally recognized federal poverty income guidelines, but also includes certain cases where incurred charges are significant when compared to income. These charges are not included in net patient service revenues for financial reporting purposes.

3. **Investments**

Investments at September 30 consist of:

	2012	2011
Pooled endowment funds		
Cash and cash equivalents	$ 311,567	$ 249,730
Bonds	3,160,572	2,593,730
Hedge funds	4,181,924	3,885,010
Private equities	39,230	-
Marketable equities	7,550,356	7,670,418
Other investments	1,007,727	-
Total pooled endowment funds	16,251,376	14,398,888
Investments held in trust by others		
Cash and cash equivalents	1,280,176	140,077
Bonds	1,838,337	2,814,055
Marketable equities	2,901,652	2,389,834
Other investments	431,255	263,967
Total investments held in trust by others	6,451,420	5,607,933
Other investments		
Cash and cash equivalents	1,195,140	1,225,923
Bonds	42,457,428	23,780,506
Hedge funds	41,256,677	38,360,365
Private equities	375,256	80,000
Other investments	14,306	14,117
Marketable equities	53,134,831	42,443,131
Total other investments	138,433,638	105,904,042
	$ 161,136,434	$ 125,910,863

The Hospital's financial instrument categorization is based upon the lowest level of input that is significant to the fair value measurement within the valuation hierarchy. The following table presents the financial instruments carried at fair value using the valuation hierarchy:

	2012			
	Level 1	Level 2	Level 3	Total Fair Value
Pooled endowment funds				
Cash and cash equivalents	$ 311,567	$ -	$ -	$ 311,567
Bonds	3,160,572	-	-	3,160,572
Hedge funds	-	-	4,181,924	4,181,924
Private equities	-	-	39,230	39,230
Marketable equities	7,550,356	-	-	7,550,356
Other investments	1,007,727	-	-	1,007,727
Total pooled endowment funds	12,030,222	-	4,221,154	16,251,376
Held in trust by others				
Cash and cash equivalents	-	-	1,280,176	1,280,176
Bonds	-	-	1,838,337	1,838,337
Marketable equities	-	-	-	-
Other investments	-	-	3,332,907	3,332,907
Total held in trust by others	-	-	6,451,420	6,451,420
Other investments				
Cash and cash equivalents	1,195,140	-	-	1,195,140
Bonds	42,457,428	-	-	42,457,428
Hedge funds	-	-	41,256,677	41,256,677
Private equities	-	-	375,256	375,256
Marketable equities	53,134,831	-	-	53,134,831
Other investments	-	-	14,306	14,306
Total other investments	96,787,399	-	41,646,239	138,433,638
	$ 108,817,621	$ -	$ 52,318,813	$ 161,136,434

	2011			
	Level 1	Level 2	Level 3	Total Fair Value
Pooled endowment funds				
Cash and cash equivalents	$ 249,730	$ -	$ -	$ 249,730
Bonds	2,593,731	-	-	2,593,731
Hedge funds	-	-	3,805,010	3,805,010
Private equities	-	-	80,000	80,000
Marketable equities	7,670,418	-	-	7,670,418
Total pooled endowment funds	10,513,879	-	3,885,010	14,398,889
Held in trust by others				
Cash and cash equivalents	-	-	140,077	140,077
Bonds	-	-	2,814,054	2,814,054
Marketable equities	-	-	2,653,801	2,653,801
Total held in trust by others	-	-	5,607,932	5,607,932
Other investments				
Cash and cash equivalents	1,225,923	-	-	1,225,923
Bonds	23,780,506	-	-	23,780,506
Hedge funds	-	-	38,440,365	38,440,365
Marketable equities	42,443,929	-	-	42,443,929
Other investments	-	-	13,319	13,319
Total other investments	67,450,358	-	38,453,684	105,904,042
	$ 77,964,237	$ -	$ 47,946,626	$ 125,910,863

Fair value for Level 1 is based upon quoted prices in active markets that the Hospital has the ability to access at the measurement date. Market price data is generally obtained from exchange or dealer markets. The Hospital does not adjust the quoted price for such assets.

Fair value for Level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers and brokers.

Fair value for Level 3 is based on valuation techniques that use significant inputs that are unobservable as they trade infrequently or not at all and reflect assumptions based on the best information available in the circumstances.

Investments included in Level 3 primarily consist of the Hospital's ownership in alternative investments (principally limited partnership interests in hedge funds). The value of these alternative investments represents the ownership interest in the net asset value ("NAV") of the respective partnership. The fair values of the securities held by limited partnerships that do not have readily determinable fair values are determined by the general partner and are based on appraisals, or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by the general partner taking into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate. Also included in Level 3 investments are charitable remainder trusts held by third parties which are recorded at the present value of the future distributions expected to be received over the term of the agreement.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Hospital believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following table is a roll forward of the amounts by investment type for financial instruments classified by the Hospital within Level 3 of the fair value hierarchy defined above:

	Beginning October 1, 2011	Investment Income	Realized Gains	Unrealized Gains	Investment Fees	Purchases	Sales	Ending September 30, 2012
Investment pool								
Hedge funds	$ 42,245,375	$ 315,117	$ 1,706,475	$ 1,268,208	$ (146,707)	$ 9,810,217	$ (9,760,082)	$ 45,438,601
Private equities	$ 80,000	$ -	$ -	$ -	$ -	$ 334,486	$ -	$ 414,486
Funds held in trust	5,607,932	-	-	843,488	-	-	-	6,451,420
Total	$ 47,933,307	$ 315,117	$ 1,706,475	$ 2,111,894	$ (146,707)	$ 10,144,703	$ (9,760,082)	$ 52,304,507

	Beginning October 1, 2010	Investment Income	Realized Gains	Unrealized (Losses)	Investment Fees	Purchases	Sales	Ending September 30, 2011
Investment pool								
Hedge funds	$ 39,948,468	$ 274,823	$ 290,825	$ (158,547)	$ (99,615)	$ 1,989,421	$ -	$ 42,245,375
Private equities	$ -	$ -	$ -	$ -	$ -	$ 80,000	$ -	$ 80,000
Funds held in trust	5,876,049	-	-	(268,117)	-	-	-	5,607,932
Total	$ 45,824,517	$ 274,823	$ 290,825	$ (426,664)	$ (99,615)	$ 2,069,421	$ -	$ 47,933,307

A summary of the pooled endowment investment return is presented below:

	2012	2011
Investment income	$ 268,586	$ 304,147
Realized and unrealized gains/(losses)	1,877,871	(286,648)
Management fees and other costs	(27,226)	(35,237)
Total return on pooled endowment investments	$ 2,119,231	$ (17,738)

Following is additional information related to funds whose fair value is not readily determinable as of September 30, 2012.

	Strategy	Fair Value	# of Investments	Remaining Life	$ Amount of Unfunded Commitments	Timing to Draw Down Commitments	Redemption Terms	Redemption Restrictions	Restrictions in Place at Year End
Equity securities	Global developed and emerging market equity	$ 9,875,245	1	N/A	$ -	No remaining commitments	Monthly with 10 days notice	None	None
Absolute return	Long/short and long biased equity and credit hedge funds	12,606,973	1	N/A	-	No remaining commitments	Annual with 90 days notice	lock up provision of 12 months from the purchase date	None
Directional hedge	Long/short and long biased equity and credit hedge funds	18,417,344	1	N/A	-	No remaining commitments	Quarterly with 60 days notice	lock up provision of 25 months from the purchase date	None
Commodities	Commodity index	4,539,039	1	N/A	-	No remaining commitments	Monthly with 5 day s notice	None	None
Private equity	Private equity	414,486	2	N/A	1,736,155	Illiquid long term 5 years	None	None	None
		$ 45,853,087							

4. Endowments

The Hospital's endowment consists of donor restricted endowment funds for a variety of purposes. The net assets associated with endowment funds including funds designated by the Board of Directors to function as endowments are classified and reported based on the existence or absence of donor imposed restrictions.

The Hospital understands net asset classification guidance requires that donor restricted endowment gifts be maintained in perpetuity. Consistent with net asset classification guidance, the Hospital classified 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. The Hospital considers the following factors in making a determination to appropriate or accumulate endowment funds:

- The duration and preservation of the fund.
- The purposes of the Hospital and donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the Hospital.
- The investment policies of the Hospital.

Changes in endowment net assets for year ended September 30:

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at beginning of year	$ -	$ 11,788,979	$ 2,839,683	$ 14,628,662
Investment return				
Investment income	-	91,840	-	91,840
Net realized and unrealized gain/(losses)	-	1,877,872	-	1,877,872
Total investment return	-	1,969,712	-	1,969,712
Income distribution	-	(125,255)	-	(125,255)
Endowment net assets at end of year	$ -	$ 13,633,436	$ 2,839,683	$ 16,473,119

	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at beginning of year	$ -	$ 12,134,604	$ 2,839,683	$ 14,974,287
Investment return				
Investment income	-	114,203	-	114,203
Net realized and unrealized (losses)/gains	-	(286,646)	-	(286,646)
Total investment return	-	(172,443)	-	(172,443)
Income distribution	-	(173,182)	-	(173,182)
Endowment net assets at end of year	$ -	$ 11,788,979	$ 2,839,683	$ 14,628,662

The portion of perpetual endowment funds retained permanently either by explicit donor stipulation or by net asset classification guidance is summarized as follows:

	2012	2011
Temporarily restricted net assets		
Unspent income and appreciation on permanently restricted endowments for purchase of equipment and healthcare services	$ 13,633,436	$ 11,788,979
Total endowment funds classified as temporarily restricted net assets	$ 13,633,436	$ 11,788,979
Permanently restricted net assets		
Corpus of permanently restricted contributions for purchase of equipment and healthcare services	$ 2,839,683	$ 2,839,683
Total endowment funds classified as permanently restricted net assets	$ 2,839,683	$ 2,839,683

Endowment Funds With Deficits
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor endowment deficits exist they are classified as a reduction of unrestricted net assets.

Endowment Investment Return Objectives and Risk Parameters
The Hospital has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by the endowment while seeking to maintain the permanent nature of endowment funds. Under this policy, the return objective for the endowment assets measured over a full market cycle shall be to maximize the return against a blended index, based on the endowment's target asset allocation applied to the appropriate individual benchmarks.

Strategies Employed for Achieving Endowment Investment Objectives
To achieve its long-term rate of return objectives, the Hospital relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The Hospital targets a diversified asset allocation to achieve its long-term objectives within prudent Hospital risk constraints.

Endowment Spending Allocation and Relationship of Spending Policy to Investment Objectives

Spending is guided by several factors most important is the value of the portfolio. Generally, the Board will approve a spending policy limiting annual expenditures for grants and operating expenses up to 4.5% of the value of the Funds' assets based on a 12 quarter rolling average for the endowment, Kitchings and operating funds. The Hospital will designate the spending amount on an as-needed basis for the special account.

Investment managers are given ample notice of the required withdrawal schedule. Appropriate liquidity is maintained to fund these withdrawals without impairing the investment process.

5. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at September 30:

	2012	2011
Funds held in trust by others	$ 3,448,102	$ 2,959,565
Contributions receivable	20,366	20,328
Free beds and plant replacement and expansion	13,633,436	11,788,979
Specific purpose reserves	2,990,335	3,023,907
	$ 20,092,239	$ 17,792,779

Permanently restricted net assets at September 30 are restricted to:

	2012	2011
Funds held in trust by others	$ 3,025,124	$ 2,670,175
Donor restricted endowment funds	2,839,683	2,839,683
	$ 5,864,807	$ 5,509,858

6. Property, Plant and Equipment

Property, plant and equipment consists of the following:

	2012	2011
Land and land improvements	$ 6,573,393	$ 6,506,216
Buildings	114,978,768	111,446,370
Equipment	215,747,098	203,329,727
	337,299,259	321,282,313
Less: Accumulated depreciation	(224,709,996)	(210,414,909)
	112,589,263	110,867,404
Construction in progress (estimated cost to complete at September 30, 2012 is $53,058,174)	22,337,285	10,109,457
	$ 134,926,548	$ 120,976,861

7. Long-Term Debt

	2012	2011
CHEFA Series F Revenue Bonds		
Various rate bonds, due 2012 to 2026	$ 36,250,000	$ 39,135,000
5.0% Term Bonds, due 2027 to 2031	8,705,000	8,705,000
5.0% Term Bonds, due 2032 to 2036	11,100,000	11,100,000
CHEFA Series E revenue bonds		
Variable rate bonds, due 2023-2034	22,990,000	22,990,000
Capital lease obligation	448,826	405,373
Total long-term debt outstanding	79,493,826	82,335,373
Less: Amounts classified as current	2,762,007	2,976,493
Add: Bond premium	2,775,398	2,891,040
Total long-term portion of long-term debt	$ 79,507,217	$ 82,249,920

On September 15, 2011 CHEFA issued $58,940,000 of Series F Bonds (the "Series F Bonds") on behalf of the Hospital and the Corporation (collectively referred to as the "Obligated Group" under the Series F Bond agreements). The Series F Bonds are structured with a term bond due July 1, 2036, with annual sinking fund payments due each July 1st commencing July 1, 2012. Interest on the Series F Bonds is payable semiannually on the first business day of January 1 and July 1 beginning January 1, 2012.

The proceeds of the Series F Bonds will be used to refund the outstanding Authority Revenue Bonds, Lawrence & Memorial Hospital Issue, Series D (the "Series D Bonds") and to fund all or a portion of the following capital projects: (i) replacement of a linear accelerator on the main campus of the Hospital; (ii) capital improvements for infrastructure renovation and improvement on the main campus, including heating, ventilation, and air conditioning project; (iii) replacement of a catheterization lab and equipment on the main campus; (iv) acquisition of approximately 100 acres of land in Waterford, Connecticut for development of a new cancer center ; and (v) acquisition and installation of Magnetic Resonance Imaging ("MRI") and CT equipment at the Crossroads facility

On June 24, 2004 CHEFA issued $22,990,000 of Series E Bonds (the "Series E Bonds") on behalf of the Hospital and Lawrence & Memorial Corporation (collectively referred to as the "Obligated Group" under the Series E Bond agreement). The Series E Bonds are structured with a term bond due July 1, 2034, with annual sinking fund payments due each July 1st commencing July 1, 2023. Interest on the Series E Bonds accrues at the weekly rate and is payable on the first business day of each month commencing July 1, 2004.

The proceeds of the Series E Bonds were used to finance the acquisition, construction, capital improvements, renovation, and/or equipping of the expansion of the Hospital's Pequot Health Center, including a new 37,000 square foot building addition to house an ambulatory surgery unit, MRI series, and mobile medical technologies. The proceeds were also used to fund the debt service reserve fund and costs related to the issuance and interest related to the Series E Bonds. Under the terms of the trust indenture for the Series E Bonds, the Obligated Group is required to meet certain financial covenants including a debt service coverage ratio and days cash on hand ratio. Members of the Obligated Group are jointly and severally obligated to provide amounts

sufficient to enable the Authority to pay principal and interest on the Series E Bonds. The Bonds and bond proceeds have been allocated to the Hospital and as such, the Hospital will make future debt service payments as required under the terms of the bonds.

The bonds may be retired at an earlier date pursuant to terms of the master indenture. Payment of the bonds is collateralized by a pledge of the gross receipts, as defined and certain real property of the Hospital.

Effective January 16, 2008, the Hospital refinanced its CHEFA Series E bonds with JPMorgan Chase Bank, N.A. This reoffering does not update information contained in the original official statement but provides a new letter of credit, which expires in January 2013.

The Series E Bonds are considered variable rate demand bonds and are remarketed on a weekly basis. If the bonds are unable to be remarketed, the letter of credit could be utilized to purchase the bonds. The Obligated Group would then be subject to the payment terms of the letter of credit, which are equal quarterly installments beginning in the first quarter that is at least 367 days after the initial draw down on the letter of credit. The Series E Bonds have been successfully remarketed and there have been no draws on the letter of credit.

In accordance with the long-term loan agreement with CHEFA, certain trusteed funds are required to be maintained. These funds provide for debt service and other related payments. The income derived from these funds is required to be reinvested in the trusteed funds and is not available for current operating purposes.

The agreements will remain in force until principal and interest on the bonds and any other costs of the Authority with respect to the project have been fully paid or provided for. Annual payments due under the loan agreements include interest on the outstanding bonds.

The fair value of the Series E Bonds, using discounted cash flow analyses approximates carrying value at September 30, 2012 and 2011. The fair value of the Series 2011F Bonds using discounted cash flows was $62,036,108.50 and $58,940,000.00 for years ending September 30, 2012 and September 30, 2011 respectively

Principal repayments on the CHEFA bonds are as follows:

Years	Annual Principal Repayment
2013	$ 2,625,000
2014	2,725,000
2015	2,835,000
2016	2,975,000
2017 and thereafter	67,885,000
	$ 79,045,000

The Hospital made cash interest payments of $2,118,293 and $2,178,800 in fiscal year 2012 and 2011, respectively. No interest was capitalized during 2012 or 2011.

8. Pension and Other Postretirement Benefits

The Hospital has a defined benefit plan covering all employees who elected to stay in the Plan. The Plan is frozen to new participants as of June 30, 1999. The benefits are based on years of service and the employee's compensation during the last five years of employment. Assets of the Plan include mutual funds, marketable equity securities, corporate and government bonds, notes and hedge funds. The investments have been selected to generate a return on the investments and protect the principal.

The Hospital provides health care and life insurance benefits to its retired employees who meet certain eligibility requirements. The Hospital's policy is to fund the cost of postretirement benefits other than pension as incurred. This plan was frozen to include only those employees who retired prior to May 1, 1994.

The following table sets forth the Plans' funded status and amounts recognized in the consolidated statements of financial position at September 30, 2012 and 2011 (measurement date of September 30):

	Pension Benefits		Other Postretirement Benefits	
	2012	2011	2012	2011
Change in benefit obligation				
Benefit obligation at beginning of year	$ 126,663,537	$ 131,200,922	$ 1,167,001	$ 1,277,520
Service cost	1,555,388	1,941,270	-	-
Interest cost	6,610,881	6,505,871	59,302	59,018
Employee contributions	118,336	183,401	-	-
Benefits paid	(6,214,539)	(5,255,985)	(124,024)	(120,183)
Actuarial loss/(gain)	18,467,849	(7,891,942)	186,929	(49,354)
Benefit obligation at end of year	147,201,452	126,663,537	1,289,208	1,167,001
Change in plan assets				
Fair value of plan assets at beginning of year	85,487,585	81,387,819	-	-
Actual return on plan assets	11,886,927	2,092,350	-	-
Employee contributions	118,336	183,401	-	-
Employer contributions	7,020,000	7,100,000	124,024	120,183
Benefits paid	(6,214,539)	(5,255,985)	(124,024)	(120,183)
Fair value of plan assets at end of year	98,298,309	85,487,585	-	-
Funded status of the plan	(48,903,143)	(41,175,952)	(1,289,208)	(1,167,001)
The cumulative amount of these adjustments reported as net assets in the consolidated statements of financial position at September 30th, 2012 and 2011 include:				
Unrecognized net loss/(gain) from past experience different from that assumed and effects of changes in assumptions	42,795,831	31,903,948	(289,506)	(526,034)
Unrecognized prior service cost	330,949	471,588	-	-
Accrued benefit costs recognized in the statements of financial position	$ (5,776,363)	$ (8,800,416)	$ (1,578,714)	$ (1,693,035)
Components of net periodic benefit costs				
Service cost	$ 1,555,388	$ 1,941,270	$ -	$ -
Interest cost	6,610,881	6,505,871	59,302	59,018
Expected return on plan assets	(6,465,227)	(6,850,835)	-	-
Amortization of net loss/(gain)	2,154,266	2,581,545	(49,599)	(55,084)
Net amortization and deferral	140,639	124,961	-	-
Benefit cost	$ 3,995,947	$ 4,302,812	$ 9,703	$ 3,934

The weighted average assumptions used to determine the net benefit cost at the beginning of the year are as follows:

	2012	2011
Discount rate	5.34 %	5.07 %
Average rate of compensation increases	3.50 %	4.25 %
Expected return on assets	7.50 %	8.50 %

The weighted average assumptions used to determine the benefit obligation at the end of the year are as follows:

	2012	2011
Discount rate	3.95 %	5.34 %
Average rate of compensation increases	2.50 %	3.50 %

The Plan's asset allocations as of September 30, 2012 and 2011 are as follows:

Asset Category	2012	2011
Cash	5 %	5 %
Bonds	29	30
Hedge funds	29	31
Marketable equities	37	34
Total	100 %	100 %

The expected rate of return on assets is calculated based on past experience.

Expected benefits to be paid under the Plans are as follows:

Fiscal Years Beginning October 1,	Expected Benefits
2012	$ 6,507,731
2013	6,713,876
2014	6,982,706
2015	7,173,109
2016	7,566,083
Expected aggregate for 5 fiscal years beginning 2017	41,508,308

Annual contributions are determined by the Hospital based upon calculations prepared by the Plan's actuary. Expected contributions to the Pension and Retiree Health Plan for 2013 are approximately:

Pension	$ 4,800,000
Retiree health	125,931

The weighted-average annual assumed rate of increase in the per capita cost of covered benefits (i.e., health care cost trend rate) for participants is assumed to be 9.0% in 2011 reducing to 5.0% by the year 2016 and remaining at that level thereafter. This health care cost trend rate assumption has a significant effect on the amounts reported. To illustrate, a one percentage point increase in the assumed health care cost trend rate would increase the accumulated post-retirement benefit obligation and service cost plus interest cost by approximately $97,000 and $84,000, respectively, at September 30, 2012 and 2011. A one percentage point decrease in the assumed health care cost trend rate would decrease the accumulated postretirement benefit obligation and service cost plus interest cost by approximately $88,000 and $77,000, respectively, at September 30, 2012 and 2011.

Plan Assets

The defined benefit plan assets are valued utilizing the same fair value hierarchy as the Hospital's investments as described in Note 1.

The following table summarizes the fair values of investments by major type held by the staff pension plan at September 30, 2012:

	Level 1	Level 2	Level 3	2012
Investments, at fair value				
Cash	$ 4,711,241	$ -	$ -	$ 4,711,241
Bonds	28,278,732	-	-	28,278,732
Hedge funds	-	-	28,795,536	28,795,536
Marketable equities	32,342,939	4,169,861	-	36,512,800
Total investments, at fair value	$ 65,332,912	$ 4,169,861	$ 28,795,536	$ 98,298,309

The following table summarizes the fair values of investments by major type held by the staff pension health plan at September 30, 2011:

	Level 1	Level 2	Level 3	2011
Investments, at fair value				
Cash	$ 3,847,979	$ -	$ -	$ 3,847,979
Bonds	25,779,769	-	-	25,779,769
Hedge funds	-	-	26,524,387	26,524,387
Marketable equities	26,050,106	3,285,344	-	29,335,450
Total investments, at fair value	$ 55,677,854	$ 3,285,344	$ 26,524,387	$ 85,487,585

There were no transfers between levels comparing last to this year for assets that are in the portfolio.

The table below represents the change in fair value measurements for Level 3 investments held by the staff pension plans' years ended September 30, 2012 and 2011, respectively:

	2012	2011
Beginning balances	$ 26,524,387	$ 24,333,144
Realized gains	144,819	25,446
Fees	(54,861)	(57,862)
Unrealized gains	2,181,191	223,659
Purchases	5,475,369	2,000,000
Sales	(5,475,369)	-
Ending balances	$ 28,795,536	$ 26,524,387

The investment objective for the pension and post retirement plans seeks a positive long-term total return after inflation to meet the Hospital's current and future plan obligations.

Asset allocations for both plans combine tested theory and informed market judgment to balance investment risks with the need for high returns.

The Hospital's 401(k) plan covers eligible employees who elect to participate in the Plan. Eligible employees may contribute a percentage of their salary to the Plan. The Hospital matches 100% of the first 4% of gross pay deferred by employees for those employees who do not participate in the defined benefit plan. Plan contributions charged to operations were approximately $3,911,714 and $3,677,042 for 2012 and 2011, respectively.

9. Functional Expenses

The Hospital provides general health care services to residents within its geographic location including pediatric care, cardiac catheterization, and outpatient surgery. Expenses by function are as follows:

	2012	2011
Health care services	$ 249,658,098	$ 246,193,019
General and administrative	78,382,764	77,940,078
	$ 328,040,862	$ 324,133,097

10. Contingencies

The Hospital is a party to various lawsuits incidental to its business. Management believes that the lawsuits will not have a material adverse effect on the Hospital's financial position, results of operations, changes in net assets or cash flows.

Lawrence & Memorial Hospital
Consolidating Balance Sheet
September 30, 2012

	Lawrence & Memorial Hospital	Associated Specialists of Connecticut	Eliminating Entities	Consolidated
Assets				
Current assets				
Cash and cash equivalents	$ 13,568,654	$ 140,845	$ -	$ 13,709,499
Investments	138,433,638	-	-	138,433,638
Patient accounts receivable, net	28,719,548	227,045	-	28,946,593
Other receivables	17,392,589	96,141	-	17,488,730
Inventories	4,469,470	-	-	4,469,470
Due from affiliates	808,442	-	(168,643)	639,799
Prepaid expenses and other current assets	2,004,576	-	-	2,004,576
Debt service fund	1,307,110	-	-	1,307,110
Total current assets	206,704,027	464,031	(168,643)	206,999,415
Assets limited as to use				
Cash	180,789	-	-	180,789
Construction funds	-	-	-	-
Investments held in trust	971,261	-	-	971,261
Endowment investments	16,251,376	-	-	16,251,376
Funds held in trust by others	6,451,420	-	-	6,451,420
Contributions receivable	20,366	-	-	20,366
Funds held in escrow by agreement with State of Connecticut Health and Educational Facilities Authority and trustees	2,247,125	-	-	2,247,125
Total assets limited as to use	26,122,337	-	-	26,122,337
Other assets				
Deferred financing costs	1,857,504	-	-	1,857,504
Property, plant and equipment	134,926,548	-	-	134,926,548
Total assets	$ 369,610,416	$ 464,031	$ (168,643)	$ 369,905,804

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Lawrence & Memorial Hospital
Consolidating Balance Sheet
September 30, 2012

	Lawrence & Memorial Hospital	Associated Specialists of Connecticut	Eliminating Entities	Consolidated
Liabilities				
Current liabilities				
Accounts payable	$ 25,447,380	$ -	$ -	$ 25,447,380
Accrued vacation and sick pay	11,282,391	1,001,539	-	12,283,930
Salaries, wages,payroll taxes and amounts withheld from employees	3,600,791	287,097	-	3,887,888
Due to affiliates	2,421,244	168,643	(168,643)	2,421,244
Due to third party payors	5,409,556	-	-	5,409,556
Current portion of long-term debt	2,762,007	-	-	2,762,007
Total current liabilities	50,923,369	1,457,279	(168,643)	52,212,005
Accrued pension and other postretirement benefits	51,185,800	-	-	51,185,800
Other liabilities	17,998,408	-	-	17,998,408
Long-term debt, less current portion	79,507,217	-	-	79,507,217
Total liabilities	199,614,794	1,457,279	(168,643)	200,903,430
Net assets				
Unrestricted	144,038,576	(993,248)	-	143,045,328
Temporarily restricted	20,092,239	-	-	20,092,239
Permanently restricted	5,864,807	-	-	5,864,807
Total net assets	169,995,622	(993,248)	-	169,002,374
	$ 369,610,416	$ 464,031	$ (168,643)	$ 369,905,804

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Lawrence & Memorial Hospital
Consolidating Balance Sheet
September 30, 2011

	Lawrence & Memorial Hospital	Associated Specialists of Connecticut	Eliminating Entities	Consolidated
Assets				
Current assets				
Cash and cash equivalents	$ 39,933,225	$ 1,864,103	$ -	$ 41,797,328
Investments	105,904,042	-	-	105,904,042
Patient accounts receivable, net	29,920,862	562,469	-	30,483,331
Other receivables	3,881,712	116,746	-	3,998,458
Inventories	4,528,017	-	-	4,528,017
Due from affiliates	2,441,664	-	(1,863,503)	578,161
Prepaid expenses and other current assets	1,739,804	-	-	1,739,804
Debt service fund	1,109,892	-	-	1,109,892
Total current assets	189,459,218	2,543,318	(1,863,503)	190,139,033
Assets limited as to use				
Cash	179,900	-	-	179,900
Construction funds	8,427,695	-	-	8,427,695
Investments held in trust	11,241,951	-	-	11,241,951
Endowment investments	14,398,888	-	-	14,398,888
Funds held in trust by others	5,607,933	-	-	5,607,933
Contributions receivable	20,328	-	-	20,328
Funds held in escrow by agreement with State of Connecticut Health and Educational Facilities Authority and trustees	2,247,370	-	-	2,247,370
Total assets limited as to use	42,124,065	-	-	42,124,065
Other assets				
Deferred financing costs	1,938,833	-	-	1,938,833
Property, plant and equipment	120,976,861	-	-	120,976,861
Total assets	$ 354,498,977	$ 2,543,318	$ (1,863,503)	$ 355,178,792

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Lawrence & Memorial Hospital
Consolidating Balance Sheet
September 30, 2011

	Lawrence & Memorial Hospital	Associated Specialists of Connecticut	Eliminating Entities	Consolidated
Liabilities				
Current liabilities				
Accounts payable	$ 22,689,860	$ 253	$ -	$ 22,690,113
Salaries, wages,payroll taxes and amounts withheld from employees	10,661,313	1,044,498	-	11,705,811
Due to third party payors	2,751,697	374,201	-	3,125,898
Due to affiliates	1,913,991	1,863,503	(1,863,503)	1,913,991
Due to third party payors	7,838,088	-	-	7,838,088
Current portion of long-term debt	2,976,493	-	-	2,976,493
Total current liabilities	48,831,442	3,282,455	(1,863,503)	50,250,394
Accrued pension and other postretirement benefits	43,423,221	-	-	43,423,221
Other liabilities	14,213,720	-	-	14,213,720
Long-term debt, less current portion	82,249,920	-	-	82,249,920
Total liabilities	188,718,303	3,282,455	(1,863,503)	190,137,255
Net assets				
Unrestricted	142,478,037	(739,137)	-	141,738,900
Temporarily restricted	17,792,779	-	-	17,792,779
Permanently restricted	5,509,858	-	-	5,509,858
Total net assets	165,780,674	(739,137)	-	165,041,537
	$ 354,498,977	$ 2,543,318	$ (1,863,503)	$ 355,178,792

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Lawrence & Memorial Hospital
Consolidating Statement of Operations
September 30, 2012

	Lawrence & Memorial Hospital	Associated Specialists of Connecticut	Eliminating Entities	Consolidated
Net revenues	$ 323,643,197	$ 5,635,182	$ -	$ 329,278,379
Other operating revenues	15,433,709	463,708	(4,619,500)	11,277,917
Net assets released from restriction	449,575	-	-	449,575
	339,526,481	6,098,890	(4,619,500)	341,005,871
Operating expenses				
Salaries and wages	145,714,028	7,343,347	(144,638)	152,912,737
Employee benefits	41,915,487	1,443,717	(1,236,367)	42,122,837
Supplies	46,209,962	38,536	-	46,248,498
Purchased services	23,582,645	3,652,113	(2,611,015)	24,623,743
Other	27,700,394	1,804,233	(627,480)	28,877,147
Interest	2,315,992	-	-	2,315,992
Depreciation and amortization	18,825,589	-	-	18,825,589
Bad debts	11,930,619	183,700	-	12,114,319
	318,194,716	14,465,646	(4,619,500)	328,040,862
Income from operations	21,331,765	(8,366,756)	-	12,965,009
Nonoperating gains and losses				
Unrestricted income	160,370	-	-	160,370
Income/(loss) from investments	4,424,194	-	-	4,424,194
Loss on refinancing of debt				-
	4,584,564	-	-	4,584,564
Excess of revenues over expenses	25,916,329	(8,366,756)	-	17,549,573
Transfer to affiliate	(25,044,177)	8,112,643	-	(16,931,534)
Net unrealized (losses)/gains on investments	11,303,455	-	-	11,303,455
Net assets released from restriction used for the purchase of property, plant and equipment	136,178	-	-	136,178
Minimum pension liability adjustment	(10,751,244)	-	-	(10,751,244)
Decrease in unrestricted net assets	$ 1,560,541	$ (254,113)	$ -	$ 1,306,428

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Lawrence & Memorial Hospital
Consolidating Statement of Operations
September 30, 2011

	Lawrence & Memorial Hospital	Associated Specialists of Connecticut	Eliminating Entities	Consolidated
Net revenues	$ 318,813,210	$ 6,462,480	$ -	$ 325,275,690
Other operating revenues	15,662,907	33,290	(4,604,995)	11,091,202
Net assets released from restriction	394,829	-	-	394,829
	334,870,946	6,495,770	(4,604,995)	336,761,721
Operating expenses				
Salaries and wages	141,165,650	8,910,864	(123,102)	149,953,412
Employee benefits	41,723,413	1,535,471	(1,273,100)	41,985,784
Supplies	45,855,424	49,333	-	45,904,757
Purchased services	22,304,506	3,688,219	(2,518,051)	23,474,674
Other	28,005,159	1,731,832	(690,742)	29,046,249
Interest	2,212,181	-	-	2,212,181
Depreciation and amortization	17,199,566	-	-	17,199,566
Bad debts	13,865,210	491,264	-	14,356,474
	312,331,109	16,406,983	(4,604,995)	324,133,097
Income from operations	22,539,837	(9,911,213)	-	12,628,624
Nonoperating gains and losses				
Unrestricted income	171,387	-	-	171,387
Income/(loss) from investments	5,993,369	-	-	5,993,369
Loss on refinancing of debt	(2,026,984)	-	-	(2,026,984)
	4,137,772	-	-	4,137,772
Excess of revenues over expenses	26,677,609	(9,911,213)	-	16,766,396
Transfer to affiliate	(21,650,647)	8,980,572	-	(12,670,075)
Net unrealized (losses)/gains on investments	(6,282,024)	-	-	(6,282,024)
Net assets released from restriction used for the purchase of property, plant and equipment	176,082	-	-	176,082
Minimum pension liability adjustment	5,839,963	-	-	5,839,963
Decrease in unrestricted net assets	$ 4,760,983	$ (930,641)	$ -	$ 3,830,342

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SUPPLEMENTAL EXHIBIT 9(e)

Lawrence & Memorial Corporation and Subsidiaries

Consolidated Financial Statements and Supplemental Information
September 30, 2012 and 2011

Lawrence & Memorial Corporation and Subsidiaries
Index
September 30, 2012 and 2011

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Report of Independent Auditors

To the Board of Directors of
Lawrence & Memorial Corporation

In our opinion, based on our audits and the report of other auditors, the accompanying consolidated balance sheets and the related consolidated statements of operations, changes in net assets, and cash flows present fairly, in all material respects, the financial position of Lawrence & Memorial Corporation (the "Corporation") and subsidiaries at September 30, 2012 and 2011 and the results of their operations, of their changes in net assets, and of their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Visiting Nurses Association ("VNA") of Southeastern Connecticut, Inc., a wholly-owned subsidiary, whose statements for the year ending September 30, 2012 and June 30, 2011 reflect total net assets constituting 6.0% and 6.0%, respectively, and total net revenues constituting 4.0% and 4.1%, respectively, of the related consolidated totals. Those statements have been audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to data included for VNA of Southeastern Connecticut, Inc., is based solely on the reports of the other auditors. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information, on pages 26 through 31, is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual organizations. Accordingly, we do not express an opinion on the financial position, results of operations, and changes in net assets, of the individual organizations. However, the consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, based on our audits and the report of other auditors, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

As discussed in Note 1, the Corporation has revised its opening net assets at October 1, 2010 to reflect the change in year end of the Visiting Nurses Association of Southeastern Connecticut, Inc. from June 30 to September 30.

PricewaterhouseCoopers LLP

December 14, 2012

PricewaterhouseCoopers LLP, 185 Asylum Street, Suite 2400, Hartford, CT 06103-3404
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Lawrence & Memorial Corporation and Subsidiaries
Consolidated Balance Sheets
September 30, 2012 and 2011

	2012	2011
Assets		
Current assets		
Cash and cash equivalents	$ 15,956,015	$ 43,894,275
Investments	207,930,544	155,901,313
Patient accounts receivable, net of allowance for doubtful accounts of $7,078,212 and $7,901,271, respectively	32,312,475	32,118,946
Other receivables	6,898,102	4,594,541
Inventories	4,503,709	4,552,611
Prepaid expenses and other current assets	3,094,289	2,340,406
Debt service fund	1,307,110	1,109,892
Total current assets	272,002,244	244,511,984
Assets limited as to use		
Cash	180,789	179,900
Construction fund	-	8,427,695
Investments held in trust	1,471,261	11,241,951
Endowment investments	24,574,488	21,493,907
Funds held in trust by others	6,451,420	5,607,933
Contributions receivable	1,158,095	887,468
Funds held in escrow by agreement with State of Connecticut Health and Educational Facilities Authority and trustees	2,247,125	2,247,370
Total assets limited as to use	36,083,178	50,086,224
Deferred financing costs and other assets, net	1,857,504	1,938,833
Property, plant and equipment, net	148,493,609	134,620,558
	$ 458,436,535	$ 431,157,599
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 27,382,558	$ 24,206,209
Accrued vacation and sick pay	12,710,157	11,705,811
Salaries, wages, payroll taxes and amounts withheld from employees	5,389,708	3,577,694
Due to affiliates	-	98,310
Due to third party payors	5,646,905	8,041,022
Other current liabilities	358,122	132,964
Current portion of long-term debt	2,762,007	2,976,493
Total current liabilities	54,249,457	50,738,503
Accrued pension and other postretirement benefits	51,185,800	43,423,221
Other liabilities	20,384,647	14,213,720
Long-term debt less current portion	79,507,217	82,249,920
Total liabilities	205,327,121	190,625,364
Net assets		
Unrestricted	225,862,751	216,070,652
Temporarily restricted	21,354,856	18,924,725
Permanently restricted	5,891,807	5,536,858
Total net assets	253,109,414	240,532,235
	$ 458,436,535	$ 431,157,599

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

Lawrence & Memorial Corporation and Subsidiaries
Consolidated Statements of Operations
Years Ended September 30, 2012 and 2011

	2012	2011
Unrestricted revenues, gains and other support		
Net revenues from services to patients	$ 354,042,019	$ 346,211,658
Other operating revenues	14,772,422	18,066,967
Net assets released from restriction used for operations	1,308,521	926,208
Total unrestricted revenues, gains and other support	370,122,962	365,204,833
Expenses		
Salaries and wages	180,787,943	172,787,477
Employee benefits	45,920,442	45,531,409
Supplies	49,112,557	47,215,027
Purchased services	27,928,678	24,953,088
Other	31,685,722	31,339,249
Interest	2,316,341	2,248,313
Depreciation and amortization	19,255,553	17,686,458
Bad debts	12,408,255	14,611,759
Total expenses	369,415,491	356,372,780
Income from operations	707,471	8,832,053
Nonoperating gains/(losses)		
Unrestricted investment income	160,370	171,387
Income from investments	6,853,490	8,488,170
Loss on refinancing of debt	-	(2,026,984)
Total nonoperating gains/(losses)	7,013,860	6,632,573
Excess of revenues over expenses	7,721,331	15,464,626
Net unrealized gains/(losses) on investments	14,630,156	(8,880,215)
Net assets released from restrictions used for purchase of property, plant and equipment	136,178	176,082
Transfer of Net Assets to L & M Indemnity	(1,673,732)	-
Pension - related changes other than periodic pension costs	(10,751,244)	5,839,963
Increase/(decrease) in unrestricted net assets	$ 10,062,689	$ 12,600,456

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

Lawrence & Memorial Corporation and Subsidiaries
Consolidated Statements of Changes in Net Assets
Years Ended September 30, 2012 and 2011

	2012	2011
Unrestricted net assets		
Excess of revenues over expenses	$ 7,721,331	$ 15,464,626
Net unrealized gains/(losses) on investments	14,630,156	(8,880,215)
Transfer to/from affiliate	-	-
Change in accounting period		
Transfer between donor classification	(270,590)	(867,139)
Net assets released from restrictions used for purchase of property, plant and equipment	136,178	176,082
Transfer of Net Assets to L & M Indemnity	(1,673,732)	-
Pension - related changes other than periodic pension costs	(10,751,244)	5,839,963
Increase in unrestricted net assets	9,792,099	11,733,317
Beginning of year unrestricted net assets	216,070,652	204,337,335
End of year unrestricted net assets, as reclassified	$ 225,862,751	$ 216,070,652
Temporarily restricted net assets		
Income from investments	$ 357,100	$ 321,776
Net assets released from restrictions	(1,444,699)	(1,102,290)
Transfer between donor classification	270,590	867,139
Contributions received	880,693	618,571
Change in value of irrevocable trusts	1,877,872	(152,473)
Net realized and unrealized gains/(losses) on investments	488,575	(286,646)
Increase in temporarily restricted net assets	2,430,131	266,077
Temporarily restricted net assets		
Beginning of year	18,924,725	18,658,648
End of year	$ 21,354,856	$ 18,924,725
Permanently restricted net assets		
Change in value of funds held in trust by others	$ 354,949	$ (140,467)
Increase/(Decrease) in permanently restricted net assets	354,949	(140,467)
Permanently restricted net assets		
Beginning of year	5,536,858	5,677,325
End of year	$ 5,891,807	$ 5,536,858
Increase in net assets	$ 12,577,179	$ 11,858,927

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

Lawrence & Memorial Corporation and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended September 30, 2012 and 2011

	2012	2011
Cash flows from operating activities		
Change in net assets	$ 12,577,179	$ 11,858,927
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	19,255,553	17,686,458
Net unrealized and realized (gains)/losses on investments	(15,197,004)	8,771,265
Provision for bad debts	12,408,255	14,611,759
(Increase)/decrease in funds held in trust by others	(843,487)	268,116
(Increase)/decrease in contributions receivable	(270,627)	223,448
Restricted contributions and investment income	(1,237,793)	(940,347)
Changes in other operating accounts		
Patient accounts receivable, net	(12,601,784)	(14,402,162)
Other receivables, net	(2,303,561)	1,431,065
Inventories	48,902	(756,525)
Prepaid expenses and other current assets	(753,883)	(408,845)
Deferred financing costs and other assets	81,329	(608,468)
Accounts payable	4,658,535	2,446,982
Accrued vacation and sick pay	1,004,346	485,356
Salaries, wages, payroll taxes and amounts withheld from employees	1,812,014	(1,459,305)
Due to affiliates	(98,310)	100,238
Due to third party payors	(2,394,117)	(798,088)
Pension, postretirement and other liabilities	14,158,664	(6,801,772)
Net cash provided by operating activities	30,304,211	31,708,102
Cash flows from investing activities		
Purchase of property, plant and equipment, net	(34,610,790)	(39,845,427)
Purchases of investments	(147,075,307)	(106,669,848)
Sales of investments	125,359,995	91,320,215
(Increase)/decrease in debt service fund	(197,218)	138,140
Increase in funds held in escrow	245	4,908,797
Net cash (used in) investing activities	(56,523,075)	(50,148,123)
Cash flows from financing activities		
Restricted contributions	1,237,793	940,347
Contributions restricted for purchasing equipment	-	-
Principal payments of long term debt	(2,957,189)	(3,005,100)
Proceeds of long term debt	-	23,176,959
Net cash (used in)/provided by financing activities	(1,719,396)	21,112,206
Net increase in cash and cash equivalents	(27,938,260)	2,672,185
Cash and cash equivalents		
Beginning of year	43,894,275	41,222,090
End of year	$ 15,956,015	$ 43,894,275
Supplemental disclosure of noncash activities		
Construction in process included in accounts payable	$ 3,126,751	$ 1,644,565
Contributed securities	$ 1,237,793	$ 940,347

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

1. Significant Accounting Policies and Organization

Organization

Lawrence & Memorial Corporation (the "Corporation") is a not-for-profit organization incorporated under the Nonstock Corporation Act of the State of Connecticut. The Corporation is organized exclusively for public welfare, charitable, scientific, literary and education purposes, including the furtherance of the welfare, programs and activities of Lawrence & Memorial Hospital (the "Hospital"), a nonprofit organization incorporated under the General Statutes of the State of Connecticut.

The following entities are subsidiaries of the Corporation: Lawrence & Memorial Hospital ("L&M"), L& M Physician Association Inc., L&M Systems, Inc., VNA of Southeastern Connecticut, L&M Healthcare, and L&M Indemnity Ltd. The VNA of Southeastern Connecticut Inc. is consolidated using financial statement balances at June 30, 2011 and 2010.

L&M Healthcare has an affiliation agreement effective January 31, 1999 (the "Agreement") with the Hospice of Southeastern Connecticut, Inc. (the "Hospice"). The Agreement gives L&M Healthcare a membership of the Hospice with one other not-for-profit healthcare organization. L&M Healthcare does not have an equity investment in the Hospice because the affiliation agreement does not require L&M Healthcare to provide capital to the Hospice and L&M Healthcare is not entitled to any of the net assets of the Hospice should the relationship terminate or the Hospice dissolve. The Corporation and its subsidiaries have never given capital to the Hospice and the Hospice has never made capital distributions to the Corporation or its subsidiaries.

L & M Physician Association, Inc. ("LMPA") was formed exclusively for the charitable purpose of benefiting, supporting, and furthering the charitable activities of Lawrence & Memorial Hospital by engaging physicians to provide physician services to the Hospital, organizations affiliated with the Hospital and communities they serve for purpose of practicing medicine and health care services.

Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying footnotes. Actual results could differ from those estimates and there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The Corporation's significant estimates include the collectability of patient accounts receivable, useful lives of fixed assets, settlements due to third party payors, estimated reserves for self-insurance liabilities, and benefit plan assumptions.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Corporation has been limited by donors to a specific time frame or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Corporation and its subsidiaries in perpetuity or in funds held in trust by others whose purpose is for the funds to be maintained in perpetuity.

Donor Restricted Gifts
Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of operations as net assets released from restrictions. Donor restricted contributions whose restrictions are met within the same year as received are recorded as unrestricted contributions in the accompanying consolidated statements of operations.

Cash and Cash Equivalents
The Corporation and its subsidiaries consider all highly liquid investments with original maturities of three months or less at the date of purchase to be cash equivalents.

Investments
Investments in equity and debt securities are recorded at fair value in the balance sheet. Fair value is generally determined based on quoted market prices. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the excess of revenues over expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are included in the change in net assets. Under accounting principles generally accepted in the United States of America, an "other than temporary impairment" is recognized if the Corporation does not expect the fair value of a security to recover above cost or amortized cost. Once an "other than temporary impairment" charge has been recorded, a new cost basis is established.

The Corporation continues to review its securities for appropriate valuation on an ongoing basis. The Corporation determined that none of their investments were impaired as of September 30, 2012 or 2011.

Realized and unrealized gains and losses on donor restricted endowment funds are included in temporarily restricted net assets under State law which allows the Board to appropriate as much of the net appreciation of investments as is prudent considering the Corporation's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions.

Investments in limited liability companies are accounted for using the equity method in instances where the limited partner's interest is more than minor (3-5%).

Fair Value Measurements
Fair value guidance establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entities own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The guidance describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the Corporation for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

- Level 1 Quoted prices in active markets for identical assets.
- Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets in active markets, quoted prices in markets that are not active, or can be corroborated by observable market data for substantially the same term of the assets.
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets.

Assets Held in Trust by Others
The Hospital has been named sole or participating beneficiary in several perpetual and charitable remainder trusts. Under the terms of these trusts, the Hospital has the irrevocable right to receive the income earned on the trust assets in perpetuity from the perpetual trusts and to receive the remainder of the trust assets for the charitable remainder trusts. For perpetual trusts, the estimated present value of the future payments to the Hospital is recorded at the fair value of the assets held in the trust. The charitable remainder trusts are recorded at the present value of the estimated future distributions expected to be received over the expected term of the trust agreement. The Hospital uses appropriate credit adjusted rates to discount amounts .

Assets Limited as to Use
Assets limited as to use include assets set aside by the Board of Directors to fund the deductible portion of malpractice insurance coverage (maintained in an irrevocable trust), contribution receivables and for the established purpose of providing for future improvement, expansion and replacement of plant and equipment. In addition, funds held in trust by others, unexpended bond proceeds for construction purposes, and assets held by trustees under indenture agreements relating to financing activities with the State of Connecticut Health and Education Facilities Authority ("CHEFA") are also included therein.

Property, Plant and Equipment
Property, plant and equipment are recorded at cost, or if received as a donation, at the fair value on the date received. The Corporation provides for depreciation of property, plant and equipment using the straight-line method in amounts sufficient to amortize the cost of its assets over their estimated useful lives. American Hospital Association lives are generally used and provide for a 2-25 year life for land improvements, 5-50 year life for buildings and a 2-25 year life for equipment. Lease improvements are amortized over the life of the lease.

Nonoperating Gains and Losses
Activities other than in connection with providing health care services are considered to be nonoperating.

Excess of Revenues over Expenses
The consolidated statements of operations includes excess of revenues over expenses. Changes in unrestricted net assets which are excluded from excess of revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments, permanent transfers of assets to and from affiliates for other than goods and services, contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets), and pension-related charges other than periodic pension costs and other postretirement benefits liabilities.

Fair Value of Financial Instruments
Investments and other assets and liabilities are carried at amounts that approximate fair value based on current market conditions. The fair value of long term debt is estimated based on the quoted market prices for the same or similar issues or on current rates offered to the Corporation and its Subsidiaries for debt of the same remaining maturities.

Benefit Plans
The Hospital has a defined benefit plan and a defined contribution plan. The VNA also has a defined contribution plan (see Note 8).

Medical Malpractice Self-Insurance
The Corporation purchases claims made professional and general liability insurance to cover medical malpractice claims from L&M Indemnity Ltd. The Hospital, LMPA and VNA has adopted the policy of self-insuring the tail portion of its malpractice insurance coverage . Management accrues its best estimate of losses as incidents which give rise to potential losses occur. The Corporation has created an offshore captive insurance company, L&M Indemnity Ltd. to administer all medical malpractice and general liability coverage. L&M Indemnity Ltd. was created on September 28, 2011.

Income Taxes
The Corporation and its subsidiaries are not-for-profit organizations and are exempt from federal income taxes on related income under Section 501(c)(3) of the Internal Revenue Code, except for L&M Systems. L&M Systems provides for taxes based on current taxable income and the future tax consequences of temporary differences between financial and income tax reporting. Such amounts are not material to the consolidated financial statements. LMPA became tax exempt under Section 501(c)(3) of the Internal Revenue Code on October 13, 2009.

Inventories
Inventory consists of supplies, both medical and general pharmaceuticals and food products needed to sustain daily operation of patient care. Inventories are carried at the lower of cost or market under the first-in-first-out (FIFO) method.

Impairment of Long-Lived Assets
Long-lived assets to be held and used are reviewed for impairment whenever circumstances indicate that the carrying amount of an asset may not be recoverable. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to dispose.

Accrued Vacation and Sick Pay
Accrued vacation is recorded as a liability as time is earned. As the time is used, the time is relieved from the liability. Accrued sick time is recorded as a percent for employees who have a balance greater than or equal to 800 hours. The payout is only upon termination of employment.

Subsequent Events
The Corporation has performed an evaluation of subsequent events through December 14, 2012, which is the date the financial statements were issued.

Change in fiscal year end of VNASC

In 2012, the Visiting Nurses Association of Southeastern Connecticut, Inc. (VNASC) changed its fiscal year end from June 30 to September 30 The Corporation's 2012 financials reflect the VNASC operations and financial statement balances based on the financial statements for year ended September 30, 2012. The Corporation's 2011 financial statements were revised to reflect the VNASC financial information for the year ended September 30, 2011 rather than the year ended June 30, 2011 as previously reported as follows:

	2011 As Reported	2011 As Revised
Revenues	$365,079,447	$365,204,833
Expenses	$355,831,236	$356,372,780
Net Assets	$242,126,973	$240,532,235

The opening net assets of the Corporation were increased at October 1, 2010 by $1,053,610.

2. Revenues From Services to Patients and Charity Care

The following summarizes net revenues from services to patients:

	2012	2011
Gross charges from services to patients	$ 742,404,745	$ 699,696,753
Less: Charity care	5,883,789	6,383,831
Charges from services to patients, net of charity care	736,520,956	693,312,922
Deductions	385,058,064	349,028,196
Allowances	(2,579,127)	(1,926,932)
State of Connecticut uncompensated care system (receipts)	382,478,937	347,101,264
Total deductions	$ 354,042,019	$ 346,211,658
Net revenues from services to patients		

Patient accounts receivable and revenues are recorded when patient services are performed. Amounts received from most payors are different from established billing rates of the Corporation, and these differences are accounted for as allowances. The Corporation receives cash from the State of Connecticut Uncompensated Care Pool. The Corporation records this as an increase to their net revenues from services to patients.

Net patient service revenue is reported at the estimated net realizable amounts from patients, third party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as

3. Investments

Investments included in current assets consist of the following:

	2012	2011
Pooled endowment funds		
Cash and cash equivalents	$ 464,020	$ 761,635
Bonds	4,338,011	4,020,563
Mutual funds	11,341,758	10,407,537
Hedge funds	5,272,802	4,903,092
Private equities	48,848	-
Marketable equities	3,109,049	1,401,080
Total pooled endowment funds	24,574,488	21,493,907
Investments held in trust by others		
Cash and cash equivalents	1,280,176	140,077
Bonds	1,838,336	2,814,055
Marketable equities	2,901,653	2,389,834
Other investments	431,255	263,967
Total investments held in trust by others	6,451,420	5,607,933
Other investments		
Cash and cash equivalents	13,176,141	11,416,712
Bonds	75,259,899	42,751,608
Mutual funds	2,951,720	2,398,006
Hedge funds	49,723,327	46,249,357
Private equities	424,104	80,000
Marketable equities	66,381,047	52,992,311
Other investments	14,306	13,319
Total other investments	207,930,544	155,901,313
	$ 238,956,452	$ 183,003,153

The Corporation's financial instrument categorization is based upon the lowest level of input that is significant to the fair value measurement within the valuation hierarchy. The following table presents the financial instruments carried at fair value using the by the fair value guidance valuation hierarchy defined above:

	2012			
	Level 1	Level 2	Level 3	Total Fair Value
Pooled endowment funds				
Cash and cash equivalents	$ 464,020	$ -	$ -	$ 464,020
Bonds	4,338,011	-	-	4,338,011
Mutual funds	11,341,758	-	-	11,341,758
Hedge funds	-	-	5,272,802	5,272,802
Private equities	-	-	48,848	48,848
Marketable equities	3,109,049	-	-	3,109,049
Total pooled endowment funds	19,252,838	-	5,321,650	24,574,488
Held in trust by others				
Cash and cash equivalents	-	-	1,280,176	1,280,176
Bonds	-	-	1,838,336	1,838,336
Other assets	-	-	431,255	431,255
Marketable equities	-	-	2,901,653	2,901,653
Total held in trust by others	-	-	6,451,420	6,451,420
Other investments				
Cash and cash equivalents	13,176,141	-	-	13,176,141
Bonds	75,259,899	-	-	75,259,899
Mutual funds	2,951,720	-	-	2,951,720
Hedge funds	-	-	49,723,327	49,723,327
Private equities	-	-	424,104	424,104
Marketable equities	66,381,047	-	-	66,381,047
Other investments	-	-	14,306	14,306
Total other investments	157,768,807	-	50,161,737	207,930,544
	$ 177,021,645	$ -	$ 61,934,807	$ 238,956,452

	2011			
	Level 1	Level 2	Level 3	Total Fair Value
Pooled endowment funds				
Cash and cash equivalents	$ 761,635	$ -	$ -	$ 761,635
Bonds	4,020,563	-	-	4,020,563
Mutual funds	10,407,537	-	-	10,407,537
Hedge funds	-	-	4,903,092	4,903,092
Marketable equities	1,401,080	-	-	1,401,080
Total pooled endowment funds	16,590,815	-	4,903,092	21,493,907
Held in trust by others				
Cash and cash equivalents	-	-	140,077	140,077
Bonds	-	-	2,814,055	2,814,055
Other assets	-	-	263,967	263,967
Marketable equities	-	-	2,389,834	2,389,834
Total held in trust by others	-	-	5,607,933	5,607,933
Other investments				
Cash and cash equivalents	11,416,712	-	-	11,416,712
Bonds	42,751,608	-	-	42,751,608
Mutual funds	2,398,006	-	-	2,398,006
Hedge funds	-	-	46,249,357	46,249,357
Private equities	-	-	80,000	80,000
Equity Investments	-	-	13,319	13,319
Marketable equities	52,992,311	-	-	52,992,311
Total other investments	109,558,637	-	46,342,676	155,901,313
	$ 126,149,452	$ -	$ 56,853,701	$ 183,003,153

Fair value for Level 1 is based upon quoted prices in active markets that the Corporation has the ability to access at the measurement date. Market price data is generally obtained from exchange or dealer markets. The Corporation does not adjust the quoted price for such assets.

Fair value for Level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers and brokers.

Fair value for Level 3 is based on valuation techniques that use significant inputs that are unobservable as they trade infrequently or not at all and reflect assumptions based on the best information available in the circumstances.

Investments included in Level 3 primarily consist of the Corporations ownership in alternative investments (principally limited partnership interests in hedge funds). The value of these alternative investments represents the ownership interest in the net asset value ("NAV") of the respective partnership. The fair values of the securities held by limited partnerships that do not have readily determinable fair values are determined by the general partner and are based on appraisals, or other estimates that require varying degrees of judgment. If no public market exists

for the investment securities, the fair value is determined by the general partner taking into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate. Also included in Level 3 investments are charitable remainder trusts held by third parties which are recorded at the present value of the future distributions expected to be received over the term of the agreement and investments in for-profit companies.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Corporation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following table is a roll forward of the amounts by investment type for financial instruments classified by the Corporation within Level 3 of the fair value hierarchy defined above:

	Beginning October 1, 2011	Investment Income	Realized Gains	Unrealized Gains	Investment Fees	Purchases	Sales	Ending September 30, 2012
Investment pool								
Hedge funds	$ 51,152,449	$ 373,856	$ 2,148,606	$ 1,435,141	$ (154,059)	$ 12,362,601	$ (12,312,465)	$ 54,996,129
Private equities	$ 80,000	$ -	$ -	$ -	$ -	$ 392,952	$ -	$ 472,952
Funds held in trust	5,607,933	-	-	843,487	-	-	-	6,451,420
Total	$ 56,840,382	$ 373,856	$ 2,148,606	$ 2,278,628	$ (154,059)	$ 12,755,553	$ (12,312,465)	$ 61,920,501

	Beginning October 1, 2010	Investment Income	Realized Gains	Unrealized Losses	Investment Fees	Purchases	Sales	Ending September 30, 2011
Investment pool								
Hedge funds	$ 47,783,887	$ 325,584	$ 343,439	$ (192,120)	$ (116,775)	$ 3,008,434	$ -	$ 51,152,449
Private equities	$ -	$ -	$ -	$ -	$ -	$ 80,000	$ -	$ 80,000
Funds held in trust	5,876,049	-	-	(268,116)	-	-	-	5,607,933
Total	$ 53,659,936	$ 325,584	$ 343,439	$ (460,236)	$ (116,775)	$ 3,088,434	$ -	$ 56,840,382

There were no significant transfers of assets between levels for the year ended September 30, 2012. A summary of the pooled endowment investment return is presented below:

	2012	2011
Investment income	$ 610,571	$ 509,341
Realized and unrealized gains/(losses)	2,657,538	(269,056)
Management fees and other costs	(31,626)	(41,119)
Total return on pooled endowment investments	$ 3,236,483	$ 199,166

Following is additional information related to funds whose fair value is not readily determinable as of September 30, 2012.

	Strategy	Fair Value	# of Investments	Remaining Life	$ Amount of Unfunded Commitments	Timing to Draw Down Commitments	Redemption Terms	Redemption Restrictions	Restrictions in Place at Year End
Equity securities	Global developed and emerging market equity	$ 11,783,985	1	N/A	$ -	No remaining commitments	Monthly with 10 day's notice	None	None
Absolute return	Long/short and long-biased equity and credit hedge funds	15,128,894	1	N/A	-	No remaining commitments	Annual with 90 day's notice	lock up provision of 12 months from the purchase date	None
Directional hedge	Long/short and long-biased equity and credit hedge funds	22,428,678	1	N/A	-	No remaining commitments	Quarterly with 60 day's notice	lock up provision of 25 months from the purchase date	None
Commodities	Commodity index	5,676,574	1	N/A	-	No remaining commitments	Monthly with 5 day's notice	None	None
Private equity	Private equity	472,952	2	N/A	1,978,914	Illiquid long term 5 years	None	None	None
		$ 55,469,081							

4. Endowments

The Corporation's endowments consist of donor restricted endowment funds for a variety of purposes. The net assets associated with endowment funds including funds designated by the Board of Directors to function as endowments are classified and reported based on the existence or absence of donor imposed restrictions.

The Corporation understands net asset classification guidance to require that donor restricted endowment gifts be maintained in perpetuity. Consistent with net asset classification guidance, the Corporation 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. The Corporation considers the following factors in making a determination to appropriate or accumulate endowment funds:

- The duration and preservation of the fund.
- The purposes of the Corporation and donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the Corporation.
- The investment policies of the Corporation.

Changes in endowment net assets for the year ended September 30:

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at beginning of year	$ 2,985,408	$ 11,788,979	$ 2,866,683	$ 17,641,070
Investment return				
Investment income	436,096	91,840	-	527,936
Net realized and unrealized gain/(loss)	601,740	1,877,872	-	2,479,612
Total investment return	1,037,836	1,969,712	-	3,007,548
Income distribution	-	(125,255)	-	(125,255)
Endowment net assets at end of year	$ 4,023,244	$ 13,633,436	$ 2,866,683	$ 20,523,363

	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at beginning of year	$ 1,844,995	$ 12,134,604	$ 2,866,683	$ 16,846,282
Investment return				
Investment income	215,549	114,203	-	329,752
Net realized and unrealized gain/(loss)	924,864	(286,646)	-	638,218
Total investment return	1,140,413	(172,443)	-	967,970
Income distribution	-	(173,182)	-	(173,182)
Endowment net assets at end of year	$ 2,985,408	$ 11,788,979	$ 2,866,683	$ 17,641,070

Endowment funds classified as permanently and temporarily restricted net assets:

The portion of perpetual endowment funds retained permanently either by explicit donor stipulation or by net asset classification guidance is summarized as follows:

	2012	2011
Temporarily restricted net assets		
Unspent income and appreciation on permanently restricted endowments for purchase of equipment and healthcare services	$ 13,633,436	$ 11,788,979
Total endowment funds classified as temporarily restricted net assets	$ 13,633,436	$ 11,788,979
Permanently restricted net assets		
Corpus of permanently restricted contributions for purchase of equipment and healthcare services	$ 2,866,683	$ 2,866,683
Total endowment funds classified as permanently restricted net assets	$ 2,866,683	$ 2,866,683

Endowment Funds With Deficits
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor endowment deficits exist they are classified as a reduction of unrestricted net assets. The Corporation analyzed the endowments and notes there are no deficits as of September 30, 2012 and 2011.

Endowment Investment Return Objectives and Risk Parameters
The Corporation has adopted endowment investment and spending policies that attempt to provide predictable stream of funding to programs supported by the endowment while seeking to maintain the permanent nature of endowment funds. Under this policy, the return objective for the endowment assets measured over a full market cycle shall be to maximize the return against a blended index, based on the endowment's target asset allocation applied to the appropriate individual benchmarks.

Strategies Employed for Achieving Endowment Investment Objectives
To achieve its long-term rate of return objectives, the Corporation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The Corporation targets a diversified asset allocation to achieve its long-term objectives within prudent Corporation risk constraints.

Endowment Spending Allocation and Relationship of Spending Policy to Investment Objectives
Spending is guided by several factors most important is the value of the portfolio. Generally, the Board will approve a spending policy limiting annual expenditures for grants and operating expenses up to 4.5% of the value of the Funds' assets based on a 12 quarter rolling average for the endowment, Kitchings and operating funds. The Corporation will designate the spending amount on an as-needed basis for the special account.

Investment managers are given ample notice of the required withdrawal schedule. Appropriate liquidity is maintained to fund these withdrawals without impairing the investment process.

5. Temporary and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at September 30, 2012 and 2011:

	2012	2011
Temporarily restricted net assets		
Funds held in trust by others	$ 3,448,102	$ 2,959,565
Contributions receivable	20,366	20,328
Free beds and plant replacement and expansion	13,633,436	11,788,979
Specific purpose reserves	4,252,952	4,155,853
	$ 21,354,856	$ 18,924,725

Permanently restricted net assets at September 30, 2012 and 2011 are restricted to:

	2012	2011
Permanently restricted net assets		
Funds held in trust by others	$ 3,025,124	$ 2,670,175
Donor restricted endowment funds	2,866,683	2,866,683
	$ 5,891,807	$ 5,536,858

6. Property, Plant and Equipment

Property, plant and equipment consists of the following:

	2012	2011
Land and land improvements	$ 18,000,459	$ 17,953,282
Buildings	118,209,994	115,186,586
Equipment	217,351,555	205,016,641
	353,562,008	338,156,509
Less: Accumulated depreciation	(227,405,684)	(213,645,408)
	126,156,324	124,511,101
Construction in progress (estimated cost to complete at September 30, 2012 is $53,058,474	22,337,285	10,109,457
	$ 148,493,609	$ 134,620,558

7. Long-Term Debt

	2012	2011
CHEFA Series F Revenue Bonds		
Various rate bonds, due 2012 to 2026	$ 36,250,000	$ 39,135,000
5.0% Term Bonds, due 2027 to 2031	8,705,000	8,705,000
5.0% Term Bonds, due 2032 to 2036	11,100,000	11,100,000
	22,990,000	22,990,000
CHEFA Series E revenue bonds		
Variable rate bonds, due 2023-2034	448,826	405,373
	79,493,826	82,335,373
Capital lease obligation	2,762,007	2,976,493
Total long-term debt outstanding	2,775,398	2,891,040
Less: Amounts classified as current		
Add: Bond premium	$ 79,507,217	$ 82,249,920
Total long-term portion of long-term debt		

On September 15, 2011 CHEFA issued $58,940,000 of Series F Bonds (the "Series F Bonds") on behalf of the Hospital and the Corporation (collectively referred to as the "Obligated Group" under

the Series F Bond agreements). The Series F Bonds are structured with a term bond due July 1, 2036, with annual sinking fund payments due each July 1st commencing July 1, 2012. Interest on the Series F Bonds is payable semiannually on the first business day of January 1 and July 1 beginning January 1, 2012.

The proceeds of the Series F Bonds were used to refund the outstanding Authority Revenue Bonds, Lawrence & Memorial Hospital Issue, Series D (the "Series D Bonds") and are being used to fund all or a portion of the following capital projects: (i) replacement of a linear accelerator on the main campus of the Hospital; (ii) capital improvements for infrastructure renovation and improvement on the main campus, including heating, ventilation, and air conditioning project; (iii) replacement of a catheterization lab and equipment on the main campus; (iv) acquisition of approximately 100 acres of land in Waterford, Connecticut for development of a new cancer center; and (v) acquisition and installation of Magnetic Resonance Imaging and CT equipment at the Crossroads facility.

On June 24, 2004 CHEFA issued $22,990,000 of Series E Bonds (the "Series E Bonds") on behalf of the Hospital and the Corporation (collectively referred to as the "Obligated Group" under the Series E Bond agreements). The Series E Bonds are structured with a term bond due July 1, 2034, with annual sinking fund payments due each July 1st commencing July 1, 2003. Interest on the Series E Bonds accrues at the weekly rate and is payable on the first business day of each month commencing July 1, 2004.

The proceeds of the Series E Bonds were used to finance the acquisition, construction, capital improvements, renovation, and/or equipping of the expansion of the Hospital's Pequot Health Center, including a new 37,000 square foot building addition to house an ambulatory surgery unit, MRI services, and mobile medical technologies. The proceeds were also used to fund the debt service reserve fund and costs related to the issuance and interest related to the Series E Bonds. Under the terms of the trust indenture for the Series E Bonds, the Obligated Group is required to meet certain financial covenants including a debt service coverage ratio and days cash on hand ratio. Members of the Obligated Group are jointly and severally obligated to provide amounts sufficient to enable the Authority to pay principal and interest on the Series E bonds. The bonds and bond proceeds have been allocated to the Hospital and as such, the Hospital will make future debt service payments as required under the terms of the bonds.

The bonds may be retired at an earlier date pursuant to terms of the master indenture. Payment of the bonds is collateralized by a pledge of the gross receipts (as defined) and certain real property of the Hospital and Corporation.

Effective January 16, 2008, the Hospital refinanced its CHEFA Series E bonds with JPMorgan Chase Bank, N.A. This reoffering does not update information contained in the original official statement but provides a new letter of credit, which expires in January 2013.

The Series E Bonds are considered variable rate demand bonds and are remarketed on a weekly basis. If the bonds are unable to be remarketed, the letter of credit could be utilized to purchase the bonds. The Obligated Group would then be subject to the payment terms of the letter of credit, which are equal quarterly installments beginning in the first quarter that is at least 367 days after the initial draw down on the letter of credit. The Series E Bonds have been successfully remarketed and there have been no draws on the letter of credit.

In accordance with the long-term loan agreement with CHEFA, certain trusteed funds are required to be maintained. These funds provide for debt service and other related payments. The income

derived from these funds is required to be reinvested in the trusteed funds and is not available for current operating purposes.

The agreements will remain in force until principal and interest on the bonds and any other costs of the Authority with respect to the project have been fully paid or provided for. Annual payments due under the loan agreements include interest on the outstanding bonds.

The fair value of the Series E Bonds, using discounted cash flow analyses, approximates carrying value. The fair value of the Series 2011F Bonds using discounted cash flows was $62,036,108.50 and $58,940,000.00 for years ending September 30, 2012 and September 30, 2011 respectively

Principal repayments, excluding the capital lease, are as follows:

Years	Annual Principal Repayment
2013	$ 2,625,000
2014	2,725,000
2015	2,835,000
2016	2,975,000
2017 and thereafter	67,885,000
	$ 79,045,000

Cash interest payments of $2,118,293 and $2,215,476 were made in fiscal year 2012 and 2011, respectively. No interest was capitalized during 2012 and 2011.

8. Pension and Other Postretirement Benefits

The Hospital has a defined benefit plan covering all employees who elected to stay in the Plan. The Plan is frozen to new participants as of June 30, 1999. The benefits are based on years of service and the employee's compensation during the last five years of employment. Assets of the Plan include mutual funds, marketable equity securities, corporate and government bonds, notes, and hedge funds.

The Hospital provides health care and life insurance benefits to its retired employees who meet certain eligibility requirements. The Hospital's policy is to fund the cost of postretirement benefits other than pensions as incurred. This plan was frozen to include only those employees who retired prior to May 1, 1994.

The following table sets forth the Hospital's plans' funded status and amounts recognized in the consolidated statements of financial position for fiscal year 2012 and 2011 as of September 30 (measurement date of September 30):

	Pension Benefits		Other Postretirement Benefits	
	2012	2011	2012	2011
Change in benefit obligation				
Benefit obligation at beginning of year	$ 126,663,537	$ 131,200,922	$ 1,167,001	$ 1,277,520
Service cost	1,555,388	1,941,270	-	-
Interest cost	6,610,881	6,505,871	59,302	59,018
Employee contributions	118,336	163,401	-	-
Benefits paid	(6,214,539)	(5,255,985)	(124,024)	(120,183)
Actuarial loss/(gain)	18,467,849	(7,891,942)	186,929	(49,354)
Benefit obligation at end of year	147,201,452	126,663,537	1,289,208	1,167,001
Change in plan assets				
Fair value of plan assets at beginning of year	85,487,585	81,387,819	-	-
Actual return on plan assets	11,886,927	2,092,350	-	-
Employee contributions	118,336	163,401	-	-
Employer contributions	7,020,000	7,100,000	124,024	120,183
Benefits paid	(6,214,539)	(5,255,985)	(124,024)	(120,183)
Fair value of plan assets at end of year	98,298,309	85,487,585	-	-
Funded status of the plan	(48,903,143)	(41,175,952)	(1,289,208)	(1,167,001)
The cumlative amount of these adjustments reported as net assets in the consolidated statements of the financial position at September 30th, 2012 and 2011 include:				
Unrecognized net loss/(gain) from past experience different from that assumed and effects of changes in assumptions	42,795,831	31,903,948	(289,506)	(526,034)
Unrecognized prior service cost	330,949	471,588	-	-
Accrued benefit costs recognized in the statements of operations	$ (5,776,363)	$ (8,800,416)	$ (1,578,714)	$ (1,693,035)
Components of net periodic benefit costs				
Service cost	$ 1,555,388	$ 1,941,270	$ -	$ -
Interest cost	6,610,881	6,505,871	59,302	59,018
Expected return on plan assets	(6,465,227)	(6,850,835)	-	-
Amortization of net loss/(gain)	2,154,266	2,581,545	(49,599)	(55,084)
Net amortization and deferral	140,639	124,961	-	-
Benefit cost	$ 3,995,947	$ 4,302,812	$ 9,703	$ 3,934

The weighted average assumptions used to determine the net benefit cost at the beginning of the year are as follows:

	2012	2011
Discount rate	5.34 %	5.07 %
Average rate of compensation increases	3.50 %	4.25 %
Expected return on assets	7.50 %	8.50 %

The weighted average assumptions used to determine the benefit obligation at the end of the year are as follows:

	2012	2011
Discount rate	3.95 %	5.34 %
Average rate of compensation increases	2.50 %	3.50 %

The Plan's asset allocations as of September 30, 2012 and 2011 are as follows:

Asset Category	2012	2011
Cash	5 %	5 %
Bonds	29	30
Hedge funds	29	31
Marketable equities	37	34
Total	100 %	100 %

The expected rate of return on plan assets is calculated based on past experience.

Expected benefits to be paid under the Hospital's plans are as follows:

Fiscal Years Beginning October 1,	Expected Benefits
2012	$ 6,507,731
2013	6,713,876
2014	6,982,706
2015	7,173,109
2016	7,566,083
Expected aggregate for 5 fiscal years beginning 2017	41,508,308

Annual contributions are determined by the Hospital based upon calculations prepared by the Plan's actuary. Expected contributions to the Pension and Retiree Health Plan for 2012 are approximately:

Pension	$ 4,800,000
Retiree health	125,931

The weighted-average annual assumed rate of increase in the per capita cost of covered benefits (i.e., health care cost trend rate) for participants is assumed to be 9% in 2012 reducing to 5.0% by the year 2016 and remaining at that level thereafter. This health care cost trend rate assumption has a significant effect on the amounts reported. To illustrate, a one percentage point increase in the assumed health care cost trend rate would increase the accumulated postretirement benefit obligation and service cost plus interest cost by approximately $97,000 and $84,000, respectively, at September 30, 2012 and 2011. A one percentage point decrease in the assumed health care cost trend rate would decrease the accumulated postretirement benefit obligation and service cost plus interest cost by approximately $88,000 and $77,000, respectively, at September 30, 2012 and 2011.

Plan Assets
The defined benefit plan assets are valued utilizing the same fair value hierarchy as the Hospital's investments as described in Note 1.

The following table summarizes the fair values of investments by major type held by the staff pension plan at September 30, 2012:

	Level 1	Level 2	Level 3	2012
Investments, at fair value				
Cash	$ 4,711,241	$ -	$ -	$ 4,711,241
Bonds	28,278,732	-	-	28,278,732
Hedge funds	-	-	28,795,536	28,795,536
Marketable equities	32,342,939	4,169,861	-	36,512,800
Total investments, at fair value	$ 65,332,912	$ 4,169,861	$ 28,795,536	$ 98,298,309

The following table summarizes the fair values of investments by major type held by the staff pension health plan at September 30, 2011:

	Level 1	Level 2	Level 3	2011
Investments, at fair value				
Cash	$ 3,847,979	$ -	$ -	3,847,979
Bonds	25,779,769	-	-	25,779,769
Hedge funds	-	-	26,524,387	26,524,387
Marketable equities	26,050,106	3,285,344	-	29,335,450
Total investments, at fair value	$ 55,677,854	$ 3,285,344	$ 26,524,387	$ 85,487,585

There are no transfers between levels comparing last to this year for assets that are in the portfolio.

The table below represents the change in fair value measurements for Level 3 investments held by the staff pension plans' years ended September 30, 2012 and 2011, respectively.

	2012	2011
Beginning balances	$ 26,524,387	$ 24,333,145
Realized gains	144,819	25,445
Fees	(54,861)	(57,862)
Unrealized gains	2,181,191	223,659
Purchases	5,475,369	2,000,000
Sales	(5,475,369)	-
Ending balances	$ 28,795,536	$ 26,524,387

The investment objective for the pension and post retirement plans seeks a positive long-term total return after inflation to meet the Hospital's current and future plan obligations.

Asset allocations for both plans combine tested theory and informed market judgment to balance investment risks with the need for high returns.

The Hospital's 401(k) plan covers eligible employees who elected to participate in the Plan. Eligible employees may contribute a percentage of their salary to the Plan. The Hospital matches 100% of the first 4% of gross pay deferred by employees for those employees who do not participate in the defined benefit plan. Plan contributions charged to operations were approximately $4,270,000 and $3,677,000 for 2012 and 2011, respectively.

The VNA has a defined contribution pension plan which covers substantially all of its employees who have met specified age and length of service requirements. Contributions to the Plan are based on 5% of eligible salaries and totaled approximately $437,911 and $432,537 for the years ended September 30, 2012 and June 30,2011, respectively.

9. Functional Expenses

The Corporation and its subsidiaries provide general health care services to residents within its geographic location including pediatric care, cardiac catheterization, and outpatient surgery. Expenses by function are as follows:

	2012	2011
Health care services	$ 282,756,672	$ 271,601,306
General and administrative	86,658,819	84,771,474
	$ 369,415,491	$ 356,372,780

10. Commitments and Contingencies

The Corporation and its subsidiaries are parties to various lawsuits incidental to their business. Management believes that the lawsuits will not have a material adverse effect on their financial position, results of operations, and changes in net assets or cash flows.

Westerly Hospital

During 2012, the Corporation entered into a contract to purchase Westerly Hospital. The Rhode Island court approved the acquisition on August 30, 2012. The acquisition still needs to receive regulatory review and approval, prior to the closing. The closing date is expected to be in the first quarter of calendar year 2013. Prepaid expenses of $710,000 have been incurred towards the closing costs. Approximately $2.5 million of expenses have been incurred in fiscal year 2012.

Lawrence & Memorial Corporation and Subsidiaries
Consolidating Balance Sheet
September 30, 2012

	Lawrence & Memorial Hospital	Lawrence & Memorial Corporation	Eliminating Entries	Obligated Group	L&M Systems, Inc.	LMPA	L&M Indemnity	VNA of Southeastern Connecticut, Inc.	Eliminating Entries	Consolidated
Assets										
Current assets										
Cash and cash equivalents	$ 13,709,499	$ 907,448	$ -	$ 14,616,947	$ -	$ 502,009	$ 226,549	$ 610,510	$ -	$ 15,956,015
Investments	138,433,638	49,793,622	-	188,227,260	-	-	13,137,635	6,565,649	-	207,930,544
Patient accounts receivable net	28,946,593	-	-	28,946,593	-	1,246,803	-	2,119,079	-	32,312,475
Other receivables	17,488,730	-	-	17,488,730	509,500	953,156	483,133		(12,536,417)	6,898,102
Inventories	4,469,470	-	-	4,468,470	-	34,239	-	-	-	4,503,709
Due from affiliates	639,799	812,417	(639,799)	812,417	1,633,327	-	-	-	(2,445,744)	-
Prepaid expenses and other current assets	2,904,576	210,000	-	2,214,576	-	531,732	2,862	345,119		3,094,289
Debt service fund	1,307,110	-	-	1,307,110	-	-	-	-	-	1,307,110
Total current assets	206,999,415	51,723,487	(639,799)	258,083,103	2,142,827	3,267,939	13,850,179	9,640,357	(14,982,161)	272,002,244
Assets limited as to use										
Cash	180,789	-	-	180,789	-	-	-	-	-	180,789
Construction funds	-	-	-	-	-	-	-	-	-	-
Investments held in trust	971,261	500,000	-	1,471,261	-	-	-	-	-	1,471,261
Endowment investments	16,251,376	2,946,028	-	19,197,404	-	-	-	5,377,084	-	24,574,488
Investment in subsidiaries	-	3,182,689	-	3,182,689	-	-	-	-	(3,182,689)	-
Funds held in trust by others	6,451,420	-	-	6,451,420	-	-	-	-	-	6,451,420
Contributions receivable	20,366	1,137,729	-	1,158,095	-	-	-	-	-	1,158,095
Funds held in escrow by agreement with Statement of Connecticut Health and Debt service reserve fund	2,247,125	-	-	2,247,125	-	-	-	-	-	2,247,125
Educational Facilities Authority and trustees	-	-	-	-	-	-	-	-	-	-
Total assets limited as to use	26,122,337	7,766,446	-	33,888,783	-	-	-	5,377,084	(3,182,689)	36,083,178
Other assets										
Deferred financing costs and other assets, net	1,857,504	-	-	1,857,504	-	-	-	-	-	1,857,504
Property, plant and equipment										
Land improvements	6,573,393	11,096,791	-	17,670,184	-	-	-	330,275	-	18,000,459
Buildings/leasehold improvements	114,978,768	148,821	-	115,127,589	-	869,622	-	2,212,783	-	118,209,994
Equipment/furniture	215,747,098	21,774	-	215,768,872	-	656,294	-	926,389	-	217,351,555
Accumulated depreciation	(224,709,996)	(82,371)	-	(224,792,367)	-	(910,388)	-	(1,702,949)	-	(227,405,684)
Construction in progress	22,337,285	-	-	22,337,285	-	-	-	-	-	22,337,285
Property, plant and equipment, net	134,926,548	11,185,015	-	146,111,563	-	615,548	-	1,766,498	-	148,493,609
	$ 369,905,804	$ 70,674,948	$ (639,799)	$ 439,940,953	$ 2,142,827	$ 3,883,487	$ 13,850,179	$ 16,783,939	$ (18,164,850)	$ 458,436,535

RIDOHSC0090.0059

Lawrence & Memorial Corporation and Subsidiaries
Consolidating Balance Sheet
September 30, 2012

	Lawrence & Memorial Hospital	Lawrence & Memorial Corporation	Eliminating Entries	Obligated Group	L&M Systems, Inc.	LMPA	L&M Indemnity	VNA of Southeastern Connecticut, Inc.	Eliminating Entries	Consolidated
Liabilities and Net Assets										
Current liabilities										
Accounts payable	$ 25,447,380	$ 221,394	$ -	$ 25,668,774	$ -	$ 322,235	$ 63,701	$ 1,327,848	$ -	$ 27,382,558
Accrued vacation and sick pay	12,283,930	-	-	12,283,930	-	426,227	-	-	-	12,710,157
Salaries, wages, payroll taxes and amounts withheld from employees	3,887,888	-	-	3,887,888	-	1,501,820	-	-	-	5,389,708
	-	-	-	-	-	-	-	-	-	-
Due to affiliates	2,421,244	-	(639,799)	1,781,445	664,299	-	-	-	(2,445,744)	-
Due to third party payors	5,409,556	-	-	5,409,556	-	-	-	237,349	-	5,646,905
Other current liabilities	-	-	-	-	-	-	188,267	169,855	-	358,122
Current portion of long-term debt	2,762,007	-	-	2,762,007	-	-	-	-	-	2,762,007
Total current liabilities	52,212,005	221,394	(639,799)	51,793,600	664,299	2,250,282	251,968	1,735,052	(2,445,744)	54,249,457
Accrued pension and other postretirement benefits	51,185,800	-	-	51,185,800	-	-	-	-	-	51,185,800
Other liabilities	17,998,408	-	-	17,998,408	-	1,963,633	13,697,549	-	(13,274,943)	20,384,647
Long-term debt less current portion	79,507,217	-	-	79,507,217	-	-	-	-	-	79,507,217
Total liabilities	200,903,430	221,394	(639,799)	200,485,025	664,299	4,213,915	13,949,517	1,735,052	(15,720,687)	205,327,121
Net assets										
Unrestricted	143,045,328	69,190,937	-	212,236,265	1,478,528	(330,428)	(99,338)	15,021,887	(2,444,163)	225,862,751
Temporarily restricted	20,092,239	1,262,617	-	21,354,856	-	-	-	-	-	21,354,856
Permanently restricted	5,864,807	-	-	5,864,807	-	-	-	27,000	-	5,891,807
Total net assets	169,002,374	70,453,554	-	239,455,928	1,478,528	(330,428)	(99,338)	15,048,887	(2,444,163)	253,109,414
	$ 369,905,804	$ 70,674,948	$ (639,799)	$ 439,940,953	$ 2,142,827	$ 3,883,487	$ 13,850,179	$ 16,783,939	$ (18,164,850)	$ 458,436,535

RIDOHSC0090.0060

Lawrence & Memorial Corporation and Subsidiaries
Consolidating Balance Sheet
September 30, 2011

	Lawrence & Memorial Hospital	Lawrence & Memorial Corporation	Eliminating Entries	Obligated Group	L&M Systems, Inc.	LMPA	L&M Indemnity	VNA of Southeastern Connecticut, Inc.	Eliminating Entries	Consolidated
Assets										
Current assets										
Cash and cash equivalents	$ 41,797,328	$ 814,528	$ -	$ 42,611,856	$ 399	$ 56,951	$ 120,000	$ 1,105,069	$ -	$ 43,894,275
Investments	105,904,042	44,333,741	-	150,237,783	-	-	-	5,663,530	-	155,901,313
Patient accounts receivable, net	30,483,331	-	-	30,483,331	-	589,495	-	1,046,120	-	32,118,946
Other receivables	3,998,458	-	-	3,998,458	559,288	36,795	-	-	-	4,594,541
Inventories	4,528,017	-	-	4,528,017	-	24,594	-	-	-	4,552,611
Due from affiliates	578,161	861,458	(578,161)	861,458	1,087,749	3,754	-	-	(1,952,961)	-
Prepaid expenses and other current assets	1,739,804	-	-	1,739,804	-	283,749	-	316,853	-	2,340,406
Debt service fund	1,109,892	-	-	1,109,892	-	-	-	-	-	1,109,892
Total current assets	190,139,033	46,009,727	(578,161)	235,570,599	1,647,436	995,338	120,000	8,131,572	(1,952,961)	244,511,984
Assets limited as to use										
Cash	179,900	-	-	179,900	-	-	-	-	-	179,900
Construction funds	8,427,695	-	-	8,427,695	-	-	-	-	-	8,427,695
Investments held in trust	11,241,951	-	-	11,241,951	-	-	-	-	-	11,241,951
Endowment investments	14,398,888	2,598,927	-	16,997,815	-	-	-	4,496,092	-	21,493,907
Investment in subsidiaries	-	3,182,689	-	3,182,689	-	-	-	-	(3,182,689)	-
Funds held in trust by others	5,607,933	-	-	5,607,933	-	-	-	-	-	5,607,933
Contributions receivable	20,328	867,140	-	887,468	-	-	-	-	-	887,468
Funds held in escrow by agreement with Statement of Connecticut Health and Debt service reserve fund	-	-	-	-	-	-	-	-	-	-
Educational Facilities Authority and trustees	2,247,370	-	-	2,247,370	-	-	-	-	-	2,247,370
Total assets limited as to use	42,124,065	6,648,756	-	48,772,821	-	-	-	4,496,092	(3,182,689)	50,086,224
Other assets										
Deferred financing costs and other assets, net	1,938,833	-	-	1,938,833	-	-	-	-	-	1,938,833
Property, plant and equipment										
Land improvements	6,506,216	11,116,791	-	17,623,007	-	-	-	330,275	-	17,953,282
Buildings/leasehold improvements	111,446,370	148,821	-	111,595,191	-	1,396,975	-	2,194,420	-	115,186,586
Equipment/furniture	203,329,727	21,774	-	203,351,501	-	745,052	-	920,088	-	205,016,641
Accumulated depreciation	(210,414,909)	(74,691)	-	(210,489,600)	-	(1,631,229)	-	(1,524,579)	-	(213,645,408)
Construction in progress	10,109,457	-	-	10,109,457	-	-	-	-	-	10,109,457
Property, plant and equipment, net	120,976,861	11,212,695	-	132,189,556	-	510,798	-	1,920,204	-	134,620,558
	$ 355,178,792	$ 63,871,178	$ (578,161)	$ 418,471,809	$ 1,647,436	$ 1,506,136	$ 120,000	$ 14,547,868	$ (5,135,650)	$ 431,157,599

RIDOHSC0090.0061

Lawrence & Memorial Corporation and Subsidiaries
Consolidating Balance Sheet
September 30, 2011

	Lawrence & Memorial Hospital	Lawrence & Memorial Corporation	Eliminating Entries	Obligated Group	L&M Systems, Inc.	LMPA	L&M Indemnity	VNA of Southeastern Connecticut, Inc.	Eliminating Entries	Consolidated
Liabilities and Net Assets										
Current liabilities										
Accounts payable	$ 22,690,113	$ 236,343	$ -	$ 22,926,456	$ -	$ 60,230	$ -	$ 1,219,523	$ -	$ 24,206,209
Accrued vacation and sick pay	11,705,811	-	-	11,705,811	-	-	-	-	-	11,705,811
Salaries, wages, payroll taxes and amounts withheld from employees	3,125,898	-	-	3,125,898	-	451,796	-	-	-	3,577,694
Due to affiliates	1,913,991	-	(578,161)	1,335,830	617,131	98,310	-	-	(1,952,961)	98,310
Due to third party payors	7,838,088	-	-	7,838,088	-	-	-	202,934	-	8,041,022
Other current liabilities	-	-	-	-	-	-	-	132,964	-	132,964
Current portion of long-term debt	2,976,493	-	-	2,976,493	-	-	-	-	-	2,976,493
Total current liabilities	50,250,394	236,343	(578,161)	49,908,576	617,131	610,336	-	1,555,421	(1,952,961)	50,738,503
Accrued pension and other postretirement benefits	43,423,221	-	-	43,423,221	-	-	-	-	-	43,423,221
Other liabilities	14,213,720	-	-	14,213,720	-	-	-	-	-	14,213,720
Long-term debt less current portion	82,249,920	-	-	82,249,920	-	-	-	-	-	82,249,920
Total liabilities	190,137,255	236,343	(578,161)	189,795,437	617,131	610,336	-	1,555,421	(1,952,961)	190,625,364
Net assets										
Unrestricted	141,738,900	62,502,889	-	204,241,789	1,030,305	895,800	120,000	12,965,447	(3,182,689)	216,070,652
Temporarily restricted	17,792,779	1,131,946	-	18,924,725	-	-	-	-	-	18,924,725
Permanently restricted	5,509,858	-	-	5,509,858	-	-	-	27,000	-	5,536,858
Total net assets	165,041,537	63,634,835	-	228,676,372	1,030,305	895,800	120,000	12,992,447	(3,182,689)	240,532,235
	$ 355,178,792	$ 63,871,178	$ (578,161)	$ 418,471,809	$ 1,647,436	$ 1,506,136	$ 120,000	$ 14,547,868	$ (5,135,650)	$ 431,157,599

RIDOHSC0090.0062

Lawrence & Memorial Corporation and Subsidiaries
Consolidating Statement of Operations
Year Ended September 30, 2012

	Lawrence & Memorial Hospital	Lawrence & Memorial Corporation	Eliminating Entries	Obligated Group	L&M Systems, Inc.	LMPA	L&M Indemnity	VNA of Southeastern Connecticut, Inc.	Eliminating Entries	Consolidated
Net revenues from services to patients	$ 329,278,379	$ -	$ -	$ 329,278,379	$ -	$ 13,740,606	$ -	$ 11,023,034	$ -	$ 354,042,019
Other operating revenues	11,277,917	2,850,055	-	14,127,972	584,822	2,464,499	4,758,259	3,792,379	(10,955,509)	14,772,422
Net assets released from restriction	448,575	858,946	-	1,308,521	-	-	-	-	-	1,308,521
	341,005,871	3,709,001	-	344,714,872	584,822	16,205,105	4,758,259	14,815,413	(10,955,509)	370,122,962
Operating expenses										
Salaries and wages	152,912,737	-	-	152,912,737	-	19,234,424	-	9,996,589	(1,355,807)	180,787,943
Employee benefits	42,122,837	-	-	42,122,837	109,556	3,410,611	-	2,607,582	(2,330,144)	45,920,442
Supplies	46,248,498	858,934	-	47,107,432	-	763,510	-	1,247,370	(5,755)	49,112,557
Purchased services	24,623,743	2,933,053	-	27,556,796	30,391	1,125,676	198,181	371,566	(1,353,932)	27,928,678
Other	28,877,147	50,749	-	28,927,896	-	4,517,628	4,888,595	-	(6,648,397)	31,685,722
Interest	2,315,992	-	-	2,315,992	156	193	-	-	-	2,316,341
Depreciation and amortization	18,825,589	7,680	-	18,833,269	-	243,914	-	178,370	-	19,255,553
Bad debts	12,114,319	-	-	12,114,319	-	205,324	-	88,612	-	12,408,255
	328,040,862	3,850,416	-	331,891,278	140,103	29,501,280	5,086,776	14,490,089	(11,694,035)	369,415,491
Income from operations	12,965,009	(141,415)	-	12,823,594	444,719	(13,296,175)	(328,517)	325,324	738,526	707,471
Nonoperating gains										
Unrestricted investment income	160,370	-	-	160,370	-	-	-	-	-	160,370
Income/(loss) from investments	4,424,194	1,680,143	-	6,104,337	-	-	88,493	660,660	-	6,853,490
Loss on refinancing of debt	-	-	-	-	-	-	-	-	-	-
	4,584,564	1,680,143	-	6,264,707	-	-	88,493	660,660	-	7,013,860
Excess of revenues over expenses	17,549,573	1,538,728	-	19,088,301	444,719	(13,296,175)	(240,024)	985,984	738,526	7,721,331
Net unrealized (losses)/gains on investments	11,303,455	2,235,559	-	13,539,014	-	-	20,686	1,070,456	-	14,630,156
Transfer to L & M Affiliate	(16,931,534)	3,184,351	-	(13,747,183)	3,504	12,069,947	-	-	1,673,732	-
Net assets released from restrictions used for purchases of property and equipment	136,178	-	-	136,178	-	-	-	-	-	136,178
Transfer of net assets to L & M Indemnity	-	-	-	-	-	-	-	-	(1,673,732)	(1,673,732)
Pension - related changes other than periodic pension costs	(10,751,244)	-	-	(10,751,244)	-	-	-	-	-	(10,751,244)
Decrease in unrestricted net assets	$ 1,306,428	$ 6,958,638	$ -	$ 8,265,066	$ 448,223	$ (1,226,228)	$ (219,338)	$ 2,056,440	$ 738,526	$ 10,062,689

RIDOHSC0090.0063

Lawrence & Memorial Corporation and Subsidiaries
Consolidating Statement of Operations
Year Ended September 30, 2011

	Lawrence & Memorial Hospital	Lawrence & Memorial Corporation	Eliminating Entries	Obligated Group	L&M Systems, Inc.	LMPA	L&M Indemnity	VNA of Southeastern Connecticut, Inc.	Eliminating Entries	Consolidated
Net revenues from services to patients	$ 325,275,690	$ -	$ -	$ 325,275,690	$ -	$ 9,653,134	$ -	$ 11,282,834	$ -	$ 346,211,658
Other operating revenues	11,091,202	4,913,892	-	16,005,094	514,414	1,445,368	-	3,466,250	(3,364,159)	18,066,967
Net assets released from restriction	394,829	531,379	-	926,208	-	-	-	-	-	926,208
	336,761,721	5,445,271	-	342,206,992	514,414	11,098,502	-	14,749,084	(3,364,159)	365,204,833
Operating expenses										
Salaries and wages	149,953,412	-	-	149,953,412	-	13,088,769	-	10,261,026	(515,730)	172,787,477
Employee benefits	41,985,784	-	-	41,985,784	252,925	2,238,134	-	2,656,894	(1,602,328)	45,531,409
Supplies	45,904,757	531,674	-	46,436,631	50	543,449	-	234,897	-	47,215,027
Purchased services	23,474,674	387,423	-	23,862,097	6,284	1,447,160	-	668,820	(1,031,273)	24,953,088
Other	29,046,249	75,670	-	29,121,919	29	1,806,420	-	625,830	(214,828)	31,339,370
Interest	2,212,181	-	-	2,212,181	-	-	-	36,011	-	2,248,192
Depreciation and amortization	17,199,566	7,680	-	17,207,246	-	270,863	-	208,349	-	17,686,458
Bad debts	14,356,474	-	-	14,356,474	-	176,603	-	78,682	-	14,611,759
	324,133,097	1,002,647	-	325,135,744	259,288	19,571,398	-	14,770,509	(3,364,159)	356,372,780
Income from operations	12,628,624	4,442,624	-	17,071,248	255,126	(8,472,896)	-	(21,425)	-	8,832,053
Nonoperating gains										
Unrestricted investment income	171,387	-	-	171,387	-	-	-	-	-	171,387
Income/(loss) from investments	5,993,369	2,233,806	-	8,227,255	-	-	-	260,915	-	8,488,170
Loss on refinancing of debt	(2,026,984)	-	-	(2,026,984)	-	-	-	-	-	(2,026,984)
	4,137,772	2,233,886	-	6,371,658	-	-	-	260,915	-	6,632,573
Excess of revenues over expenses	16,766,396	6,676,510	-	23,442,906	255,126	(8,472,896)	-	239,490	-	15,464,626
Net unrealized (losses)/gains on investments	(6,282,024)	(1,847,148)	-	(8,129,172)	-	-	-	(751,043)	-	(8,880,215)
Transfer to L & M Affiliate	(12,670,075)	3,228,509	-	(9,441,566)	178,123	9,263,443	-	-	-	-
Net assets released from restrictions used for purchases of property and equipment	176,082	-	-	176,082	-	-	-	-	-	176,082
Change in accounting periods										
Pension - related changes other than periodic pension costs	5,839,963	-	-	5,839,963	-	-	-	-	-	5,839,963
Decrease in unrestricted net assets	$ 3,830,342	$ 8,057,871	$ -	$ 11,888,213	$ 433,249	$ 790,547	$ -	$ (511,553)	$ -	$ 12,600,456

RIDOHSC0090.0064

Supplemental Exhibit 9(g)

The Westerly Hospital
CONSOLIDATED STATEMENT OF OPERATIONS
For the Period Ending September 2011

RIDOHS0512

	Month					Year-to-Date				
	Actual	Budget	$ Change	% Change	FY 2010	Actual	Budget	$ Change	% Change	FY 2010
UNRESTRICTED REVENUES:										
Inpatient acute	$ 6,915	$ 6,836	$ 79	1.16	$ 6,044	$ 70,375	$ 80,119	$ (9,744)	(12.16)	$ 73,656
Outpatient acute	12,846	13,331	(485)	(3.64)	12,244	149,838	157,497	(7,660)	(4.86)	145,398
GROSS PATIENT REVENUES	19,761	20,167	(406)	(2.01)	18,288	220,213	237,616	(17,403)	(7.32)	219,054
DEDUCTIONS FROM REVENUE										
Contractual Allowance	12,269	12,225	44	0.36	10,730	134,601	144,035	(9,433)	(6.55)	130,506
Disproportionate Share	69	63	6	-	(41)	619	750	(131)	-	(210)
Uncompensated Care	198	176	21	12.14	221	1,689	2,078	(389)	(18.70)	2,213
TOTAL DEDUCTIONS FROM REVENUE	12,536	12,464	72	0.58	10,910	136,910	146,863	(9,953)	(6.78)	132,509
NET PATIENT REVENUES	7,226	7,704	(478)	(6.20)	7,378	83,304	90,754	(7,450)	(8.21)	86,545
TOTAL OTHER OPERATING REVENUE	3,635	241	3,395	1,409.52	157	5,317	2,516	2,801	111.30	1,917
TOTAL NET OPRATING REVENUE	10,861	7,945	2,917	36.71	7,535	88,620	93,270	(4,650)	(4.99)	88,462
OPERATING EXPENSES:										
Salaries & Wages	2,623	3,227	604	18.72	3,274	37,468	39,174	1,706	4.36	38,752
Vacation and sick Accrual	(19)	(3)	16	(627.42)	1	342	331	(11)	(3.33)	385
Temporary Help	59	21	(38)	(181.04)	39	376	250	(126)	(50.30)	278
Total Salaries	2,664	3,246	582	17.94	3,314	38,185	39,755	1,570	3.95	39,415
Employee benefits	1,515	1,159	(356)	(30.75)	992	14,245	13,457	(788)	(5.86)	12,192
Workers Compensation	20	31	11	35.94	28	230	367	137	37.31	311
Professional Fees	300	140	(161)	(114.90)	171	1,923	1,709	(214)	(12.55)	2,050
Med/Surg Supplies	573	491	(82)	(16.70)	331	5,693	5,886	192	3.27	5,700
Drugs	288	243	(44)	(18.15)	452	2,653	2,919	266	9.12	3,203
Other Supplies	198	165	(33)	(20.12)	191	2,061	1,965	(96)	(4.89)	1,918
Utilities	120	132	12	9.11	146	1,562	1,559	(2)	(0.15)	1,421
Purchased Services	743	780	37	4.76	653	9,951	9,999	48	0.48	7,928
Insurance	165	113	(51)	(45.42)	135	1,292	1,358	65	4.82	1,219
Other Expenses	146	89	(57)	(64.58)	164	1,073	1,076	3	0.31	1,311
Bad Debts	657	578	(79)	(13.65)	394	6,782	6,810	28	0.41	5,962
Leases and Rentals	(66)	58	124	213.00	42	606	698	92	13.22	735
Depreciation	482	383	(99)	(25.78)	407	4,699	4,600	(99)	(2.15)	4,591
Interest	153	119	(35)	(29.27)	108	1,411	1,422	12	0.83	1,306
TOTAL OPERATING EXPENSES	7,957	7,726	(231)	(2.99)	7,528	92,367	93,581	1,214	1.30	89,262
OPERATIONS INCOME BEFORE RESTRUCTURE	2,904	219	2,686	(1,228.29)	7	(3,746)	(311)	(3,436)	(1,106.41)	(800)
RESTRUCTURE COSTS	-	-				1,460		(1,460)		
OPERATIONS INCOME	2,904	219	2,686	(1,228.29)	7	(5,206)	(311)	(4,896)	(1,576.57)	(800)
NON-OPERATING REVENUE AND EXPENSES:										
Interest Income/ Realized Gain on Sale of Stock	160	-	160	-	98	1,154	-	1,154	-	419
Realized Gain on Sale of Stock	-	-	-	-	-	-	-	-	-	-
Contributions	109	83	26	30.84	123	2,142	1,000	1,142	114.18	392
Other than Temporary Loss	267	-	267	-	-	267	-	267	-	-
NON-OPERATING REVENUE AND EXPENSES	536	83	453	543.02	221	3,563	1,000	2,563	256.29	831
EXCESS OF REV AND GAINS OVER EXPENSES	3,440	302	3,138	1,039.19	228	(1,643)	689	(2,333)	(338.37)	31
Loss on Impairment of Assets	-	-	-	-	-	-	-	-	-	-
Net Assets Released from Restrictions	146	-	146	-	621	1,646	-	1,646	-	1,041
Transfers to Parent Corp	(836)	(204)	(632)	-	(107)	(4,957)	(2,655)	(2,302)	-	(4,915)
Appr Value of Hoxsey and Lefferts	-	-	-	-	-	-	-	-	-	-
Unrealized Gain/Loss Investments	(545)	-	(545)	-	732	(93)	-	(93)	-	401
Minimum Pension Liab Adj	(6,244)	-	(6,244)	-	(3,183)	(6,244)	-	(6,244)	-	(3,183)
INC/DEC UNREST. NET ASSETS	$ (4,039)	$ 98	$ (4,137)	4,221.42	$ (1,709)	$ (11,291)	$ (1,966)	$ (9,326)	(474.46)	$ (6,625)

Supplemental Exhibit 9(h)

The Westerly Hospital
CONSOLIDATED BALANCE SHEET
As of July 31, 2012

RIDOHS0514

	Current 31-Jul-12	Prior Month	30-Sep-11	$ Change Cur-Prior	$ Change Cur-11
LIABILITIES AND NET ASSETS					
Current Liabilities					
Line of Credit	$ 4,042	$ 4,042	$ 4,967	$0	($925)
Current portion - long-term debt	2,592	2,592	3,452	0	(860)
Accounts payable/Accrued Exp/Other	21,036	19,225	14,730	1,810	6,306
Accrued Payroll	4,005	4,557	3,947	(552)	58
Third party payable	740	716	725	24	15
Total Current Liabilities	32,415	31,132	27,821	1,283	4,594
Long-term debt, net	8,174	8,204	12,374	(30)	(4,200)
Asset Retirement Obligation	1,426	1,426	1,413	0	13
Additional Pension Liability	26,311	26,311	26,311	0	0
TOTAL LIABILITIES	68,325	67,073	67,919	1,252	406
Net Assets					
Unrestricted	(12,571)	(11,267)	(2,077)	(1,305)	(10,494)
Temporarily restricted	2,854	2,846	2,393	7	460
Permanently restricted	9,010	8,950	8,702	61	308
Total Net Assets	(708)	529	9,018	(1,237)	(9,725)
TOTAL LIABILITIES AND NET ASSETS	$ 67,618	$ 67,602	$ 76,937	$ 15	(9,319)

Exhibit 10

WESTERLY: YOU KNOW THE WHAT, HERE'S THE WHY

On Wednesday morning everyone received a blast email informing the L+M community about our decision to seek – and, as of yesterday to obtain -- the Special Master's endorsement to become the so-called 'stalking horse' bidder for Westerly Hospital. It bears repeating that getting Mr. Mark Russo's nod is not the same thing as actually being the 'stalking horse' – that decision is reserved to Rhode Island Superior Court Judge Brian Stern who is expected to rule on the matter in two weeks or so. Moreover, being the official stalking horse doesn't assure that we will actually be successful in acquiring Westerly: we will still have to go through an open bid process and, later, if chosen by the Court as the "highest and best" overall bid, we would then need to submit to various regulatory reviews for another 6 months or more.

The salient features of our bid were outlined in the blast email, so I won't recount them here. However, I want to take a few moment to more fully explain the rationale – the "why" – behind the pursuit of Westerly Hospital. Reasonable people may wonder, "given Westerly's distressed condition and history of operating losses, isn't this a risky proposition?" Yes, there is some risk. But I believe the greater risk to L+M, its employees and physicians, would be NOT acquiring Westerly. Here's a brief recap of the logic behind my recommendation to our Board of Directors to purchase Westerly from the Court-appointed receiver:

1. Having an aggressive competitor acquire Westerly – especially well capitalized, for-profits like Steward or NS Healthcare Holdco – would threaten the non-profit, community-oriented mission of Westerly and of L+M, putting 'at risk' our efforts to improve the depth and breadth of services available to all residents of our region without regard to ability to pay or socioeconomic status. Typically, for-profit hospital operators will "cherry pick" and expand high margin services, not the most needed services, while they operate the facility and, later, to execute their exit strategy.

2. L+M will be able to reduce unnecessary duplication of effort and costs vis-à-vis Westerly Hospital while maintaining "appropriate duplication" and community access to essential services in Westerly.

3. Acquisition is the fastest way possible to add $90 million of top line growth to the L+M system.

4. While most Westerly area residents prefer – and will continue – to receive their care at Westerly Hospital, certain L+M specialty services may receive modest increases in referrals.

5. Creating sub-acute capacity at Westerly would be a "win-win" for Westerly and L+M, providing 2 potential 'bed management' adjuncts for L+M to decompress this campus:

Lawrence & Memorial Corporation
Confidential HSR

- More capacity to better accommodate our growing total joint program; and,
- An additional tool to lower our length of stay (by reducing the number of patients days awaiting placement)

6. Westerly Hospital has an excellent medical staff, strong publicly reported quality and patient satisfaction scores, and deep philanthropic capacity.

7. Properly managed, Westerly Hospital should produce positive financial results.

8. Reimbursement is evolving from fee-for-service/volume-based to bundled payment schemes, population health strategies, medical homes, and other forms of 'accountable care'. Acquiring Westerly Hospital would bring its 100 physicians – and its 'covered lives' – into the L+M orbit, allowing the combined L&M Corporation 'system' to be a more effective and competent performer in the new accountable care landscape.

In some respects, the final explanation is the most important in understanding "the why". Today's payments to hospitals and doctors are primarily based on fee-for-service methods. Incentives are tied to volume: do more tests, procedures, therapies, visits, or surgeries and the physician or hospital receives more revenue. By contrast, tomorrow's payment arrangements will be based instead on clinical and financial results; by taking on risk-based contracts; and through better managing the health of populations rather than individual episodes of illness. The changes are going to be sweeping and they are going to come within the next 3-5 years.

Wayne Gretsky was once asked by a sports writer what made him arguably the greatest hockey player of all time, especially since Gretsky wasn't known for being especially big, fast, or strong. Gretsky's response went something like this: "I try to skate not to where the puck is, but where I think it will be." Taking a cue from Mr Gretsky, I believe acquiring Westerly is an investment not only in its future but in ours. It's a decision based on where I believe healthcare delivery and financing are going to be a few years from now, not where it is today.

Until next time --

Rhode Island residents discharged from Connecticut Acute Care General Hospitals, FYs 2009-2011

Hospital	2009	2010	2011
William W. Backus, The	61	96	77
Bridgeport	10	<6	<6
Bristol		<6	<6
Hospital of Central Connecticut, The	<6	<6	<6
Connecticut Children's Medical Center	<6	<6	<6
Danbury	7	<6	<6
Day Kimball	72	48	67
Dempsey	8	<6	<6
Greenwich	<6	<6	<6
Griffin		<6	<6
Hartford	39	36	42
Johnson	<6		
Lawrence and Memorial Hospital	167	127	134
Manchester	<6	<6	<6
Middlesex	8	9	6
MidState	<6	<6	<6
Milford	<6	<6	<6
New Milford	<6		<6
Norwalk	<6	<6	8
Rockville	<6		<6
Saint Francis	12	20	27
Sharon	<6	<6	
St Mary's	<6	<6	<6
St Raphael	21	13	6
St Vincent's	14	<6	7
Stamford	<6	6	6
Waterbury	7	<6	<6
Windham	<6	<6	8
Yale	132	163	186
Total	591	570	619

Source

Connecticut Department of Public Health - Office of Health Care Division, inpatient discharge database FY 2009-2011

PLEASE TAKE NOTE

Entries that are less than six have been replaced with "<6" to ensure patient confidentiality

Supplemental Exhibit 10(a)

Supplemental Exhibit 10(a)

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Question 10

1. Westerly Hospital Overview — RIDOHC0068-RIDOHC0147
   a. Prepared on or about June 14, 2011
2. L+M Memo from Bruce Cummings to L+M Medical Staff — RIDOHC0148-RIDOHC0149
   a. Prepared on or about April 16, 2012
3. Strategic Rationale for Possible Acquisition by L+M of Westerly Hospital and Affiliates — RIDOHC0150-RIDOHC0161
   a. Prepared on or about April 27, 2012
4. Ferrucci Russo Presentation of Charles S. Kinney v. The Westerly Hospital Heatlhcare, Inc., C.A. No. WM2011-0781 — RIDOHC0162-RIDOHC0207
   a. Prepared on or about April 2012
5. Facility Analysis Stonington/North Stonington — RIDOHC0208-RIDOHC0238
   a. Prepared on or about November 28, 2011
6. E-mail string between Maureen Anderson and Nixon Peabody, LLP — RIDOHC0239-RIDOHC0242 (See Redaction Log, Item #4R)
   a. Prepared on or about November 7, 2011
7. Westerly Market Analysis prepared by Stroudwater Associates — RIDOHC0243-RIDOHC0292
   a. Prepared on or about November 7, 2011
8. Project Westerly, Summary of Key Findings for Electrical/ Mechanical/IT Systems — RIDOHC0293-RIDOHC0305
   a. No specific information available regarding the precise date of preparation; however, the estimated date of preparation is on or about July to August 2012
9. DiCesare Bently Westerly Hospital Site Report — RIDOHC0306-RIDOHC0317
   a. No specific information available regarding the precise date of preparation; however, the estimated date of preparation is on or about June to August 2012
10. Haley & Aldrich, Inc.Report on ASTM Phase 1 Environmental Site Assessment — RIDOHC0318-RIDOHC0547
    a. Prepared on or about July 31, 2012
11. Russell Phillips & Associates Report and Assessment — RIDOHC0548-RIDOHC0621
    a. Prepared on or about July 24, 2012
12. Moser Pilon Nelson, Architects, LLC Confidential Survey of all Westerly Hospital Properties — RIDOHC0622-RIDOHC0631
    a. Prepared on or about July 30, 2012
13. RT Cotter Proposal Letter — RIDOHC0632-RIDOHC0638
    a. Prepared on or about July 9, 2012

14. Project Westerly Accreditation Compliance to Physical Environment – Summary of Key Findings RIDOHC0639-RIDOHC0642
    a. Prepared on or about July 2012
15. RT Cotter The Westerly Hospital NIAHO Accreditation Requirements Physical Environment Status Report RIDOH0643-RIDOHC0674
    a. Prepared on or about July 2-3, 2012
16. Project Westerly Executive Summary Due Diligence Presentation to L + M Corporation Board of Directors RIDOHC0675-RIDOHC0707 (See Redaction Log, Item #1R)
    a. Prepared on or about August 1, 2012
17. Westerly Hospital Carrier Services prepared by Kehoe Allen Associates RIDOHC0708-RIDOHC0709
    a. No specific information available regarding the precise date of preparation; however, the estimated date of preparation is on or about August 2012
18. FY 2013 Budget Projections prepared by Kehoe Allen Associates RIDOHC0710-RIDOHC0715
    a. Prepared on or about July 2012

Exhibit 11

The Westerly Hospital
Charitable Assets
10/1/2009 thru 6/30/2012

Held in Trust:(Funds Held outside the Hospital, we are beneficiary)	Morgan Fund	Vose	Thorp	Hoxsey
10/1/2009 Balance	**7,047,753.87**	**52,326.89**	**7,669.33**	**182,493.97**
Earnings thru out year	629,161.89	3,186.70		3,458.83
Distribution for Free care	(368,500.99)			
9/30/2010 Balance	**7,308,414.77**	**55,513.59**	**7,669.33**	**185,952.80**
Earnings thru out year	166,152.76			(1,324.34)
Distribution for Free care	(3,847,849.49)			
9/30/2011 Balance	**3,626,718.04**	**55,513.59**	**7,669.33**	**184,628.46**
Earnings thru out year				502.10
Distribution for Free care	(198,902.03)			
6/30/2012 Balance	**3,427,816.01**	**55,513.59**	**7,669.33**	**185,130.56**

RIDOH 1089

SUPPLEMENTAL EXHIBIT 11

NIXON PEABODY LLP
ATTORNEYS AT LAW

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December 14, 2012

VIA E-MAIL AND HAND DELIVERY

Jodi N. Bourque, Esq.
Rhode Island Department of Attorney General
150 South Main Street
Providence, RI 02903

Re: Expedited Review Hospital Conversion Initial Application of the Westerly Entities and the L + M Entities

Dear Jodi:

Attached hereto please find Confidential Supplemental Exhibit 1 in response to Question One of your November 21, 2012 letter. Additionally, our response to Question One required a revised response to Question Four of the Expedited Review Hospital Conversion Initial Application, and as such, please see Supplemental Exhibit 4 attached hereto. We have also attached updated exhibit indices.

If you should have any questions concerning the foregoing, please do not hesitate to contact us.

Sincerely,

Stephen D. Zubiago

Enclosures

cc: Michael K. Dexter (w/enclosure)
Bruce D. Cummings, FACHE
Maureen Anderson, Esq.
Carolyn Gabbay, Esq.
Christopher Browning, Esq.
Kathryn Sylvia, Esq.
W. Mark Russo, Esq.
Patricia K. Rocha, Esq.

14253292.1

Index of Supplemental Exhibits

	Bates Numbers
Supplemental Exhibit 4	RIAGS0330-RIAGS0332
Supplemental Exhibit 11	RIAGS0001-RIAGS0295
Supplemental Exhibit 12	RIAGS0296-RIAGS0327
Supplemental Exhibit A-4(a)	RIAGS0328-RIAGS0329

Index of Supplemental Exhibits

	Bates Numbers
Supplemental Exhibit 4	RIAGS0330-RIAGS0332
Supplemental Exhibit 11	RIAGS0001-RIAGS0295
Supplemental Exhibit 12	RIAGS0296-RIAGS0327
Supplemental Exhibit A-4(a)	RIAGS0328-RIAGS0329

Exhibit 15

Execution Copy

ASSET PURCHASE AGREEMENT

AMONG

W. MARK RUSSO, ESQ., THE COURT-APPOINTED SPECIAL MASTER FOR WESTERLY HOSPITAL HEALTHCARE, INC.; THE WESTERLY HOSPITAL; ATLANTIC MEDICAL GROUP, INC.; OCEAN MYST, MSO, LLC; WOMEN'S HEALTH OF WESTERLY, LLC; AND NORTH STONINGTON HEALTH CENTER, INC.

Washington County Superior Court, WB2011-0178
(Stern, J)

AND

LMW Healthcare, Inc., a Rhode Island nonprofit Corporation, and

LMW Physicians, Inc., a Rhode Island nonprofit Corporation

[SUBJECT TO THE APPROVAL OF THE COURT]

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ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (as may be amended from time to time hereafter this "Agreement"), is made as of the __ day of June, 2012, by and among W. Mark Russo, Esq. solely in his capacity as the Court-appointed Special Master (the "Special Master") for Westerly Hospital Healthcare, Inc., The Westerly Hospital, Atlantic Medical Group, Inc., Ocean Myst, MSO, LLC, Women's Health of Westerly, LLC and North Stonington Health Center, Inc. (collectively, "The Westerly Hospital and the Related Entities") (The Westerly Hospital and the Related Entities are referenced herein individually as a "Seller" and collectively as the "Sellers"), and LMW Healthcare, Inc., a Rhode Island nonprofit Corporation, and LMW Physicians, Inc., a Rhode Island nonprofit Corporation (collectively the "Buyer").

On December 9, 2011, the Special Master was appointed by the Superior Court of Rhode Island (the "Mastership Court") to oversee the operations of The Westerly Hospital and the Related Entities. In accordance with the orders appointing the Special Master and subject to the Mastership Court's approval, the Special Master has been granted authority by the Mastership Court to negotiate for the sale of the assets of the Sellers.

WITNESSETH:

WHEREAS, the Special Master operates and holds all right, title and interest in the assets of The Westerly Hospital, currently licensed as a 125-bed general acute care hospital located in Westerly, Rhode Island (the "Hospital") and the Related Entities;

WHEREAS, Atlantic Medical Group, Inc. is a 30-plus, multi-specialty physician group practice with offices in Westerly and Charlestown, Rhode Island, and Stonington and Mystic, Connecticut;

WHEREAS, North Stonington Health Center, Inc. operated and/or operates urgent care, physical therapy, laboratory/radiology, and primary care practices in North Stonington, Connecticut;

WHEREAS, Women's Health of Westerly, LLC, operates an obstetric/gynecological practice in Westerly, Rhode Island;

WHEREAS, Ocean Myst, MSO, LLC, is an entity that provides billing and administrative services to the above-referenced practices;

WHEREAS, the facilities operated by The Westerly Hospital and the Related Entities are collectively referenced herein as the "Facilities";

WHEREAS, Lawrence & Memorial Corporation and its Affiliates consistently provides quality healthcare services to the residents of eastern Connecticut, western Rhode Island, and Fisher's Island (New York), as a non-profit community service organization for over 100 years and has reported consistent year-over-year improvements in its operating margin and further strengthening of its balance sheet so that in 2011, Buyer was among the top 10% of all

Connecticut hospitals for operational effectiveness and Buyer now desires to expand its care and operations to the Westerly, Rhode Island community;

WHEREAS, this Agreement provides for the sale by Sellers to Buyer of substantially all of the Seller's assets, real and personal, tangible and intangible, associated with owning, leasing, managing and operating the Facilities (collectively, the "Business"); and

WHEREAS, as of the date hereof, Buyer has placed in escrow pursuant to Section 1.11 with the Special Master, the sum of Five Hundred Thousand Dollars ($500,000.00) as a deposit hereunder (the "Deposit").

NOW, THEREFORE, for and in consideration of the foregoing promises and the agreements, covenants, representations and warranties hereinafter set forth and for other good and valuable consideration, the receipt and adequacy of all of which are acknowledged and agreed, the parties hereto agree as follows:

1. SALE OF ASSETS AND CERTAIN RELATED MATTERS.

1.1 Definitions

Unless otherwise indicated in this Agreement, the following terms shall have the following meanings:

"Accrued Payroll" shall mean that liability in an amount at the Effective Time not to exceed the amount as set forth in the Peg Balance Sheet.

"Affiliates" shall mean, as to the entity in question, any person or entity that, directly or indirectly, Controls, is Controlled by or is under common Control with the entity in question.

"Agents" shall have the meaning set forth in Section 13.8.

"Agreement" shall have the meaning set forth in the introduction.

"Aggregate Damage" shall have the meaning set forth in Section 1.10(a).

"ALTA" shall mean the American Land Title Association.

"Alternative Transaction" shall mean any one of the following transactions with or by a Third Party: (a) a merger, consolidation or similar transaction involving any Seller, or (b) a sale, lease or other disposition directly or indirectly by merger, consolidation, tender offer, share exchange or otherwise of assets of Sellers representing 5% or more of the consolidated assets of Sellers.

"Antitrust Filings" shall have the meaning set forth in Section 5.17(a).

"Antitrust Laws" shall have the meaning set forth in Section 5.17(a).

"Application" shall have the meaning set forth in Section 3.7.

"Asbestos Abatement Obligations" shall mean those liabilities set forth in the Peg Balance Sheet as Asset Retirement Obligations.

"Assets" shall have the meaning set forth in Section 1.2.

"Assignment and Assumption Agreement" shall have the meaning set forth in Section 1.4(b).

"Assignment and Undertaking Agreement" shall have the meaning set forth in Section 1.4(c).

"Assumed Contracts" shall have the meaning set forth in Section 1.2(h).

"Assumed Leases" shall mean, collectively, the Seller's Real Property Expenses Leases and the Sellers' Real Property Income Leases.

"Assumed Liabilities" shall have the meaning set forth in Section 1.4(a).

"Assumed AP Liability Cap" shall have the meaning set forth in Section 1.4(a).

"Assumed AP Liability Cap Increase" shall have the meaning set forth in Section 1.4(a).

"Bank Debt of Sellers" shall mean that liability to the Washington Trust Company not to exceed as of the Effective Time an aggregate amount together with the Bond Debt of the Sellers as set forth in the Peg Balance Sheet.

"Benefit Plans" shall mean all "employee benefit plans" as defined in Section 3(3) of ERISA, all specified fringe benefit plans as defined in Section 6039D of the Code, and all other pension, profit sharing, stock bonus, stock option, deferred compensation, or other retirement plans; welfare benefit plans, including group health and group insurance plans; cafeteria, flexible benefit or tuition assistance plans; executive compensation, bonus, or incentive plans; severance plans; salary continuation plans, programs, or arrangements; vacation, holiday, sick-leave, paid-time-off, or other employee compensation plans, procedures, programs, payroll practices, policies, agreements, commitments, contracts, or understandings; or any annuity contracts, custodial agreements, trusts, escrows or other funding arrangements related thereto, whether oral or written, qualified or nonqualified, funded or unfunded, and all employment agreements, programs, policies or other arrangements that are (i) currently, or have been within the past six (6) years, sponsored, maintained or contributed to by Sellers or any Affiliate of Sellers thereof; (ii) with respect to which any Seller or any Affiliate of Sellers thereof has any Liability to any current or former officer, employee or service provider, or the dependents of any thereof; or (iii) which could result in the imposition of Liability of any kind or nature whether accrued, absolute, contingent, direct, indirect, perfected or inchoate or otherwise, and whether or not now due or to become due, on Sellers or any Affiliate thereof.

"Bill of Sale" shall have the meaning set forth in Section 2.2(d).

"Bond Debt of Sellers" shall mean that liability to the Bondholders not to exceed as of the Effective Time an aggregate amount together with the Bank Debt of the Sellers as set forth in the Peg Balance Sheet.

"Break-Up Fee" shall have the meaning set forth in Section 6.1.

"Break-Up Fee Increase" shall have the meaning set forth in Section 6.1.

"Business" shall have the meaning set forth in the recitals.

"Business Day" shall mean any day of the year on which national banking institutions in Rhode Island are open to the public for conducting business and are not required or authorized to close.

"Buyer" shall have the meaning set forth in the introduction.

"Buyer Indemnified Parties" shall have the meaning set forth in Section 7.1(a).

"Capital Expenditure Commitment" shall have the meaning as set forth in Section 10.4.

"Cash" shall have the meaning set forth in Section 1.3.

"Cash Excess" shall have the meaning set forth in Section 1.3.

"Casualty Assets" shall have the meaning set forth in Section 1.10(b).

"Casualty Notice" shall have the meaning set forth in Section 1.10(a).

"CBA" shall have the meaning set forth in Section 8.1(d).

"Certificate of Need" shall mean a written statement issued by the Rhode Island Department of Health or other applicable state health agency evidencing community need for a new, converted, expanded or otherwise significantly modified health care facility, health service or hospice.

"Charles A. Morgan Trust" shall mean the Charles A Morgan Trust as recorded on the Financial Statements.

"Closing" shall have the meaning set forth in Section 2.1.

"Closing Date" shall have the meaning set forth in Section 2.1.

"Closing Deficiency" shall have the meaning set forth in Section 1.7(f).

"Closing Overage" shall have the meaning set forth in Section 1.7(f).

"CMS" shall mean Centers for Medicare and Medicaid Services.

"COBRA" shall mean the Consolidated Omnibus Budget Reconciliation Act of 1985, as set forth in Title 42 U.S.C., Section 300bb or, as applicable, Title I, Part 6, of ERISA.

"COBRA Coverage" shall have the meaning set forth in Section 10.6(c).

"Code" shall mean the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

"Commitment to Fund the Plan of Profitability" shall have the meaning as set forth in Section 10.5.

"Competing Agreement" shall have the meaning set forth in Section 6.3(b).

"Competing Bid" shall have the meaning set forth in Section 6.2.

"Confidential Information" shall have the meaning set forth in Section 13.8.

"Contracts" shall have the meaning set forth in Section 3.17(a).

"Control" means possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of any entity, whether through the ownership of voting securities, by contract or otherwise.

"Cost Reports" means all cost and other reports filed pursuant to the requirements of Government Reimbursement Programs for payment or reimbursement of amounts due from such programs for services provided.

"Damages" shall have the meaning set forth in Section 7.1(a).

"DEA Power of Attorney" shall have the meaning set forth in Section 2.2(i).

"Deadline for Qualified Bids" shall have the meaning set forth in Section 6.3(a).

"Deposit" shall have the meaning set forth in the recitals.

"DNV" shall have the meaning set forth in Section 3.8.

"DSH Payments" shall have the meaning set forth in Section 1.2(r).

"Effective Date" shall have the meaning set forth in Section 2.1.

"Effective Time" shall have the meaning set forth in Section 2.1.

"Employee" shall include individuals rendering personal services to Sellers with respect to the Business or the Facilities as employees, including individuals who are treated as "leased employees" under Code Section 414(n).

"Environmental Claim" means any written claim, action, cause of action, or notice by any person or entity alleging potential liability (including, without limitation, potential liability for

investigatory costs, cleanup costs, governmental response costs, natural resources damages, property damages, personal injuries, or penalties) arising out of, based on or resulting from (a) the currently unlawful presence, or currently unlawful release into the environment, of any Material of Environmental Concern at any location which is or has been owned or leased by the Sellers and is being sold to the Buyer or for which the Buyer is assuming a lease or operated by Sellers or (b) any violation, or alleged violation, of any Environmental Law.

"Environmental Laws" means the applicable federal, state (including specifically, but not by way of limitation, the State of Rhode Island), and local environmental, or health laws, regulations, ordinances, rules and common law in effect on the date hereof and the Closing Date governing the use, refinement, handling, treatment, removal, storage, production, manufacture, transportation or disposal, emissions, discharges, releases or threatened releases of Materials of Environmental Concern, or otherwise governing protection of the environment (including, without limitation, ambient air, surface water, ground water, land surface or subsurface strata), as the same may be amended or modified to the date hereof and the Closing Date, including, without limitation, the statutes listed below:

(a) Federal Resource Conservation and Recovery Act of 1976, 42 U.S.C. Section 6901, et seq.;

(b) Federal Comprehensive Environmental Response, Compensation, and Liability Act of 1980, 42 U.S.C. Section 9601, et seq.;

(c) Federal Clean Air Act, 42 U.S.C. Section 7401, et seq.;

(d) Federal Water Pollution Control Act, Federal Clean Water Act of 1977, 33 U.S.C. Section 1251, et seq.;

(e) Federal Insecticide, Fungicide, and Rodenticide Act, Federal Pesticide Act of 1978, 7 U.S.C. Section 136, et seq.;

(f) Federal Hazardous Materials Transportation Act, 48 U.S.C. Section 1801, et seq.;

(g) Federal Toxic Substances Control Act, 15 U.S.C. Section 2601, et seq.; and

(h) Federal Safe Drinking Water Act, 42 U.S.C. Section 300f, et seq.

"ERISA" shall mean, collectively, the Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations promulgated thereunder.

"Escrow Agreement" shall mean the escrow agreement between the Sellers, the Buyer and the Special Master, acting as escrow agent, dated as of the date hereof.

"Estimate of the Master" shall have the meaning set forth in Section 1.10(a).

"Excluded Assets" shall have the meaning set forth in Section 1.3.

"Excluded Contracts" shall have the meaning set forth in Section 1.5(d).

"Excluded Liabilities" shall have the meaning set forth in Section 1.5.

"Exemption Certificate" shall mean a written statement from the RIDOH or other applicable state health agency stating that a health care project is not subject to the Certificate of Need requirements under applicable state law.

"Existing TI Obligations" shall mean tenant improvement expenses (including all hard and soft construction costs, whether payable to the contractor or tenant) and tenant allowances which are the obligation of the landlord under any of Sellers' Real Property Income Leases.

"Facilities" (each individually a "Facility") shall have the meaning set forth in the recitals.

"Final Order" means an order of the Mastership Court (a) as to which the time to appeal shall have expired and as to which no appeal shall then be pending, or (b) if an appeal shall have been filed or sought, either (i) no stay of the order shall be in effect or (ii) if such a stay shall have been granted by the Mastership Court, then (A) the stay shall have been dissolved or (B) a final order of the court having jurisdiction to hear such appeal shall have affirmed the order and the time allowed to appeal from such affirmance or to seek review or rehearing thereof shall have expired and the taking or granting of any further hearing, appeal or petition for certiorari shall not be permissible, and if a timely appeal of such district court order or timely motion to seek review or rehearing of such order shall have been made, any court of appeals having jurisdiction to hear such appeal or motion (or any subsequent appeal or motion to seek review or rehearing) shall have affirmed the district court's (or lower appellate court's) order upholding the order of the Mastership Court and the time allowed to appeal from such affirmance or to seek review or rehearing thereof shall have expired and the taking or granting of any further hearing, appeal or petition for certiorari shall not be permissible; provided, however, that Buyer in its sole discretion may treat as not being a Final Order, any order for which an appeal, motion to seek review, motion to seek rehearing, or any similar motion is pending notwithstanding that such order is not then subject to stay.

"Final Purchase Price" shall have the meaning set forth in Section 1.7(f).

"Financial Statements" shall have the meaning set forth in Section 3.4.

"FTC" shall mean the Federal Trade Commission.

"FTC Red Flag Rules" shall mean the regulations set forth in 16 CFR Part 681.

"GAAP" shall mean accounting principles generally accepted in the United States.

"Governmental Authority" shall mean any government or any agency, bureau, board, commission, court, department, official, political subdivision, tribunal or other instrumentality of any government, whether federal, state or local, domestic or foreign.

"Government Patient Receivables" shall have the meaning set forth in Section 1.2(l).

"Government Reimbursement Programs" shall mean Medicare, Medicaid and CHAMPUS/TRICARE and any other federal or state healthcare programs.

"Guarantor" shall mean Lawrence & Memorial Corporation.

"Guaranty" shall mean the guaranty of Buyer's obligations by Guarantor.

"Hazardous Substances" means any (i) any Medical Waste or (ii) toxic or hazardous waste, pollutants or substances, including without limitation asbestos, PCBs, petroleum products and byproducts, substances defined or listed as "hazardous substance," "toxic substance," "toxic pollutant," or similarly identified substance or mixture, in or pursuant to any Environmental Law.

"HCA" shall have the meaning set forth in Section 10.6(d).

"Health Care Laws" shall mean Title XVIII of the Social Security Act, 42 U.S.C. §§ 1395-1395hhh (the Medicare statute), including specifically, the Ethics in Patient Referrals Act, as amended (the "Stark Law"), 42 U.S.C. § 1395nn; Title XIX of the Social Security Act, 42 U.S.C. §§ 1396-1396v (the Medicaid statute); the Federal Health Care Program Anti-Kickback Statute, 42 U.S.C. § 1320a-7b(b); the False Claims Act, 31 U.S.C. §§ 3729-3733 (as amended); the Program Fraud Civil Remedies Act, 31 U.S.C. §§ 3801-3812; the Anti-Kickback Act of 1986, 41 U.S.C. §§ 51-58; the Civil Monetary Penalties Law, 42 U.S.C. §§ 1320a-7a and 1320a-7b; the Exclusion Laws, 42 U.S.C. § 1320a-7; HIPAA and all applicable implementing regulations, rules, ordinances, judgments, and orders; and any similar state and local statutes, regulations, rules, ordinances, judgments, and orders, and any corresponding Rhode Island state statutes and applicable implementing regulations that address the subject matter of the foregoing, including, without limitation, R.I. General Law, §§ 40-8.2-3, 5-48.1-3, 5-37-21, 5-30-16, 23-17-46, 9-1.1-3, 40-8.2-3(a) and Department of Health Rule and Regulation K23-17-HOSP.

"Healthcare Providers" means physicians or other healthcare providers that provide healthcare services reimbursable by federal or private healthcare plans, or entities in which physicians or other healthcare providers are equity owners.

"HIPAA" means the Health Insurance Portability and Accountability Act of 1996 and its implementing regulations as amended by the Health Information Technology for Economic and Clinical Health Act.

"Hill-Burton Act" shall mean The Hospital Survey and Construction Act, 42 U.S.C. Section 291(i).

"Hospital" shall have the meaning set forth in the recitals.

"HHS" shall mean the United States Department of Health and Human Services.

"Hospital Board" shall have the meaning as set forth in Section 10.3.

"HSR" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"Information Privacy or Security Laws" means HIPAA and regulations as set forth in Section 3.9(b) and any other laws concerning the privacy and/or security of Personal Information, including but not limited to state data breach notification laws, state health information privacy and security laws, the FTC Act, the FTC Red Flag Rules and state consumer protection laws.

"Initial Overbid" shall have the meaning set forth in Section 6.3(a).

"Intercompany Obligations" means all intercompany loans, advances, payables and receivables between any Seller or Affiliate of a Seller which were made or arose out of transactions occurring prior to the Closing.

"Interim Advisory Agreement" shall have the meaning as set forth in Section 10.8.

"Interim Operations" shall mean the business operations of The Westerly Hospital and Related Entities from the date of the entry of the Sale Order through the Closing Date.

"IRS" shall mean the Internal Revenue Service.

"Inventories" shall have the meaning set forth in Section 1.2(c)(iii).

"Justice Department" shall mean the United States Department of Justice.

"Knowledge" shall mean (a) all matters with respect to which any of the Sellers has received written notice or (b) the actual knowledge of each of the Special Master, Chief Executive Officer, Chief Financial Officer and Chief Operating Officer of each of the Sellers. In all events, the knowledge of such persons shall be after reasonable inquiry, which inquiry includes making reasonable inquiries of those persons responsible for those aspects of the Business or the business of the party covered in a particular representation or warranty.

"Legal Proceeding" means any judicial, administrative or arbitral actions, suits, alternative dispute resolution, proceedings (public or private) or claims or any proceedings by or before a Governmental Authority.

"Liability" means any debt, loss, damage, adverse claim, fine, penalty, liability or obligation (whether known or unknown, direct or indirect, asserted or unasserted, matured or unmatured, determined or determinable, absolute or contingent accrued or unaccrued, liquidated or unliquidated, due or to become due and regardless of when asserted and whether in contract, tort, strict liability or otherwise) and including all costs and expenses relating thereto including all fees, disbursements and expenses of legal counsel, experts, engineers and consultants and cost of investigation.

"Lien" means any lien, encumbrance, pledge, mortgage, deed of trust, security interest, claim, lease, charge, option, right of first refusal, put, call, easement, servitude, proxy, covenant, hypothecation, voting trust, or agreement and transfer restriction under any agreement, against or with respect to tangible or intangible property or rights, whether imposed by agreement, understanding, law, equity or otherwise.

"Mastership" shall mean the estate administered in the Mastership Case.

"Mastership Case" shall mean *Charles S. Kinney, Chief Executive Officer and Trustee v. Westerly Hospital Healthcare, Inc. The Westerly Hospital; Atlantic Medical Group, Inc., Ocean Myst, MSO LLC, Women's Health of Westerly, LLC and North Stonington Health Center, Inc., C.A.* WB2011-0781.

"Mastership Court" shall have the meaning set forth in the introduction.

"Material Adverse Effect" shall mean an event, occurrence, condition, change or effect or a series of events, occurrences, conditions, changes or effects that, individually or in the aggregate, is or may be reasonably expected to be materially adverse to the business, financial condition, operations, prospects or properties of the Person or Business which has suffered such event, occurrence, condition, change or effect, including without limitation, the (x) relocation, retirement, departure or practice pattern change by a material number of physicians comprising the current physician workforce of The Westerly Hospital and Related Entities (including members of the medical staff as well as employed physicians), (y) the loss, revocation, limitation or restriction of: (a) any licenses or permits required by any Governmental Authority to operate any of the Facilities as currently operated, or (b) the participation of any of the Facilities in any Government Reimbursement Programs, which such Facility currently participates in, or (z) monthly operating losses of the Sellers as determined by Buyer in its sole discretion in an amount exceeding an aggregate Two Million Dollars ($2,000,000.00) in any trailing three month period prior to the Effective Time; provided, however, that Material Adverse Effect shall exclude any changes or conditions as and to the extent such changes or conditions relate to or result from general economic conditions in the United States of America and such other conditions that affect the healthcare industry generally.

"Material Consents" shall have the meaning set forth in Section 8.6.

"Material Contracts" shall have the meaning set forth in Section 8.1(c).

"Material Loss" shall have the meaning set forth in Section 1.10(b).

"Materials of Environmental Concern" shall mean chemicals, pollutants, contaminants, wastes, toxic substances, petroleum and petroleum products, including Hazardous Substances.

"Medical Waste" includes, but is not limited to, (a) pathological waste, (b) blood, (c) sharps, (d) wastes from surgery or autopsy, (e) dialysis waste, including contaminated disposable equipment and supplies, (f) cultures and stocks of infectious agents and associated biological agents, (g) contaminated animals, (h) isolation wastes, (i) equipment contaminated with Medical Waste which cannot be decontaminated in the Ordinary Course of Business, (j) laboratory waste and (k) various other biological waste and discarded materials contaminated with or exposed to blood, excretion, or secretions from human beings or animals. "Medical Waste" also includes any substance, pollutant, material or contaminant listed or regulated as "Medical Waste," "Infectious Waste," or other similar terms by federal, state, regional, county, municipal or other local laws, regulations and ordinances insofar as they regulate Medical Waste or impose requirements relating to Medical Waste and includes "Regulated Waste" governed by the Occupational Safety and Health Act, 29 U.S.C. Section 651 *et seq.*

"Non-Mastership Estate Related Entities" shall mean Westerly Hospital Energy Company LLC, a Rhode Island limited liability company; The Westerly Hospital Auxiliary Inc. a Rhode Island corporation; The Westerly Hospital Foundation, a Rhode Island foundation; Eldereval, LLC, a Connecticut limited liability company; and Mastuxet Realty Inc., a Rhode Island corporation.

"North Stonington Bankruptcy Case" shall mean that certain Chapter 11 bankruptcy case entitled *In re North Stonington Health Center, Inc.*, Case No. 1:12-bk-11508 pending in the United States Bankruptcy Court for the District of Rhode Island.

"North Stonington Health Center Lease" shall mean that certain Indenture of Lease by and between North Stonington Properties, LLC and TWH Community Health Center entered into on October 5, 2009.

"Original Schedules" shall have the meaning set forth in Section 13.1.

"Ordinary Course of Business" shall mean the ordinary and usual course of normal day-to-day operations of the Business through the date hereof consistent with past practice, subject, however, in respect of the period after the commencement of the Mastership Case, those actions necessary and incident to the Mastership Case.

"Other Intellectual Property" shall have the meaning set forth in Section 3.26(b).

"Outside Closing Date" shall have the meaning set forth in Section 2.1.

"Over Bidder's Deposit" shall have the meaning set forth in Section 6.3(b).

"Owned Intellectual Property" shall have the meaning set forth in Section 3.26(a).

"PCBs" shall mean polychlorinated biphenyls.

"Peg Balance Sheet" shall mean the Consolidating Balance Sheet (of The Westerly Hospital and the Related Entities) dated February 29, 2012.

"Peg Balance Sheet Date" shall mean February 29, 2012.

"Peg Cash Amount" shall have the meaning set forth in Section 1.3.

"Pension Plan" shall have the meaning set forth in Section 5.12.

"Personal Information" means any information with respect to which there is a reasonable basis to believe that the information can be used to identify an individual, including without limitation "individually identifiable health information" as defined in 45 C.F.R. 160.103, demographic information, and social security numbers.

"Person" shall mean any natural person, corporation, general partnership, limited partnership, limited liability company, union, association, court, agency, government, tribunal, instrumentality, commission, arbitrator, board, bureau, trust, or other entity or authority.

"Plan of Profitability" shall have the meaning as set forth in Section 10.5.

"Post-Closing Statement" shall have the meaning set forth in Section 1.7(c).

"Post-Closing Tax Period" shall have the meaning set forth in Section 1.8(b).

"Pre-Closing Balance Sheet" shall have the meaning set forth in Section 1.7(b).

"Pre-Closing Tax Period" shall have the meaning set forth in Section 1.8(b).

"Prepaid Expenses" shall have the meaning set forth in Section 1.2(j).

"Providing Party" shall have the meaning set forth in Section 13.8.

"Purchase Price" shall have the meaning set forth in Section 1.6.

"Purchased Accounts Receivable" shall have the meaning set forth in Section 1.2 (l).

"Qualified Bid" shall have the meaning set forth in Section 6.3 (b).

"RAC" means Recovery Audit Contractors.

"Real Property" shall mean, collectively, the Sellers' Owned Real Property and the Sellers' Leased Real Property.

"Real Property Permitted Encumbrances" shall have the meaning set forth in Section 3.10.

"Receivables" shall have the meaning set forth in Section 1.2(k).

"Receiving Party" shall have the meaning set forth in Section 13.8.

"Regulatory Approvals and Governmental Consents" shall have the meaning set forth in Section 8.1(f).

"Reviewing Accountants" shall mean the office of an internationally recognized firm of independent public accountants acceptable to both Buyer and Special Master on behalf of Sellers.

"RIAG" shall mean the Department of the Attorney General of the State of Rhode Island.

"RIDOH" shall mean the Rhode Island Department of Health.

"Sale Hearing" shall have the meaning set forth in Section 6.3(c).

"Sale Order" means an order of the Mastership Court with such terms as may be ordered by the Mastership Court and as agreed to between Buyer and Sellers, such agreement in the case of ministerial or other immaterial changes not to be unreasonably withheld or delayed, provided that notwithstanding the foregoing nothing in the Sale Order, unless otherwise agreed by the

Buyer and Sellers, shall alter or amend this Agreement (for the avoidance of doubt, including all exhibits and schedules thereto) or the underlying commercial understanding reflected herein (and therein), that, among other things, finds and provides that (i) this Agreement is the winning bid; (ii) the Assets, including without limitation, the Facilities sold to the Buyer pursuant to this Agreement shall be transferred to Buyer free and clear of all Liens (other than Liens created or assumed by the Buyer) and all liabilities, causes of action, obligations, demands, guaranties, rights, restrictions, remedies, claims and matters of any kind or nature whatsoever, whether at law or in equity, including without limitation, free and clear of any rights or claims based on theories of transferee or successor liability under any applicable law, statute, rule, regulation, common law or equitable principle including, without limitation, ERISA and the Code of any Governmental Authority including, without limitation, the Pension Benefit Guaranty Corporation, the IRS, state and local taxing authority, Government Reimbursement Programs and any Governmental Authority, whether arising before or after the commencement of the Mastership Case and whether imposed by agreement, understanding, law, equity, regulation custom or otherwise, including, without limitation, the Benefit Plans, save and excepting only those Liabilities expressly assumed by the Buyer in writing under this Agreement; (iii) this Agreement was negotiated, proposed and entered into by the parties without collusion, in good faith and from arm's length bargaining positions; (iv) the Mastership Court shall retain jurisdiction to resolve any controversy or claim arising out of or relating to this Agreement, or the breach hereof, as provided in Section 13.4 hereof, and over any claims against the Buyer that are not Assumed Liabilities hereunder; (v) this Agreement and the transactions contemplated hereby may be specifically enforced against and binding upon each Seller; (vi) the Assumed Contracts and Assumed Leases have been properly assumed and assigned to the Buyer, with only such exceptions as the Buyer may agree in writing.

"Sales Procedures Order" shall have the meaning set forth in Section 6.3.

"Seller Indemnified Parties" shall have the meaning set forth in Section 7.2(a) and, with respect to indemnification arising pursuant to Section 7.2(a).

"Seller Indemnifying Parties" shall have the meaning set forth in Section 7.2(a).

"Sellers" shall have the meaning set forth in the introduction.

"Sellers' Indemnification Escrow" shall have the meaning set forth in Section 1.6.

"Sellers' Indemnification Escrow Agreement" shall have the meaning set forth in Section 1.6.

"Sellers' Intellectual Property" shall have the meaning set forth in Section 1.2(m).

"Sellers' Leased Real Property" shall have the meaning set forth in Section 1.2(b).

"Sellers' Owned Real Property" shall have the meaning set forth in Section 1.2(a).

"Sellers' Real Property Expense Leases" shall have the meaning set forth in Section 1.2(b).

"Sellers' Real Property Income Leases" shall have the meaning set forth in Section 1.2(g).

"Sellers' Transaction Expense" shall mean the fees due and owing to Thomas Reardon and Barbara Groux by and through Transition Hospital Company, LLC as approved by the Mastership Court.

"Special Master" shall have the meaning set forth in the introduction.

"Survey" shall have the meaning set forth in Section 5.3.

"Survey Costs" shall have the meaning set forth in Section 5.3.

"Survival Period" shall have the meaning set forth in Section 13.17.

"Tail Insurance" shall have the meaning set forth in Section 5.13.

"Taxes" or "Tax" shall mean all taxes, fees, levies or other assessments, however denominated, including any interest, penalties or other additions to taxes that may become payable in respect thereof, imposed by any federal, territorial, state, local or foreign government or any agency or political subdivision of any such government, which taxes shall include, without limiting the generality of the foregoing, all income or profits taxes (including, but not limited to, federal income taxes and state income taxes), unrelated business income taxes, payroll and employee withholding taxes, unemployment insurance, social security taxes, sales and use taxes, ad valorem taxes, excise taxes, taxes under Code Section 4958, franchise taxes, gross receipts taxes, business license taxes, occupation taxes, property taxes, stamp taxes, environmental taxes, transfer taxes, workers' compensation, alternative or add-on minimum estimated or other taxes, levies or assessments for unclaimed property under applicable escheat or unclaimed property laws and other obligations having the same nature or a nature similar to any of the foregoing.

"Tax Return" or "Tax Returns" shall mean any report, return, declaration, claim for refund, or information return or statement relating to Taxes, including any schedule or attachment thereto and including any amendment thereof.

"The Westerly Hospital and the Related Entities" shall have the meaning set forth in the introduction.

"Third Party" means any Person or group other than Buyer and its Affiliates.

"Third-Party Payor Liabilities of Sellers" shall mean those liabilities as set forth in the Peg Balance Sheet.

"Title Company" shall have the meaning set forth in Section 5.3.

"Title Insurance Commitments" shall have the meaning set forth in Section 5.3.

"Title Objections" shall have the meaning set forth in Section 5.3.

"Title Policy Costs" shall have the meaning set forth in Section 5.3.

"Trade Accounts Payable of Sellers" shall mean those liabilities as set forth in the Peg Balance Sheet.

"Transferred Employees" shall have the meaning set forth in Section 10.6(c).

"UNAP" shall have the meaning set forth in Section 10.6(a).

"WARN Act" shall mean, as applicable, the Worker Adjustment and Retraining Notification Act or any state or local law that governs workplace closings and/or mass layoffs.

1.1.2 Other Definitional and Interpretive Matters.

(a) Unless otherwise expressly provided, for purposes of this Agreement, the following rules of interpretation shall apply:

Calculation of Time Periods. When calculating the period of time before which, within which or following which any act is to be done or step taken pursuant to this Agreement, the date that is the reference date in calculating such period shall be excluded. If the last day of such period is a non-Business Day, the period in question shall end on the next succeeding Business Day.

Dollars. Any reference in this Agreement to $ shall mean U.S. Dollars.

Exhibits/Schedules. All Exhibits and Schedules annexed hereto or referred to herein are hereby incorporated in and made a part of this Agreement as if set forth in full herein. Any matter or item disclosed on one Schedule shall be deemed to have been disclosed on each other Schedule to the extent it is reasonably apparent that it is pertinent to the subject matter of such other Schedule. Any capitalized terms used in any Schedule or Exhibit but not otherwise defined therein shall be defined as set forth in this Agreement.

Herein. The words such as "herein," "hereinafter," "hereof," and "hereunder" refer to this Agreement as a whole and not merely to a subdivision in which such words appear unless the context otherwise requires.

Including. The word "including" or any variation thereof means "including, without limitation" and shall not be construed to limit any general statement that it follows to the specific or similar items or matters immediately following it.

Made available to Buyer. The phrase "made available to Buyer" shall mean made available to Buyer through posting in Sellers' electronic data room, via email, facsimile or other electronic transfer or through other written means for all purposes of this Agreement.

Survival of Certain Covenants. Any covenant which by its terms is to be performed after the Closing shall survive the Closing, notwithstanding the fact that the provision does not explicitly provide that the covenant shall survive the Closing.

(b) The parties hereto have been advised by experienced counsel, and have participated jointly, in the negotiation and drafting of this Agreement and, in the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as jointly drafted in its entirety by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provision of this Agreement.

1.2 Sale of Assets

Subject to and in accordance with the terms and conditions of this Agreement, at the Closing, each Seller shall sell, transfer, convey, assign and deliver to the Buyer all of such Seller's respective right, title and interest, if any, in, to and under all of the assets, properties and business of every kind and description that are used in or related to the operation of the Facilities owned by such Seller, except the Excluded Assets (collectively, the "Assets"). Pursuant to the Sale Order, the Assets shall be sold and conveyed to the buyer free and clear of all Liens, and Liabilities (other than Assumed Liabilities), including all claims that Buyer is a successor, transferee or continuation of Sellers or the Business. The Assets include, without limitation, the following:

(a) the real property owned by each Seller, as more specifically described in Schedule 1.2(a), together with all buildings, structures, improvements, parking structures and fixtures located thereupon, all easements, rights of way, and other appurtenances thereto (including appurtenant rights in and to public streets), all architectural plans or design specifications relating to the development thereof and all construction in progress (collectively, the "Sellers' Owned Real Property"), such Schedule 1.2(a) to include a description for each such parcel of Sellers' Owned Real Property consistent with the vesting deed for such Seller's Owned Real Property into such Seller;

(b) the real property leasehold or sub-leasehold estate in favor of a Seller, as tenant, and held or used in or ancillary to the operation of the Business described on Schedule 1.2(b) (collectively, the "Sellers' Leased Real Property"; the leases under which any Seller holds a leasehold or sub-leasehold estate in the Sellers' Leased Real Property are collectively referred to herein as the "Sellers' Real Property Expense Leases");

(c) (i) all tangible personal property used in the operation of the Business, including, without limitation, all major, minor or other equipment, computers, computer printers, fax machines, furniture, fixtures, machinery, office furnishings and instruments, the current list of which, and their location, is set forth on Schedule 1.2(c)(i) hereto, (ii) all vehicles identified on Schedule 1.2(c)(ii), and (iii) all inventories of supplies, drugs, food, janitorial and office supplies and other disposables and consumables existing on the Closing Date and located at any Facility, or owned or purchased by a Seller for use in connection with the Business (the "Inventories");

(d) to the extent assignable or transferable, all licenses, Certificates of Need, Exemption Certificates, franchises, provider agreements, accreditations and registrations and other licenses or permits issued or pending in connection with the Business, including without limitation those described in Schedule 1.2(d);

(e) all claims, causes of action, guarantees, refunds, rights of recovery, rights of set-off, and judgments in favor of a Seller relating to the physical condition or repair of its assets, all insurance proceeds due to Buyer under Section 1.10(c) and, to the extent assignable, all warranties (express or implied) and rights and claims assertable by (but not against) a Seller related to its assets;

(f) to the extent assignable or transferable, all financial, patient, medical staff, personnel and other records relating to the Business or the Assets, including, without limitation, all accounts receivable records, equipment records, medical and administrative libraries, medical records, patient billing records, documents, construction plans and specifications, catalogs, books, records, files, operating manuals and current personnel records, including any electronic data of such records and information stored in any computer, computer server or computer equipment relating to or used in connection with the Business;

(g) all lease agreements pursuant to which any Seller, as landlord, has leased to a third party, as tenant, all or some portion of the Sellers' Owned Real Property or the Sellers' Leased Real Property, as set forth on Schedule 1.2(g) (collectively, the "Sellers' Real Property Income Leases");

(h) those contracts (excluding any Assumed Leases), commitments and agreements, operating leases and capitalized leases (including, without limitation, any design, engineering and construction contracts for planned, pending or ongoing construction projects) set forth on the list prepared in accordance with Section 1.2(b) (collectively, the "Assumed Contracts");

(i) all goodwill associated with the operation of the Business and the Assets;

(j) any deposits, other current assets, other assets, escrows, prepaid taxes or other advance payments relating to any expenses of the Business, except advance payments relating to insurance of the Business, as set forth on Schedule 1.2(j) (collectively, the "Prepaid Expenses");

(k) Other than the Government Patient Receivables, all notes, accounts receivable and other rights to receive payment for goods and services provided each Seller in connection with the Business, billed and unbilled, recorded or unrecorded, including, without limitation, any such accounts receivable that have been charged off as bad debt, and all other notes receivable from patients and notes receivable from physician as more specifically described in Schedule 1.2(k) (collectively, the "Receivables");

(l) Except as excluded in Schedule 1.2(l), the right to receive collections related to all accounts receivable arising from the rendering of services and provision of medicine, drugs and supplies to patients by any Seller through the Closing and relating to Government Reimbursement Programs billed and unbilled, recorded or unrecorded, accrued and existing and other claims of each Seller for the provision of goods or services to patients due from beneficiaries or governmental third party payors which by law may not be assigned (collectively, the "Government Patient Receivables"); provided that, notwithstanding anything herein to the contrary, as of the Effective Time, the Receivables and the Government Patient

Receivables shall be equal to at least $8,900,944 in the aggregate net realizable value as of the Closing Date (collectively the Receivables and Government Patient Receivables are referred to as the "Purchased Accounts Receivable"). In the event Purchased Accounts Receivable are less than $8,900,944 in aggregate net realizable value as of the Closing Date, then the Assumed Liability Cap shall be concomitantly decreased by one dollar for every dollar decrease in Purchased Accounts Receivable.

(m) the intellectual property rights of each Seller, including any such intellectual property that is licensed or leased by or to each Seller (the "Sellers' Intellectual Property"), including without limitation:

(i) the business and trade name(s) Westerly Hospital Healthcare, Inc., The Westerly Hospital, Atlantic Medical Group, Inc., Ocean Myst, MSO, LLC, Women's Health of Westerly, LLC and North Stonington Health Center, Inc. Westerly Hospital Healthcare, Inc., The Westerly Hospital, Atlantic Medical Group, Inc., Ocean Myst, MSO, LLC, Women's Health of Westerly, LLC and North Stonington Health Center, Inc., together with all variations thereof, and the goodwill associated therewith;

(ii) all patents, trademarks, including the goodwill associated therewith, copyrights, trade names, service marks, trade secrets, know-how, licenses, domain names, websites, and email addresses, including without limitation those listed in Schedule 3.26(a) hereto, whether registered or unregistered, and whether arising under the laws of the United States or any other jurisdiction anywhere in the world, including all registrations and applications for registration with respect thereto;

(iii) advertising materials, including all brochures, handouts and promotional materials, telephone exchange numbers that relate to the Business;

(iv) all rights in software and computer programs, including without limitation those listed in Schedule 3.26(a) hereto;

(v) all claims and causes of action against third parties, including rights to sue and recover damages for infringement, including without limitation past infringement;

(n) all nondisclosure or confidentiality, non-compete, or non-solicitation agreements with employees and agents of each Seller or with third parties to the extent relating to the Business or the Assets (or any portion thereof);

(o) to the extent transferable, all warranties, representations and guarantees made by suppliers, manufacturers and contractors to the extent affecting any other Assets, other than any warranties, representations and guarantees pertaining to any Excluded Assets;

(p) any right to receive or expectancy of the Sellers in any charitable gift, grant, bequest or legacy (including any income or remainder interest in or under any trust or estate) (i) listed on Schedule 1.2(p) or (ii) received or arising after the date hereof that is specifically designated by the terms of such gift, grant, bequest or legacy to be applied or used solely in respect of the Business and not the Excluded Assets;

(q) the equity securities or membership interests, corporate record books, minute books and Tax records of each Seller;

(r) any and all rights of Sellers, to the extent assignable or transferable, to receive disproportionate share or similar stabilization payments from any Government Agency ("DSH Payments") received on and after the Effective Time regardless of the State fiscal year for which the DSH Payments are made in reference to and regardless of the State fiscal year for which the data was derived to calculate eligibility for such payments;

(s) except as expressly excluded in Section 1.3 below, all other property owned by each Seller, whether tangible or intangible, located at any Facility or used in connection with the Business, whether or not reflected on the Financial Statements and any claims, against third parties by such Seller relating to the Assets, whether known or unknown, contingent or otherwise.

The foregoing, together with the Excluded Assets, comprise substantially all of the property and assets used in the conduct and operation of the Business as of the date of this Agreement, including without limitation those assets reflected on the Peg Balance Sheet. Unless otherwise specified herein, the "Assets" also include the assets acquired by each Seller for use in connection with the Business between the Peg Balance Sheet Date and the Closing Date.

1.3 Excluded Assets

The following items which are related to the Business are not intended by the parties to be a part of the purchase and sale of assets hereunder and are excluded from the Assets (collectively, the "Excluded Assets"): (a) each Seller's cash, cash equivalents and short term investment ("Cash") as of the Closing Date estimated in the Peg Balance Sheet to be in the amount of Five Million Eight Hundred Ninety-Six Thousand Nine Hundred and Eighty-Seven Dollars ($5,896,987.00) ("Peg Cash Amount"), provided, subject to the provisions of Section 1.4(a) and Section 1.6(ix), any Cash in excess of the Peg Cash Amount at the Effective Time ("Cash Excess") shall remain with the Special Master; (b) all trust funds not related to the Business; (c) all supplies, drugs, food and other disposables used in the Ordinary Course of Business, prior to the Closing; (d) rights of each Seller arising pursuant to this Agreement; (e) all contracts to which any Seller is a party which is not an Assumed Contract or Assumed Lease, including but not limited to the Contracts set forth on the excluded contract list delivered to the Special Master by Buyer pursuant to Section 13.1(b); (f) any other assets set forth on Schedule 1.3(f); (g) any and all claims, demands, causes-of-action of a Seller and/or the Special Master, or the Mastership Estate has or may have against any stockholder, officer, director, employee, agent, representative, attorney, accountant, or other insider of The Westerly Hospital and Related Entities, including but not limited to, any and all claims against any such party for breach of fiduciary duties and any and all claims of any kind or nature against any entities or individuals relative to preferential transfers, fraudulent conveyances, or breaches of duty to The Westerly Hospital and the Related Entities and/or its creditors and proceeds of any of the foregoing excluded assets.

1.4 Assets Free and Clear; Assignment and Assumption Agreement; Assignment and Undertaking Agreement

(a) Notwithstanding any other provision hereof to the contrary, the Assets shall be sold and transferred to Buyer free and clear of all Liabilities and Liens except (i) Real Property Permitted Encumbrances, (ii) the classes of Liabilities set forth on Schedule 1.4(a) in the amounts set forth on the Peg Balance Sheet, and the Liabilities set forth in Section 1.4(b) below (collectively, the "Assumed Liabilities"); provided that the Trade Accounts Payable of Sellers shall not exceed $19,131,610 as of the Closing Date (the "Assumed AP Liability Cap") and that if and to the extent such Trade Accounts Payable of Sellers exceeds the Assumed AP Liability Cap then such excess Trade Accounts Payable of Sellers shall be an Excluded Liability; provided further that if the aggregate net realizable value at the Closing Date of Purchased Accounts Receivable exceeds $8,900,944 for every dollar of such excess the Assumed AP Liability Cap shall be increased by a dollar, however, Buyer shall have the right to use the proceeds from such an increase in such Purchased Accounts Receivable to satisfy Liabilities set forth in Section 1.4(b) (the "Assumed AP Liability Cap Increase") and any Cash Excess shall be used first to fund the Sellers' Indemnification Escrow as provided in Section 1.6(ix) and next to satisfy any remaining Liabilities set forth in Section 1.4(b) not otherwise assumed or paid by Buyer as part of the Assumed Liabilities. Subject to the foregoing waterfall provisions, if Assumed AP Liability is less than the Assumed Liability Cap, then every dollar of such Assumed AP Liability less than the assumed AP Liability Cap shall be added to the Cash retained by the Special Master.

(b) Buyer shall expressly assume the Assumed Contracts and the Assumed Leases as set forth the list prepared pursuant to Schedule 1.4(b) hereof pursuant to the Assignment and Assumption Agreement (the "Assignment and Assumption Agreement") in substantially the form attached hereto as Exhibit 1.4(b) and Buyer shall be responsible to perform and discharge any and all Liabilities (including cure payments) which may be required as a precondition to the effectiveness of the Assignment and Assumption Agreement.

(c) Each Seller shall assign and Buyer shall expressly assume all of such Seller's obligations arising after the Effective Time under the Assumed Liabilities, Assumed Contracts and the Assumed Leases, pursuant to the Assignment and Undertaking Agreement (the "Assignment and Undertaking Agreement") in substantially the form attached hereto as Exhibit 1.4(c). Except for the Assumed Liabilities, the Assumed Contracts, and the Assumed Leases, Buyer is not assuming and shall not be deemed to have assumed any other Liability, indebtedness, commitment or obligation of such Seller or any of its Affiliates, fixed or contingent, disclosed or undisclosed, recorded or unrecorded, currently existing or hereafter arising, or otherwise. In the event an assignment of any Assumed Contract or Assumed Lease requires the consent of a third party to such contract, the parties shall execute a separate Assignment and Undertaking Agreement with respect to each such affected Assumed Contract or Assumed Lease.

(d) With respect to any indebtedness secured by a Lien on the Assets which Lien is not expressly assumed by Buyer in the Assignment and Undertaking Agreement, such indebtedness shall be discharged and any such Lien shall be released at or prior to Closing.

1.5 Excluded Liabilities

Except for the Assumed Liabilities, Buyer will not assume or be liable for and under no circumstances shall Buyer be obligated to pay or assume and none of the Assets shall become subject to any other Liability of any Seller, including, the Pass-Through Liabilities set forth in Section 8.1(b) (collectively, the "Excluded Liabilities), including but not limited to:

(a) any Liability arising out of or relating to the conduct or operations of the Business prior to the Effective Time;

(b) any Liability arising out of or relating to the ownership or use of the Assets prior to the Effective Time, whether or not described in the Schedules provided pursuant to Article III;

(c) any indebtedness, debt of or claim against Sellers or any one or more of their Affiliates, or any obligation of Seller or any one or more of their Affiliates to repay borrowed money;

(d) all Liabilities arising out of or related to the Excluded Assets, including any contract to which any Seller is a party or by which any of them are bound that is not an Assumed Contract or Assumed Lease, including but not limited to those contracts identified by Buyer to the Special Master pursuant to Section 13.1(b) (collectively, the "Excluded Contracts");

(e) all Liabilities for Taxes, whether or not accrued, assessed or correctly due and payable, (i) of Sellers, whether or not it relates to the Business, or (ii) relating to the Assets or the Business for any Pre-Closing Tax Period;

(f) all Liabilities relating to amounts required to be paid by Sellers hereunder;

(g) any Liability under any Benefit Plan and all administrative costs associated therewith;

(h) any Liability relating to Seller's Cost Reports, including terminating cost reports, or other Government Reimbursement Program claims with respect to periods ending prior to the Effective Time;

(i) any Liability arising from or in connection with a violation of law by the Sellers or their employees or Affiliates, including those pertaining to Medicare and Medicaid fraud or abuse and federal and state physician anti-self-referral laws;

(j) any Liability arising from or in connection with Sellers' provider agreements with Government Reimbursement Programs or other third party payers with respect to periods prior to the Effective Time, including RAC audits and any recoupment rights of CMS, the U.S. Department of Health or the RIDOH or third party payor, and any liability arising pursuant to any third-party payor program or Government Reimbursement Programs as a result of the consummation of the transactions contemplated by this Agreement, including recapture of previously reimbursed expenses, except, any such liability expressly assumed by Buyer as part of the Purchased Accounts Receivable;

(k) any Liability arising out of or in connection with claims for acts, omissions and professional malpractice relating to the Business or Assets which allegedly occurred prior to the Effective Time;

(l) any Liability arising out of or in connection with any right of payment in contract or in tort, or right to an equitable remedy, for breach of performance if such breach gives rise to a right to payment prior to the Effective Time, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, disputed, undisputed, legal equitable, secured, or unsecured;

(m) any Liability based upon any wrongful or negligent act or omission of the Sellers prior to the Effective Time;

(n) any Liability relating to any breach of contract, breach of warranty, tort, infringement, or violation of Law by the Sellers;

(o) any Liabilities relating to or arising out of (i) non-compliance with or violations of Environmental Laws prior to the Effective Time or (ii) any "Natural Resource Damages," any contamination of off-site properties, and any disposal of Hazardous Substances at third-party owned off-site locations, which, in the cases of clauses (i) and (ii), relate to conditions existing at the Sellers' Owned Real Property or result from the operations by the Sellers prior to the Effective Time;

(p) any Liability arising out of events or omissions occurring prior to the Effective Time from or relating to any overpayment, duplicate payment, refunds, discounts or adjustments related to reimbursements made prior to the Effective Time due to Blue Cross, Blue Shield, or any other similar private sector healthcare cost reimbursement program or insurance coverage, except, any such liability expressly assumed by Buyer as part of the Purchased Accounts Receivable;

(q) any Liability or obligation to RIDOH or the State of Rhode Island, to the extent that it arose, accrued, occurred, or was incurred prior to the Effective Time, in contract, tort or otherwise, including any for which DoH or the State of Rhode Island is entitled to assert a right of set-off, recoupment or other claim against the Assets, the Sellers and/or the Buyer;

(r) any Liability related to claims of medical malpractice and/or other professional Liability of the Sellers, or any of its employees, attending physicians, agents or independent contractors to the extent incurred prior to the Effective Time arising out of events or omissions occurring prior to the Effective Time;

(s) any Liability arising out of or in connection with any Legal Proceedings (whether instituted prior to or after the Effective Time) to the extent arising from acts or omissions which occurred prior to the Effective Time;

(t) any Liability arising under the Hill-Burton Act or any medical school construction program to the extent arising from events which occurred prior to the Effective Time, or to the extent arising from the Sellers' participation prior to the Effective Time in restricted grant or loan programs of any grant provider or Governmental Authority;

(u) except as described in Section 10.6, any Liability relating to the Sellers' Employees (whether current, former or retired) who are not Transferred Employees, including Liabilities under any Plan or Multiemployer Plan or Multiple Employer Plan for all wages, salary, sick leave pay, vacation pay, unemployment benefits, post-employment benefits, salary continuation, termination, disability, death, retirement, health, medical, pension or welfare benefits (including for this purpose all Liabilities and obligations arising under the Plans); and

(v) any Liability related to penalties, fines, settlements, interest, costs and expenses to the extent arising out of or incurred as a result of any violation by the Sellers prior to the Effective Time of any law or order.

1.6 Purchase Price

(a) Subject to the terms and conditions hereof and as consideration of the purchase and sale of the Assets (the "Purchase Price") shall be equal to:

(i) Sixty Nine Million, One Hundred Thirty-Eight Thousand, Six Hundred and Fifty-Three Dollars ($69,138,653.00);

(b) The Purchase Price shall be payable as follows:

(i) Twenty Two Million, Sixty-Nine Thousand, Six Hundred and Sixty-Six Dollars ($22,069,666.00) shall be satisfied by Buyer's assumption of Liabilities more specifically set forth in Schedule 1.4, which includes the Bank Debt of Sellers, the Bond Debt of Sellers, Trade Accounts Payable of Sellers, Third-Party Payor Liabilities of Sellers, Accrued Payroll, and Asbestos Abatement Obligations;

(ii) Seller's retention of cash, cash equivalents and short term investment as of the Effective Time estimated in the Peg Balance Sheet to be in the amount of Five Million Eight Hundred Ninety-Six Thousand Nine Hundred and Eighty-Seven Dollars ($5,896,987.00);

(iii) Payable at Closing by payment of the premium for the "tail" insurance required by Buyer pursuant to Section 5.13 estimated to be Two Million Dollars ($2,000,000.00);

(iv) Thirty Million Dollars ($30,000,000.00) shall be satisfied by Buyer's performance of Capital Expenditure Commitment as more specifically set forth in Section 10.4; and

(v) Six Million Five Hundred Thousand Dollars ($6,500,000.00) shall be satisfied by Buyer's performance of a Commitment to Fund the Plan of Profitability as more specifically set forth in Section 10.5;

(vi) In Seller funded Closing Costs, including Sellers' Transaction Expense estimated to be One Million Five Hundred Thousand Dollars ($1,500,000.00);

(vii) By Buyer's performance of its commitment to fund leasehold obligations of the North Stonington Health Center as more specifically set forth in Section 10.9 estimated to be Six Hundred Seventy Two Thousand ($672,000.00);

(viii) The difference between $8,900,944.00 and the aggregate dollar amount of the Purchased Accounts Receivable as of the Effective Time; and

(ix) The Deposit of Five Hundred Thousand Dollars ($500,000.00) shall be considered part of the Purchase Price and shall be released from the Escrow Agent to the Special Master at the Effective Time, provided, the amount of the Deposit and in the event of a Cash Excess, the Cash Excess shall be deposited with an institutional escrow agent selected by the Buyer or such other escrow agent mutually agreed to by the parties, for a period of at least nine (9) months pursuant to an escrow agreement substantially in the form of Exhibit 1.6 hereto (the "Sellers' Indemnification Escrow Agreement"), which amount shall be held and disbursed by the escrow agent in accordance with the terms of the Escrow Agreement (the "Sellers' Indemnification Escrow") to satisfy any Liability of Seller under Section 7.2. To the extent there is a Cash Excess, then any Cash in excess of the Peg Cash Amount shall be contributed first to fund the Sellers' Indemnification Escrow so that, together with the Deposit, there shall be $1,000,000 contributed to the Sellers' Indemnification Escrow on the Effective Date, next as needed by Buyer to satisfy Liabilities pursuant to Section 1.4(a) and (b), and next to the Special Master.

1.7 Determination of Assumption of Liabilities; True-up

(a) For purposes of determining the Purchase Price pursuant to Section 1.6, including, the amount of the Liabilities to be assumed, Accounts Receivable to be acquired and Cash retained by the Special Master at the Closing in accordance with and subject to the provisions of Sections 1.2(l), 1.3, 1.4, and 1.6, such determination shall be made on or prior to the Closing Date using the Peg Balance Sheet.

(b) On or before ten (10) days prior to Closing, Special Master on behalf of the Sellers shall provide an updated consolidated Balance Sheet as of that most recent reporting date (the "Pre-Closing Balance Sheet"), with the allocation of liabilities and accounts receivable and cash to be consistent with the methodology use in the PEG Balance Sheet. If the parties agree as to the amounts set forth on the Pre-Closing Balance Sheet, then the Purchase Price shall be determined and paid using the Pre-Closing Balance Sheet. If Buyer and Seller disagree, then Closing shall be conducted in accordance with Section 1.7(a) based upon the Peg Balance Sheet and the parties shall resolve any disagreement in accordance with Section 1.7 (c)-(d) below.

(c) Within forty-five (45) days after the Closing Date, Buyer will prepare and deliver to the Special Master a schedule setting forth the calculation of Closing Date Purchased Accounts Receivable, Assumed Liabilities and Cash and a certificate setting forth the final Purchase Price calculated with reference to such amounts (the "Post-Closing Statement"). The Post-Closing Statement will be prepared by Buyer in accordance with GAAP consistently applied, and will be used to determine the final Purchase Price.

(d) Within forty-five (45) days of the date on which Buyer shall have delivered the proposed Post-Closing Statement to the Special Master (during which period representatives designated by the Special Master shall have reasonable access to the Business's records related to the Post-Closing Statement during normal business hours and upon reasonable notice), Special Master shall either accept such proposed Post-Closing Statement or shall object to such Post-Closing Statement, in each case by delivering a notice in writing to Buyer (provided, however, that if no such written notice is provided within such period, the Special Master shall be deemed to have accepted such Post-Closing Statement in its entirety) and shall specify in reasonable detail the nature and dollar amount of any disagreement so asserted. Buyer and its agents and representatives shall be permitted to review the Special Master's and its agents' and representatives' books and records relating to any notice of disagreement. If the parties are unable to agree on the Post-Closing Statement within sixty (60) days of the date the Buyer delivers the proposed Post-Closing Statement to the Special Master, the disputed items of the Post-Closing Statement shall be determined, with the cooperation of Buyer and the Special Master, by the Reviewing Accountants.

(e) The parties shall instruct the Reviewing Accountants to select one of their partners experienced in purchase price adjustment disputes to make a final determination of the actual Purchase Price with reference to such amounts to the extent such amounts are in dispute, solely in accordance with GAAP (consistently applied) and the procedures set forth in this Agreement. The parties shall instruct the Reviewing Accountants to not assign a value to any item in dispute greater than the greatest value for such item assigned by Buyer, on the one hand, or the Special Master, on the other hand, or less than the smallest value for such item assigned by Buyer, on the one hand, or the Special Master, on the other hand. The parties shall also instruct the Reviewing Accountants to make its determination based solely on written submissions by Buyer and the Special Master which are in accordance with GAAP (consistently applied) and the procedures set forth in this Agreement (i.e., not on the basis of an independent review). The determination of the final Purchase Price shall become final and binding on the parties on the date the Reviewing Accountants delivers its final resolution in writing to the parties (which final resolution shall be requested by the parties to be delivered not more than sixty (60) days following submission of such disputed matters), absent fraud or manifest error. The final resolution will be a reasoned resolution setting forth the Reviewing Accountants' reasoning in reaching its determinations. The fees and expenses for the Reviewing Accountants shall be allocated between Buyer and the Special Master based on the percentage which the portion of the contested amount not awarded to each party bears to the amount actually contested by such party. As an example and for illustrative purposes only, if the Buyer contends that there should be a Purchase Price decrease of $1,000,000, the Special Master contends that there should be no Purchase Price decrease and the Reviewing Accountants determines that there should be a Purchase Price decrease of $300,000, then the Buyer shall pay 70% of the fees and expenses of the Reviewing Accountants and the Special Master shall pay 30% of such fees and expenses.

(f) If the final Purchase Price (the "Final Purchase Price") is less than the Estimated Purchase Price (the "Closing Deficiency"), Special Master shall reduce Assumed Liabilities or pay Buyer, as applicable, in immediately available funds via wire transfer to an account designated by Buyer, within five (5) Business Days from the date on which the Post-Closing Statement is agreed to or finally determined in accordance with Section 1.7, an amount equal to such excess and such obligation shall receive super priority administrative claim status having

priority over any and all administrative expenses of the Special Mastership. If the Final Purchase Price is greater than the Estimated Purchase Price (the "Closing Overage"), Buyer will pay Special Master as Special Master may direct in immediately available funds via wire transfer to an account or accounts designated in writing by Seller an amount equal to the Closing Overage, within five (5) Business Days from the date on which the Post-Closing Statement is agreed to or finally determined in accordance with this Section 1.7.

1.8 Taxes

(a) Each Seller shall pay all Taxes, if any, applicable to such Seller, but not including any transfer taxes, fees or similar assessments resulting from the sale of the Assets pursuant hereto. Buyer shall pay (i) all Taxes, if any, applicable to Buyer; and (ii) all transfer taxes, fees or similar assessments resulting from the sale of the Assets pursuant hereto.

(b) To the extent not an Assumed Liability and to the extent necessary to transfer the Assets to Buyer free and clear of Liens and Liabilities, each of the Sellers shall be responsible for and shall pay or credit against the Purchase Price any Taxes arising or resulting from or in connection with its ownership and/or operation of the Assets for taxable periods (i) ending before the Effective Time or (ii) for those portions of a taxable period that begins prior to, but ends after the Effective Time. To the extent the Sellers paid Taxes with respect to the Assets prior to the Effective Time, for a taxable period that ends after the Effective Time, such Taxes shall be apportioned between the applicable Seller and the Buyer based upon (i) the number of days of such taxable period included in any tax period (or portion thereof) ending immediately before the Effective Time (the "Pre-Closing Tax Period") and (ii) the number of days of such taxable period included in any tax period (or portion thereof) beginning as of the Effective Time (the "Post-Closing Tax Period"). Buyer shall be responsible for and shall pay all Taxes in connection with the ownership of the Assets for taxable periods or portions thereof beginning as of the Effective Time.

1.9 Cooperation With Respect to Taxes

(a) The party which has the primary obligation to do so under applicable law shall file any Tax Return that is required to be filed with respect to Taxes and shall pay the Taxes shown on such Tax Return and notify the other party in writing of such other party's share of the Taxes for which it is responsible pursuant to this Agreement, if any, and the method in which such Taxes and share of Taxes were calculated. The party receiving the notice shall reimburse the paying party for the share of Taxes so paid within ten (10) calendar days after receipt of such notice.

(b) The parties to this Agreement shall cooperate, including without limitation during times of audit by taxing authorities and in preparation of Tax Returns, to avoid payment of duplicate or inappropriate Taxes, and each party shall furnish, at the reasonable request of the other, proof of payment of any such Taxes or any other documentation that is a prerequisite to avoiding payment of a duplicate or inappropriate Tax. Such cooperation shall include, without limitation, furnishing information regarding prior years' Tax Returns and related work papers, rulings and determinations by any tax authority.

1.10 Casualty Loss Provision

(a) The risk of loss or damage to any of the Assets shall remain with Sellers until the Effective Time and Sellers shall maintain their insurance policies covering the Assets and all other property through the Effective Time. If any material part or portion of the Assets is damaged, condemned, lost or destroyed (whether by fire, theft or other casualty event) prior to the Effective Time, the Special Master shall notify Buyer ("Casualty Notice") as soon as possible of such damage, loss or destruction. The Casualty Notice shall set forth the Special Master's good faith, reasonable estimate (the "Estimate of the Master") of the fair market value of the cost to repair, replace or restore (as applicable) such damage, loss or destruction (the "Aggregate Damage").

(b) In the event that there is damage, loss or destruction to The Westerly Hospital and/or Related Entities Assets related thereto (collectively, the "Casualty Assets") and (i) the Estimate of the Master of the cost to repair, replace or restore (as applicable) is greater than $3,000,000.00 or (ii) it can reasonably be anticipated that such damage, loss or destruction will prevent Buyer from providing a material service at the Facility for more than twenty (20) days after the Closing Date (either (i) or (ii), a "Material Loss") Buyer may, within 10 days after receipt of the Casualty Notice, by written notice to the Special Master, terminate this Agreement.

(c) If, prior to the Effective Time, any part or portion of the Assets is destroyed, lost or damaged, (i) to an extent that does not result in a Material Loss with respect to the Casualty Assets, or (ii) to an extent that would be a Material Loss with respect to the Casualty Assets and Buyer fails to terminate this Agreement, Buyer and the Special Master shall consummate the transactions contemplated in this Agreement, subject to the other terms and conditions of this Agreement, and, at the Effective Time, the Special Master shall deliver possession of the Assets to Buyer in such physical condition as the same may then exist; provided that, in such event, Seller will assign to Buyer the right to receive any net insurance proceeds received for the property loss or damage to the Assets and reduce the cash portion of the Purchase Price by an amount equal to any deductible in connection therewith. For purposes of effecting this Section 1.10, Buyer will be a named additional insured on Sellers' and/or the Westerly Hospital and the Related Entities' property insurance.

1.11 Deposit

In connection with Buyer's submission of this Agreement, Buyer shall deposit the Deposit with an institutional escrow agent selected by the Buyer within two Business Days after the entry of the Sales Procedure Order, which shall be held in escrow by the Special Master pursuant to the Escrow Agreement. The Deposit shall be released in accordance with the terms of the Escrow Agreement consistent with the terms of Section 1.6 and Section 12.3 hereof. For avoidance of doubt and notwithstanding anything to the contrary contained herein, in the event this Agreement is not approved by the Court as the winning bid by August 24, 2012 and the Sale Order is not entered so allowing by that date, the Deposit shall be refunded by the Special Master on or before August 30, 2012 unless otherwise agreed by Buyer.

1.12 Proration and Utilities

Buyer, on the one hand, and the Sellers, on the other hand, shall prorate as of the Effective Time, current lease payments under the Assumed Leases, charges against the Real Property, power and utility charges and all other income and expenses which are normally prorated upon the sale of a going concern to the extent not included in Assumed Liabilities. As to power and utility charges, such amounts shall be prorated as of the Effective Time among the parties on the basis of an estimate of the amounts in accordance with GAAP and mutually agreed upon by Buyer and the Sellers. Any obligations described above that are not known at least three (3) Business Days prior to the Closing Date shall be similarly apportioned, subject to the above, and paid by the responsible party as soon as practicable after the Closing.

1.13 Provider Numbers

Notwithstanding anything herein to the contrary, Buyer shall have the option, within its sole discretion, to include the Seller's Medicare or Medicaid and other payor provider numbers and agreements to the extent assignable as Assets. Buyer shall elect to acquire such provider numbers by providing the Special Master written notice of the same no later than 5 Business Days prior to the Closing. In the event Buyer makes such an election, the provisions of Section 1.14 hereto shall govern.

1.14 Lock Box

Each Seller hereby appoints, from and after the Closing Date, Buyer, and Buyer agrees to act as it may determine in its sole discretion, as Sellers' collection agent with respect to its Government Patient Receivables. In connection therewith, on or before the Closing Date, Buyer shall establish a "lock box" at a financial institution selected by Buyer, and after the Closing, Buyer, as agent for such Seller, shall deposit in such lock box cash, checks, drafts or other similar items of payment of such Government Patient Receivables. Each Seller shall assign all such amounts deposited on its behalf into the lock box to Buyer, as collection agent, in full satisfaction of its obligation to transfer to Buyer an amount equal to the value of its Government Patient Receivables.

2. CLOSING.

2.1 Closing

The consummation of the purchase and sale of the Assets (the "Closing") shall take place on or before January 31, 2013, the offices of Ferrucci Russo P.C. or other agreed upon location, at 10:00 A.M. local time on the last Business Day of the month in which all of the conditions precedent thereto have been satisfied, except those that are to be satisfied at the time of Closing, or at such other time as the parties hereto may mutually designate in writing (the "Closing Date"), provided, however, at Buyer's election, that such date shall be extended to a date that is ten (10) Business Days after the date on which all items specified in Section 8.1 hereof have been received and any and all applicable waiting periods have expired (the "Outside Closing Date"). The Closing shall be effective for all purposes at 12:01 A.M. on the first calendar day of the next succeeding month (the "Effective Time" or the "Effective Date").

2.2 Actions of Sellers at Closing

At the Closing, the Sellers shall deliver, or cause to be delivered, to Buyer the following (Each Seller hereby acknowledges and agrees that the agreements described in Sections 2.2(a)-(f) shall expressly provide that the Assets shall be delivered free and clear of all Liens and Liabilities (other than Assumed Liabilities):

(a) One or more Special Master Deed or deeds in transferable and recordable form, acceptable to the Title Company in its reasonable discretion, executed by the duly appointed Special Master and/or duly authorized officers and/or representatives of each of the Sellers, conveying to the Buyer all of Sellers' right, title and interest in the Sellers' Owned Real Property, subject only to the applicable Real Property Permitted Encumbrances that affect any such parcel;

(b) Each Seller shall deliver the Assignment and Assumption Agreement in the form attached hereto as Exhibit 1.4(b) executed by a duly authorized officer and/or representative of such Seller;

(c) Each Seller shall deliver one or more of the Assignment and Undertaking Agreements executed by a duly authorized officer and/or representative of such Seller substantially in the form attached hereto as Exhibit 1.4(c);

(d) Each Seller shall deliver a general bill of sale and assignment substantially in the form attached hereto as Exhibit 2.2(d) (the "Bill of Sale") executed by a duly authorized officer and/or representative of such Seller;

(e) Each Seller shall deliver an Assignment of Intellectual Property substantially in the form attached hereto as Exhibit 2.2(e);

(f) Each Seller shall deliver such documents as may be required by the Title Company to release the Sellers' Owned Real Property from any and all mortgages and security interests created at any time on or prior to the Closing Date, except the Real Property Permitted Encumbrances and the Assumed Liabilities, and to insure Buyer's fee ownership interest in the Sellers' Owned Real Property free and clear of all Liens and Liabilities, except Real Property Permitted Encumbrances, all in such form and substance reasonably satisfactory to Buyer and its counsel may reasonably require;

(g) Each of the Sellers shall deliver copies of certificates of insurance evidencing the insurance described in Section 3.19;

(h) Each of the Sellers shall deliver an affidavit executed by each Seller certifying that it is not a "blocked person" under Executive Order 13224, which form shall be acceptable to Buyer;

(i) Each Seller shall deliver a DEA limited power of attorney fully executed by a duly authorized officer of Sellers (the "DEA Power of Attorney"), substantially in the form attached hereto as Exhibit 2.2(i);

(j) A certified copy of the Sale Order, evidencing that the Sale Order has not been modified, amended, dissolved or revoked or rescinded and is in full force and effect as a Final Order on the Closing Date;

(k) Each of the Sellers shall deliver the Sellers' Indemnification Escrow Agreement, executed by a duly authorized officer and/or representative of such Seller;

(l) Each of the Sellers shall deliver a certificate of non-foreign status, dated as of the Closing Date, executed by a duly authorized officer of such Seller, in form and substance required under the Treasury Regulations pursuant to Section 1445 of the Code, substantially in the form of Exhibit 2.2(l) hereto; and

(m) Each of the Sellers shall deliver such other instruments and documents as Buyer and Sellers reasonably and mutually deem necessary to effectuate the transactions contemplated hereby.

Simultaneously with the delivery of the foregoing items and as reasonably required at any time thereafter, each Seller will take all such steps as may reasonably be required to put Buyer in actual possession and operating control of the Assets following the Closing.

2.3 Actions of Buyer at Closing.

At the Closing, Buyer shall deliver, or cause to be delivered, to the Sellers or their representatives:

(a) payment of the Purchase Price as determined in accordance with Section 1.6 hereof;

(b) the Assignment and Assumption Agreements and Assignment and Undertaking Agreements, all executed by a duly authorized officer of Buyer;

(c) copies of resolutions duly adopted by the Board or other appropriate governing bodies of Buyer and Guarantor authorizing and approving Buyer's performances of the transactions contemplated hereby and the execution and delivery of the documents described herein, certified as true and of full force as of the Closing by appropriate officers of Buyer and Guarantor;

(d) certificates dated as of the Closing Date of the appropriate officers of Buyer certifying that the conditions set forth in Section 8.1 have been satisfied;

(e) copies of resolutions duly adopted by the Board or other appropriate governing bodies of Buyer and Guarantor authorizing and approving Buyer's performance of the transactions contemplated hereby and the execution and delivery of the documents described herein, certified as true and of full force as of the Closing by appropriate officers of Buyer and Guarantor;

(f) certificates of incumbency, dated as of the Closing Date, for the officers of Buyer making certifications for Closing or executing this Agreement, the Assignment and

Undertaking Agreements or any other documents, agreements or certificates contemplated by the terms hereof to be executed and delivered by Buyer;

(g) certificates of good standing of Buyer from the Rhode Island Secretary of State and Tax Administrator, or other appropriate State or Commonwealth, dated the most recent practical date prior to Closing;

(h) the Sellers' Indemnification Escrow Agreement, executed by a duly authorized officer of Buyer;

(i) the Guaranty executed by a duly authorized officer of Guarantor; and

(j) such other documents as may be reasonably requested by any Seller.

3. REPRESENTATIONS AND WARRANTIES OF SELLERS.

As of the date hereof and as of the Closing Date, the Sellers hereby jointly and severally represent and warrant to Buyer the following:

3.1 Existence and Capacity

(a) Such Seller is duly organized and validly existing under the laws of the State of Rhode Island. As of Closing, Westerly Hospital Healthcare, Inc. shall own 100% of the membership interests of The Westerly Hospital and Related Entities.

(b) Except as set forth above or described on Schedule 3.1(b), such Seller does not own, directly or indirectly, beneficially or equitably, any capital stock or other equity interest in any corporation, partnership, limited partnership, limited liability company or other entity or association, nor does such Seller own or hold any right of first refusal, purchase option or other rights with respect thereto, nor does any other entity own or hold any right of first refusal, purchase option or other rights related to the Assets.

3.2 Powers; Consents; Absence of Conflicts With Other Agreements

The execution, delivery, and performance of this Agreement by such Seller and all other agreements referenced herein, or ancillary hereto, to which such Seller is a party, and the consummation of the transactions contemplated herein by such Seller:

(a) with regard to The Westerly Hospital and Related Entities, are within the Special Master's authority and power, subject to Mastership Court approval, pursuant to the terms of the Orders entered by the Mastership Court in or about 2011 and 2012;

(b) except as set forth on Schedule 3.2(b) and other than the express approval of the Mastership Court, do not require any approval or consent of, or filing with, any governmental agency or authority bearing on the validity of this Agreement which is required by law or the regulations of any such agency or authority;

(c) except as set forth on Schedule 3.2(c), will not conflict with, require consent under or result in any breach or contravention of, or the creation of any lien, charge, or encumbrance under, any indenture, agreement, lease, instrument or understanding to which such Seller is a party or by which it is bound or any of its assets is subject;

(d) will not violate in any material respect statute, law, ordinance, rule or regulation of any Governmental Authority to which such Seller or its respective assets may be subject; and

(e) will not violate in any material respect any judgment, decree, order, writ or injunction of any court or Governmental Authority to which such Seller or its respective assets may be subject.

3.3 Binding Agreement

Expressly subject to the entry of the Sale Order, this Agreement constitutes the valid, legal and binding obligation of such Seller, enforceable against each such Seller in accordance with its terms. Upon the execution and delivery by such Seller of such other agreements as may be required pursuant to Section 2.2 herein, such agreements will constitute valid, legal and binding obligations of such Seller enforceable against such Seller in accordance with its terms.

3.4 Financial Statements

The Hospital has made available to Buyer copies of the following financial statements of or pertaining to the Business and the Assets (the "Financial Statements"), which Financial Statements are maintained on an accrual basis:

(a) Audited Financial Statements for The Westerly Hospital for FYE 2010;

(b) Unaudited Financial Statements for The Westerly Hospital for FYE 2011;

(c) Consolidating Financial Statements for The Westerly Hospital and Related Entities dated February 29, 2012; and

(d) Accounts Payable and Accounts Receivable listings for North Stonington Health Center as of May 18, 2012.

Such unaudited Financial Statements conform to GAAP consistently applied, except: (i) for year-end audit adjustments; (ii) for a lack of footnotes; and (iii) as set forth in Schedule 3.4. Except as set forth in the footnotes to the audited Financial Statements, the audited Financial Statements have been prepared in accordance with GAAP applied on a consistent basis throughout the periods indicated. Such Balance Sheets present fairly in all material respects the financial condition of the Business as of the dates indicated thereon, and such Income Statements present fairly in all material respects the results of operations of the Business for the periods indicated thereon.

3.5 Certain Post-Peg Balance Sheet Results

Since the Peg Balance Sheet Date, except as set forth on Schedule 3.5, there has not been any:

(a) material damage, destruction or loss in excess of Five Million Dollars ($5,000,000) (whether or not covered by insurance) affecting the Business or Two Million Five Hundred Thousand Dollars ($2,500,000) affecting the Assets;

(b) to the Knowledge of such Seller any threatened employee strike, work stoppage or labor dispute pertaining to the Facilities owned by it;

(c) sale, assignment, transfer or disposition of any item of property, plant or equipment included in the Assets having a value in excess of Five Hundred Thousand Dollars ($500,000), except in the Ordinary Course of Business with comparable replacement thereof;

(d) increase in the compensation payable to any employees of such Seller or independent contractors, other than in the Ordinary Course of Business, or any increase in, or establishment or amendment of, any bonus, insurance, pension, profit-sharing or other employee benefit plan, remuneration or arrangement made to, for or with such employees, other than as required by applicable law;

(e) change in the composition of the medical staff of the Hospital, other than normal turnover occurring in the Ordinary Course of Business;

(f) change in the rates charged by a Facility owned by such Seller for its services, other than those made in the Ordinary Course of Business;

(g) adjustment or write-off in accounts receivable or reductions in reserves for accounts receivable outside the Ordinary Course of Business of a Facility owned by such Seller; or

(h) change in accounting policies or procedures of such Seller.

3.6 Licenses

The Hospital is duly licensed as a general acute care hospital pursuant to the applicable laws of the State of Rhode Island. The pharmacies, laboratories and all other ancillary departments located at the Hospital or operated for the benefit of the Hospital that are required to be specially licensed are duly licensed by the RIDOH or other appropriate licensing agency. To the Knowledge of each Seller each Facility has all other material licenses, registrations, permits and approvals that are needed or required by law to operate the businesses related to or affecting such Facility, its assets or any ancillary services related thereto. Schedule 3.6 sets forth an accurate list of all such licenses, registrations, permits and approvals, identifying specifically each Seller and Facility related thereto, all of which if held by such Seller, are now, and as of the Closing Date shall be, in good standing and are not subject to meritorious challenge, and except as set forth on Schedule 3.6, no such licenses, registrations, permits and approvals are subject to renewal within less than one (1) year of the date of this Agreement.

3.7 Certificates of Need

Except as set forth on Schedule 3.7 hereto, no application for any Certificate of Need, Exemption Certificate or declaratory ruling has been made by such Seller with the RIDOH or other agency having jurisdiction thereof that is currently pending or open before RIDOH or such agency, and, excluding those Certificates of Need, Exemption Certificates or declaratory rulings set forth on Schedule 3.7, no such application (an "Application") filed by such Seller within the past three (3) years has been ultimately denied by any commission, board or agency or withdrawn by such Seller. To the Knowledge of such Seller, each Seller has properly filed all required, material Applications with respect to any and all improvements, projects, changes in services, zoning requirements, construction and equipment purchases, and other changes for which approval is required under any applicable federal or state law, rule or regulation, and all such Applications are complete and correct in all material respects.

3.8 Medicare Participation/Accreditation

To the Knowledge of Sellers, each of the Facilities is qualified for participation in the Government Reimbursement Programs; has current and valid provider contracts with such programs; is in compliance with the conditions of participation and, where applicable, conditions of coverage for such programs; has received all material approvals or qualifications necessary for reimbursement; and is accredited by DNV Healthcare Inc. ("DNV"). A copy of the most recent letter from DNV pertaining to each of the Facilities' accreditation has been made available to Buyer. To the Knowledge of the Sellers, none of the Facilities owned by it has been excluded from participation in the Government Reimbursement Programs, nor to such Seller's Knowledge is any such exclusion threatened. Attached as Schedule 3.8 is a copy of all of the Facilities' participating provider agreements with the Medicare and Medicaid programs. To the Knowledge of such Seller, each provider agreement to which such Seller is a party is in full force and effect and no events or facts exist that would cause any such provider agreement not to remain in force or effect after the Closing. To the Knowledge of such Seller, none of its officers, directors, employees, physicians or independent contractors has been excluded from participating in any federal health care program, nor to such Seller's Knowledge is any exclusion threatened or pending. Except as set forth on Schedule 3.8 and to the Knowledge of such Seller, it has not received any notice from any of the Government Reimbursement Programs, or any other third party payor program, of any pending or threatened investigations or surveys. Excluding those notices set forth on Schedule 3.8(a), such Seller has not received notice of any claims, audits, focused reviews, RAC audits, Medicaid Integrity Program audits, arbitrations, hearings, investigations, litigation, suits, surveys, or other actions pending, or, to such Seller's Knowledge, threatened, involving any of the Government Programs or any other third party payor programs.

3.9 Regulatory and Information Privacy/Security Compliance

(a) Set forth on Schedule 3.9(a) are all of such Seller's contracts relating to the Business with physicians, their immediate family members, or other Healthcare Providers, or entities in which physicians, their immediate family members, or other Healthcare Providers are equity owners involving services, supplies, payments or any other type of remuneration, whether such services or supplies are provided by a Healthcare Provider to any Seller, or to a

Healthcare Provider, and all of such Seller's leases, relating to the Business, of personal or real property with Healthcare Providers (including, without limitation, any Assumed Leases), whether such personal or real property is leased by a Healthcare Provider to such Seller or leased by such Seller to a Healthcare Provider. To the Knowledge of such Seller, all such contracts are in writing, are signed, set forth the services to be provided, and provide for a fair market value compensation in exchange for such services, space or goods and comply with Health Care Laws. Except as set forth on Schedule 3.9(a), each of the Facilities, the Business, and the Assets has been and presently is in compliance with all Health Care Laws. To the Knowledge of such Seller, it has not, the Facilities owned by it or any of its respective officers, directors, or to the Seller's Knowledge, their managing employees, have not engaged in any activities that are prohibited under 42 U.S.C. Section 1320a-7 *et seq.*, or the regulations promulgated thereunder, or under any other federal or state statutes or regulations, or which are prohibited by applicable rules of professional conduct.

(b) (i) Except as set forth on Schedule 3.9(b)(i) and to the Knowledge of such Seller, such Seller and each of the Facilities owned by it, (A) to the extent their operations are subject to the administrative simplification provisions of HIPAA, as codified at 42 U.S.C. Sections 1320d through d-8, as amended, and the implementing regulations contained in 45 C.F.R. Parts 160, 162 and 164, are in compliance in all material respects with those administrative simplification provisions and implementing regulations, including without limitation in conducting any of the standard transactions set forth in 45 C.F.R. Part 162; and (B) are in compliance in all material respects with all other applicable Information Privacy or Security Laws.

(i) To the Knowledge of such Seller, complete and accurate copies of any written complaints delivered to any Facility owned by it during the past 24 months alleging a violation of any Information Privacy or Security Laws have been furnished to Buyer.

(ii) Except as set forth on Schedule 3.9(b)(iii) and to the Knowledge of such Seller, the Facilities have not had a Breach of Unsecured Protected Health Information (as such terms are defined in 45 C.F.R. Part 164.402).

3.10 Real Property

At Closing such Seller shall transfer all right, title and interest held by it in the Seller's Owned Real Property, together with all appurtenances and rights thereto, and all right, title and interest in any leasehold interest to the Seller's Leased Real Property, which interests, shall be sold, assigned and transferred to Buyer free and clear of any and all mortgages, deeds of trust, security interests, mechanics or other Liens, Liabilities or encumbrances, subject only to those more particularly described on Schedule 3.10 (the "Real Property Permitted Encumbrances"). None of the Sellers have received written notice indicating that any of the improvements, if any which are a part of the Seller's Owned Real Property, as designed and constructed, violate any statute, restriction, regulation or ordinance applicable thereto, including but not limited to the ADA and Section 504 of the Rehabilitation Act of 1973 to the extent required. To such Seller's Knowledge none of the Sellers have received written notice indicating that the location, construction, occupancy, operation and use of the Seller's Owned

Real Property and Seller's Leased Real Property (including the improvements which are a part thereof) violate any applicable law, statute, ordinance, rule, regulation, order or determination of any Governmental Authority or any board of fire underwriters (or other body exercising similar functions), judicial precedent or any restrictive covenant or deed restriction (recorded or otherwise) affecting such property. With respect to the Real Property:

(a) except as described in Schedule 3.10(a), and to the Knowledge of such Seller, other than any other Seller, there are no tenants or other persons or entities occupying any space in the Real Property other than pursuant to the Sellers' Real Property Expense Leases;

(b) to the Knowledge of such Seller, attached as Schedule 3.10(b) is a "rent roll" for all of such Seller's Real Property Expense Leases that sets forth (i) the premises covered; (ii) the date of the lease and all amendments and modifications thereto; (iii) the name of the landlord and the tenant, licensee or occupant; (iv) the term; (v) the rents and other charges payable thereunder; (vi) the rents or other charges in arrears or prepaid thereunder, if any, and the period for which any such rents and other charges are in arrears or have been prepaid; (vii) the nature and amount of the security deposits thereunder, if any; (viii) options to renew or extend the term contained in the lease; (ix) any free rent, concessions, allowances, rebates or refunds to which the tenant, licensee or occupant may have been or be entitled; (x) the status of tenant improvements to be performed by the landlord; (xi) the nature and amount of any commissions payable with respect thereto; and (xii) a list of all uncured defaults under the leases known to such Seller. The "rent roll" is true and correct is all respects;

(c) except as described on Schedule 3.10(c), to the Knowledge of Sellers, no Seller has granted any right of first refusal to purchase or lease or an option to purchase or lease all or any portion of the Real Property owned by it;

(d) except as set forth in Schedule 3.10(d), there will be no incomplete construction projects initiated by such Seller affecting the Real Property owned by it as of the Closing Date. Schedule 3.10(d) identifies all design service contracts, engineering services contracts, construction contracts and construction management contracts relating to those construction projects initiated by such Seller and to its Knowledge that will be incomplete as of the Closing Date;

(e) except as set forth in Schedule 3.10(e), all Existing TI Obligations will have been fully performed and funded by such Seller on or before the Closing Date;

3.11 Title and Condition of the Real Property

As of the Closing Date, such Seller shall own and hold good, valid and marketable title to all of the Assets, subject only to the Real Property Permitted Encumbrances with respect to the Real Property and subject only to the Assumed Liabilities with respect to all other Assets. Schedule 3.11 also includes a depreciation schedule that lists all Assets having a positive book value as of the Peg Balance Sheet Date.

3.12 Benefit Plans

(a) To the Knowledge of Sellers, Schedule 3.12(a) sets forth a true, complete and correct list and the funded status of all Benefit Plans other than as set forth on Schedule 3.12(a). Sellers do not maintain any other Benefit Plans. Except as set forth on Schedule 3.12(a) all Benefit Plans have been operated and administered in compliance with their terms and applicable law, and the related rules and regulations adopted by those Governmental Authorities responsible for the administration of such laws. With respect to each Benefit Plan that is intended to be qualified under Section 401(a) of the Code, such Benefit Plan has a current favorable determination letter from the IRS that it is so qualified. Except as set forth on Schedule 3.12(a), there are no material pending or, to the Knowledge of the Sellers, threatened claims against, by or on behalf of any Benefit Plans (other than routine claims for benefits). To the Knowledge of the Sellers, all required reports, Tax Returns, documents and plan descriptions of the Benefit Plans have been timely filed as applicable with the IRS or the applicable Governmental Authority;

(b) Except as set forth on Schedule 3.12(b), Sellers have not been liable at any time for contributions to a plan for or on behalf of the Employees that is subject to the funding requirements of Section 412 of the Code, Section 302 of ERISA, and/or Title IV of ERISA. Schedule 3.12(b) contains a detailed description of the current funded status of the Benefit Plans that are subject to the finding requirements of Section 412 of the Code, Section 302 of ERISA and/or Title IV of ERISA and that is true, complete and accurate to the Knowledge of the Sellers. With respect to such Benefit Plans identified on Schedule 3.12(b), Sellers and their Affiliates have taken appropriate actions to satisfy or discharge all funding Liabilities such that (i) Buyer will not be subject to any Liability with respect thereto, and (ii) no Lien or claim can be imposed on the Assets with respect to such Benefit Plans by any party, including the Pension Benefit Guaranty Corporation, the IRS or any other Governmental Authority. There is no multiemployer plan (as defined in Section 3(37) or Section 4001(a)(3) of ERISA) maintained for or on behalf of Employees under which any current or former Employee has any present or fixture right to benefits which accrued within the six-year period ending at the Effective Time pursuant to such employment or under which Sellers or their Affiliates has any present or future Liability;

(c) Sellers have heretofore delivered to Buyer, with respect to each of the Benefit Plans, true, accurate and complete copies of the following documents, as applicable: (i) the Benefit Plan document and all amendments, (ii) any related trust agreement or other funding instrument, (iii) the most recent IRS determination letter, (iv) any summary plan description and other material written communications provided to employees concerning the extent of the benefits provided under each Benefit Plan, and (v) all personnel, payroll and employment manuals and policies;

(d) Each of the Sellers has at all times materially complied with the continuation coverage provisions of COBRA with respect to all current and, after taking into consideration the undertakings of Section 10.6, all former Employees. Schedule 3.12(d) contains a list of all current and former Employees and their beneficiaries who are eligible for and/or have elected continuation coverage under COBRA or any other similar continuation coverage law, and contains the identity of Sellers' third party COBRA administrator. Sellers have engaged a

third party administrator for the purpose of maintaining compliance with the continuation coverage provisions of COBRA with respect to all current and former Employees; and

(e) Except as set forth on Schedule 3.12(e), to the Knowledge of the Sellers, no Benefit Plan is under audit or is the subject of an audit or investigation by the IRS or any other federal or state Governmental Authority, nor is any such audit or investigation pending or threatened.

3.13 Litigation or Proceedings

To the Knowledge of Sellers, Schedule 3.13 contains a list of each lawsuit, claim, action, suit, investigation or legal proceeding relating to the Business to which any Seller is a party or, to such Seller's Knowledge, which has been threatened against it or any of its officers or directors relating to the Business or the Real Property. Except as disclosed on Schedule 3.13 since December 9, 2012, such Seller has not been subject to any formal or informal (of which such Seller has received notice) investigations or proceedings of the Department of Health, the United States General Accounting Office, the Centers for Medicare and Medicaid Services or other similar governmental agencies (except for any investigations being conducted in the Ordinary Course of Business and applicable to all hospitals in the State of Rhode Island). Except as disclosed on Schedule 3.13 and to the Knowledge of such Seller, there are no such claims, actions, proceedings or investigations of which it has received notice pending or, to such Seller's Knowledge, threatened challenging the validity or propriety of the transactions contemplated by this Agreement. To the Knowledge of such Seller, it is not, nor has it been, a party to any injunction, order or decree restricting the method of the conduct of the Business or the marketing of any of its services; except as disclosed on Schedule 3.13 since December 9, 2011, to its Knowledge, no governmental agency has investigated or requested (other than on a routine basis) information with respect to such methods of business or marketing of such Seller's services; to the Knowledge of such Seller, it has not received any claim that it currently violates any federal, state, or local law, ordinance, rule or regulation which could have a material adverse effect on the Business or any of the Facilities owned by it and, to such Seller's Knowledge, no such claim is or has been threatened.

3.14 Hill-Burton and Other Liens

Except as disclosed on Schedule 3.14, and to the Knowledge of Sellers, none of the Sellers nor any of their predecessors has received any loans, grants or loan guarantees pursuant to the Hill-Burton Act program, the Health Professions Educational Assistance Act, the Nurse Training Act, the National Health Planning and Resources Development Act or the Community Mental Health Centers Act, as amended, or similar laws or acts relating to healthcare facilities that remain unpaid or which impose restrictions on the operation of the Facilities owned by it or the Assets.

3.15 Taxes

(a) Each of The Westerly Hospital and the Related Entities are organizations described in Section 501(c)(3) of the Code and is exempt from taxation to the extent described in Section 501(a) of the Code, (ii) is not a private foundation within the meaning of Section 509(a)

of the Code, and (iii) is in possession of a determination letter from the Internal Revenue Service to such effect, which determination letter has not been revoked or otherwise modified. To the Knowledge of each Seller, each of LHS and LMC is in compliance in all material respects with all applicable federal and state laws, regulations, rulings and orders pertaining to its exemption from federal income taxes as a Section 501(c)(3) organization. To the Knowledge of each Seller, no Seller has entered into any transaction which has constituted or may constitute an "excess benefit transaction" within the meaning of Section 4958 of the Code and the Treasury Regulations thereunder. Except as provided on Schedule 3.15(a) and to the Knowledge of each Seller, the Sellers' Leased Real Property, the Sellers' Owned Real Property, the Facilities and the Assets are, and shall be through the Effective Time, exempt from all real and personal property taxes and there are no municipal assessments, for betterments or otherwise, on, related to or, to the Sellers' Knowledge, under consideration for, either the Sellers' Leased Real Property or the Sellers' Owned Real Property.

(b) Except for Schedule 3.15(b), to the Knowledge of the Hospital and each Related Entity, all Taxes due and owing by The Hospital and such Related Entity, if any, assessed on or after June 26, 2008 (whether or not shown on any Tax Return) have been paid or will be paid at Closing. To the extent that there currently exist liens for Taxes on any of the Assets or the Facilities, the Assets will be transferred to Buyer free and clear of all such liens at Closing by Order of the Mastership Court. Except as provided on Schedule 3.15(b), none of the Assets constitutes an ownership interest in a joint venture, partnership or other arrangement or contract that could be treated as a partnership for federal income tax purposes.

3.16 Employee Relations

(a) Schedule 3.16(a) contains a list of all of such Seller's Employees, their current salary or wage rates, bonus and other compensation, benefit arrangements, accrued sick days, vacation days and holidays, period of service, department and job title or other summary of the responsibilities of such Employees and whether such individual is employed at will or pursuant to contract. Schedule 3.16(a) also indicates whether such Employees are part-time or full-time and union or non-union. Except as set forth in Schedule 3.16(a), all individuals identified as Employees of such Seller are employed by such Seller. Since the Balance Sheet Date and excluding increases made in the Ordinary Course of Business, there has not been any increase in the compensation payable or to become payable by such Seller to any of its officers, Employees or agents, or any bonus payment or arrangement made to or with any such person, except as described in Schedule 3.16(a). All of the individuals identified on Schedule 3.16(a) primarily provide services necessary to the operation of the Business or the Facilities owned by such Seller.

(b) Such Seller shall deliver to Buyer five (5) Business Days prior to Closing, a revised Schedule 3.16(a) reflecting any changes in the information initially set forth on Schedule 3.16(a) between such date and the date of this Agreement.

(c) Except as set forth on Schedule 3.16(c) and to the Knowledge of such Seller, it has not entered into a written or verbal agreement with Employees. Schedule 3.16(c) includes a list of all Employees (other than "part-time employees") who have suffered an "employment loss" since January 1, 2012 (as such quoted term is defined in the WARN Act).

(d) Except as set forth on Schedule 3.16(d)(i), there has not been since December 9, 2011, there is not presently pending or, to the Knowledge of the Sellers, threatened, and no event has occurred or circumstance exists that could provide the basis for, any strike, slowdown, picketing, work stoppage, or employee grievance process, or any proceeding against or affecting Seller or The Westerly Hospital and the Related Entities relating to an alleged violation of any legal requirements pertaining to labor relations, including any charge, complaint or unfair labor practices claim filed by an employee, union, or other person with the Rhode Island State Employment Relations Board or any Governmental Authority, organizational activity, or other labor dispute against or affecting Sellers or their operations or assets. Except as set forth on Schedule 3.16(d)(ii), with respect to the Employees, no collective bargaining agreement exists or is currently being negotiated by Sellers; no application for certification of a collective bargaining agent is pending; no demand has been made for recognition by a labor organization; and, to the Knowledge of the Sellers, no additional union representation question exists, no union organizing activities are taking place; and none of the Employees of Sellers is represented by any labor union or organization.

(e) Except as set forth on Schedule 3.16(e), the Sellers, to the Knowledge of such Seller, have complied in all material respects with all legal requirements relating to employment; employment practices; terms and conditions of employment; equal employment opportunity; nondiscrimination; immigration; wages; hours; benefits; payment of employment, social security, and similar Taxes; occupational safety and health; and plant closings. Except as set forth on Schedule 3.16(e), there are no pending or, to the Knowledge of the Sellers, threatened claims for failure to comply with any of the foregoing legal requirements.

(f) Sellers have made available to Buyer the personnel records for all Employees, including records reflecting salary or wages, and sick (or extended illness), paid-time-off and vacation leave that is accrued or credited but unused or unpaid. Schedule 3.16(f) lists each employment, consulting, independent contractor, bonus or severance agreement to which a Seller is a party. Each of the Benefit Plans, and each Seller, has properly classified individuals providing services to Sellers as independent contractors or employees, as the case may be.

(g) No Seller is delinquent in payments to any Employees for any wages, salaries, commissions, bonuses or other direct compensation for any services performed for it or any other amounts required to be reimbursed to such employees or in the payment to the appropriate entity of all required Taxes, insurance, social security and withholding thereon.

3.17 Agreements and Commitments

(a) To the Knowledge of such Seller, Schedule 3.17 (a) sets forth an accurate list identifying all commitments, contracts, leases, and agreements, written or oral, relating to the Business or the Assets to which such Seller is a party or by which such Seller or the Assets owned by it or any portion thereof is bound (i) which involve future payments, performance of services or delivery of goods or materials, to or by such Seller in an amount exceeding $10,000 on an annual basis or (ii) regardless of dollar value are with a Healthcare Provider (the "Contracts").

(b) Except as set forth on Schedule 3.17(b) and to the Knowledge of such Seller, the Contracts, Assumed Contracts and the Assumed Leases to which it is a party constitute the entire agreement by and between the parties, (i) are in full force and effect; and, (ii) constitute valid and legally binding obligations of the parties thereto and are enforceable in accordance with their terms against the parties thereto except as enforceability may be limited, restricted or delayed by applicable bankruptcy or other applicable law affecting creditor's rights and debtor's relief generally and except as enforceability may be subject to general principles of equity. To the Knowledge of the Sellers, (x) each applicable Seller has duly performed its obligations under the Contracts, the Assumed Contracts and the Assumed Leases to which it is a party to the extent such obligations to perform have accrued and (y) no breach or default, alleged breach or default, or event which would (with the passage of time, notice or both) constitute a breach or default under any Contract, Assumed Contract or Assumed Lease by any Seller or any other party or obligor with respect thereto, has occurred.

3.18 Supplies

To the Knowledge of such Seller, all the inventory and supplies constituting any part of the Assets owned by it are of a quality and quantity usable and in the case of finished goods, saleable, in the Ordinary Course of Business, except for obsolete items and items of below-standard quality, all of which have been written off or written down in the most recent Financial Statements.

3.19 Insurance

Schedule 3.19 sets forth the insurance policies covering the Business and the Assets, including but not limited to the Real Property, which Schedule reflects the policies' numbers, identity of insurers, amounts, and coverage. All of such insurance policies are in full force and effect with no premium arrearage. Except as set forth on Schedule 3.19 and to the Knowledge of such Seller, it has not (a) received any written notice or other communication from any such insurance company canceling or materially amending any of such insurance policies and, its Knowledge, no such cancellation or amendment is threatened or (b) failed to give any required notice or to present any claim which is still outstanding under any of such policies with respect to the Business or any of the Assets owned by it.

3.20 Third Party Payor Cost Reports

To the Knowledge of the Sellers, the Sellers have duly filed all required Sellers' Cost Reports for all fiscal years through and including the fiscal year ended September 30, 2011. To the Knowledge of the Sellers, all of such Sellers' Cost Reports accurately reflect the information required to be included thereon and such cost reports do not claim, and none of the Facilities nor any Seller has received, reimbursement in any amount in excess of the amounts provided by law or any applicable agreement; it being understood that the Hospital's cost reports are subject to final audit and settlement in the Ordinary Course of Business. Schedule 3.20 indicates which of such Sellers' Cost Reports have not been audited and finally settled and a brief description of any and all notices of program reimbursement, proposed or pending audit adjustments, disallowances, appeals of disallowances and any and all other unresolved claims or disputes in respect of such cost reports.

3.21 Medical Staff Matters

To the Knowledge of such Seller, it has made available to Buyer true, correct and complete copies of the bylaws and rules and regulations of the medical staff of the Facilities owned by it, as well as a list of all current members of the medical staff. Except as set forth on Schedule 3.21 and to the Knowledge of such Seller, there are no adverse actions with respect to any medical staff member of the Facilities or any applicant thereto for which a medical staff member or applicant has requested a judicial review hearing that has not been scheduled or has been scheduled but has not been completed, and, to the Seller's Knowledge, there are no pending or, to the Seller's Knowledge, threatened disputes with applicants, staff members or health professional affiliates, and all appeal periods in respect of any adverse actions against any medical staff member or applicant have expired.

3.22 Accounts Receivable

To such Seller's Knowledge accounts receivable represent and constitute bona fide claims owing to it for services actually performed or for goods or supplies actually provided in the amounts indicated on the Financial Statements with no known set-offs, deductions, compromises, or reductions (other than reasonable allowances for bad debts and contractual allowances in an amount consistent with historical policies and procedures of such Seller and which are taken into consideration in the preparation of the Financial Statements).

3.23 Experimental Procedures

To such Seller's Knowledge, the Facilities owned by it have not performed or permitted the performance of any experimental or research procedure or study involving patients in the Facilities owned by it.

3.24 Compliance Program

Sellers have made available to Buyer a copy of the Facilities' current compliance program materials, including, without limitation, all program descriptions, compliance officer and committee descriptions, ethics and risk area policy materials, training and education materials, auditing and monitoring protocols, reporting mechanisms, and disciplinary policies. Except as set forth on Schedule 3.24, no Seller (a) is a party to an outstanding Corporate Integrity Agreement with the Office of Inspector General of HHS; (b) has any reporting or other obligations pursuant to any settlement agreement entered into with any Governmental Authority; (c) to the Knowledge of the Sellers, has been the subject of any government payor program investigation conducted by any federal or state enforcement agency; (d) has been a defendant in any *qui tam*/False Claims Act litigation and, to the Knowledge of the Sellers, no such investigation or litigation is threatened; or (e) has made or is in the process of making a voluntary self-disclosure under the Self-Referral Disclosure Protocol established by the Secretary of HHS pursuant to Section 6409 of the Patient Protection and Affordable Care Act, or under the self-disclosure protocol established and maintained by HHS' Office of the Inspector General, or any United States Attorney or other Governmental Authority. For purposes of this Agreement, the term "compliance program" refers to provider programs of the type described in the compliance guidance published by the Office of Inspector General of HHS. Except as set forth

on Schedule 3.24 or as set forth in a writing delivered by Sellers to Buyer which specifically makes reference to this Section 3.24, to the Knowledge of the Sellers, no Seller has an obligation to make any such self-disclosure.

3.25 Environmental Matters

Except as set forth in Schedule 3.25, Sellers hereby represent to their Knowledge as follows:

(a) the operations and properties of the Business are in material compliance with the Environmental Laws, which material compliance includes, but is not limited to, the possession by such Seller of all permits and governmental authorizations required under applicable Environmental Laws, and material compliance with the terms and conditions thereof.

(b) it has not (nor with respect to the Owned Real Property, to the Knowledge of such Seller, has any third party) treated, stored, managed, disposed of, transported, handled released or used any Material of Environmental Concern, except in the ordinary course of the Business and in material compliance with all Environmental Laws;

(c) there are no Environmental Claims pending or, to such Seller's Knowledge, threatened against it regarding the Assets and no circumstances exist that could reasonably be expected to lead to the assertion of an Environmental Claim against such Seller regarding the Business.

(d) there are no off-site locations where (a) Materials of Environmental Concern from the Business have been stored or disposed of in material violation of applicable Environmental Laws, and/or (b) Sellers are potentially responsible parties at any such location under any Environmental Laws.

(e) (i) there are no underground storage tanks located on the Real Property or to the Knowledge of such Seller, Leased Real Property, (ii) there is no friable, unmanaged asbestos-containing material (as defined under Environmental Laws) contained in or forming part of any of the Real Property or Leased Real Property buildings; and (iii) there are no PCBs or PCB-containing items unlawfully contained in or forming part of any of the Real Property or Leased Real Property buildings; and

(f) the operations of the Business by it are in material compliance with applicable laws concerning Medical Waste.

3.26 Intellectual Property Rights

(a) Schedule 3.26(a) contains a true, complete and correct list of all Intellectual Property that is owned by it ("Owned Intellectual Property"). Except as set forth in Schedule 3.26(a), all Intellectual Property is owned by such Seller and/or will be transferred at Closing to the Buyer free and clear of all Liens, claims and encumbrances. At the Closing, such Seller will transfer to Buyer all of its right, title and interest in and to the Owned Intellectual Property, free and clear of all Liens, claims and encumbrances. Except as described in Schedule

3.26(a) such Seller has not granted any license to any person or entity relating to any of the Owned Intellectual Property.

(b) Schedule 3.26(b) contains a true, complete and correct list of all Intellectual Property that is used by it and constitutes all Intellectual Property other than the Owned Intellectual Property used in connection with the operation of the Business (the "Other Intellectual Property"). Except as set forth in Schedule 3.26(b), such Owner has the right to use and assign its rights in all Other Intellectual Property and such rights will be transferred at Closing to the Buyer free and clear of all Liens, claims and encumbrances. At the Closing, such Seller will transfer to Buyer all of its right, title and interest in and to the Other Intellectual Property, free and clear of all Liens, claims and encumbrances. Except as described in Schedule 3.26(b) such Seller has not granted any license to any person or entity relating to any of the Other Intellectual Property.

(c) To the Knowledge of such Seller, it has not received notice of any unresolved claim asserting a conflict with the rights of another person or entity in connection with the use by it of any of Intellectual Property.

(d) Except as set forth on Schedule 3.26(d), all patents, registered copyrights and registered trademarks that are a portion of the Owned Intellectual Property of such Seller and applications with respect thereto, (i) have been duly maintained including without limitation the proper, sufficient and timely submission of all necessary filings and fees, (ii) have not lapsed, expired or been abandoned, and (iii) are not the subject of any opposition, interference, cancellation, or other proceeding before any governmental registration or other authority in any jurisdiction.

(e) To the Knowledge of such Seller, all Intellectual Property is valid, subsisting and enforceable, and not subject to any pending or threatened claim challenging its validity or enforceability.

(f) To the Knowledge of such Seller the Intellectual Property and operation of the Business do not infringe, misappropriate, or otherwise violate the intellectual property rights of any other person or entity and there are no pending or threatened claims of such infringement, misappropriation, or other violation.

3.27 Absence of Undisclosed Liabilities

Except (i) as set forth in Schedule 3.27, (ii) as and to the extent reflected or specifically reserved against (which reserves are believed adequate in amount) in the Financial Statements and (iii) liabilities incurred in the Ordinary Course of Business since September 30, 2010, such Seller, to such Sellers Knowledge, does not have, and are not subject to, any liability or obligation of any nature, whether accrued, absolute, contingent or otherwise, asserted or unasserted, known or unknown.

3.28 Advisors

Notwithstanding anything contained herein to the contrary, it is expressly understood and agreed that the Special Master has engaged the services of Thomas Reardon and

Barbara Groux by and through Transition Hospital Company, LLC and that Buyer will assume the obligation to satisfy any and all Advisory Fees as such term is defined in the Letter of Engagement dated January 20, 2012, entered by and between The Special Master's consultant and the Special Master, accrued in accordance with that engagement, in an amount not to exceed Three Hundred Thousand Dollars ($300,000.00).

3.29 No Conflicts of Interest

To the Knowledge of such Seller and except as otherwise disclosed herein, no member or Affiliate of such Seller owns, directly or indirectly, in whole or in part, any real or personal property, tangible or intangible, which such Seller or any Facility owned by it is presently using or the use of which is necessary for the Business or operation of any such Facility as presently conducted. To the Knowledge of such Seller none of its officers, directors or members or any person in the family of or who is a partner of any officer, director or member of such Seller, (a) is indebted to Seller or (b) has any direct or indirect ownership interest in (i) any entity that sells goods or services to Seller, (ii) any other entity with which such Seller is affiliated or with which it has a business relationship or (iii) any entity that competes with such Seller.

3.30 Sufficiency of Assets

Except for the Excluded Assets, the Assets constitute, in the aggregate, all the assets, interests, rights and property used by the Sellers in connection with the operation of the Business as currently conducted.

3.31 No Misleading Statements

No representation or warranty by any Seller contained in this Agreement, and no statement contained in any schedule hereto (including any supplement or amendment thereto) and the documents to be delivered at the Closing by or on behalf of any Seller to Buyer or any of its representatives in connection with the transactions contemplated hereby, contains any untrue statement of material fact or, when such representations, warranties, schedules and documents are taken as a whole, omits to state a material fact necessary in order to make the statements and information contained herein untrue. Copies of all documents described on any Article 3 Schedule hereto shall be true, correct and complete and have been provided or otherwise made available to Buyer.

4. REPRESENTATIONS AND WARRANTIES OF BUYER.

As of the date hereof and as of the Closing Date, each of Buyer represents and warrants to Sellers the following:

4.1 Capacity

(a) Buyer is a Rhode Island non-profit corporation with corporate power and authority duly organized, validly existing and in good standing under the laws of the State of Rhode Island with all requisite limited liability company power and authority to own, operate and lease its properties.

(b) Schedule 4.1(b) contains complete and correct copies of the Certificate of Formation and all amendments thereto to the date hereof.

4.2 Binding Agreement

This Agreement constitutes the valid, legal and binding obligation of Buyer, enforceable against each such party in accordance with its terms. Upon the execution and delivery by Buyer, as applicable, of such other agreements as may be required pursuant to Section 2.3 herein, such agreements will constitute valid, legal and binding obligations of Buyer, enforceable against Buyer in accordance with its terms.

4.3 Powers; Consents; Absence of Conflicts With Other Agreements

The execution, delivery, and performance of this Agreement by Buyer, and the execution, delivery and performance by Buyer, of all other agreements referenced herein, or ancillary hereto, to which Buyer, is a party, and the consummation of the transactions contemplated herein by Buyer:

(a) are within Buyer's organizational powers, are not in contravention of law or of the terms of Buyer's organizational and governance documents and have been duly authorized by all appropriate action;

(b) except as set forth on Schedule 4.3(b), do not require any approval or consent of, or filing with, any governmental agency or authority bearing on the validity of this Agreement which is required by law or the regulations of any such agency or authority;

(c) except as set forth on Schedule 4.3(c), will not conflict with, require consent under or result in any breach or contravention of, or the creation of any lien, charge, or encumbrance under, any indenture, agreement, lease, instrument or understanding to which Buyer or its Affiliates is a party or by which it is bound or any of its assets is subject;

(d) will not violate any statute, law, ordinance, rule or regulation of any Governmental Authority to which Buyer may be subject; and

(e) will not violate any judgment, decree, order, writ or injunction of any court or Governmental Authority to which Buyer may be subject.

4.4 Brokers

No broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Buyer.

5. COVENANTS PRIOR TO CLOSING.

Between the date of this Agreement and the earlier of the Closing Date or the termination of this Agreement, with respect to the ownership and operation of the Assets and Facilities and

subject to the terms of the Advisory Agreement (once executed and in effect), Sellers will, and will cause The Westerly Hospital and the Related Entities to:

5.1 Operations

With respect to the ownership and operation of the Assets, the Business and Facilities, each Seller agrees as to itself only that it will endeavor to:

(a) carry on the Business in substantially the same manner as it has been heretofore conducted, and, unless directed by the Mastership Court, will not make any material change in personnel or operations and not make any change in its finance or accounting policies or practices;

(b) maintain the Assets in substantially as good working order and condition as at present, ordinary wear and tear excepted;

(c) perform in all respects its obligations under agreements relating to or affecting the Assets;

(d) keep in full force and effect present insurance policies or other comparable insurance coverage;

(e) use commercially reasonable efforts to maintain and preserve its business organization intact, to retain its present employees and to maintain its relationships with suppliers, physicians, patients and others having business relations with any Facility owned by it;

(f) not implement any layoffs or facility closing that would implicate the WARN Act; and

(g) maintain all licenses, permits, certifications, accreditations, and all other governmental approvals necessary to operate the Business, including correcting deficiencies disclosed in any inspection or other review by any Governmental Authority.

5.2 Certain Changes

Without the prior written consent of Buyer, each Seller agrees as to itself only that:

(a) Except for transactions contemplated by this Agreement, it will not sell or agree to sell (or entertain any discussions with any third party concerning the sale or potential sale of) (i) any of the assets except for the depletion of inventories consumed or sold or equipment disposed of in the Ordinary Course of Business or (ii) any ownership interest or membership interest in it (whether by merger, consolidation or otherwise);

(b) Except for transactions contemplated by this Agreement, it will not engage in any transaction pertaining to the Business which is out of the Ordinary Course of Business, including any sale, transfer, lease, encumbrance or granting of a security interest in any portion of the Assets;

(c) Except in the Ordinary Course of Business, it will not incur any debt, including vendor obligations, or make or obligate any Facility to make any purchase of supplies, assets or otherwise in excess of Twenty-Five Thousand and no/100 Dollars ($25,000);

(d) Except for contracts the Special Master deems, in his sole discretion, to be necessary for patient safety and care, it will not enter into new or amend any existing contract: (i) involving expenditures after Closing in excess of $25,000; (ii) any lease of real property whether as tenant or landlord regardless of dollar value; or (iii) with a Health Care Provider regardless of dollar value;

(e) Except as otherwise provided in this Agreement, it will not adopt any new employee benefit plan;

(f) It will not effect, grant or pay any increase in compensation to any employee, officer or director of any Facility owned by it other than annual raises and bonuses to employees and officers consistent with those effected, granted or paid in prior years, provided that such Seller will discuss with Buyer any such annual raises or bonuses prior to their implementation or announcement;

(g) It will not make any loan or advance to or enter into any other transaction with any of its stakeholders, officers, directors, employees or make any other loan or advance; or

(h) It will not pay, discharge or satisfy any material claims, liabilities or obligations (absolute, accrued, asserted or unasserted, contingent or otherwise), other than the payment, discharge or satisfaction approved by the Mastership Court or otherwise in the Ordinary Course of Business in a manner consistent with past practice.

The Special Master agrees to consult with Buyer with respect to entering into, renewing or terminating any contract or lease relating to the Business. The Special Master may enter into, renew or terminate any such contract or lease without the prior written consent of Buyer, provided that Buyer shall not be required to assume any such contract or lease or the liabilities associated therewith unless Buyer shall consent in writing to such action.

5.3 Title Matters/Survey

Buyer has received or will receive commitments (the "Title Insurance Commitments") from First American Title Insurance Company or such other title company as Buyer selects in its sole and absolute discretion (the "Title Company") to issue as of the Closing Date an ALTA owner's policy of title insurance (Form 2006), with extended coverage and zoning endorsements and such other endorsements as Buyer shall reasonably require, for the Sellers' Owned Real Property and for the Sellers' Leased Real Property (which policies with respect to the Leased Real Property shall be leasehold title policies), together with improvements, buildings and fixtures thereon, in amounts equal to the reasonable value assigned to such real property by Buyer and in the customary form prescribed for use in the State of Rhode Island, but with any mandatory arbitration provision deleted therefrom. Buyer has will receive a preliminary as-built survey of the land and improvements comprising the Sellers' Owned Real Property (collectively, the "Surveys") in accordance with the "Minimum Standard Detail Requirements for ALTA/ACSM Land Title Surveys" jointly established and adopted by ALTA in 2010, and shall

include Items 1, 2, 3, 4, 6, 7, 8, 9, 10, 11 and 13 of Table A thereof. The Survey, when in final form, will be certified to Buyer, the Sellers, and the Title Company and shall include a surveyor's certification acceptable to Buyer and the Title Company.

On or before the date that is twenty-one (21) days after Buyer's receipt of the last of the Title Insurance Commitments and the Surveys for the Real Property (which Surveys incorporate the matters set forth in the Title Insurance Commitments), Buyer shall deliver to the Sellers written notice of any title defects, Liens or any other title and survey matters that are not acceptable to Buyer (the "Title Objections"). Not less than five (5) days after receiving Buyer's notice, the Sellers shall notify Buyer in writing of any such Title Objections which the Sellers are unable or unwilling to cause to be removed or insured against prior to or at the Closing; provided, however, the Sellers must cause to be released (or indemnified over or bonded around) any financing Liens or mechanics and materialmen's Liens caused by the Sellers or any of their Affiliates and in the event that the Sellers fail to do so, then Buyer may elect to discharge the same at the Closing and deduct the cost to do so from the Purchase Price and the Sellers shall cooperate with Buyer in doing so. In the event the Sellers give Buyer written notice that (i) they will not remove, discharge, cure or cause to be insured over by the Title Company any Title Objection (other than financing Liens or mechanics and materialmen's Liens), or (ii) they cannot obtain an order of the Mastership Court that the Title Company agrees is sufficient to permit the Title Company to insure over any Title Objection (other than financing Liens or mechanics and materialmen's Liens), Buyer shall have the right to (x) terminate this Agreement by giving the Sellers written notice of such termination within ten (10) days after receipt of the Sellers' notice of unwillingness or inability to cure such Title Objections, (y) consummate the transactions contemplated herein with respect to all Assets without waiving any rights to indemnification from Sellers with respect to such Title Objections, or (z) consummate the transactions contemplated herein with respect to all Assets other than such Real Property affected by the uncured Title Objections, with a reduction in the Purchase Price to reflect the fact that such Real Property will not be transferred to Buyer.

The Sellers agree to deliver any non-confidential information as may reasonably be required by the Title Company under the requirements section of the Title Insurance Commitment or otherwise in connection with the issuance of Buyer's title insurance policy. Unless the Title Company requires the Special Master to provide indemnification for the deletion all standard exceptions (including any exception for mechanics liens related to the real property) from the final title insurance policy, the Sellers also agree to cause the Title Company to delete all standard exceptions (including any exception for mechanics liens related to the real property) from the final title insurance policy. Any and all costs associated with such Title Insurance Commitments, title search fees, and title policy or policies (including the endorsements to such policy or policies, but after taking into account all credits available, including any reissue credits) (the "Title Policy Costs") and costs of such surveys (the "Survey Costs") shall be paid solely by Buyer.

5.4 Efforts to Close

Each party hereto shall use commercially reasonable efforts to proceed toward the Closing and to cause the other party's conditions to Closing to be met as soon as practicable and consistent with the other terms contained herein. Each party hereto shall notify the other parties

as soon as practicable of any event or matter which comes to such party's attention which may reasonably be expected to prevent the conditions to such party's obligations being met.

5.5 Consents

Each party hereto will use its respective commercially reasonable efforts to obtain all permits, approvals, authorizations and consents of all third parties including governmental agencies, necessary or desirable for the purpose of (i) consummating the transactions contemplated hereby or (ii) enabling the Buyer to operate the Business in the ordinary course after the Closing. Without limiting the generality of the foregoing, such Seller shall use commercially reasonable efforts to obtain the consent of each other party to any Assumed Contracts or Assumed Leases, whose consent is required in order for it to assign such contract or lease to Buyer, including without limitation the consents to the assignment of the contracts and leases set forth on the list to be delivered pursuant to Section 13.1(b) (including the North Stonington Health Center Lease). Such Seller agrees to cooperate reasonably with Buyer in Buyer's efforts (A) to make any required filings and to obtain any governmental approvals necessary in order to consummate the transactions contemplated hereby, (B) to respond to any governmental investigation of such transactions, and (C) to defend any legal or administrative proceedings challenging such transactions. Such Seller will, upon reasonable request, cooperate with Buyer and its representatives and counsel, in the preparation of any document or other material which may be required by any governmental agency as a predicate to or result of the transactions herein contemplated.

5.6 Insurance Ratings

If requested by Buyer, such Seller shall take all action reasonably requested by Buyer to assist Buyer to succeed to its property, automobile or any other insurance policies, deposits and other interests with respect to the operation of the Business and other ratings for insurance or other purposes established by such Seller to the extent consistent with applicable law. Buyer shall not be obligated to succeed to any such rating, insurance policies, deposit or other interest, except as it may elect to do so.

5.7 Notice; Efforts to Remedy

Each party shall promptly give written notice to the other parties hereto upon becoming aware of the impending occurrence of any event which would cause or constitute a breach of any such party's representations, warranties or covenants in this Agreement or cause a material adverse change in the Assets or the operation of the Business. Each party shall use its commercially reasonable efforts to prevent or promptly remedy any breach of its representations, warranties or covenants contained in this Agreement.

5.8 Interim Operating Reporting

Within thirty (30) calendar days after the end of each calendar month prior to the Closing, the Special Master shall deliver to Buyer complete copies of Sellers' internally prepared financial statements (income statement and balance sheet) for each month then ended, together with a year-to-date compilation as presented to the Chief Executive Officer or Special Master. All of such financial statements shall be consistent with the provisions of Section 3.4. The

Hospital shall cause its officers to confer on a frequent and regular basis with one or more representatives of Buyer to report operational matters in respect of the Hospital and the Business and to report the general status of on-going operations. The Special Master shall keep Buyer fully informed of any known and unexpected emergency or other materially adverse unanticipated change in the Business and of any known governmental complaints, investigations or adjudicatory proceedings (or communications indicating that the same may be contemplated) or of any other such matters and shall permit Buyer's representatives to participate in all discussions relating thereto.

5.9 Mechanics of Transferring Employees from Buyer and Seller

Immediately prior to the Effective Time, Sellers shall take appropriate action as directed by the Buyer to implement the provisions of Section 8.1(d) and Section 10.6 (a) through (c) inclusive.

5.10 Supplements to Schedules

Each party shall update, supplement or correct the schedules hereto pursuant to Section 13.1.

5.11 Information and Access

(a) Such Seller shall afford to the officers and authorized representatives of Buyer access to the Facilities owned by it and the Assets and to Sellers' books and records relating thereto, and such Seller will furnish to Buyer such additional financial data and other information relating to the Assets and the Business at such times and in such manner as Buyer may from time to time reasonably request of the Special Master or his designees. No such investigation shall diminish or otherwise affect any of the representations, warranties, covenants or agreements of such Seller in this Agreement. Notwithstanding anything herein to the contrary, such Seller shall not be required to disclose any information regarding medical or employee records, the confidentiality of which is legally protected or to provide access to any Facility or Assets in a manner which would unreasonably interfere with the delivery of patient care.

(b) Subject to Sellers' and Buyer's disclosure obligations under securities laws and public records laws any release to the public of information with respect to the purchase and sale of the Assets will be made only in the form and manner approved by the parties and their respective representatives.

(c) Notwithstanding the foregoing, in the event a party determines that this Agreement or the terms hereof will be the subject of discovery in any litigation involving such party, such party shall promptly notify the other parties hereto of such determination and if all parties hereto conclude that such disclosure through discovery is inevitable, then (i) the parties will make a public announcement of the terms hereof prior to such discovery taking place; (ii) such public announcement shall be made in a manner and at a time mutually agreed upon by the parties; and (iii) all parties hereto shall have the opportunity to be represented at and permitted to participate in such announcement.

5.12 Pension Plan Termination

The Hospital has and shall continue to take appropriate action to (i) notify the Pension Benefit Guaranty Corporation of intent to terminate The Westerly Hospital Defined Benefits Person Plan (the "Pension Plan") under a "distress termination" pursuant to Section 4041(c) of ERISA; (ii) provide or cause to be provided to the Pension Benefit Guaranty Corporation all information that is required for such a distress termination of the Pension Plan under Section 4041(c) of ERISA and regulations promulgated thereunder; and (iii) reasonably cooperate with the Pension Benefit Guaranty Corporation in effecting the termination of the Pension Plan pursuant to Section 4041(c) of ERISA or, if determined by the Pension Benefit Guaranty Corporation, pursuant to Section 4042 of ERISA. The proposed termination date shall on or before the Effective Date of the Closing. The Sellers shall take all such actions and conduct all communications in fulfilling this covenant with the Pension Benefit Guaranty Corporation, the IRS, the U.S. Department of Labor and any other governmental agency or person in a manner that is consistent with the representations of Seller herein and the provisions of the Sale Order regarding the Pension Plan.

5.13 Tail Insurance

The Hospital on behalf of Sellers will obtain "tail" insurance at Buyer's expense as part of the Purchase Price, in form and substance acceptable to Buyer, in its commercially reasonable discretion, to insure against professional liabilities of the Facilities, its employees (including, without limitation, professional employees) and the Business relating to all periods prior to the Effective Time, the effect of such tail insurance shall be to convert such prior liability coverage into occurrence coverage. The minimum coverage under such "tail" insurance shall be One Million Dollars ($1,000,000) per occurrence and Three Million Dollars ($3,000,000) in the aggregate for primary and Fifteen Million Dollars ($15,000,000) in excess, and such "tail" coverage shall be for an unlimited period of time (the "Tail Insurance"). The Hospital shall coordinate with Buyer for the placement of such tail and Buyer shall have the right to approve such placement and Buyer shall be responsible for the cost of such insurance.

5.14 No Buyer Liability for Intercompany Obligations

Notwithstanding anything to the contrary contained in this Agreement, Buyer shall have no liability for any Intercompany Obligations and no such liability shall be assumed by the Buyer hereunder.

5.15 Environmental Surveys

Buyer will request that a third party environmental consultant selected by Buyer perform Phase I environmental surveys of the Real Property. The costs and fees of such consultant shall be the responsibility of Buyer. Seller shall permit Buyer, within Buyer's sole discretion, to conduct Phase II environmental surveys of the Real Property. Buyer shall provide Sellers copies of the final reports issued by such consultant at least fifteen (15) days prior to Closing. In the event of termination of this Agreement for any reason other than for a termination pursuant to Section 12.1(c)(ii), Buyer shall deliver copies of any environmental survey received by Buyer in accordance with this Section to the Special Master provided that such third party environmental

consultant consents to delivery of such survey(s) to the Special Master prior to delivery without any additional cost to Buyer.

5.16 Charles A. Morgan Trust

The Special Master shall use his best efforts to cause Buyer to become the successor beneficiary to the Sellers under that certain Charles A. Morgan Trust.

5.17 Antitrust Filings

(a) After the date of this Agreement, the Sellers and the Buyer will each make in timely fashion but in no event later than ten (10) days after the date of this Agreement, all filings and notifications required under HSR and all such other filings and notifications as Buyer deems necessary or desirable in connection with this Agreement under any other applicable antitrust or competition laws (the "Antitrust Laws") with the appropriate Governmental Authority designated by law to receive such filings (collectively, the "Antitrust Filings"). The Sellers and the Buyer shall each pay any filing fees for which it is responsible in connection with the Antitrust Filings.

(b) As promptly as is practicable after receiving any request from any appropriate Governmental Authority for information, documents, or other materials in connection with the review of the Antitrust Filings, the Sellers or the Buyer, as the case may be, shall use its commercially reasonable efforts to comply with such request and, to the extent practicable and permitted by applicable law, permit the other party's legal counsel to review in advance any proposed written communication to any Governmental Authority to the extent that such review will not result in the waiver of any applicable privilege and subject to appropriate confidentiality agreements. The Sellers and the Buyer shall each cooperate reasonably with the other in connection with resolving any inquiry or investigation by any Governmental Authority relating to the Antitrust Filings. The Sellers and the Buyer shall each promptly inform the other of any communication with, and any proposed understanding, agreement, or undertaking with any Governmental Authority relating to its Antitrust Filing. The Sellers and the Buyer shall each give the other reasonable advance notice of, and the opportunity to participate in (directly or through its representatives) any inquiry or investigation by, or any material meeting or conference (whether by telecommunications or in person) with, any Governmental Authority relating to the Antitrust Filings if, in the reasonable judgment of the party that is subject to the inquiry, investigation, meeting or conference, such participation by the other party is prudent and (based upon the advice of legal counsel) legally permissible. Each of Sellers and the Buyer agrees to use its commercially reasonable efforts to secure termination or expiration of any waiting periods under any applicable Antitrust Laws and/or to obtain the approval of any antitrust Governmental Authority, as applicable, for the transactions contemplated by this Agreement.

(c) Notwithstanding anything to the contrary in this Agreement, nothing shall require or be construed to require Buyer or any of its Affiliates, in order to obtain the consent or successful termination or expiration of any review of any Governmental Authority regarding the transactions contemplated by this Agreement, to (i) sell or hold separate, or agree to sell or hold separate, before or after the Effective Time, any assets, businesses or any interests in any assets or businesses, of Buyer or any of its Affiliates or of the Sellers (or to consent to any sale, or

agreement to sell, by Buyer or by any of their respective Affiliates of any assets or businesses, or any interests in any assets or businesses), or any change in or restriction on the operation by Buyer of any assets or businesses, (ii) enter into any agreement or be bound by any obligation that Buyer may deem in its sole discretion to have an adverse effect on the benefits to Buyer of the transactions contemplated by this Agreement, or (iii) initiate or participate in any legal proceeding with respect to any such matters.

(d) In the event that Buyer is required, in order to obtain the consent or successful termination or expiration of any review under any Antitrust Law regarding the transactions contemplated by this Agreement, to take any of the actions set forth in Section 5.17(c) or if such consent, successful termination or expiration has not been obtained within sixty (60) days following the date of Buyer filing its Antitrust Filing under any applicable Antitrust Law, Buyer shall have the right to abandon its efforts to obtain approval under such Antitrust Law of the transactions contemplated by this Agreement, notwithstanding this Section 5.17. If Buyer so elects to abandon its efforts to seek such approval, it shall promptly give notice of such abandonment to the Special Master.

6. MASTERSHIP.

6.1 Mastership Court Filings

As more fully set forth below, if the Buyer's bid is approved by the Mastership Court as the winning bid, then, unless otherwise directed by the Mastership Court, the Special Master shall follow typical Rhode Island mastership practice to seeking entry of the Sale Order. The Special Master will serve notice of the winning bid and all related hearings regarding the sale approved by the Mastership Court upon all persons and entities that the Mastership Court requires receive such notice and/or pleadings, including, but not limited to, (a) all persons or entities known to possess or assert a Lien against any of the Assets or the Facilities, and (b) all applicable governmental authorities, including, but not limited to, the Pension Benefit Guaranty Corporation, the IRS, state and local taxing authorities, and Government Reimbursement Programs, and shall provide such other and further notice as Buyer reasonably requests. Buyer agrees that it will promptly take such actions as are reasonably requested by the Special Master to assist in obtaining entry of the Sale Order, including furnishing affidavits or other documents or information for filing with the Mastership Court. In the event the Sale Order is appealed, Sellers and Buyer may but are not obligated to use their respective reasonable efforts to defend such appeal. Sellers shall provide Buyer's counsel with advance notice of any action the Special Master intends to take and, an advance review copy of any motion that the Special Master deems necessary and appropriate to be filed in the Mastership Case relating to or affecting the Sellers' ability or their obligations under this Agreement for the timely consummation of the transactions contemplated hereby. Subject to the Mastership Court's approval, the Sale Order may require the Sellers to set aside and/or dedicate a portion of the Purchase Price reasonably sufficient to pay any and all expenses of amounts arising from or in connection with the following: any proration pursuant to Section 1.12; and/or (ii) any other amounts due in connection with the transactions contemplated herein.

In consideration for Buyer having expended considerable time and expense in connection with this Agreement and the negotiation thereof and the identification and quantification of

assets of the Sellers, Sellers shall pay to Buyer a break-up fee in an amount equal to one million five hundred thousand dollars ($1,500,000) (the "Break-Up Fee") on the first Business Day following the date of consummation of a transaction that is a Competing Bid (as hereinafter defined) or five (5) Business Days after the valid termination of the definitive agreement therefore, along with and up to additional funds incurred by Buyer in advancing Rent for North Stonington Health Center and funding any contributions to the Plan to Profitability (each as approved by the Special Master) to such date (collectively the "Break-Up Fee Increase"). The Sellers acknowledge and agree that (i) the approval of the Break-Up Fee and the Break-Up Fee Increase is an integral part of the transactions contemplated by this Agreement, (ii) in the absence of Seller's obligation to pay the Break-Up Fee and Break-Up Fee Increase and its agreement to request such status, Buyer would not have entered into this Agreement, (iii) the entry of Buyer into this Agreement is necessary for preservation of the estates of the Sellers and is beneficial to the Sellers, (iv) the Break-Up Fee and Break-Up Fee Increase are reasonable in relation to Buyer's efforts and to the magnitude of the transactions contemplated hereby, and (v) time is of the essence with respect to entry of the Sale Procedures Order.

6.2 Competing Bid

This Agreement is subject to approval by the Court and the consideration by Sellers of higher or better competing bids (each a "Competing Bid").

6.3 Court Filings

As promptly as practicable following the execution of this Agreement, but in no event later than ten (10) Business Days after the date of this Agreement, Sellers shall file with and seek the approval of the Court of the Sale Motion, including the Break-Up Fee and the Break-Up Fee Increase, and the entry by the Court of the Sales Procedures Order approving the payment of the Break-Up Fee and the Break-Up Fee Increase and establishing certain Sale Procedures outlined below (the "Sales Procedure Order").

The Sales Procedure Order shall provide:

(a) Any interested purchaser shall submit to Special Master, W. Mark Russo, Esq., Ferrucci Russo, P.C., 55 Pine Street — 4th Floor, Providence, RI 02903, a written irrevocable offer for the Assets with a minimum initial overbid equal to the Purchase Price plus the Break-Up Fee and any applicable Break-Up Fee Increase (together the "Initial Overbid") on or before July 30, 2012 at 1:00 p.m. (ET) (and in any event at least 7 Business Days prior to the Sale Hearing (defined below)) ("Deadline for Qualified Bids");

(b) A "Qualified Bid" shall: (i) be accompanied by an asset purchase agreement in form and substance similar to this Agreement, together with a redlined, marked copy showing all changes to this Agreement (a "Competing Agreement"); (ii) equal or exceed the Initial Overbid; (iii) not be subject to due diligence or financing contingencies; (iv) must remain open until entry of the Sale Order; (v) contain terms and conditions no less favorable to the Sellers than the terms and conditions of this Agreement; (vi) be accompanied by evidence establishing that: the bidder is acting in good faith, is capable and qualified, financially, legally, and otherwise, of unconditionally performing all obligations under the Competing Agreement,

any agreement executed in connection therewith and in any Material Contracts which such purchaser seeks to have assigned and assumed; (vii) contain information, acceptable to the Special Master, which demonstrates to the Special Master in his sole and absolute discretion that the potential purchaser has sufficient cash on hand or a binding financial commitment from an established and financially sound financial institution to ensure such potential purchaser's ability to meet its commitments and otherwise fully perform pursuant to its Competing Agreement and any related agreement; (viii) disclose the identity of the potential purchaser and such potential purchaser's direct and indirect owners, including confirmation that its bid is made as principal for the potential purchaser's account and, if not, the basis upon which the potential purchaser is acting and the identities of all other participants (if any); (ix) be accompanied by sufficient indicia that the person submitting the offer is legally empowered, by power of attorney or otherwise, to (a) bid on behalf of the potential purchaser, and (b) complete and sign, on behalf of such potential purchaser, a binding enforceable Competing Agreement; (x) not request or entitle the potential purchaser to any fee, including, but not limited to, a break-up fee, topping fee, termination fee, expense reimbursement, or administrative claim against the Mastership for substantial contribution or similar type of claim and affirmatively waiving any such claim or future claim; (xi) be accompanied by a cashier's check made payable to the order of Special Master on behalf of The Westerly Hospital and Related Entities in an amount of Five Hundred Thousand ($500,000) Dollars ("Over Bidder's Deposit"); (xii) provide that (a) if the Court approves a sale of the Assets to that bidder, the Special Master on behalf of The Westerly Hospital and Related Entities may retain the Over Bidder's Deposit for application as a non-refundable deposit to be applied against the purchase price at the closing of the transaction, and (b) if the Court does not approve a sale of the Assets to that bidder, the Special Master on behalf of The Westerly Hospital and Related Entities will return the Over Bidder's Deposit to the over bidder; (xiii) contain a proposed closing date that is not later than the Closing Date; (xiv) shall have acknowledge that if the Competing Agreement conditions the potential purchaser's performance on any non-regulatory contingency such a condition shall cause such Competing Agreement to be weighted negatively at the Sale Hearing (defined below); and (xv) shall provide that, together with the Sellers, such potential purchaser shall file a complete HCA application within forty-five (45) days of entry of a final Court order approving such purchaser's Competing Agreement as the highest and best proposal;

(c) If any bidders have submitted a Qualified Bid, then all such Qualified Bids (including this Agreement) shall be submitted for consideration to the Court on or before August 13, 2012, at 10:00 a.m. (ET) or as soon thereafter as the Court's calendar allows (the "Sale Hearing") and at the same time a copy of such Qualified Bid shall be provided to the Buyer;

(d) The Court shall determine the highest and best offer for the Assets;

(e) At the Sale Hearing, a representative of a Qualified Bidder shall present the terms and conditions of its Qualified Bid. Said representative may then be examined by the Special Master and other parties-in-interest. At the conclusion of the taking of such evidence, each Qualified Bidder shall be provided a final opportunity to submit best and final proposal in a sealed bid form;

(f) After submittal and opening of final sealed bid proposals, parties-in-interest, as well as the Special Master, may be requested to make recommendation to the Court.

After such recommendations are made, if requested, the Court will rule as to the highest and best bid;

(g) In the event that the Buyer is the only Qualified Bidder, a representative of the Buyer shall present the terms and conditions of this Agreement and then be subject to examination by the Special Master and other parties-in-interest;

(h) In the event the entry of the Sale Order or the Sale Procedures Order shall be appealed, each party shall use their respective commercially reasonable efforts to defend against such appeal. In the event that an appeal is taken, or a stay pending appeal is requested from the Sale Order or the Sale Procedures Order, the Special Master on behalf of the Sellers shall promptly notify Buyer of such appeal or stay request and shall provide Buyer within three (3) Business Days a copy of the relevant notice of appeal or order of stay. The Special Master shall also provide Buyer with written notice of any motion or application filed in connection with any appeal from either of such orders.

7. INDEMNIFICATION.

7.1 Indemnity by Buyer

(a) Buyer shall indemnify, defend and hold harmless each Seller and its respective Affiliates, officers, directors, trustees, members and employees (collectively, "Buyer Indemnified Parties") from and against any and all liabilities, losses, damages, demands, claims, suits, actions, judgments, causes of action, assessments, costs and expenses, including, without limitation, interest, penalties, attorneys' fees, any and all expenses incurred in investigating, preparing and defending against any litigation, commenced or threatened, or any claim whatsoever, and any and all amounts paid in settlement of any claim or litigation (collectively, "Damages"), asserted against, resulting to, imposed upon, or incurred or suffered by any of them, directly or indirectly, as a result or arising out of the following:

(i) any inaccuracy in or breach or nonfulfillment of any of the representations, warranties, covenants or agreements made by Buyer in this Agreement or the other agreements and documents to be executed and delivered by Buyer pursuant to this Agreement;

(ii) any liability imposed on any Seller to the extent such liability is an Assumed Liability or has been expressly assumed by Buyer pursuant to this Agreement, the Assignment and Undertaking Agreement, or the Assignment and Assumption Agreement;

(iii) any liability imposed on any Seller arising from Buyer's operation of the Facilities or Buyer's ownership of the Assets after the Effective Time; and

(iv) any misrepresentation in any certificate or other document furnished or to be furnished by or on behalf of Buyer pursuant to this Agreement.

(b) To be entitled to such indemnification, a Buyer Indemnified Party shall give Buyer prompt written notice of the assertion by a third party of any claim with respect to

which Buyer Indemnified Party may bring a claim for indemnification hereunder, and in all events must have supplied such notice to Buyer within the period for the defense of such claims by Buyer. Buyer shall have the right, at its own expense and at its own option, to contest any such third party claim and such Buyer Indemnified Party shall cooperate in good faith with Buyer to permit Buyer do so. Should such Buyer Indemnified Party settle or compromise any claim or matter for which an indemnity would be payable by Buyer hereunder without the prior written consent of Buyer, which consent shall not be unreasonably withheld, Buyer shall be relieved of any liability hereunder to such Buyer Indemnified Party with respect to such claim or matter.

(c) If any third party payor deducts any amount from payments due a Buyer Indemnified Party in respect of claims against or amounts owed by Buyer, Buyer will promptly reimburse such Buyer Indemnified Party for the amounts so deducted within five (5) days after written demand therefor by such Buyer Indemnified Party. Such Buyer Indemnified Party shall give prompt notice to Buyer of the assertion of any claim, formal or informal, by any third party payor for which, if deducted by such third party payor, such Buyer Indemnified Party would be entitled to reimbursement by Buyer hereunder and will cooperate in good faith, at no out-of-pocket cost to such Buyer Indemnified Party, with Buyer to permit Buyer to mitigate the amount of any such claim by any such third party payor.

7.2 Indemnity by Sellers

(a) Each Seller, jointly and severally (collectively, the "Seller Indemnifying Parties"), shall indemnify, defend and hold harmless Buyer and its respective officers, directors, employees, shareholders and Affiliates (collectively, the "Seller Indemnified Parties") from and against any and all Damages asserted against, resulting to, imposed upon, or incurred or suffered by any of them, directly or indirectly, as a result or arising out of the following:

(i) any inaccuracy in or breach or nonfulfillment of any of the representations, warranties, covenants or agreements made by any Seller in this Agreement or the other agreements and documents to be executed and delivered by any Seller pursuant to this Agreement;

(ii) any Liability arising from or in connection with any COBRA continuation coverage or similar continuation coverage for any of the employees (and their eligible dependents) of Sellers except as may be Buyer's obligation under Section 10.6;

(iii) any and all Liabilities of any kind whatsoever of any Seller, including without limitation liability for Taxes, professional malpractice, general liability claims or workers compensation claims, relating to or arising out of the operation of the Business prior to the Effective Time which is imposed on a Seller Indemnified Party, except to the extent such Liability (A) is an Assumed Liability or (B) is an obligation with respect to events or periods on and after the Effective Time under any (I) Assumed Contract or (II) Assumed Lease;

(iv) any Excluded Contract or Excluded Liability;

(v) any violation of or Liability under Environmental Laws that is related to any Seller's management, use, control, ownership or operation of the Assets or the Business;

(vi) any Liability arising from or in connection with any Benefit Plan, except to the extent such Liability has been expressly assumed by Buyer pursuant to this Agreement or the Assignment and Undertaking Agreement;

(vii) any Liability for violation of law occurring prior to the Effective Time (including, without limitation, Liability for overpayments and penalties) imposed on or incurred by Buyer relating to, arising from or as a result of Buyer's assumption from the Sellers (through automatic assignment or otherwise) of any provider agreement (including, without limitation, those with Medicare and Medicaid), other agreement, lease or contract with a Governmental Authority or a referral source, including, but not limited to, Liability as a result of governmental investigation, self-reporting, qui tam action, audit under Medicare's RAC program or otherwise;

(viii) except those claims set forth in Section 3.28, any claims for fees or commissions of brokers employed or alleged to have been employed by Sellers; and

(ix) any Liability arising from or in connection with those matters described pursuant to Section 8.6.

(b) To be entitled to such indemnification, a Seller Indemnified Party shall give Seller Indemnifying Parties prompt written notice within five (5) days of Seller Indemnified Party being notified of any breach or the assertion by a third party of any claim with respect to which a Seller Indemnified Party may bring a claim for indemnification hereunder, and in all events must have supplied such notice to Seller Indemnifying Parties within the applicable period for defense of such claims by Seller Indemnifying Parties. Each Seller Indemnified Party shall have the right to use the Sellers' Indemnification Escrow, after its receipt of express, written authorization from the Special Master or his designee, to contest any such third party claim, and such Seller Indemnifying Party shall cooperate in good faith with such Seller Indemnified Party to permit such Seller Indemnified Party to do so. Should such Seller Indemnified Party settle or compromise any claim or matter for which an indemnity may be payable by Seller Indemnifying Parties hereunder without the prior written consent of Seller Indemnifying Parties, which consent shall not unreasonably be withheld, the Seller Indemnifying Parties shall be relieved of any liability hereunder with respect to such claim or matter.

(c) If any third party payor deducts any amount from payments due a Seller Indemnified Party in respect of claims against or amounts owed by Seller Indemnifying Parties, the Seller Indemnifying Parties will promptly authorize reimbursement from the Sellers' Indemnification Escrow to such Seller Indemnified Party for the amounts so deducted within five (5) days after written demand therefor by such Seller Indemnified Party. Such Seller Indemnified Party shall give prompt notice to the Seller Indemnifying Parties of the assertion of any claim, formal or informal, by any third party payor for which, if deducted by such third party payor, such Seller Indemnified Party would be entitled to reimbursement by Seller Indemnifying Parties hereunder and will cooperate in good faith, at no out-of-pocket cost to such Seller

Indemnified Party, with Seller Indemnifying Parties to permit the Seller Indemnifying Parties to mitigate the amount of any such claim by any such third party payor.

(d) For purposes of determining whether a breach has occurred or an inaccuracy exists for purposes of this Section 7.2 and calculating the amount of any Damages incurred, arising out of or relating to such breach or inaccuracy, no effect shall be given to any materiality or Material Adverse Effect qualification of any representation or warranty of any of the Sellers or (ii) or any supplement to the Schedules (as described in Section 13.1).

7.3 Procedure for Indemnification – Non Third Party Claims

Whenever any claim shall arise for indemnification hereunder not involving any demand, claim, action or proceeding made or brought by a third party, including without limitation a federal or state government agency, the indemnified party shall notify the indemnifying party promptly after such indemnified party has actual Knowledge of the facts constituting the basis for such claim. The notice to the indemnifying party shall specify, if known, the amount or an estimate of the amount of the Damages arising therefrom. It is understood that such notice shall only be notice of a claim or anticipated claim and shall not create an obligation upon the indemnifying party to defend or reimburse such claim.

7.4 Survival Claims Period

No claim for indemnification may be asserted hereunder unless the party seeking indemnification gives the other party or parties notice of such claim before the end of the Survival Period (as defined in Section 13.17) provided that where notice of such claim has been timely given, such claim shall survive the expiration of the Survival Period.

7.5 Limitations on Any Indemnification Claim

The ability of the parties to seek indemnification pursuant to this Article 7 shall be limited in the following manner:

(a) The Liability of the Seller Indemnifying the Parties for indemnification under Section 7.2 shall be limited to One Million Dollars ($1,000,000.00), subject to the Sellers' ability to fund at Closing and the provisions of Sections 1.4(a) and 1.6; and

(b) The Liability of Buyer for indemnification under Section 7.1 shall be limited to Three Million Dollars ($3,000,000).

8. CONDITIONS PRECEDENT TO OBLIGATIONS OF BUYER.

The obligations of Buyer to purchase the Assets in accordance with the terms of this Agreement are subject to the satisfaction, on or prior to the Closing Date, of the following conditions unless waived in writing by Buyer:

8.1 General Conditions to Buyer's Performance

Buyer's performance hereunder shall be subject to:

(a) Due Diligence Satisfaction. Buyer shall have a period of time after entry of the Sales Procedures Order not to exceed forty five (45) days after entry of the Sale Procedures Order to complete due diligence; provided that the forty five (45) day due diligence period shall be extended for a period of time equal to any period of time in which the Special Master fails to reasonably cooperate with Buyer's due diligence efforts, including but not limited to, failure to provide reasonably requested documents or information. This condition may be waived or eliminated by the Buyer in the event significant progress is made in diligence review prior to that date. Due diligence shall be undertaken so that the Buyer can satisfy itself, within its commercially reasonable discretion, that there are no material issues that would prevent the Buyer from concluding the transaction as set forth herein. For purposes of this Subsection 8.1(a) only, a material issue shall mean any issue or issues that individually or in the aggregate would be reasonably and commercially estimated to cost the Buyer Two Million Dollars ($2,000,000) or more to remedy.

(b) Buyer's Satisfaction of No Pass-through Liability. Buyer shall have determined, within its commercially reasonable discretion, that there are no potential pass-through liability claims to Buyer, such as Sellers' pension liabilities, any regulatory investigations and self-disclosures or litigation claims to the satisfaction of the Buyer. Buyer shall not assume such liabilities. If requested and to the extent appropriate, Buyer will assist Sellers in negotiating resolution of the foregoing.

(c) Material Contracts. Amendment and extension and assignment to Buyer of all material contracts including, without limitation, any necessary transition agreements and those of third party payors (collectively "Material Contracts"). Additionally, Buyer shall have negotiated satisfactory contractual understandings with The Westerly Hospital Foundation and The Westerly Hospital Auxiliary, Inc., so that the mission of each of the foregoing organizations remains consistent and complementary to the mission of The Westerly Hospital and the Related Entities post-Closing. Buyer shall also have reached a satisfactory understanding of the North Stonington Health Center Lease, and obtained the landlord's consent to assignment and, if needed, such other appropriate consents and modifications to the North Stonington Health Center Lease to ensure the arrangement remains an appropriate fair market, arm's length arrangement. Buyer shall provide Sellers an initial identification of any such Material Contracts no later than expiration of the Due Diligence period in Schedule 8.1(a) which may be supplemented and finalized in Buyer's commercially reasonable discretion in accordance with the procedures of set forth in Section 13.1 hereof. Additionally, Sellers shall have resolved and satisfied all existing controversies involving Blue Cross and Blue Shield related to that certain Hospital Participation Agreement dated April 16, 2009 and Health Insurance Sales Agreements among the Sellers and Blue Cross and Blue Shield, including without limitation the Year Two Global Incentive Funding Advances thereunder, to the satisfaction of Buyer in its commercially reasonable discretion. Buyer shall have entered into a transition services agreement with McKesson and any other information technology providers necessary to continue to operate the Facilities following Closing and such agreements shall be satisfactory to Buyer in its commercially reasonable discretion. The Sellers shall deliver to Buyer at least ten (10) Business Days prior to the Closing Date, a landlord estoppel certificate in a form acceptable to Buyer from any applicable Seller landlord, which estoppel certificate shall be duly signed by such landlord's representative and shall confirm or attach the following with respect to both leases: (a) a true, correct and complete copy of the lease together with all amendments thereto; (b) the commencement date and

termination date of the lease (including any renewal options); (c) the number square feet of rentable area contained in the premises; (d) that the respective tenant is current through the period immediately prior to Closing in the payment of any and all base rent, additional rent, taxes, utilities, common area maintenance payments, insurance and any and all other charges that tenant is required to pay pursuant to the lease; (e) that there are no defaults or breaches on the part of tenant under the lease; (f) the amount of any security deposit which has been deposited with landlord; (g) that landlord is aware that tenant will assign the lease to Buyer and landlord consents to such assignment and agrees to accept all rents due under the lease from Buyer, its successors or assigns, upon the written notification by tenant that the lease has been assigned; (h) that landlord will look solely to tenant (not the Buyer-assignee) for payment of any and all base rent, additional rent, taxes, utilities, common area maintenance payments, insurance and any and all other charges that become due and payable under the lease prior to the effective date of such assignment and that the non-payment of such sums by tenant shall not be deemed an event of default under the lease by Buyer-assignee on or after the effective date of such assignment; and (i) that the estoppel certificate may be relied upon by Buyer and its assignees in purchasing tenant's leasehold interest to the premises.

(d) Collective Bargaining Agreement. Buyer shall have entered into the Restated Collective Bargaining Agreement ("CBA"), in form and substance acceptable to Buyer, within its sole discretion, as set forth in Section 10.6.

(e) **BUYER SHALL MAKE A GOOD FAITH EFFORT TO SATISFY OR WAIVE ALL NON-REGULATORY CONTINGENCIES PRIOR TO THE COMPETING BID DEADLINE OR SUCH SHALL BE WEIGHTED NEGATIVELY AT THE SALE HEARING.**

(f) Regulatory Approvals and Governmental Consents. Buyer (with assistance and cooperation of Sellers) will use its best efforts to procure regulatory approval for the Transaction from the RIDOH and the RIAG as well as approvals from any and all other required Governmental Authorities and authorities with jurisdiction over the Sellers, including, without limitation, the Center for Medicare and Medicaid Services (collectively, "Regulatory Approvals and Governmental Consents").

8.2 No Financing Contingency

Buyer has expressly represented that Buyer's performance of this Agreement is in no way conditioned upon obtaining financing, including the acquisition of Seller's assets or assumption of Seller's Liabilities as set forth herein.

8.3 Representations

The representations of each Seller made in this Agreement qualified as to materiality shall be true and correct, and those not so qualified shall be true and correct in all material respects when made and, when read in light of any Schedules which have been updated (but not corrected) in accordance with the provisions of Section 13.1 hereof, as of the Closing Date as though such representations and warranties had been made on and as of such Closing Date. Each Seller shall have duly performed, complied with and satisfied all covenants, agreements and

conditions required by this Agreement to be performed, complied with or satisfied by it prior to the time of the Closing.

8.4 Pre-Closing Confirmations

Buyer shall have obtained documentation or other evidence confirming the following:

(a) confirmation and effective issuance to the Hospital of the license required by the State of Rhode Island for continued operation of the Hospital by Buyer after the Closing;

(b) confirmation of Medicare and Medicaid certification of the Hospital and the Facilities if and to the extent required for its continued operation after the Closing;

(c) confirmation from RIDOH as to any necessary registration and licensure matters with respect to the operation by Buyer of the Hospital and the Facilities and all presently authorized supplemental and special services on and after the Closing and the issuance thereof; and

(d) to the extent required, approval of the RIAG and the RIDOH and any equivalent State of Connecticut Governmental Authorities.

(e) no such approval, confirmation or issuance referenced in this Section 8.4 shall include any condition or requirement that, individually or in the aggregate, would reduce the benefits of the transactions contemplated by this Agreement to the Buyer in so significant a manner that Buyer, in its reasonable discretion, would not have entered into this Agreement had such condition or requirement been known at the date hereof.

8.5 Action/Proceeding

No action, proceeding, investigation or administrative hearing before a court or any other Governmental Agency or body shall have been instituted or, to the Knowledge of Buyer, threatened against any Seller or Buyer which seeks injunctive relief in anticipation of the sale of the Assets and may reasonably be expected to prohibit the sale of the Assets to Buyer or seeks damages in a material amount by reason of the consummation of such contribution.

8.6 Consents

All notices to, and consents, authorizations, approvals, waiting periods and waivers from third parties required, if any, for the Sellers to consummate the transactions contemplated hereby or required in connection with the assignment by the Sellers and the Buyer's assumption of the Material Contracts set forth on the list to be delivered to the Special Master pursuant to Section 13.1(b) shall have been obtained (the "Material Consents").

8.7 Adverse Changes

A Material Adverse Effect on the Business, the Hospital, the Assets or the Facilities shall not have occurred after the date hereof, or there shall not have occurred after the date hereof any event that with reasonable certainty would constitute such a Material Adverse Effect.

8.8 No Investigation

No regulatory investigation or proceeding involving CMS, the Justice Department or any other federal or state agency and involving or related to any Seller as to such Sellers' ownership or operation of the Business, the Hospital, or the Assets that has or reasonably would have a Material Adverse Effect shall have been commenced.

8.9 Proceedings and Documents Satisfactory

Buyer shall have received such certificates, opinions and other documents as it or its counsel may reasonably require in order to consummate the transactions contemplated hereby, all of which shall be in form and substance reasonably satisfactory to it and its counsel. All proceedings in connection with the purchase and sale of the Assets and all certificates and documents delivered to Buyer pursuant to this Agreement shall be reasonably satisfactory in form and substance to Buyer and its counsel acting reasonably and in good faith.

8.10 Delivery of Certain Documents

At the Closing, the Sellers shall have delivered to Buyer all documents, agreements and instruments contemplated by Section 2.2.

8.11 Title Insurance Commitment and Survey

With respect to the Sellers' Owned Real Property and the Sellers' Leased Real Property under which a Seller is a ground lessee, Buyer shall have received the Title Insurance Commitment(s) as down dated to and revised as of the Closing Date which shall confirm that the Sellers' Owned Real Property and the Sellers' Leased Real Property have not been encumbered or subjected to any matter other than those described in Schedule 3.10, and the Title Company shall be unconditionally obligated to issue the title insurance policies upon recording of the deeds. With respect to all Sellers Leased Real Property (except for Sellers' Leased Real Property under which a Seller is a ground lessee), Buyer shall have received evidence of the good, valid and marketable assignment of the applicable Sellers' Real Property Expense Leases. Buyer shall have received the Survey in conformity with the provisions of Section 5.3.

8.12 Sale Order

The Sale Order shall have been entered as a Final Order such that the Assets shall be conveyed free and clear of all Liens and Liabilities (other than Assumed Liabilities) and on the Closing Date are, in fact, delivered free and clear of all Liens and Liabilities (other than Assumed Liabilities).

8.13 Opinion of Seller's Counsel

Buyer shall have received an opinion from counsel to Sellers, dated as of the Closing Date and addressed to Buyer, substantially in the form of Exhibit 8.13 hereto.

8.14 Non-Mastership Estate Related Entities -- Asset Transfers

The Special Master shall be in a position to deliver the assets of any Non-Mastership Estate Related Entities to Buyer, including, but not limited to, any related Certificate of Need; provided that in the event the Special Master is unable to deliver assets held by any such Non-Mastership Estate Related Entities, the Buyer may, within its commercially reasonable discretion, elect to close on this Agreement subject to a proportionate offset in the Purchase Price. The RIDOH shall have approved the transfer of the Certificate of Need relating to the long-term acute care hospital to Buyer.

8.15 Property Tax

Buyer shall have received evidence that the Sellers' Real Property is exempt from property taxes as of the Effective Time.

8.16 Environmental Survey

Buyer shall have received satisfactory test results, within its commercially reasonable discretion, on all surveys performed pursuant to Section 5.15 hereto. For purposes of this condition, a survey shall not be deemed unsatisfactory if it requires a commercially reasonable remedial action work plan costing $500,000 or less to remediate (as determined by the environmental consultant preparing such survey).

9. CONDITIONS PRECEDENT TO OBLIGATIONS OF SELLERS.

The obligations of each Seller to sell the Assets in accordance with the terms of this Agreement are subject to the satisfaction, on or prior to the Closing Date, of the following conditions unless waived in writing by the Sellers:

9.1 Representations/Warranties

The representations and warranties of Buyer made in this Agreement qualified as to materiality shall be true and correct, and those not so qualified shall be true and correct in all material respects, when made and, when read in light of any Schedules which have been updated (but not corrected) in accordance with the provisions of Section 13.1 hereof, as of the Closing Date as though such representations and warranties had been made on and as of such Closing Date. Each and all of the terms, covenants, and conditions of this Agreement to be complied with or performed by Buyer on or before the Closing Date pursuant to the terms hereof shall have been duly complied with and performed in all material respects.

9.2 Action/Proceeding

No action, proceeding, investigation or administrative hearing before a court or any other governmental agency or body shall have been instituted or, to the Knowledge of any Seller, threatened against any Seller, or Buyer which seeks injunctive relief in anticipation of sale of the

Assets and may reasonably be expected to prohibit the sale of the Assets to Buyer or seeks damages in a material amount by reason of the consummation of such contribution.

9.3 Delivery of Certain Documents

At the Closing, Buyer shall have delivered to Sellers all documents, agreements and instruments contemplated by Section 2.3 and shall have paid the Purchase Price in accordance with Section 1.6(b). Additionally, Seller shall have received an opinion from counsel to Guarantor, dated as of the Closing Date and addressed to Seller opining as to the authority of Guarantor to issue the Guaranty and that said Guaranty is enforceable as against Guarantor.

9.4 Proceedings and Documents Satisfactory

Sellers shall have received such certificates, opinions and other documents as it or its counsel may reasonably require delivered pursuant to Section 2.3 in order to consummate the transactions contemplated hereby, all of which shall be in form and substance reasonably satisfactory to them and their counsel. All proceedings in connection with the purchase and sale of the Assets.

9.5 Pre-Closing Confirmations

Buyer shall have obtained, with the assistance of the Sellers, documentation or other evidence confirming the following:

(a) confirmation and effective issuance to the Hospital of the license required by the State of Rhode Island for continued operation of the Hospital by Buyer after the Closing;

(b) confirmation of Medicare and Medicaid certification of the Hospital if and to the extent required for its continued operation after the Closing;

(c) confirmation from the RIDOH as to any necessary registration and licensure matters with respect to the operation by Buyer of the Hospital and all presently authorized supplemental and special services on and after the Closing and issuance thereof; and

(d) to the extent required, approval of the transactions contemplated herein by the RIAG and the RIDOH.

9.6 Adverse Change

There shall not have occurred after the date hereof any event that is, or with reasonable certainty would constitute, a Material Adverse Effect on the business, operations, properties or assets of Buyer and/or Guarantor.

9.7 No Investigation

No regulatory investigation or proceeding involving the CMS, the Justice Department or any other federal or state agency and involving or related to Buyer and/or Guarantor that had or reasonably would have a Material Adverse Effect on Buyer shall have been commenced.

10. PARTICULAR COVENANTS OF BUYER.

10.1 Commitment to The Westerly Hospital Mission as an Acute Care Community Hospital

From the Closing Date until the date which is five (5) years after the Closing Date, Buyer shall maintain the Hospital as an acute care community hospital. In addition, from the Closing Date until the date which is two (2) years after the Closing Date, Buyer shall commit not to discontinue any clinical service (including maternity) being provided by the Hospital as of the date of the Sale Order (so long as there are no safety or quality issues associated with provision of such clinical service and so long as such clinical service is still being provided by the Hospital immediately prior to the Closing Date and so long as there are no safety or quality issues associated with provisions of such clinical service based, among other things, upon the volume of services provided in such a clinical setting as reviewed by the Hospital Board). Additionally, post-Closing, Buyer expects to augment services so as to achieve a three percent (3%) operating margin on a roll-up basis of The Westerly Hospital and Related Entities.

10.2 Commitment to the Name "Westerly Hospital" and The Westerly Hospital Charity Care Mission

After Closing, Buyer shall commit to continue the Hospital identity and name, nonprofit status and community mission. Buyer expects to carry out a broad-based community capital campaign in support of the foregoing and commits that all such funding will be raised in the Hospital's name and remain for the benefit of the Hospital nonprofit and community mission. Buyer commits to maintain charity care responsibilities and services consistent with levels historically maintained by The Westerly Hospital. Finally, any restricted funds or charitable bequests transferred to Buyer as part of the Transaction shall be used for such purposes and in compliance with any and all restrictions for the benefit of the Hospital community.

10.3 Commitment regarding Post-Closing Governance

Post-Closing, The Westerly Hospital and Related Entities shall be reestablished as subsidiaries of Buyer's parent. Buyer commits that post-Closing, representatives of the Westerly community shall be included in the reconstituted Board of the Hospital (the "Hospital Board"), as well as the Buyer's parent's Board.

10.4 Commitment regarding Capital Expenditures

During the first five (5) years after Closing, Buyer shall make, or incur binding contractual obligations to make, capital expenditures in connection with the operation of the Business, including, without limitation, investment in technology, equipment, and/or expanded services, in an aggregate amount of Thirty Million Dollars ($30,000,000.00) (the "Capital Expenditure Commitment").

10.5 Commitment regarding the Funding of the Plan of Profitability

Post-Closing and for the first two (2) years thereafter, the Buyer shall commit Six Million Five Hundred Thousand Dollars ($6,500,000.00) to fund the Plan of Profitability (such

$6,500,000.00 is referred to as the "Commitment to Fund the Plan of Profitability"), which Plan was developed during the Mastership to return The Westerly Hospital to a level of profitability and which Plan remains subject to revision upon review by Buyer (the "Plan of Profitability").

10.6 Commitment regarding Employees

(a) Consistent with Buyer's commitment to maintain the Hospital's current array of clinical services and to maintain the Hospital as an acute-care community hospital, Buyer shall offer employment, commencing on the Closing Date to all union and non-union clinical, trade and services personnel of the Sellers (excluding certain management personnel and general and administrative support services personnel) and, after satisfactory review of Sellers Plan to Profitability and employment data, Buyer expects to offer employment to substantially all of the Hospital's other employees. Notwithstanding the foregoing, Buyer shall not assume any of the collective bargaining agreements of the Sellers unless and until the extensions and amendments of such collective bargaining agreements anticipated to be obtained by the Special Master are satisfactory to the Buyer in its sole discretion. Agreement by the unions to the terms and conditions of any such amended and restated collective bargaining agreements shall be a condition of the Closing. Buyer recognizes United Nurses and Allied Professionals ("UNAP") is the bargaining agent for the Sellers' unionized personnel and will bargain in good faith with the Special Master and the UNAP representatives for modification of the collective bargaining agreements recognizing the Special Master has conveyed to UNAP the need for reasonable concessions moving forward. Buyer shall not assume any withdrawal liability arising in connection with the Transaction, including but not limited to claims by the PBGC, but shall use commercially reasonable efforts to support the Special Master's negotiation of the amended and restated collective bargaining agreements.

(b) Subject to the terms of the CBA, as of the Effective Date, Buyer shall take the following actions: (i) waive any limitations regarding pre-existing conditions and eligibility waiting periods under any health plans maintained for the benefit of the Transferred Employees, (ii)for purposes of eligibility and vesting (but not for purposes of benefit accrual) under the plans and policies of Buyer, treat all service by Transferred Employees with Sellers prior to the Effective Time as service with Buyer; and (iii) provide such other treatment as may be set forth in Schedule 10.6(b) hereof.

(c) With regard to those Employees being offered employment with Buyer, Buyer shall provide Seller with a list of those Employees per terms set forth on Schedule 10.6(b) (the employees who accept such an offer and commence employment with Buyer are collectively referred to herein as "Transferred Employees"). Nothing herein shall be deemed to affect or limit in any way normal management prerogatives of Buyer with respect to employees. Nothing herein shall be deemed to create or grant to any such employee or Transferred Employee third-party beneficiary rights or claims or causes of action of any kind or nature. Buyer shall be responsible for compensation, benefits and continuation coverage pursuant to the requirements of Code section 4980B and Part 6 of Title I of ERISA ("COBRA Coverage") with respect to each of the Transferred Employees whose qualifying event occurs on or after the date on which they become Transferred Employees. With regard to Employees who are not Transferred Employees, responsibility of Buyer or Seller for COBRA Coverage will be determined with regard to COBRA and any other applicable Federal law. Any claims for severance and accrued benefits

made by any Employees who are not Transferred Employees shall constitute claims in the Mastership and shall not be a Liability of the Buyer.

(d) Buyer's Commitment to Expedite Hospital Conversion Act ("HCA") Process

After entry of the Sale Procedures Order, the Special Master on behalf of the Sellers shall prepare the facility specific aspects of an HCA application and deliver the same to Buyer on or before the date that is thirty (30) Business Days prior to the Deadline for Qualified Bids. Seller shall file a complete HCA application within forty five (45) days of the Sale Order, if the Buyer is selected by the Court as the highest and best proposal. The Buyer shall commit, subject to regulatory approval, to advance funds to allow the RIDOH and RIAG to engage professionals to expedite the HCA process. However, such advances shall be considered administrative expenses, if the conversion is rejected for reasons other than Buyer's fitness.

10.7 Commitment to Advance Physician Relations

Subject to Due Diligence, Buyer commits to assume physician contracts and to strengthen The Westerly Hospital relationship with the physician community.

10.8 Commitment to Provide Interim Advisory and Funding of Interim Operations

Upon the entry of the Sale Order, Sellers and Buyer will enter into an Interim Advisory Agreement ("Interim Advisory Agreement") on mutually acceptable terms pursuant to which Buyer will provide certain consulting and administrative services to the Sellers at Buyer's cost to maintain the viability of the Assets until the Closing. Such Interim Advisory Agreement shall contain such exculpatory provisions as Buyer shall require and shall obligate Buyer to loan funds to Sellers on a first lien secured priority basis to cover operating expenses for the period from the Sale Order through the Closing ("Interim Operations"); provided that (i) such agreement shall be on customary terms as loans made to debtor companies in Chapter 11 bankruptcy proceedings and (ii) shall provide absent an event of default thereunder, repayment of such loan shall be held in abeyance and Buyer shall forebear from collecting until after the Closing Date; and (iii) upon the Closing, Buyer shall forgive the balance of said loan. The goal of funding Interim Operations is to preserve Seller's retention of cash in an amount as set forth in the Peg Balance Sheet. To the extent required, Buyer and Sellers will provide notice to the RIDOH and any other applicable governmental agency of such Interim Advisory Agreement as required by applicable law.

10.9 Commitment to Fund Leasehold Obligation for North Stonington Health Center

From the entry of the Sale Order until Closing, Buyer, if requested by the Special Master, shall fund the Special Master's leasehold obligation relating to the North Stonington Health Center not to exceed Seventy Thousand Dollars ($70,000) per month.

10.10 Enforcement of Commitments

Buyer agrees to be bound by an enforcement mechanism of its obligations, reasonably acceptable to Buyer, and as ordered by the Court.

10.11 Survival

Notwithstanding any other provision in this Agreement regarding survival of covenants, representations and warranties, including, without limitation, Section 13.17 hereof, Buyer, solely as it pertains to Article 10 hereof, expressly acknowledges and agrees that all representations, covenants and warranties contained in Article 10 shall survive in accordance with the applicable time frames set forth in each such Section contained in this Article 10.

11. PARTICULAR COVENANTS OF SELLERS.

11.1 Terminating Cost Report

Sellers shall furnish to Buyer a copy of the terminating cost reports filed timely on behalf of the Hospital in respect of the Medicare and Medicaid programs or any successor governmental program and any others as contractually required by other payors, reflecting consummation of the transactions contemplated hereby no later than one hundred fifty (150) days after the Closing. Buyer shall also provide Sellers upon reasonable request with the access necessary for Sellers or their agents to prepare such terminating cost reports as provided in Section 13.9.

11.2 Financial Statements

Following the Closing, each Seller agrees to use its commercially reasonable efforts to provide, at Buyer's reasonable request, any and all assistance, documents or information required in connection with the performance of an audit of Sellers' consolidated financial statements by Buyer and independent auditors selected by Buyer, at the sole cost and expense of Buyer, or the filing of the existing audited consolidated financial statements of Sellers, and the preparation and filing of pro forma consolidating financial statements of The Westerly Hospital, with and as required by federal or state agencies. Additionally, each Seller will use its commercially reasonable efforts to obtain the consent of its auditors to the filing of the existing audited consolidating financial statements of Sellers by federal or state agencies commission.

11.3 Treatment of Pension Plan Matters

Without limiting the generality of the definition of Excluded Liabilities, each Seller shall be responsible for all pension benefits accrued by employees of the Business (including any who become Transferred Employees) through the Effective Time in accordance with the terms and provisions of such Seller's defined benefit pension plan, and each Seller will administer the payment of such pension benefits in accordance with the terms and provisions of its defined benefit pension plan and will not transfer any responsibility for such benefits to Buyer.

11.4 Mastership

Special Master and each of the Sellers shall take all commercially reasonable steps necessary to facilitate the provisions of Section 6.1 hereof.

11.5 Joinder of Non-Mastership Related Entities

At the election of Buyer made any time prior to Closing, Special Master shall cause such entities not presently subject to the Mastership to be made subject to the Mastership Court jurisdiction on or prior to the Effective Time and such entities shall be joined as Sellers in this Agreement.

11.6 North Stonington Bankruptcy Matters

Special Master shall take such steps as Buyer reasonably requires to obtain any and all North Stonington Bankruptcy Case approvals in order to effectuate the transactions contemplated by this Agreement, which shall include authorization of the assignment and assumption of the North Stonington Health Center Lease pursuant to Section 365 of the Bankruptcy Code.

12. TERMINATION.

12.1 Optional Termination

This Agreement may be terminated at any time prior to the Closing as follows:

(a) by the mutual agreement of Buyer and the Special Master;

(b) by the Special Master or Buyer, if any court of competent jurisdiction in the United States or other United States governmental body shall have issued an order, decree or ruling or taken any other action restraining, enjoining or otherwise prohibiting the transactions contemplated hereby and such order, decree, ruling or other action shall have become final and non-appealable;

(c) (i) by Sellers, if Buyer commits a material breach of any of the terms hereof, which cannot be or has not been cured within twenty (20) days after the receipt of written notice to the Buyer of such breach; or (ii) by Buyer, if any Seller or the Special Master commits a material breach of any of the terms hereof, which cannot be or has not been cured within twenty (20) days after the receipt of written notice to Seller or Special Master of such breach;

(d) by Buyer in the event: (i) that there shall have occurred after the date of this Agreement, a Material Adverse Effect on the Hospital, the Facilities, the Business or the Assets; (ii) of a regulatory investigation or proceeding involving CMS, the Department of Health, the Justice Department or any other federal or state agency and involving or related to the Hospital, the Facilities, the Business or the Assets that has or is likely to have a Material Adverse Effect, as reasonably determined by the Buyer, on the Hospital, the Facilities, the Business or the Assets; (iii) Buyer receives any information which would cause Buyer to reasonably and in good faith to conclude that the transactions contemplated hereby cannot be legally or practically consummated as a result of a legal position taken by the RIAG or RIDOH or by actions taken by the RIAG or RIDOH or a similar State of Connecticut Governmental Authority that, directly or indirectly, result in an inability to consummate the transactions contemplated by this Agreement; or (iv) notwithstanding anything herein to the contrary, the FTC or Justice Department issues a second request related to the party's HSR filing or there is an investigation by the FTC or Justice Department or state or federal antitrust or competition

authorities that is not resolved to Buyer's reasonable satisfaction within forty five (45) days of the date of this Agreement.

(e) by the Buyer (i) within forty five (45) days after entry of the Sale Procedures Order, within Buyer's sole and absolute discretion, pursuant to Section 8.1(a), subject to extension as set forth therein; or (ii) at any time after it reasonably and in good faith determines that any condition to close set forth in Section 8.1 (excluding Section 8.1(a), despite best efforts cannot be satisfied and such condition has not been waived by Buyer);

(f) by Buyer if: (i) the Closing shall not have occurred by 5 p.m. EDT on January 31, 2013 (unless otherwise extended by mutual agreement of Buyer and Sellers), (ii) the Mastership Case shall have been dismissed without entry of the Sale Order, (iii) the Mastership Court shall have entered an order approving a Competing Bid or there shall be an Alternative Transaction, (iv) the Sale Procedures Order is not entered within forty (40) days from the date hereof, (v) the Sale Order is not entered within one hundred and twenty (120) days from the date hereof; or

(g) by Buyer or Sellers in accordance with the provisions of Sections 13.1.

12.2 Notice of Abandonment

In the event of any termination pursuant to Section 12.1, written notice shall forthwith be given to the other parties hereto except with respect to a termination pursuant to Section 12.1(a).

12.3 Effect of Termination

Upon termination of this Agreement, no party hereto or any of their respective commissioners, officers, directors, trustees, members, agents or shareholders shall have liability hereunder to any other party, all of which is hereby waived and released; provided, however, (a) if this Agreement is terminated by Sellers pursuant to Section 12.1(c)(i), the Deposit including all interest accrued thereon, if any, shall be retained by Sellers *plus* Seller shall be entitled to exercise any and all rights and remedies available to Seller at law or in equity; b) if this Agreement is terminated, for any reason other than pursuant to Section 12.1(c)(i), the Deposit, including all interest accrued thereon, if any, shall be immediately returned to Buyer; and (c) if this Agreement is terminated by Buyer pursuant to Section 12.1(c)(ii), Buyer shall be entitled to exercise any and all rights and remedies available to Buyer at law or in equity, provided, notwithstanding anything herein to the contrary, if this Agreement is terminated by Buyer pursuant to Section 12.1(f)(iii), Buyer shall be entitled to payment of the Break-Up Fee and any Break-Up Fee Increase and such payment shall not limit Buyer's rights and remedies to recover for breach of contract by any of the Sellers or the Special Master on behalf of the Sellers, all of such rights being reserved.

13. GENERAL.

13.1 Schedules and Other Instruments

(a) Each Schedule and Exhibit to this Agreement shall be considered a part hereof as if set forth herein in full. The Sellers and Buyer shall each have during the sixty (60)

period following the date hereof or as may be appropriate up through ten (10) days prior to Closing to supplement that Schedules prepared by it so that the representations and warranties contained in Article 3 and Article 4, respectively, shall be true and correct as of the Closing; provided that, in the event that such supplemental disclosure shall disclose any facts, circumstances or state of affairs (when taken with all other facts, circumstances or the overall state of affairs) that constitute, individually or in the aggregate, a Material Adverse Effect on the party supplementing the disclosure and not disclosed on the Schedules accompanying this Agreement when first executed (the "Original Schedules"), then Sellers or Buyer, as applicable, shall have the right to terminate this Agreement. Notwithstanding the foregoing, no supplement to the Original Schedules shall be deemed to effect Buyer's or Seller's right to indemnification for a breach of any representation, warranty or covenant made in this Agreement or the Original Schedules thereto (without taking into account the supplement to the Original Schedules).

(b) The parties agree that Buyer will deliver to the Special Master (i) a list of contracts and leases it wishes to assume (which contracts and leases shall be deemed Assumed Contracts or Assumed Leases) which list shall also indicate if the consent to the assignment of such contract is to be considered a Material Consent pursuant to Section 8.6 and (ii) a list of contracts and leases it shall not assume (which contracts and leases, together with any contract, lease or agreement not on either list shall be deemed Excluded Contracts), no later than ninety (90) days after the entry of the Sale Order. Buyer shall have the right to amend such lists until sixty (60) days prior to the Closing Date. Buyer shall have up to sixty (60) days after the Closing Date to identify any additional contracts and leases it intends to have assigned and assumed to the extent not previously identified but these shall not be considered a Material Consent. Buyer shall provide a preliminary list of Material Contracts to be considered a Material Consent to the Special Master on or before the expiration of the Due Diligence Period. The Special Master and each Seller agree to take all such action as may be necessary or appropriate to ensure that Buyer shall have no Liability for the Excluded Contracts, and the obligations pursuant to such Excluded Contracts shall be considered Excluded Liabilities.

13.2 Additional Assurances

The provisions of this Agreement shall be self-operative and shall not require further agreement by the parties except as may be herein specifically provided to the contrary; provided, however, at the request of either party, the other party shall execute such additional instruments and take such additional acts as are reasonably necessary to effectuate this Agreement. It is understood and acknowledged by Buyer that the Special Master may be required to obtain Mastership Court approval prior to the execution of certain additional instruments and/or take such additional acts as are reasonably necessary to effectuate this Agreement.

13.3 Consents, Approvals and Discretion

Except as otherwise expressly set forth herein, whenever this Agreement requires any consent or approval to be given by either party or either party must or may exercise discretion, the parties agree that such consent or approval shall not be unreasonably withheld or delayed and such discretion shall be reasonably exercised.

13.4 Choice of Law

THE PARTIES AGREE THAT THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF RHODE ISLAND WITHOUT REFERENCE TO ANY PRINCIPLES OF CONFLICTS OF LAWS. FURTHER, THE PARTIES AGREE THAT THE RHODE ISLAND SUPERIOR COURT, SOUTH COUNTY BUSINESS CALENDAR, SPECIFICALLY THE JUSTICE ASSIGNED TO OVERSEE THE MASTERSHIP CASE OF THE WESTERLY HOSPITAL AND RELATED ENTITIES, SHALL RETAIN EXCLUSIVE JURISDICTION OVER ANY AND ALL DISPUTES ARISING OUT OF OR RELATED TO THIS AGREEMENT.

13.5 Benefit/Assignment

Subject to the provisions herein to the contrary, this Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective legal representatives, successors and assigns; provided, however, that no party may assign this Agreement without the prior written consent of the other party. Notwithstanding the foregoing, if approved by the Mastership Court, Buyer shall be permitted to grant a security interest in and collaterally assign and transfer all of their rights, interests and benefits, but not their obligations, under this Agreement to any entity providing financing to Buyer and/or Buyer's Affiliates at any time and from time to time.

13.6 Finders, Brokerage

Sellers agree to indemnify the Seller Indemnified Parties from and against all loss, cost, damage or expense arising out of claims for fees or commissions of brokers employed or alleged to have been employed by Sellers.

13.7 Cost of Transaction

Except as provided in Section 12.3 hereof, whether or not the transactions contemplated hereby shall be consummated, the parties agree as follows:

(a) (excluding those fees, expenses and disbursements set forth in Section 3.28, Sellers will pay the fees, expenses and disbursements of Sellers and their respective agents, advisers, attorneys and accountants incurred in connection with the subject matter hereof and any amendments hereto; and

(b) Buyer shall pay the fees, expenses and disbursements of Buyer and its agents, advisers, attorneys and accountants incurred in connection with the subject matter hereof and any amendments hereto; and Buyer shall pay all expenses of inspecting the Hospital and Assets, including the cost of any environmental surveys; and Buyer shall pay all transfer and recording taxes and fees relating to the recordation of Sellers' deeds; and Buyer shall pay the fees and expenses related to the Regulatory Approvals and Governmental Contracts; and Buyer shall pay the fees and expenses contemplated in Sections 3.28; and Buyer shall pay the Survey Costs pursuant to Section 5.3.

13.8 Confidentiality

It is understood by the parties that any information provided by another party (the "Providing Party") concerning such Providing Party, obtained directly or indirectly, from the Providing Party in connection with transactions contemplated by this Agreement ("Confidential Information"), and the documents and instruments delivered to, a receiving party (the "Receiving Party") or its shareholders, members, managers, directors, Affiliates, officers, employees or agents of Receiving Party (collectively, "Agents") are of a confidential and proprietary nature. To the extent permitted by law, the Receiving Party agrees that it will and will use reasonable efforts to cause the Agents to maintain the confidentiality of all such information, documents or instruments acquired by or delivered to the Receiving Party and the Agents in connection with the negotiation of this Agreement or in compliance with the terms, conditions and covenants hereof and only to disclose such information, documents and instruments to such duly authorized persons as are necessary to effect the transactions contemplated hereby. The parties further agree that if the transactions contemplated hereby are not consummated, the Receiving Party and its Agents will return all documents and instruments acquired from the Providing Party or its Affiliates and all copies thereof in their possession to the Providing Party, and the Receiving Party will not use, and will not knowingly permit others to use, any such Confidential Information in any way to compete with the Providing Party or Providing Party's respective Affiliates, successors or assigns or in a manner which would be detrimental to the business, financial affairs or reputations of the Providing Party or Providing Party's respective officers and Affiliates, successors and assigns. Each party for itself and its Agents recognizes that any breach of this Section would result in irreparable harm to the Providing Party and the Providing Party's respective officers and Affiliates and that therefore either the Providing Party, or any of the Providing Party's respective officers and Affiliates shall be entitled to an injunction to prohibit any such breach by the Receiving Party and the Receiving Party's Agents in addition to all of their other legal and equitable remedies. Nothing in this Section shall prohibit the use of such Confidential Information, documents or information for such governmental filings as are required by law or governmental regulations or the disclosure of such Confidential Information if such disclosure is compelled by judicial or administrative process or, in the reasonable opinion of a party's counsel, other requirements of law. For purposes hereof, Confidential Information shall not include information (a) ascertainable or obtained from public or published information, (b) received from a third party not known by the Receiving Party to be under an obligation to the Providing Party to keep such information confidential, (c) which is or becomes known to the public (other than through a breach of this Agreement), (d) which was in the Receiving Party's possession prior to the disclosure thereof to Buyer in connection herewith, or (e) which the Providing Party utilized in any materials used in connection with the Providing Party's solicitation of buyers for the Assets, as applicable. Notwithstanding anything contained herein, the parties acknowledge and understand that this Agreement and all Schedules thereto will be filed by the Special Master with the Mastership Court and will, at that time, become a matter of public record and will be the subject of public hearings. It is further understood and agreed that any such filings or hearings and any public discussions or releases regarding any such filings or hearings shall not constitute or be interpreted as a violation of this Section 13.8.

13.9 Preservation and Access to Records After the Closing

(a) With regard to patient records, from and after the Effective Time, Buyer shall use its best efforts to maintain the patient records held at the Hospital relating to periods prior to the Effective Time in all material respects in accordance with applicable law and Joint Commission standards.

(b) For the period on one (1) year after Closing, each party hereto acknowledges that, subsequent to the Closing, the other party may need access to information or documents in the control or possession of such party for the purposes of concluding the transactions contemplated hereby, audits, compliance with governmental requirements and regulations, confirming compliance herewith and the prosecution or defense of third party claims. Accordingly, Sellers and Buyer agree that after the Effective Time, each shall make reasonably available to the other's representatives or agents, independent auditors and/or governmental agencies or authorities, upon written request and at the expense of the requesting party, such documents and information as may be available relating to the Business for periods prior and subsequent to the Closing to the extent necessary to facilitate concluding the transactions herein contemplated, audits, compliance with governmental requirements and regulations, confirming compliance herewith and the prosecution or defense of claims.

13.10 Waiver

The waiver by any party of a breach or violation of any term or provision of this Agreement shall not operate as, or be construed to be, a waiver of any subsequent breach of the same provision by any party or of the breach of any other term or provision of this Agreement. The delay or a failure of a party to transmit any written notice hereunder shall not constitute a waiver by such party of any default hereunder or of any other or further default under this Agreement except as may expressly be provided for by the terms of this Agreement.

13.11 Interpretation

Each of the parties has agreed to the use of the particular language of the provisions of this Agreement including all attached Exhibits and Schedules and any questions of doubtful interpretation shall not be resolved by any rule or interpretation against the draftsman but rather in accordance with the fair meaning thereof, having due regard to the benefits and rights intended to be conferred upon the parties hereto and the limitations and restrictions upon such rights and benefits intended to be provided.

13.12 Notice

Any notice, demand or communication required, permitted, or desired to be given hereunder shall be in writing and shall be deemed effectively given when personally delivered or mailed by prepaid certified mail, return receipt requested, addressed as follows:

Sellers: W. Mark Russo, Special Master
c/o Ferrucci Russo P.C.
55 Pine Street, 4th Fl.
Providence, RI 02903

With a copy to:	Richard R. Beretta, Jr., Esq. Adler Pollock & Sheehan P.C. One Citizens Plaza, 8th Floor Providence, RI 02903
Buyer:	LMW Healthcare, Inc., a Rhode Island nonprofit Corporation and LMW Physicians, Inc. a Rhode Island nonprofit Corporation c/o Lawrence+Memorial 365 Montauk Avenue New London, CT 06320
With a copy to:	Victor G. Milione, Esq. Carolyn Jacoby Gabbay, Esq. Nixon Peabody LLP 100 Summer Street Boston, MA 02110
	Steve Zubiago, Esq. Steven M. Richard, Esq. Nixon Peabody LLP One Citizens Plaza Providence, RI 02903

or to such other address, and to the attention of such other person or officer as any party may designate, with copies thereof to the respective counsel thereof as notified by such party.

13.13 Severability

In the event any provision of this Agreement is held to be invalid, illegal or unenforceable for any reason and in any respect, such invalidity, illegality, or unenforceability shall in no event affect, prejudice or disturb the validity of the remainder of this Agreement, which shall be in full force and effect, enforceable in accordance with its terms, including, without limitation, those terms which contemplate or require the further agreements of the parties. Furthermore, in lieu of such illegal, invalid or unenforceable provision, there shall be added automatically as a part of this Agreement a provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible and still be legal, valid or enforceable.

13.14 Gender and Number

Whenever the context of this Agreement requires, the gender of all words herein shall include the masculine, feminine and neuter, and the number of all words herein shall include the singular and plural.

13.15 Divisions and Headings

The divisions of this Agreement into Sections and subsections and the use of captions and headings in connection therewith are solely for convenience and shall have no legal effect in construing the provisions of this Agreement.

13.16 Consented Assignment

Anything contained herein to the contrary notwithstanding, this Agreement shall not constitute an agreement to assign any claim, right, contract, license, lease, commitment, sales order or purchase order if an attempted assignment thereof without the consent of another party thereto would constitute a breach thereof or in any material way affect the rights of Sellers thereunder, unless such consent is obtained. If such consent is not obtained, or if an attempted assignment would be ineffective or would materially affect Sellers' rights thereunder so that Buyer would not in fact receive all such rights, Sellers shall cooperate in any reasonable arrangement designed to provide for Buyer the benefit under any such claims, rights, contracts, licenses, leases, commitments, sales orders or purchase orders, including, without limitation, enforcement, at no out-of-pocket cost to Sellers, of any and all rights of Sellers against the other party or parties thereto arising out of the breach or cancellation by such other party or otherwise.

13.17 Survival

All statements made by the parties hereto herein or in the Schedules or in any other financial statement, document, instrument, certificate, Exhibit or list delivered to each other hereunder by or on behalf of the parties hereto shall be deemed representations and warranties of the parties hereto regardless of any investigation made by or on behalf of Buyer. Furthermore, the representations, warranties, covenants and agreements made by the parties herein shall survive the Closing but shall expire nine (9) months after the Closing Date, (collectively, the "Survival Period"); provided, however, that Buyer's right to indemnification for Damages arising out of the Excluded Liabilities shall expire eighteen (18) months after the Closing Date. Notwithstanding the foregoing, this Section 13.17 shall not provide third parties any benefit or longer period of time in which to assert a claim beyond that which is provided by the relevant statute of limitations.

13.18 Refund Requests

In the event of a determination by any governmental or third-party payor that payments to Sellers or the Hospital resulted in an overpayment or other determination that funds previously paid by any program or plan to Sellers or the Hospital must be repaid, Sellers shall be responsible for repayment of said monies (or defense of such actions) if such overpayment or other repayment determination was for services rendered prior to the Effective Time and Buyer shall be responsible for repayment of said moneys (or defense of such actions) if such overpayment determined was for services rendered after the Effective Time.

13.19 No Third-Party Beneficiaries

The terms and provisions of this Agreement, including, without limitation, Section 10.1, are intended solely for the benefit of Buyer and Sellers and their respective permitted successors

or assigns, and it is not the intention of the parties to confer, and this Agreement shall not confer, third party beneficiary rights upon any other person.

13.20 Entire Agreement/Amendment

This Agreement supersedes all prior contracts, understandings and agreements, whether written or oral, and constitutes the entire agreement of the parties respecting the within subject matter and no party shall be entitled to benefits other than those specified herein. As between or among the parties, no oral statements or prior written material not specifically included herein shall be of any force and effect; the parties specifically acknowledge that in entering into and executing this Agreement, the parties rely solely upon the representations and agreements contained in this Agreement and no others. No terms, conditions, warranties, or representations, other than those contained herein and no amendments or modifications hereto, shall be binding unless made in writing and signed by the party to be charged.

13.21 Counterparts

This Agreement may be executed in multiple originals or counterparts, each and all of which shall be deemed an original and all of which together shall constitute but one and the same instrument. The exchange of copies of this Agreement or amendments thereto and of executed signature pages by facsimile transmission or by email transmission in portable digital format, or similar format, shall constitute effective execution and delivery of such instrument(s) as to the parties and may be used in lieu of the original Agreement or amendment for all purposes. Signatures of the parties transmitted by facsimile or by email in portable digital format, or similar format, shall be deemed to be their original signatures for all purposes.

13.22 Risk of Loss

Notwithstanding any other provision hereof to the contrary, the risk of loss in respect of casualty to the Assets shall be borne by Sellers through the Effective Time and by Buyer thereafter.

13.23 Press Releases

Until approval of this Agreement by the Mastership Court or as required by the Mastership Court or as may be otherwise required by law, (a) any release to the public of information concerning this Agreement or the transactions contemplated hereby will be made only in the form and manner approved by the parties hereto, and (b) each party shall furnish the other with drafts of all such releases prior to their publication or dissemination. Buyer acknowledges and understands that the Special Master shall be required to file this Agreement with the Mastership Court on May 30, 2012, at which time such filing will become a matter of public record; and, as such, such filing shall not require the approval of Buyer.

13.24 Court Approval

As stated herein, this Agreement is expressly subject to the approval of the Rhode Island Superior Court. Further, only after such approval is obtained, if ever, shall this Agreement be binding upon the parties.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in multiple originals by their duly authorized officers and their corporate seals duly affixed hereto, all as of the day and year first above written.

BUYER:

LMW Healthcare, Inc., a Rhode Island nonprofit Corporation

By: _____
Name: _____
Title: _____

LMW Physicians, Inc., a Rhode Island nonprofit Corporation

By: _____
Name: _____
Title: _____

SELLERS:

WESTERLY HOSPITAL HEALTHCARE, INC.

By: _____, SM
Name: W. MARK RYSO
Title: Special Mgr

THE WESTERLY HOSPITAL

By: _____, SM
Name: W. MARK RYSO
Title: Special Mgr

ATLANTIC MEDICAL GROUP, INC.

By: _____ SM
Name: W. MARK RYSO
Title: Special Mgr

OCEAN MYST, MSO LLC

By: _____
Name: _____
Title: _____

WOMEN'S HEALTH OF WESTERLY, LLC

By: _____
Name: _____
Title: _____

NORTH STONINGTON HEALTH CENTER, INC.

By: _____
Name: _____
Title: _____

GUARANTY

The undersigned ("**Guarantor**"), hereby absolutely, unconditionally and irrevocably guaranties the obligations of the Buyer to the Seller pursuant to this Agreement (the "**Guaranteed Obligations**"). Should the Buyer default in the performance of the Guaranteed Obligations, the Guarantor shall forthwith be obligated to cause the Buyer to pay the Guaranteed Obligations. Guarantor is the sole current member of the Buyer, and acknowledges that it will receive direct and material benefit from the Agreement.

Guarantor agrees that the Guaranteed Obligations hereunder are absolute, unconditional and irrevocable, are not subject to any defense based on suretyship and will not be discharged by any insolvency, bankruptcy, reorganization, arrangement, composition, liquidation, dissolution or similar proceedings with respect to the Buyer or any other occurrence whatsoever (including the unenforceability of any Guaranteed Obligations against the Buyer, any waiver or release of any Guaranteed Obligation, or any occurrence that might otherwise constitute a legal or equitable defense or discharge of the liabilities of a guarantor or surety or that might otherwise limit recourse against Guarantor), except by and to the extent of performance of the Guaranteed Obligations in accordance with their terms. No delay on the part of Seller in the exercise of any right or remedy shall operate as a waiver thereof, and no single or partial exercise by Seller of any right or remedy shall preclude other or further exercise thereof or the exercise of any other right or remedy; nor shall any modification or waiver of any of the provisions of this Guaranty be binding upon Seller except as expressly set forth in a writing duly executed and delivered by Seller. This Guaranty shall inure to the benefit of Seller and its successors and assigns. This Guaranty shall be binding upon Guarantor and its successors and assigns.

IN WITNESS WHEREOF, Guarantor has executed this Payment Guaranty as of the day and year first above written.

GUARANTOR:

Lawrence & Memorial Corporation

By: _____
Name: _____
Its: _____

Execution Copy

AMENDMENT TO ASSET PURCHASE AGREEMENT

THIS AMENDMENT TO ASSET PURCHASE AGREEMENT (this "Amendment") is entered into as of August __, 2012 by and among LMW Healthcare, Inc., LMW Physicians, Inc., and W. Mark Russo, Esq. solely in his capacity as the Court-appointed Special Master for Westerly Hospital Healthcare, Inc., The Westerly Hospital, Atlantic Medical Group, Inc., Ocean Myst, MSO, LLC, Women's Health of Westerly, LLC and North Stonington Health Center, Inc.

WHEREAS, the Parties entered into that certain Asset Purchase Agreement dated as of June 20, 2012 (the "Purchase Agreement");

WHEREAS, pursuant to the Purchase Agreement, Sellers have agreed to sell to Buyer, and Buyer has agreed to purchase from Sellers, the Hospital and substantially all of Sellers' assets used to operate the Hospital and the Business.

WHEREAS, the Parties desire to amend the Purchase Agreement to address certain matters that have arisen since the execution of the Purchase Agreement as set forth herein.

NOW, THEREFORE, in consideration of the promises and mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree to amend the Purchase Agreement as follows:

Each capitalized term used herein, but not otherwise defined shall have the same meaning as ascribed to such term in the Purchase Agreement.

1. The following definitions set forth in the Purchase Agreement are amended and restated in their entirety:

> "Bank Debt of Sellers" shall mean the principal, interest, reasonable fees and expenses owed to Washington Trust Company ("WTC") (including reasonable professional fees) and other charges with respect to the secured loan obligations more specifically set out in the June 25, 2012 "*Order Allowing Claim of Washington Trust Company and Granting Related Relief*" entered by the Mastership Court.
>
> "Bond Debt of Sellers" shall mean the principal, interest, reasonable fees and expenses of the Bond Trustee (including reasonable professional fees) and other charges with respect to the Bonds, determined pursuant to the Loan and Trust Agreement and the May 31, 2012 "*Order Allowing Revenue Bond Claims and Granting Related Relief*" entered by the Mastership Court.

2. The following definitions are added to the Purchase Agreement:

"Bonds" means those certain Rhode Island Health and Educational Building Corporation Hospital Financing Revenue Bonds (The Westerly Hospital Issue) Series 1994 issued for the benefit of the Hospital pursuant to the Loan and Trust Agreement.

"Bond Trustee" means U.S. Bank National Association, as successor trustee under the Loan and Trust Agreement with respect to the Bonds, its successors and assigns.

"Loan and Trust Agreement" means that certain Loan and Trust Agreement dated as of January 15, 1994 by and among the Rhode Island Health and Educational Building Corporation, the Bond Trustee and the Hospital.

3. Section 1.2 (h) of the Purchase Agreement is amended by striking the reference in that Section to "Section 1.2(b)" and replacing it with a reference to "Section 1.4(b)."

4. Section 1.3 of the Purchase Agreement is amended by adding the following sentence at the end of the current text:

Buyer is not acquiring any cash, cash equivalents, funds or securities held or controlled by the Bond Trustee under the Loan and Trust Agreement from time to time; provided such monies shall be applied in accordance with the Loan and Trust Agreement including as contemplated by Section 1.6(b)(i) of this Agreement.

5. Section 1.6(b)(i) of the Purchase Agreement shall be deleted in its entirety and replaced with the following:

(i) Twenty Two Million, Sixty-Nine Thousand, Six Hundred and Sixty-Six Dollars ($22,069,666.00) shall be satisfied at Closing by (a) Buyer's assumption of Liabilities more specifically set forth in Schedule 1.4(b), provided: (b) as to the Bank Debt of the Sellers Buyer may elect to either: (i) assume the Bank Debt of Sellers on terms mutually agreeable to WTC and the Buyer or (ii) fund the Sellers' satisfaction of the Bank Debt of Sellers on or before Closing and (c) Buyer's payment to the Bond Trustee at Closing of sufficient Available Monies (as defined in the Loan and Trust Agreement) to, together with any cash, cash equivalents funds or securities then held by the Bond Trustee under the Loan and Trust Agreement, redeem the Bonds then outstanding and otherwise satisfy in full in cash the Bond Debt of Sellers pursuant to the Loan and Trust Agreement (as opposed to assuming said Liabilities itself);

6. Section 2.2 of the Purchase Agreement is amended by deleting the word "and" in subsection (l), deleting the period at the end of subsection (m), inserting a semicolon at the end of subsection (m), and adding the following subsection (n) after subsection (m):

(n) The Hospital shall deliver to the Bond Trustee such documents, provide such notice and take such other action as is reasonably necessary to cause the redemption of the Bonds and discharge of the Loan and Trust Agreement, including without limitation, written directions to the Bond Trustee to send a notice to bondholders to redeem the Bonds on or before the Closing Date (the "Redemption Date"), which notice shall be mailed no more the sixty(60) nor fewer than thirty (30) days prior to the Redemption Date and which shall otherwise comply with the terms and conditions of the Bonds and the Loan and Trust Agreement.

7. Section 2.3(j) of the Purchase Agreement shall be deleted in its entirety and replaced with the following:

(j) such other documents as may be reasonably requested by any Seller, and, to the extent relating to the assumption of the Bank Debt of the Sellers, by WTC, and to the extent relating to the redemption of the Bonds and/or discharge of the Loan and Trust Agreement, by the Bond Trustee.

8. Section 13.1 of the Purchase Agreement is amended by adding the following sentence at the end of subsection (b):

Notwithstanding the foregoing, no amendment contemplated by this Section 13.1 shall be made with respect to the Bank Debt of the Seller absent the prior written consent of WTC.

Notwithstanding the foregoing, no amendment contemplated by this Section 13.1 shall be made with respect to the Bonds absent the prior written consent of the Bond Trustee.

9. This Amendment shall be effective as of the date hereof and except as expressly provided herein, the terms and conditions of the Purchase Agreement shall remain in full force and effect and unmodified. This Amendment may be executed in counterparts, all of which together shall constitute one binding Agreement. The exchange of copies of this Amendment and of executed signature pages by facsimile transmission or by email transmission in portable digital format, or similar format, shall constitute effective execution and delivery of such instrument(s) as to the parties and may be used in lieu of the original Agreement or amendment for all purposes. Signatures of the parties transmitted by facsimile or by email in portable digital format, or similar format, shall be deemed to be their original signatures for all purposes.

[SIGNATURE PAGES FOLLOW]

THE UNDERSIGNED each hereby execute this Amendment as of the date first written above.

BUYER:

LMW Healthcare, Inc., a Rhode Island nonprofit Corporation

By: _____
Name: Brian D. Cummings
Title: CEO

LMW Physicians, Inc., a Rhode Island nonprofit Corporation

By: _____
Name: Brian D. Cummings
Title: CEO

SELLERS:

WESTERLY HOSPITAL HEALTHCARE, INC.

By: _____
Name: Spud Hill
Title: _____

THE WESTERLY HOSPITAL

By: _____
Name: Spud Hill
Title: _____

ATLANTIC MEDICAL GROUP, INC.

By: _____
Name: Spud Hill
Title: _____

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OCEAN MYST, MSO LLC

By: _____

Name: Sparsh Ahluwalia

Title: _____

WOMEN'S HEALTH OF WESTERLY, LLC

By: _____

Name: Sparsh Ahluwalia

Title: _____

NORTH STONINGTON HEALTH CENTER, INC.

By: _____

Name: Sparsh Ahluwalia

Title: _____

13092334.8

ESCROW AGREEMENT

This Escrow Agreement, dated as of _____ __, 20__ is by and among W. Mark Russo, Esq. solely in his capacity as the Court-appointed Special Master (the "Special Master") for Westerly Hospital Healthcare, Inc., The Westerly Hospital, Atlantic Medical Group, Inc., Ocean Myst, MSO, LLC, Women's Health of Westerly, LLC and North Stonington Health Center, Inc. (collectively, "The Westerly Hospital and the Related Entities") (The Westerly Hospital and the Related Entities are referenced herein individually as a "Seller" and collectively as the "Sellers"), and LMW Healthcare, Inc., a Rhode Island nonprofit Corporation, and LMW Physicians, Inc., a Rhode Island nonprofit Corporation (collectively the "Buyer" and together with the Sellers, the "Escrow Parties"), and Chelsea Groton Bank, a financial institution chartered under the laws of the State of Connecticut with its principal place of business at 904 Poquonnock Road, Groton, CT 06430 (the "Escrow Agent").

WHEREAS, the Escrow Parties are parties to a certain Asset Purchase Agreement, dated as of June 20, 2012 (the "Purchase Agreement"), providing for, among other things, the acquisition by the Buyer of certain assets (the "Assets") from Seller.

WHEREAS, pursuant to the terms of the Purchase Agreement and as part of the transactions contemplated thereby, the Escrow Parties agreed to enter into this Agreement and the Sellers agreed to deposit $500,000 plus the dollar value of any Excess Cash (as defined in the Purchase Agreement) up to $500,000 (for an aggregate escrow deposit of up to $1,000,000) with the Escrow Agent for the purposes set forth in the Purchase Agreement.

WHEREAS, the parties desire to set forth their understandings with regard to the escrow account established by this Agreement.

NOW, THEREFORE, in consideration of the premises and agreements of the parties contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the parties agree as follows:

1. **Appointment of Agent**. The Escrow Parties appoint the Escrow Agent as their agent to hold in escrow, and to administer the disposition of, the Escrow Fund (as defined below) in accordance with the terms of this Agreement, and the Escrow Agent accepts such appointment.

2. **Establishment of Escrow**. As pursuant to the Order of the Court in Charles Kinney v. The Westerly Hospital, WB11-781, the Seller shall: (a) cause [One Million Dollars ($1,000,000)] to be deposited with the Escrow Agent (the "Deposit"), and Escrow Agent shall promptly upon request acknowledge to the Escrow Parties or any of them receipt of any funds so deposited; and (b) deliver one fully executed original of this Agreement to the Escrow Agent in accordance with the Notice section below. The Deposit and all additional amounts now or hereafter deposited with the Escrow Agent, together with all interest, dividends and other income earned, shall be referred to as the "Escrow Fund."

3. **Customer Identification and TIN Certification**. To help the government fight the funding of terrorism and money laundering activities, Federal laws require all financial institutions to

obtain, verify and record information that identifies each individual or entity that opens an account. Therefore, the Escrow Agent must obtain the name, address, taxpayer or other government identification number, and other information, such as date of birth for individuals, for each individual and business entity that is a party to this Agreement. For individuals signing this Agreement on their own behalf or on behalf of another, the Escrow Agent requires a copy of a driver's license, passport or other form of photo identification. For business and other entities that are parties to this Agreement, the Escrow Agent will require such documents as it deems necessary to confirm the legal existence of the entity.

At the time of or prior to execution of this Agreement, any Escrow Party providing a tax identification number for tax reporting purposes shall provide to the Escrow Agent a completed IRS Form W-9, and every individual executing this Agreement on behalf of an Escrow Party shall provide to the Escrow Agent a copy of a driver's license, passport or other form of photo identification acceptable to the Escrow Agent. The Escrow Parties agree to provide to the Escrow Agent such organizational documents and documents establishing the authority of any individual acting in a representative capacity as the Escrow Agent may require in order to comply with its established practices, procedures and policies.

The Escrow Agent is authorized and directed to report all interest and other income earned on the Escrow Fund in accordance with the Form W-9 information provided to the Escrow Agent by Seller. The Escrow Parties understand that, in the event one or more tax identification number is not certified to the Escrow Agent, the Internal Revenue Code, as amended from time to time, may require withholding of a portion of any interest or other income earned on the Deposit.

Seller shall be entitled to all income, dividends and other income earned on the Deposit on a quarterly basis, and shall be solely responsible for all taxes thereon and tax returns required to be filed with respect thereto. Seller acknowledges that, for federal, state and local income tax purposes, any income, dividend and other income earned on the Deposit shall be income of the Seller. The Escrow Agent will report, to the Internal Revenue Service, as of each calendar year, and to the Seller, all income, dividends and other income earned on the Deposit, to the extent required under the Internal Revenue Code.

4. **Deposit of the Escrow Fund**. The Escrow Agent shall deposit the Escrow Fund in one or more deposit accounts at the Chelsea Groton Bank in accordance with such written instructions and directions as may from time to time be provided to the Escrow Agent jointly by Seller and the Buyer. In the event that the Escrow Agent does not receive written instructions, the Escrow Agent shall deposit the Escrow Fund in business savings accounts at the Chelsea Groton Bank. Deposits shall in all instances be subject to the Escrow Agent's standard funds availability policy. The Escrow Agent shall not be responsible for any loss due to interest rate fluctuation or early withdrawal penalty. The Escrow Parties understand that deposits of the Escrow Fund are not necessarily insured by the United States Government or any agency or instrumentality thereof, or of any state or municipality, and that such deposits do not necessarily earn a fixed rate of return. In no instance shall the Escrow Agent have any obligation to provide investment advice of any kind. The Escrow Agent shall not be liable or responsible for any loss resulting from any deposits made pursuant to this Section 4, other than as a result of the gross negligence or willful misconduct of the Escrow Agent. The Escrow Parties agree that any deposit accounts

established pursuant to this Agreement shall be governed by the deposit account contracts (including related disclosures and fee schedules) provided by the Escrow Agent in connection with the establishment of such deposit accounts; provided, however, that if there is any inconsistency between any provision of this Agreement and any provision of such deposit account contracts, the provision of this Agreement shall control.

5. Release of the Escrow Fund.

(a) The Escrow Parties agree that, if at any time and from time to time, the Seller or the Buyer is entitled to payment under the Purchase Agreement, the Seller and the Buyer shall deliver Joint Written Instructions (as defined below) to the Escrow Agent directing the Escrow Agent to deliver to the Seller or the Buyer, as the case may be, an amount equal to the amount to which they or it, as the case may be, is entitled. Upon receipt of the Joint Written Instructions, the Escrow Agent shall release by wire transfer to an account or accounts designated by Seller or the Buyer, as the case may be, the amounts specified in the Joint Written Instructions.

(b) All joint written instructions from the Seller and the Buyer, or their respective successors or permitted assigns, shall be substantially in the form of Exhibit A ("Joint Written Instructions"). The Escrow Agent shall have no obligation to follow any directions set forth in any Joint Written Instructions unless and until the Escrow Agent is satisfied, in its sole discretion, that the persons executing said Joint Written Instructions are authorized to do so. For avoidance of doubt, the Special Master shall constitute the authorized signatory for each of the Sellers for the Joint Written Instructions. Any authorized officer of either of the Buyers shall constitute the authorized signatory for both Buyers for the Joint Written Instructions.

(c) Notwithstanding anything to the contrary in this Agreement, if any amount to be released at any time or under any circumstances exceeds the balance in the Escrow Fund, the Escrow Agent shall release the balance in the Escrow Fund and shall have no liability or responsibility to the Escrow Parties for any deficiency.

(d) Notwithstanding the foregoing, the Escrow Agent shall release the Escrow Fund upon receipt of an order of the Superior Court of Rhode Island in the matter of Charles Kinney v. The Westerly Hospital et al., WB11-781 (the "Court"), accompanied by a sworn statement from the Seller or the Buyer to the effect that the order is a final order from which all appeals have been exhausted, and all periods within which to appeal or seek permission to appeal or certiorari have expired establishing the party or parties to whom the Escrow Fund is to be paid.

6. Methods of Payment. All payments required to be made by the Escrow Agent under this Agreement shall be made by wire transfer or by cashier's check, as elected by the party receiving the funds. Any wire transfers shall be made subject to, and in accordance with, the Escrow Agent's normal funds transfer procedures in effect from time to time. The Escrow Agent shall be entitled to rely upon all bank and account information provided to the Escrow Agent by any of the Escrow Parties. The Escrow Agent shall have no duty to verify or otherwise confirm any written wire transfer instructions but it may do so in its discretion on any occasion without incurring any liability to any of the Escrow Parties for failing to do so on any other occasion. The Escrow Agent shall process all wire transfers based on bank identification and account

numbers rather than the names of the intended recipient of the funds, even if such numbers pertain to a recipient other than the recipient identified in the payment instructions. The Escrow Agent shall have no duty to detect any such inconsistencies and shall resolve any such inconsistencies by using the account number.

7. **Responsibilities and Liability of Escrow Agent.**

(a) **Duties Limited**. The Escrow Agent undertakes to perform only such duties as are expressly set forth in this Agreement. The Escrow Agent's duties shall be determined only with reference to this Agreement and applicable laws and it shall have no implied duties. The Escrow Agent shall not be bound by, deemed to have knowledge of, or have any obligation to make inquiry into or consider, any term or provision of any agreement between any of the Escrow Parties and/or any other third party or as to which the escrow relationship created by this Agreement relates, including without limitation any documents referenced in this Agreement.

(b) **Limitations on Liability of Escrow Agent**. Except in cases of the Escrow Agent's willful misconduct or gross negligence, the Escrow Agent shall be fully protected (i) in acting in reliance upon any certificate, statement, request, notice, advice, instruction, direction, other agreement or instrument or signature believed by the Escrow Agent, in its sole discretion, to be genuine, (ii) in assuming that any person purporting to give the Escrow Agent any of the foregoing in connection with either this Agreement or the Escrow Agent's duties, has been duly authorized to do so, and (iii) in acting or failing to act in good faith on the advice of any counsel retained by the Escrow Agent. The Escrow Agent shall not be liable for any mistake of fact or law or any error of judgment, or for any act or omission, except as a result of its willful misconduct or gross negligence. The Escrow Agent shall not be responsible for any loss incurred upon any action taken under circumstances not constituting willful misconduct or gross negligence.

In connection with any payments that the Escrow Agent is instructed to make by wire transfer, the Escrow Agent shall not be liable for the acts or omissions of (a) any Escrow Party or other person providing such instructions, including without limitation errors as to the amount, bank information or bank account number; or (b) any other person or entity, including without limitation any Federal Reserve Bank, any transmission or communications facility, any funds transfer system, any receiver or receiving depository financial institution, and no such person or entity shall be deemed to be an agent of the Escrow Agent.

Without limiting the generality of the foregoing, it is agreed that in no event will the Escrow Agent be liable for any lost profits or other indirect, special, incidental or consequential damages which the parties may incur or experience by reason of having entered into or relied on this Agreement or arising out of or in connection with the Escrow Agent's services, even if the Escrow Agent was advised or otherwise made aware of the possibility of such damages; nor shall the Escrow Agent be liable for acts of God, acts of war, breakdowns or malfunctions of machines or computers, interruptions or malfunctions of communications or power supplies, labor difficulties, actions of public authorities, or any other similar cause or catastrophe beyond the Escrow Agent's reasonable control.

In the event that the Escrow Agent shall be uncertain as to its duties or rights under this Agreement, or shall receive any certificate, statement, request, notice, advice, instruction, direction or other agreement or instrument from any other party with respect to the Escrow Funds which, in the Escrow Agent's reasonable and good faith opinion, is in conflict with any of the provisions of this Agreement, or shall be advised that a dispute has arisen with respect to the Escrow Fund or any part thereof, the Escrow Agent shall be entitled, without liability to any person, to refrain from taking any action other than to keep safely the Escrow Fund until the Escrow Agent shall be directed otherwise in accordance with Joint Written Instructions or an order of a court with jurisdiction over the Escrow Agent. The Escrow Agent shall be under no duty to institute or defend any legal proceedings, although the Escrow Agent may, in its discretion and at the expense of the Escrow Parties as provided in subsection (c) immediately below, institute or defend such proceedings.

(c) **Indemnification of Escrow Agent**. The Escrow Parties jointly and severally agree to indemnify the Escrow Agent for, and to hold it harmless against, any and all claims, suits, actions, proceedings, investigations, judgments, deficiencies, damages, settlements, liabilities and expenses (including reasonable legal fees and expenses of attorneys chosen by the Escrow Agent) as and when incurred, arising out of or based upon any act, omission, alleged act or alleged omission by the Escrow Agent or any other cause, in any case in connection with the acceptance of, or performance or non-performance by the Escrow Agent of, any of the Escrow Agent's duties under this Agreement, except as a result of the Escrow Agent's willful misconduct or gross negligence. This indemnity shall include, but not be limited to, all costs incurred in conjunction with any interpleader action which the Escrow Agent may commence in connection with this Agreement. Notwithstanding, the Special Master shall not indemnify the Escrow Agents and indemnity by the Westerly Hospital and Related Entities is subject to Court approval.

8. **Termination**. This Agreement and all the obligations of the Escrow Agent shall terminate upon the earliest to occur of the release of the entire Escrow Fund by the Escrow Agent in accordance with this Agreement.

9. **Removal of Escrow Agent**. The Escrow Parties acting together shall have the right to terminate the appointment of the Escrow Agent, specifying the date upon which such termination shall take effect. Thereafter, the Escrow Agent shall have no further obligation to the Escrow Parties except to hold the Escrow Fund as depository and not otherwise. The Escrow Parties agree that they will jointly appoint a banking corporation, trust company or attorney as successor escrow agent. Escrow Agent shall refrain from taking any action until it shall receive joint written instructions from the Escrow Parties designating the successor escrow agent. Escrow Agent shall deliver all of the Escrow Fund to such successor escrow agent in accordance with such instructions and upon receipt of the Escrow Fund, the successor escrow agent shall be bound by all of the provisions of this Agreement.

10. **Resignation of Escrow Agent**. The Escrow Agent may resign and be discharged from its duties and obligations hereunder at any time by giving no less than thirty (30) days' prior written notice of such resignation to the Escrow Parties, specifying the date when such resignation will take effect. Thereafter, the Escrow Agent shall have no further obligation to the Escrow Parties except to hold the Escrow Fund as depository and not otherwise. In the event of such

resignation, the Escrow Parties agree that they will jointly appoint a banking corporation, trust company, or attorney as successor escrow agent within thirty (30) days of notice of such resignation. Escrow Agent shall refrain from taking any action until it shall receive joint written instructions from the Escrow Parties designating the successor escrow agent. Escrow Agent shall deliver all of the Escrow Fund to such successor escrow agent in accordance with such instructions and upon receipt of the Escrow Fund, the successor escrow agent shall be bound by all of the provisions of this Agreement.

11. **Accounting**. On a monthly basis, the Escrow Agent shall render a written statement setting forth the balance of the Escrow Fund, all interest earned and all distributions made, which statements shall be delivered pursuant to Section 14 hereof.

12. **Survival**. Notwithstanding anything in this Agreement to the contrary, the provisions of Section 7 shall survive any resignation or removal of the Escrow Agent, and any termination of this Agreement.

13. **Escrow Agent Fees, Costs, and Expenses**. The Escrow Agent shall charge an administrative fee of Five Hundred Dollars ($500) per annum. The Escrow Agent shall be entitled to be reimbursed for its customary fees and charges for any wire transfers or other depository services rendered in connection with the Escrow Fund and any delivery charges or other out of pocket expenses incurred in connection the Escrow Fund. The Escrow Parties each acknowledge their joint and several obligation to pay any fees, expenses and other amounts owed to the Escrow Agent pursuant to this Agreement. The Escrow Parties agree that Escrow Agent shall be entitled to pay itself for any fees, expenses or other amounts owed to the Escrow Agent out of the amounts held in the Escrow Fund and grant to the Escrow Agent a first priority security interest in the Escrow Fund to secure all obligations owed by them to the Escrow Agent under this Agreement. The Escrow Parties agree that the Escrow Agent shall be entitled to withhold any distribution otherwise required to be made from the Escrow Fund if any fees, expenses or other amounts owed to the Escrow Agent remain unpaid on the date such distribution would otherwise be made.

Escrow Agent may consult with legal counsel at the joint and several cost and expense of the Escrow Parties in the event of any dispute or question as to the construction of any of the provisions hereof or its duties hereunder.

14. **Notices**. All notices under this Agreement shall be transmitted to the respective parties, shall be in writing and shall be considered to have been duly given or served when personally delivered to any individual party, or on the first (1st) business day after the date of deposit with an overnight courier for next day delivery, postage paid, or on the third (3rd) business day after deposit in the United States mail, certified or registered, return receipt requested, postage prepaid, or on the date of telecopy, fax or similar transmission during normal business hours, as evidenced by mechanical confirmation of such telecopy, fax or similar transmission, addressed in all cases to the party at his or its address set forth below, or to such other address as such party may designate, provided that notices will be deemed to have given to the Escrow Agent on the actual date received:

If to Sellers:	W. Mark Russo, Special Master c/o Ferrucci Russo P.C. 55 Pine Street, 4th Fl. Providence, RI 02903
With a copy to:	Richard R. Beretta, Jr., Esq. Adler Pollock & Sheehan P.C. One Citizens Plaza, 8th Floor Providence, RI 02903
If to Buyer:	LMW Healthcare, Inc., a Rhode Island nonprofit Corporation and LMW Physicians, Inc. a Rhode Island nonprofit Corporation c/o Lawrence+Memorial 365 Montauk Avenue New London, CT 06320
With a copy to:	Victor G. Milione, Esq. Carolyn Jacoby Gabbay, Esq. Nixon Peabody LLP 100 Summer Street Boston, MA 02110
	Steve Zubiago, Esq. Steven M. Richard, Esq. Nixon Peabody LLP One Citizens Plaza Providence, RI 02903
If to the Escrow Agent:	Pat Magao, Senior Vice President Chelsea Groton Bank 904 Poquonnock Road Groton, CT 06340

Any notice, except notice by the Escrow Agent, may be given on behalf of any party, its counsel or other authorized representative. In all cases the Escrow Agent shall be entitled to rely on a copy or a fax transmission of any document with the same legal effect as if it were the original of such document.

15. Modifications; Waiver. This Agreement may not be altered or modified without the express prior written consent of all of the parties to this Agreement. No course of conduct shall constitute a waiver of any terms or conditions of this Agreement, unless such waiver is specified in writing, and then only to the extent so specified. A waiver of any of the terms and conditions of this Agreement on one occasion shall not constitute a waiver of the other terms of this Agreement, or of such terms and conditions on any other occasion.

16. **Further Assurances**. If at any time the Escrow Agent shall determine or be advised that any further agreements, assurances or other documents are reasonably necessary or desirable to carry out the provisions of this Agreement and the transactions contemplated by this Agreement, the Escrow Parties shall execute and deliver any and all such agreements or other documents, and do all things reasonably necessary or appropriate to carry out fully the provisions of this Agreement.

17. **Assignment**. This Agreement shall inure to the benefit of and be binding upon the successors, heirs, personal representatives, and permitted assigns of the parties. This Agreement is freely assignable by the Escrow Parties; provided, however, that no assignment by such party, or it successors or assigns, shall be effective unless prior written notice of such assignment is given to the other parties, including, without limitation, the Escrow Agent. This Agreement may not be assigned by the Escrow Agent, except that upon prior written notice to the Escrow Parties, the Escrow Agent may assign this Agreement to an affiliated or successor bank or other qualified bank entity.

18. **Section Headings**. The section headings contained in this Agreement are inserted for purposes of convenience of reference only and shall not affect the meaning or interpretation of this Agreement.

19. **Governing Law**. This Escrow Agreement shall be governed by and construed in accordance with the laws of the State of Rhode Island, without regard to principles of conflicts of law and the parties stipulate and agree that the Court in Charles Kinney v. The Westerly Hospital et al., WB11-781 shall have and retain jurisdiction over any and all disputes arising from the Escrow Agreement.

20. **Counterparts and Facsimile Execution**. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument. The exchange of copies of this Escrow Agreement or amendments thereto and of executed signature pages by facsimile transmission or by email transmission in portable digital format, or similar format, shall constitute effective execution and delivery of such instrument(s) as to the parties and may be used in lieu of the original Escrow Agreement or amendment for all purposes. Signatures of the parties transmitted by facsimile or by email in portable digital format, or similar format, shall be deemed to be their original signatures for all purposes.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

BUYER:

LMW Healthcare, Inc., a Rhode Island nonprofit Corporation

By:_____
Name: _____
Title: _____

LMW Physicians, Inc., a Rhode Island nonprofit Corporation

By:_____
Name: _____
Title: _____

SELLERS:

WESTERLY HOSPITAL HEALTHCARE, INC.

By:_____
Name: _____
Title: _____

THE WESTERLY HOSPITAL

By:_____
Name: _____
Title: _____

ATLANTIC MEDICAL GROUP, INC.

By:_____
Name: _____
Title: _____

OCEAN MYST, MSO LLC

By:_____
Name: _____
Title: _____

WOMEN'S HEALTH OF WESTERLY, LLC

By:_____
Name: _____
Title: _____

NORTH STONINGTON HEALTH CENTER, INC.

By:_____
Name: _____
Title: _____

ESCROW AGENT:

CHELSEA GROTON BANK

By:_____

Name: _____
Title: _____

EXHIBIT A

JOINT WRITTEN INSTRUCTIONS FOR RELEASE OF ESCROW FUNDS

Pursuant to Section 5 of the Escrow Agreement dated as of _____ __, __20__, by and among W. Mark Russo, Esq. solely in his capacity as the Court-appointed Special Master (the "Special Master") for Westerly Hospital Healthcare, Inc., The Westerly Hospital, Atlantic Medical Group, Inc., Ocean Myst, MSO, LLC, Women's Health of Westerly, LLC and North Stonington Health Center, Inc. (collectively, "The Westerly Hospital and the Related Entities") (The Westerly Hospital and the Related Entities are referenced herein individually as a "Seller" and collectively as the "Sellers"), and LMW Healthcare, Inc., a Rhode Island nonprofit Corporation, and LMW Physicians, Inc., a Rhode Island nonprofit Corporation (collectively the "Buyer" and together with the Sellers, the "Escrow Parties"), and Chelsea Groton Bank, a financial institution chartered under the laws of the State of Connecticut with its principal place of business at 904 Poquonnock Road, Groton, CT 06430 (the "Escrow Agent"), Buyer and Sellers hereby instruct the Escrow Agent to release $ [_____] from the Escrow Fund in accordance with the following instructions:

Wire Instructions:

Account Name: _____
Account Number: _____
Bank Name: _____
Bank ABA Number: _____
Bank Address: _____
_____
For credit to: _____
Special Instructions: _____
_____

Bank Check:

Payee Name: _____
Mailing Address: _____
_____
_____

[BUYER]

BY: _____
NAME: _____
TITLE: _____

[SELLERS]

BY: _____
NAME: _____
TITLE: _____

ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT ("Assignment"), is made as of this _____ day of _____, 20__, by and among W. Mark Russo, Esq. solely in his capacity as the Court-appointed Special Master (the "Special Master") for Westerly Hospital Healthcare, Inc., The Westerly Hospital, Atlantic Medical Group, Inc., Ocean Myst, MSO, LLC, Women's Health of Westerly, LLC and North Stonington Health Center, Inc. (collectively, "The Westerly Hospital and the Related Entities") (The Westerly Hospital and the Related Entities are referenced herein individually as an "Assignor" and collectively as the "Assignors"), and LMW Healthcare, Inc., a Rhode Island nonprofit Corporation, and LMW Physicians, Inc., a Rhode Island nonprofit Corporation (collectively the "Assignee").

RECITALS

WHEREAS, Assignors and Assignee have entered into that certain Asset Purchase Agreement made and entered into as of June __, 2012 (the "Agreement"), which contemplates, among other things, the purchase by Assignee of certain contract rights of the Assignors and certain real property leasehold rights of the Assignors and the assumption of certain liabilities of Assignors by Assignee, each as more particularly described in the Agreement; and

WHEREAS, this Assignment is being made pursuant to the terms of the Agreement for the purpose of assigning to Assignee all of the Assignor's rights, title and interest in and to the Assumed Contracts (as such term is defined in the Agreement), the Assumed Leases (as such term is defined in the Agreement) and the Assumed Liabilities (as such term is defined in the Agreement).

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Assignment. Subject to the terms of the Agreement, Assignors hereby grant, assign, transfer, convey and deliver to Assignee the Assumed Contracts, a list of which is annexed hereto as Schedule A, and all of its rights, title, interest, benefits, privileges, obligations and liabilities thereunder, and Assignee hereby accepts such assignment. Subject to the terms of the Agreement, Assignors hereby grant, assign, transfer, convey and deliver to Assignee the Assumed Leases, a list of which is annexed hereto as Schedule B, and all of its rights, title, interest, benefits, privileges, obligations and liabilities thereunder, and Assignee hereby accepts such assignment. Subject to the terms of the Agreement, Assignors hereby grant, assign, transfer, convey and deliver to Assignee the Assumed Liabilities, and all of its rights, title, interest, benefits, privileges, obligations and liabilities thereunder, and Assignee hereby accepts such assignment.

2. Assumption of Obligations. By acceptance of this Agreement, Assignee hereby assumes and agrees to perform and to be bound by all of the terms, covenants, conditions and obligations imposed upon or assumed by Assignors under the Assumed Contracts, Assumed Leases

and Assumed Liabilities assigned to Assignee pursuant hereto, subject to the limitations imposed by the Agreement. This Assignment is made on, and is subject to, all of the terms, conditions and covenants of the Agreement including, but not limited to, the indemnification provisions set forth therein.

3. Consents. The assignment and assumption of each Assumed Contract and Assumed Lease hereunder is subject, if necessary, to any consents required for such assignment and assumption under any such Assumed Contract or Assumed Lease.

4. Successors and Assigns. This Assignment shall be binding upon and inure to the benefit of the successors, assigns, personal representatives, heirs and legatees of the respective parties hereto.

5. Governing Law. This Assignment shall be governed by, interpreted under, and construed and enforceable with, the laws of the State of Rhode Island, without giving effect to the conflict of law rules thereof.

6. Amendments. No amendment, modification, change or discharge of any provision of this Assignment shall be valid or binding unless it is in writing and signed by both parties. No waiver of any of the terms of this Assignment shall be valid unless signed by the party against whom the waiver is asserted.

7. Further Acts. The parties shall perform any further acts, and shall execute and deliver any further documents, that are reasonably necessary to carry out the intent and provisions of this Assignment.

8. Counterparts. This Assignment may be executed in several counterparts, each of which when so executed shall be deemed to be an original for all purposes. Delivery of an executed counterpart of a signature page hereto by facsimile or electronic means shall be effective as delivery of an original signature.

9. Defined Terms. All capitalized terms used herein which are not otherwise defined shall have the meanings ascribed to such terms in the Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Assignment as of the date first written above.

ASSIGNEE:

LMW Healthcare, Inc., a Rhode Island nonprofit Corporation

By:_____
Name: _____
Title: _____

LMW Physicians, Inc., a Rhode Island nonprofit Corporation

By:_____
Name: _____
Title: _____

ASSIGNORS:

WESTERLY HOSPITAL HEALTHCARE, INC.

By:_____
Name: _____
Title: _____

THE WESTERLY HOSPITAL

By:_____
Name: _____
Title: _____

ATLANTIC MEDICAL GROUP, INC.

By:_____
Name: _____

14115287.2

Title: _____

OCEAN MYST, MSO LLC

By: _____
Name: _____
Title: _____

WOMEN'S HEALTH OF WESTERLY, LLC

By: _____
Name: _____
Title: _____

NORTH STONINGTON HEALTH CENTER, INC.

By: _____
Name: _____
Title: _____

Schedule A

Assumed Contracts

Schedule B

Assumed Leases

BILL OF SALE

KNOW ALL BY THESE PRESENTS, that W. Mark Russo, Esq. solely in his capacity as the Court-appointed Special Master (the "***Special Master***") for Westerly Hospital Healthcare, Inc., The Westerly Hospital, Atlantic Medical Group, Inc., Ocean Myst, MSO, LLC, Women's Health of Westerly, LLC and North Stonington Health Center, Inc. (collectively, "***The Westerly Hospital and the Related Entities***") (The Westerly Hospital and the Related Entities are referenced herein individually as a "***Seller***" and collectively as the "***Sellers***"), pursuant to that certain Asset Purchase Agreement, dated as of June __, 2012 (the "***Asset Purchase Agreement***"), by and among the Sellers, and LMW Healthcare, Inc. and LMW Physicians, Inc. (collectively the "***Buyer***"), and in consideration for the Purchase Price paid and covenants made by the Buyer to the Sellers thereunder, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Sellers have bargained and sold, and by these presents do hereby grant, bargain, sell, assign, transfer, convey and deliver unto the Buyer, its successors, administrators and assigns, TO HAVE AND TO HOLD forever, the Assets.

1. Defined Terms. All capitalized terms set forth herein and not otherwise defined herein shall have the meanings set forth in the Asset Purchase Agreement.

2. Representations and Warranties. Notwithstanding the foregoing, no provision of this Bill of Sale shall in any way modify, replace, amend, change, rescind, waive or in any way affect the express provisions (including the warranties, covenants, agreements, conditions, representations or any of the obligations and indemnifications, and the limitations relating thereto, of the Sellers and the Buyer) set forth in the Asset Purchase Agreement, this Bill of Sale being intended solely to effect the transfer of the Purchased Assets to the Buyer pursuant to and in accordance with the Asset Purchase Agreement.

3. Governing Law. This Bill of Sale shall be governed by, and shall be construed and interpreted in accordance with, the laws of the State of Rhode Island without giving effect to the conflicts of laws principles thereof.

4. Benefits; Binding Effect. This Bill of Sale shall inure to the benefit of, and shall be binding upon, the parties hereto and their respective successors and assigns.

5. Counterparts. This Bill of Sale may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument. The signatures to this Bill of Sale need not all be on a single copy of this Bill of Sale, and may be facsimiles rather than originals, and shall be fully as effective as though all signatures were originals on the same copy.

[Signature page follows.]

SIGNATURE PAGE TO BILL OF SALE

IN WITNESS WHEREOF, the Sellers have caused this Bill of Sale to be executed on their behalf and delivered to the Buyer as of this ___ day of _____, 20___.

SELLERS:

WESTERLY HOSPITAL HEALTHCARE, INC.

By:_____
Name: _____
Title: _____

THE WESTERLY HOSPITAL

By:_____
Name: _____
Title: _____

ATLANTIC MEDICAL GROUP, INC.

By:_____
Name: _____
Title: _____

OCEAN MYST, MSO LLC

By:_____
Name: _____
Title: _____

WOMEN'S HEALTH OF WESTERLY, LLC

By:_____
Name: _____
Title: _____

NORTH STONINGTON HEALTH CENTER, INC.

By:_____
Name: _____
Title: _____

DEA POWER OF ATTORNEY FORM

[INSERT ENTITY]

[INSERT ADDRESS]

[INSERT DEA REGISTRATION NUMBER]

I, **[INSERT AUTHORIZED PERSON'S FULL NAME]**, THE UNDERSIGNED, WHO AM AUTHORIZED TO SIGN THE CURRENT APPLICATION FOR REGISTRATION OF THE ABOVE-NAMED REGISTRANT UNDER THE CONTROLLED SUBSTANCES ACT OR CONTROLLED SUBSTANCES IMPORT AND EXPORT ACT, HAVE MADE, CONSTITUTED, AND APPOINTED, AND BY THESE PRESENTS, DO MAKE, CONSTITUTE, AND APPOINT **[INSERT AUTHORIZED PERSON'S FULL NAME]**, MY TRUE AND LAWFUL ATTORNEY FOR ME IN MY NAME, PLACE, AND STEAD, TO EXECUTE APPLICATIONS FOR FORMS 222 AND TO SIGN ORDERS FOR SCHEDULE I AND II CONTROLLED SUBSTANCES, WHETHER THESE ORDERS BE ON FORM 222 OR ELECTRONIC, IN ACCORDANCE WITH AND PART 1305 OF TITLE 21 OF THE CODE OF FEDERAL REGULATIONS. I HEREBY RATIFY AND CONFIRM ALL THAT SAID ATTORNEY MUST LAWFULLY DO OR CAUSE TO BE DONE BY VIRTUE HEREOF.

[SIGNATURE OF AUTHORIZED PERSON]

I, **[AUTHORIZED PERSON TAKING POWER OF ATTORNEY'S FULL NAME]**, HEREBY AFFIRM THAT I AM THE PERSON NAMED HEREIN AS ATTORNEY-IN-FACT AND THAT THE SIGNATURE AFFIXED HERETO IS MY SIGNATURE.

[SIGNATURE OF AUTHORIZED PERSON TAKING POWER OF ATTORNEY]

WITNESSES:
[INSERT TWO WITNESS NAMES AND SIGNATURES]
1.

2.

SIGNED AND DATED ON THE ____ DAY OF ____, _____, AT _____.

ASSIGNMENT OF INTELLECTUAL PROPERTY

This ASSIGNMENT OF INTELLECTUAL PROPERTY ("Assignment") is made as of this _____ day of _____, 20__, by and among W. Mark Russo, Esq. solely in his capacity as the Court-appointed Special Master (the "Special Master") for Westerly Hospital Healthcare, Inc., The Westerly Hospital, Atlantic Medical Group, Inc., Ocean Myst, MSO, LLC, Women's Health of Westerly, LLC and North Stonington Health Center, Inc. (collectively, "The Westerly Hospital and the Related Entities") (The Westerly Hospital and the Related Entities are referenced herein individually as an "Assignor" and collectively as the "Assignors"), in favor of LMW Healthcare, Inc., a Rhode Island nonprofit Corporation, and LMW Physicians, Inc., a Rhode Island nonprofit Corporation (collectively the "Assignee").

Concurrently herewith, Assignors are selling to Assignee, and Assignee is purchasing from Assignors, pursuant to that certain Asset Purchase Agreement, dated as of June __, 2012 ("Purchase Agreement"), all of Assignors' interest in the Assets. Capitalized terms used and not defined in this Assignment shall have the meanings assigned thereto in the Purchase Agreement.

WHEREAS, Assignors own all right, title and interest in and to the copyrights as specified on Exhibit A (the "Copyrights").

WHEREAS, Assignors own all right, title and interest in and to the trademarks as specified on Exhibit A (the "Marks") including the appurtenant goodwill of Assignors associated with the Marks;

WHEREAS, in addition to the Copyrights and Marks, Assignors own all right, title and interest in and to the other intellectual property specified on Exhibit A (the "Additional Intellectual Property" and collectively with the Copyrights and Marks, the "Intellectual Property");

WHEREAS, Assignee desires to acquire all of Assignors' right, title and interest in and to the Intellectual Property.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby conclusively acknowledged, in connection with the transfer of assets to which the Intellectual Property pertain, Assignors do hereby sell, assign, transfer and set over to Assignee all its right, title and interest in, to and under the Intellectual Property and applications or registrations therefor, together with the goodwill of the business symbolized by the Intellectual Property, together with all rights and privileges granted and secured thereby, including the right to sue and recover for any past infringement, said rights to be held and enjoyed by Assignee, for its own use and benefit and for the use and benefit of its successors, assigns or other legal representatives as fully and entirely as the same would have been held and enjoyed by Assignors if this assignment and sale had not been made.

IN WITNESS WHEREOF, this Assignment is executed by the undersigned duly authorized representatives on _____ __, ____.

ASSIGNEE:

LMW Healthcare, Inc., a Rhode Island nonprofit Corporation

By:_____
Name: _____
Title: _____

LMW Physicians, Inc., a Rhode Island nonprofit Corporation

By:_____
Name: _____
Title: _____

ASSIGNORS:

WESTERLY HOSPITAL HEALTHCARE, INC.

By:_____
Name: _____
Title: _____

THE WESTERLY HOSPITAL

By:_____
Name: _____
Title: _____

ATLANTIC MEDICAL GROUP, INC.

By:_____
Name: _____
Title: _____

OCEAN MYST, MSO LLC

By:_____
Name: _____
Title: _____

WOMEN'S HEALTH OF WESTERLY, LLC

By:_____
Name: _____
Title: _____

NORTH STONINGTON HEALTH CENTER, INC.

By:_____
Name: _____
Title: _____

EXHIBIT A

INTELLECTUAL PROPERTY

CERTIFICATION OF NON-FOREIGN STATUS

Section 1445 of the Internal Revenue Code provides that a transferee of a United States real property interest must withhold tax if the transferor is a foreign person. To inform the transferee, **LMW Healthcare, Inc.**, a Rhode Island nonprofit Corporation, and **LMW Physicians, Inc.**, a Rhode Island nonprofit Corporation, that withholding tax is not required upon the disposition of a United States real property interest by **Westerly Hospital Healthcare, Inc.**, a Rhode Island nonprofit corporation ("**Seller**") [NOTE: NEED CERTIFICATE FROM EACH SELLER], the undersigned hereby certifies the following on behalf of Seller:

1. Seller is not a foreign corporation, foreign partnership, foreign trust or foreign estate (as those terms are defined in the Internal Revenue Code and Income Tax Regulations promulgated pursuant thereto);

2. Seller's United States Taxpayer Identification Number is: _____; and

3. Seller's office address is: 25 Wells Street, Westerly, RI 02891.

Seller understands that this Certification may be disclosed to the Internal Revenue Service by transferee and that any false statement contained herein could be punished by fine, imprisonment or both.

Under penalties of perjury, I declare that I have examined this Certification and, to the best of my knowledge and belief, it is true, correct and complete, and I further declare that I have authority to sign this document on behalf of Seller.

EXECUTED this ___ day of _____, 20__.

WESTERLY HOSPITAL HEALTHCARE, INC.

By:_____
Name: _____
Title: _____

Westerly Hospital
Asset Purchase Agreement
Schedule 1.2(a)
Seller's Owned Real Properties

Address	MBLU
11 Wells Street – Unit 6 Westerly, RI	86/148/6
81 Beach Street Westerly, RI	86/41
26 Wells Street Westerly, RI	87/73
45 East Avenue Westerly, RI	87/95
1 Rhody Drive Westerly, RI	87/48/A
45 Wells Street – Unit 101 Westerly, RI	87/48/C 101
45 Wells Street – Unit 201 Westerly, RI	87/48/C 201
25 Wells Street Westerly, RI	87/48

Westerly Hospital
Asset Purchase Agreement
Schedule 1.2(b)
Seller's Leased Real Properties

Leased Premises	Parties	Term
116 Granite Street Westerly, RI	Shoreline Medical Imaging, LLC d/b/a Shoreline Medical Leasing Company (Assignor), The Westerly Hospital (Assignee), Paul Cardi, M.D. (Lessee), and Granite APR Development Corp. (Lessor)	Oct. 1, 2003 – Sept. 30, 2013
Charlestown Medical 3769 Old Post Road Units A and B Charlestown, RI 02813	The Westerly Hospital & ALBACO, LLC	15 years commencing May 1, 2010
North Stonington Health Center 183 Providence New London Turnpike North Stonington, CT 06359	TWH Community Health Center & North Stonington Properties, LLC	25 years commencing Jan. 20, 2010
41 East Main Street First Floor Mystic, CT 06355	CHOW NewCo. (AMG) & Copper Beach, LLC c/o Frank E. & Jane H. Lionelli	May 1, 2009 – April 30, 2014
Mystic Medical Center 23 Clara Drive Stonington, CT	The Westerly Hospital & Woodlot Associates	Feb. 1, 2011 – Jan. 31, 2016
The Morgan Building 45 Wells Street Unit 104 Westerly, RI	WestMed Properties, LLC & The Westerly Hospital	Jan. 1, 2002 – Dec. 31, 2016
823 Main Street Hope Valley, RI	Wood River Health Services & The Westerly Hospital	Oct. 1, 2010 – Sept. 30, 2013
41 East Avenue Westerly, RI	Tobias M. Goodman, M.D. & CHOW NewCo. (AMG)	July 1, 2009 – June 30, 2014
11 Wells Street Westerly, RI	Oncology-Hematology Associates, LLC (Sublessor) & CHOW NewCo. (AMG)	Oct. 1, 2009 – Oct. 1, 2012
46 Wells Street Westerly, RI	Westerly Medical Center, Inc. & Atlantic Medical Group, for Dr. Paul Bourguignon, Dr. Michael Weaver, and Dr. Edsel Bernardo	Jan. 1, 2012 – Dec. 31, 2012

The Westerly Hospital
Asset Purchase Agreement
Schedule 1.2(c)(i)
Tangible Personal Property

See Schedule 3.11 Depreciation Schedule.

Westerly Hospital
Asset Purchase Agreement

Schedule 1.2(c)(ii)

Vehicles

Year	Make	Model	License number	Vin Number	Department
2002	Ford	F250	40763	IFTNF21L32EA46839	Maintenance
2004	Chevrolet	2500	61309	IGCHK24V14E129864	Maintenance
2010	GMC	3500HD	111611	IGD6K2BKOAF111155	Maintenance
2005	Ford	SPE	837595	IFMYV931X5KA36222	Lab
2005	Ford	Wagon	XV792	IFAFP36N85W178324	Lab
2005	Dodge	Caravan	809-056	ID-GP21R95B248135	Lab
2008	Dodge	Dakota	68625	ID7HW42N15S215101	Physician Liason
1996	Buick	Century	YT 328	1G4AG55M8T6489737	Receiving & Stores

The Westerly Hospital
Asset Purchase Agreement
Schedules 1.2(d) and 3.6
Licenses and Permits, Registrations and Approvals

Licenses*

Acute Care Hospital - RI Department of Health
Radiation Facility – Hospital, Morgan, Granite Street, Wood River Health
CLIAA – Clinical laboratory
NAABB – Blood Bank
Pharmacy Institutional with controlled substances – Pharmacy services
NSHC site - State of Connecticut Department of Public Health Outpatient Clinic

Certifications

DNV Accreditation/ISO 9001 Standards – Hospital
Baby Friendly – women's health center
AABB – blood bank
ACR - all modalities of Imaging
AACVPR - Cardiac Rehabilitation Program
CAP – Clinical laboratory
CDOE – Certified diabetes outpatient education program
AADE – American Association of Diabetes Educators

Certificate of Need

Gero-psyciatry program (pending)
Community Health of Westerly d/b/a Community Health Center, Inc for "Establishment of Primary Care, Urgent Care, and Physical Therapy Services in North Stonington"

Franchises – none

Provider agreements*

South Shore Mental Health - Psychiatric services
PET of RI
Bay Area Mobil Medical- lithotripsy
University Pathologist Group – pathology services
Fortec Medical – laser services
New England Organ Bank – organ recovery
Medical Director = Anticoagulation clinic
Hospice of RI – Hospice care
Beacon Hospice – Hospice care

* Inclusion of licenses, certificates and Provider Agreements on this Schedule 1.2(d) does not connote that Buyer has agreed to assume any agreement or contract related thereto. Further, inclusion on this Schedule 1.2(d) does not connote that all terms and conditions of each license, certificate and Provider Agreement are acceptable to Buyer and all such contracts remain subject to amendment and or extension as acceptable to Buyer.

The Westerly Hospital
Asset Purchase Agreement
Schedule 1.2(g)
Seller's Real Property Income Leases

See Schedule 3.10(b) Rent Roll for Seller's Real Property Expense Leases.

Westerly Hospital
Asset Purchase Agreement
Schedule 1.2(j)
Prepaid Expenses - May 31, 2012

0000-1100000 (A/R CONVERSION ,)	0.00	
0000-1301000 (EXCHANGE,)	1,734,290.46	See Attached
0000-1302000 (EE EXP ADVANCE,)	0.00	
0000-1306000 (EX ACC OFF SUPP,)	0.00	
0000-1307000 (EXCHANGE IV'S,)	0.00	
0000-1308000 (PAYROLL ADVANCE,)	1,420.00	
0000-1311000 (RET REF,)	0.00	
0000-1873000 (PATIENT REFUND,)	-4,493.29	
0000-1300000 (PREPAID INS,)*	172,723.80	
0000-1312000 (PP HEALTH INS,)	1,000.00	
0000-1314000 (PP FREIGHT,)	0.00	
0000-1310000 (PAY DED,)	-325.00	
0000-1848000 (DUE TO MORG FUN,)	0.00	
OTHER EXPENSES	1,904,615.97	

* To the extent Buyer assumes any prepaid insurance policies, Buyer agrees to reimburse Seller for the portion of the insurance policy period that the Buyer assumes.

Westerly Hospital
Asset Purchase Agreement
Schedule 1.2(j)
PrePaid Expenses - May 31, 2012

The Westerly Hospital
Exchange Account
May-12

G/L	1,734,290.46	
CHOW	6,807.16	
Free Bed	176,000.00	
Grant Income	(31,587.80)	
New England power	50,518.97	
Bioterrorism drugs(State reimb)	2,090.16	
GE Financial svc MRI	-	Advance
457b	170,734.38	
Cardinal prepay	-	
Shoreline (TWH Imaging)	75,000.00	
Biomet	13,000.00	
Hari	8,577.35	monthly
Morgan Condo Fees	4,031.75	
Advisory Board	-	monthly
Med staff stipends	(8,333.34)	monthly
Hospitalists	133,421.09	monthly
College of amer path	6,410.17	monthly
Dept of Health annual fee	10,636.00	monthly
Health ins	-	monthly
Up to Date	(2,536.00)	
Property Tax imaging cap lease	(8,800.00)	
Patient Reimbursement	338.00	
Interest Expense Pan #3-6	-	
Interest Expense pan 7	-	
Interest Expense Pan #8	-	
Interest Expense Pan #9	-	
N. Stonington	-	
Cap lease	-	
Eldereval	2,278.50	
ECG Management	12,061.87	
Rebate to Special Master	-	
Washington Trust Prepay	-	
BC/BS	-	
Total	620,648.26	
Variance	(1,113,642.20)	

Westerly Hospital
Asset Purchase Agreement
Schedule 1.2(j)
PrePaid Expenses - May 31, 2012

UpToDate - IT Dept Contract
*March - 50% 2536.00

Westerly Hospital
Asset Purchase Agreement
Schedule 1.2(j)
Prepaid Expenses - Affiliates

Affiliate	Amount	Prepaid Expense
Atlantic Medical Group	$12,082.35	Malpractice Insurance
Women's Health of Westerly	None	None

The Westerly Hospital
Asset Purchase Agreement
Schedule 1.2(l)
Government Patient Receivables

See Schedule 1.2(k) Receivables.

The Westerly Hospital
Asset Purchase Agreement
Schedule 1.2(k) and 1.2(l)
Receivables and Government Patient Receivables

NORTH STONINGTON HEALTH CENTER
As of 08/09/12

Non-Government Payors

Insurance	Total Balance
United Integrated Services	$58,884.27
AARP	$3,104.00
AARP Medicare Complete	$6,294.60
Aetna	$29,077.84
Aetna	$4,548.05
Aetna Better Health	$2,837.00
Aetna Global Benefits	$147.00
Aetna US Healthcare	$24,479.16
Allstate	$848.65
American Republic Insurance Company	$122.00
AmeriChoice by United Health Care	$1,815.00
AmeriChoice by United Healthcare	$5,188.99
AMERIGROUP	$220.00
Anthem BCBS	$174,643.02
Anthem BCBS (out of state)	$6,577.99
Anthem for URGENT CARE	$155,061.03
Assurant Health	$2,716.00
Attorney Lance G. Proctor, LLC	$135.00
Auto Injury Solutions	$501.31
Benefit Asistance Corporation	$1,378.51
Blue Cross Blue Shield of CT	$5,089.79
Blue Shield of RI	$1,858.00
CDPHP Inc	$158.00
ChampVA	$1,409.00
Cigna Healthcare	$19,110.25
Cirma	$733.00
Community Health Network	$15,614.53
COMMUNITY HEALTH OF CT.	$22,618.88
Compass Rose Health Plan	$10.00
Connecticare	$30,780.90
Connecticare	$39,524.33
Connecticare Medicare Plans	$9,224.09
Connecticut General Life Insurance Co	$343.00

The Westerly Hospital
Asset Purchase Agreement
Schedule 1.2(k) and 1.2(l)
Receivables and Government Patient Receivables

Consolidated Health Plans	($5.69)
Coris	$266.00
EDI First Services Administrators	$685.00
ESIS	$25.70
Fallon Community Health Plan	$115.00
FCE Benefits	$220.00
Federal Blue Cross	$3,703.99
Federal Blue Cross FEP	$10.00
Fireman's Fund	$12.74
Gallagher Bassett Mgmt Care Service	$220.00
GEHA	$437.59
Geisinger Choice Claims Admin.	$650.30
General Dynamics/Electric Boat	$2,035.00
GHI	$1,467.00
Golden Rule	$288.70
Golden Rule Ins Company	$10,557.60
Guard Insurance Company	$226.00
Guardian Life Insurance Company	$524.00
Harvard Pilgrim Health Care	$277.00
HCCMIS Claims Department	$656.00
Health Plans Inc	$628.00
HealthAmerica	$110.81
HIPIC	$203.00
HPHC Insurance Comapny	$449.00
Humana	$3,775.32
Kaiser Premanente Claims	$163.00
Liberty Insurance Corp	$408.00
London Health Administrators	$90.00
Magna TPA Local 30	$144.80
Mega Health and Life	$213.93
Mitchell International	$632.00
Mutual Of Omaha	$667.45
MVP Health Ins Co. of NH Inc.	$235.00
NAPA Preferred Care Inc	$421.00
National Grange	$213.00
NEA Group Insurance Program	$360.00
Neighborhood health Plan	$1,891.00
Neighborhood Health Plan of RI	$12,968.88

The Westerly Hospital
Asset Purchase Agreement
Schedule 1.2(k) and 1.2(l)
Receivables and Government Patient Receivables

Network Health	$226.00
OrthoNet Cigna PT	$369.29
Palmetto GBA Railroad Medicare	$1,307.00
Patient	$58,364.60
Peerless	$158.00
Peerless Insurance Company	$1,617.00
Pequot Plus Health Benefit Services	$1,839.00
PHCS	$3,412.00
POMCO	$310.65
Progressive Casualty Insurance	$562.00
RSL Specialty Products Admin	$630.00
S&S Health Care Strategies	$722.19
Sierra Nevada Spectrum	$590.00
Southern Health Services, Inc	$122.84
Starmark	$25.00
Travelers	$1,149.00
Tricare	$19,824.69
TRICARE for Life	$2,508.97
Tricare HealthNet Federal Service INC.	$1,713.02
Tufts Health Plan	$735.67
UHC Secure Horizons AARP	$1,369.00
UMR	$6,096.03
United Health Care	$16,491.28
United Healthcare	$177,484.23
United Healthcare Medicare Complete	$7,199.81
United Healthcare Oxford	$51,905.20
United Integrated Services	$14,647.15
UnitedHealthcare	$10.00
Universal SmartComp	$158.00
UPMC Health Plan	$123.00
US Dept of Labor DFEC Ctrl Mail Rm	$4,205.00
USAA Life Insurance Company	$1,273.00
Zurich Ins	$179.00

The Westerly Hospital
Asset Purchase Agreement
Schedule 1.2(k) and 1.2(l)
Receivables and Government Patient Receivables

Government Payors

Department Public Welfare Access Plus	$231.00
Medicaid of CT	$174,877.81
Medicaid of RI	$5,476.00
Medicare Masterpiece Plus	$125.00
Medicare of CT	$283,216.18
Medicare of RI	$228.00
State of Connecticut	$1,563.00
Tricare North Region	$22,560.45

Total		$1,536,604.37
	Est Contractual Allow	(875,864.49)
	AR Balance	660,739.88

The Westerly Hospital
Asset Purchase Agreement
Schedule 1.2(k) and 1.2(l)
Receivables and Government Patient Receivables

WOMEN'S HEALTH OF WESTERLY

INSURANCE PLAN**	Balance	0 to 30 Due	31 to 60 Due	61 to 90 Due	91 to 120 Due	121 to 150 Due	151 to 180 Due	Over 180 Due
UNAPPLIED	-$1,972.96	-$1,972.96	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
AARP	$536.20	$196.65	$0.00	$328.24	$0.00	$0.00	$0.00	$11.31
AARP Health Claims Dept	$511.31	$166.47	$75.00	$80.43	$175.00	$0.00	$0.00	$14.41
AARP Health Options	$36.52	$21.65	$0.00	$14.87	$0.00	$0.00	$0.00	$0.00
AARP MCR Complete Choice 2	$1,150.00	$370.00	$165.00	$0.00	$0.00	$365.00	$105.00	$145.00
AARP MCR Complete Plus HMO/POS	$430.00	$325.00	$0.00	$0.00	$0.00	$0.00	-$35.00	$140.00
AARP Medicare Complete	$330.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$330.00
ACS Health Net	$20.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$20.00
Administrative Services, Inc	$190.00	$190.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Aetna	$1,150.00	$920.00	$0.00	$0.00	-$110.00	$0.00	$0.00	$340.00
Aetna Affordable Health Choices - SRC	$575.00	$575.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Aetna Choice POS II	$545.00	$210.00	$335.00	$0.00	$0.00	$0.00	$0.00	$0.00
Aetna Golden Medicare Plans HMO	$125.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$125.00
Aetna Healthcare PPO/POS/EPO	$250.00	$250.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Aetna U S Healthcare - HMO	$350.00	$350.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Aetna U.S. Healthcare	$389.01	$200.01	$0.00	$0.00	$0.00	$189.00	$0.00	$0.00
Aetna U.S. Healthcare PPO/POS/EPO	$524.06	$275.00	$29.06	$220.00	$0.00	$0.00	$0.00	$0.00
AEXCEL Plus Choice POS II	$1,600.00	$900.00	$0.00	$0.00	$700.00	$0.00	$0.00	$0.00
American Heritage Life Insurance Co	$205.00	$205.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
American Medical and Life Insurance	$155.00	$0.00	$0.00	$0.00	$0.00	$0.00	$155.00	$0.00
Americhoices	$140.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$140.00
Anthem - Blue Card Division	$190.00	$0.00	$190.00	$0.00	$0.00	$0.00	$0.00	$0.00
Anthem BCBS	$33,193.40	$25,699.69	$3,586.57	$0.00	$1,050.00	$475.00	$210.00	$2,172.14
Anthem BCBS PPO	$259.00	$259.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
BCBS National Accounts	$7,761.83	$2,071.93	$0.00	$0.00	$189.00	$1,488.18	$45.01	$3,967.71
BCBS of Connecticut	$225.00	$225.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
BCBS of RI - Blue Solutions	$100.00	$0.00	$0.00	$0.00	$0.00	$0.00	$100.00	$0.00
BCBS of RI - PPO	$620.01	$620.01	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
BCBS of RI - Vantage Blue	$1,573.00	$908.00	$0.00	$665.00	$0.00	$0.00	$0.00	$0.00
BCBS RI - City of Prov	$1,246.00	$1,057.00	$0.00	$189.00	$0.00	$0.00	$0.00	$0.00
Blue Card	$1,510.00	$0.00	-$190.00	$0.00	$1,700.00	$0.00	$0.00	$0.00
Blue Chip	$410.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$410.00

The Westerly Hospital

Asset Purchase Agreement

Schedule 1.2(k) and 1.2(l)

Receivables and Government Patient Receivables

Blue Chip for Ritecare	$450.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$450.00
Blue Shield of RI	$21,153.93	$17,545.45	$2,816.43	$867.64	$80.00	$5.00	-$3,881.65	$3,721.06
Blue Shield Plan 65	$325.00	$150.00	$0.00	$0.00	$175.00	$0.00	$0.00	$0.00
CareFirst	$189.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$189.00
CareFirst BC/BS	$189.00	$0.00	$0.00	$189.00	$0.00	$0.00	$0.00	$0.00
Carelink Claims	$250.00	$0.00	$0.00	$250.00	$0.00	$0.00	$0.00	$0.00
ChampVA	$211.31	$211.31	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Choice Plus	$450.00	$0.00	$450.00	$0.00	$0.00	$0.00	$0.00	$0.00
Choice Plus Net	$127.17	$0.00	$0.00	$127.17	$0.00	$0.00	$0.00	($94.00)
Cigna	$896.00	$960.00	$30.00	$0.00	$0.00	$0.00	-$4,356.86	$0.00
Cigna - Tufts	-$3,991.86	$365.00	$0.00	$0.00	$0.00	$0.00	$0.00	$110.00
Cigna Carelink	$110.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$189.00
Cigna Healthcare - Boilermakers	$189.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$425.00
Collect Pend No Statement	$425.00	$0.00	$0.00	$0.00	$140.00	$0.00	$0.00	$2,100.00
Collect Pend Statement	$2,240.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$4,283.19
Collections Actual	$4,389.24	$106.05	$0.00	$0.00	$0.00	$0.00	$0.00	$2,654.39
Community Health Network of CT	$3,679.39	$850.00	$175.00	$0.00	$0.00	$0.00	$25.00	$860.00
Connecticare	$6,190.00	$5,265.00	$20.00	$20.00	$0.00	$0.00	$0.00	$0.00
Connecticare HMO	-$330.00	$0.00	$0.00	$0.00	-$330.00	$0.00	$0.00	$20.00
Connecticare VIP Option HMO POS	$20.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$3,561.14
Connecticut General Life	$4,295.53	$509.39	$0.00	$225.00	$0.00	$0.00	$0.00	$0.00
Consolidated Health Plans	$202.00	$202.00	$0.00	$0.00	$0.00	$626.20	$0.00	$2,585.02
CTBHP Claims	$7,561.22	$4,350.00	$0.00	$0.00	$0.00	$0.00	$0.00	$16.37
EBPA	$16.37	$0.00	$0.00	$0.00	$853.43	$425.35	$561.98	$6,000.33
EDS Professional Claims	$9,933.56	$822.47	$1,270.00	$0.00	$3,039.94	$80.00	$2,536.15	$6,085.84
EDS/MED Assistance	$38,586.28	$25,051.06	$1,601.63	$191.66	$0.00	$0.00	$0.00	$189.00
Emblem Health	$189.00	$0.00	$0.00	$0.00	$0.00	$0.00	$99.51	$0.00
FCE Benefit Administators, Inc	$99.51	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
FED BC/BS	$175.00	$175.00	$0.00	$0.00	$450.00	$0.00	$0.00	$1,160.00
Federal Employee Program	$1,844.34	$179.34	$55.00	$0.00	$1,000.00	$0.00	$241.86	$775.00
Federal Service Claims	$2,206.86	$190.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Free Care 100	$780.00	$780.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
GEHA	$133.85	$133.85	$0.00	$0.00	$0.00	$0.00	$0.00	$190.00
GHI	$190.00	$0.00	$0.00	$0.00	$0.00	$195.00	$0.00	$0.00
Guardian	$195.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$300.00
GWH-CIGNA	$300.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$195.00
Harrington Health	$195.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
HCC Life Insurance	$189.00	$0.00	$0.00	$189.00	$0.00	$0.00	$0.00	

The Westerly Hospital
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Schedule 1.2(k) and 1.2(l)

Receivables and Government Patient Receivables

Health Net	$140.19	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$140.19
Health Plans Inc	$150.00	$150.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
HealthMate Coast to Coast	$26,108.65	$16,678.47	$250.00	$6,325.00	$225.00	-$10.00	$295.00	$2,345.18
HMO or TMC Tufts Health Plan HMO	$100.00	$100.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Horizon Blue Cross	$16.37	$0.00	$0.00	$16.37	$0.00	$0.00	$0.00	$0.00
Husky	$1,575.00	$0.00	$425.00	$0.00	$0.00	$0.00	$0.00	$1,150.00
Husky Health	$24,177.17	$8,354.36	$343.27	$5,250.00	$2,552.53	$2,180.01	$2,198.00	$3,299.00
Husky Health A	$470.01	$470.01	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
J P Farley Corp	$190.00	$0.00	$0.00	$0.00	$190.00	$0.00	$0.00	$0.00
Legal- Timely Filing	$27,940.84	$27,940.84	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
LifeSpan Blue	$210.00	$210.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
London Health Administrators	$559.23	$111.49	$170.90	$246.84	$30.00	$0.00	$0.00	$0.00
Mail Handlers Benefits	$39.15	$0.00	$0.00	$39.15	$0.00	$0.00	$0.00	$0.00
Mashantucket Pequot - UHC Integrated Ser	$20,875.82	$11,402.04	$5,889.00	$1,244.37	$1,125.00	$156.61	$450.00	$608.80
MCR Advantage	$150.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$150.00
Medco Health Solutions	-$148.71	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	($148.71)
Medicaid	$17,671.54	$2,145.00	$1,000.00	$1,250.00	$7,626.54	$0.00	$4,290.00	$1,360.00
Medicaid of Connecticut	$3,465.23	-$60.39	$0.00	$0.00	$0.00	$225.00	$0.00	$3,300.62
Medicaid of CT	$20,201.20	$3,795.43	$4,690.00	$4,289.00	$566.74	$450.00	$2,204.00	$4,206.03
Medicaid of RI	$300.00	$300.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Medicaid of RI Riteshare	$74.11	$6.94	$0.00	$0.00	$0.00	$0.00	$0.00	$67.17
Medicare of Connecticut	$7,820.98	$1,125.00	$425.00	$350.00	$1,153.00	$0.00	$352.55	$4,415.43
Medicare of Rhode Island	$26,168.76	$12,323.00	$2,870.00	$1,860.00	$1,775.00	$1,799.41	$325.00	$5,216.35
Mediplus - Military Supplemental Ins	$13.35	$0.00	$12.00	$0.00	$0.00	$0.00	$0.00	$1.35
Meritain Health	$2,709.00	$800.00	$1,720.00	$0.00	$0.00	$0.00	$0.00	$189.00
MVP Health Plan	$350.00	$0.00	$0.00	$0.00	$350.00	$0.00	$0.00	$0.00
Narragansett Indian Health	$143.13	$0.00	$143.13	$0.00	$0.00	$0.00	$0.00	$0.00
Nationwide Specialty Health Claims	$900.00	$0.00	$0.00	$0.00	$0.00	$0.00	$900.00	$0.00
Neighborhood Health Plan of RI	$59,029.54	$27,358.02	$2,926.54	$6,691.69	$3,465.01	$685.00	$194.79	$17,708.49
NHP Rhody Health Partners	$978.69	$415.02	$0.00	$185.00	$0.00	$0.00	$189.00	$189.67
NHP Ritecare	$1,457.70	$0.00	$0.00	$0.00	$180.00	$0.00	$0.00	$1,277.70
Oxford Freedom Plan	$6,854.01	$6,384.01	$350.00	$0.00	$0.00	$0.00	$0.00	$120.00
Oxford Health Plan	$7,198.00	$5,210.00	$405.00	$0.00	$0.00	$0.00	$0.00	$1,583.00
Palmetto GBA	$225.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$225.00
Patient Budget	$12,615.51	$330.00	$135.00	$330.00	$2,493.19	$626.25	$1,521.97	$7,179.10
Pharmacy Service Center	$4,100.00	$4,100.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
PHCS	$175.00	$175.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
PPO Choice Plus Plan	$642.00	$329.00	$0.00	$0.00	$0.00	$313.00	$0.00	$0.00

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The Westerly Hospital

Asset Purchase Agreement

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Receivables and Government Patient Receivables

PPO or Tufts Navigator Health	-$20.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	($20.00)
Primarily Care	$2,951.90	$208.66	$15.00	$2,291.92	$0.00	$0.00	$0.00	$0.00	$436.32
Primarily Care Insurance	$111.70	$0.00	$111.70	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Private Pay	$110,998.31	$19,122.89	$5,466.70	$6,623.30	$6,319.66	$6,969.44	$5,601.44	$60,894.88	
Rhode Island Medicaid	$704.41	$614.41	$0.00	$30.00	$0.00	$0.00	$30.00	$30.00	
Rhody Health Partners Plan	$450.00	$450.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	
S and S Healthcare Strategies	$225.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$225.00	
Self Pay	$575.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$575.00	
State Employees - United Healthcare	$190.00	$0.00	$190.00	$0.00	$0.00	$0.00	$0.00	$0.00	
State of Connecticut DSS	$11,524.84	$33.43	$0.00	$0.00	$464.00	$140.00	$7,950.00	$2,937.41	
STM Claims Dept	$175.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$175.00	
Tricare	$4,094.00	$140.00	$0.00	$0.00	$0.00	$0.00	$470.00	$3,484.00	
Tricare for Life	$41.65	$21.65	$0.00	$0.00	$0.00	$0.00	$0.00	$20.00	
Tricare Prime	$2,126.13	$1,380.00	$1,824.61	$1,300.00	$0.00	$0.00	-$1,328.48	($1,050.00)	
Tricare Standard	$2,458.84	$1,875.30	$20.00	$258.69	$160.00	$0.00	$0.05	$144.80	
Tufts Health Plan Medicare Pref PPO	$14.66	$14.66	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	
Tufts Health Plan Open Access Plus	$350.00	$350.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	
UHC	-$327.96	-$327.96	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	
UHC - HPHC Passport Connect Plans	$575.00	$175.00	$400.00	$0.00	$0.00	$0.00	$0.00	$0.00	
UHC - Health Reinsurance A	$100.00	$100.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	
UHC - Oxford Health	-$4.61	$0.00	$0.00	-$4.61	$0.00	$0.00	$0.00	$0.00	
UHC- Choice Plan Plus	$7,925.15	$7,036.01	-$663.73	$588.60	$240.00	$270.00	$225.00	$229.27	
UHC Choice Plus-Definity HRA	$140.00	$140.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	
UHC Community Plan Star Plus	$20.00	$0.00	$20.00	$0.00	$0.00	$0.00	$0.00	$0.00	
UHC Integrated Services	$450.00	$450.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	
UHC Integrated Services - Electric Boat	$710.72	$565.30	$0.00	$0.00	$0.00	$145.42	$0.00	$0.00	
UMR	$1,769.00	$879.00	$620.00	$0.00	$270.00	$0.00	$0.00	$7,650.68	
United Healthcare	$23,693.17	$15,902.49	$0.00	$0.00	$140.00	$0.00	$0.00	$0.00	
United Healthcare Choice Plus HRA	$195.00	$195.00	$0.00	$0.00	$0.00	$0.00	$0.00	$175.00	
United Healthcare HMO-	$820.00	$645.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	
United Healthcare HSA/HRA	$100.00	$100.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	
United HealthCare Options PPO	$1,939.00	$0.00	$1,939.00	$0.00	$0.00	$0.00			
United Healthcare PPO/POS/EPO	$3,750.95	$3,339.00	$0.00	$0.00	$0.00	$0.00	-$20.00	$431.95	
United Healthcare Ritecare	$59,939.44	$29,119.51	$7,965.00	$261.69	-$1,056.46	$6,236.39	$792.00	$16,621.31	
UnitedHealthcare - HPHC	$1,655.01	$140.00	$941.36	$285.01	$0.00	$288.64	$0.00	$0.00	
UnitedHealthcare Choice Plus	$1,095.17	$1,084.00	$11.17	$0.00	$0.00	$0.00	$0.00	$0.00	
VA Medical Center	$540.01	$400.01	$0.00	$0.00	$140.00	$0.00	$0.00	$0.00	
Veterans Benefits	$430.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$430.00	

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$676,715.04	$306,173.97	$51,224.34	$43,269.03	$37,521.58	$24,323.90	$22,446.32	$191,754.90

Receivables and Government Patient Receivables

** In the normal course, gross accounts receivable would be approximately $546,000. The Special Master believes that through the Mastership Process there may be an avenue to pursue accounts receivable that may otherwise be deemed uncollectable.

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Receivables and Government Patient Receivables

ATLANTIC MEDICAL GROUP

INSURANCE PLAN	Balance	0 to 30 Due	31 to 60 Due	61 to 90 Due	91 to 120 Due	121 to 150 Due	151 to 180 Due	Over 180 Due
UNAPPLIED	-$10,303.13	-$10,303.13	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
AARP	$3,724.75	$2,319.62	$162.68	$547.23	$0.00	$256.00	$15.18	$424.04
AARP Health Claims Dept	$2,042.38	$545.04	$75.00	$223.63	$384.35	$0.00	$0.00	$814.36
AARP - United HealthCare Claims	$120.01	$42.17	$14.98	$42.19	$0.00	$0.00	$20.75	($0.08)
AARP Health Options	$402.66	$536.59	$0.00	$14.87	$0.00	$0.00	$0.00	($148.80)
AARP Healthcare Options	$159.08	$164.72	$0.00	$0.00	$0.00	$0.00	$0.00	($5.64)
AARP MCR Complete Choice 2	$20,185.65	$14,163.65	$365.00	$475.00	-$19.00	$1,327.00	$1,435.00	$2,439.00
AARP MCR Complete Plus HMO/POS	$7,791.80	$5,928.80	$547.00	$438.00	$843.00	$0.00	-$105.00	$140.00
AARP Medicare Complete	$9,063.46	$5,900.89	$2,376.00	$432.00	$172.25	$0.00	$112.00	$70.32
AARP Medicare Complete - Secure Horizons	$707.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$707.00
ACS Health Net	$602.70	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$602.70
Administrative Services, Inc	$190.00	$190.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Aetna	$8,470.43	$4,189.44	-$45.00	$309.72	$2,623.00	$749.00	$8.79	$635.48
Aetna Affordable Health Choices - SRC	$522.28	$575.00	$10.00	$0.00	$0.00	$0.00	$0.00	($62.72)
Aetna Chickering Claims Admin	$130.00	$130.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Aetna Choice POS II	$5,318.58	$2,602.01	$571.00	$362.00	$975.00	$398.57	$103.00	$307.00
Aetna Golden Choice Plans PPO	$223.00	$160.00	$0.00	$0.00	$63.00	$0.00	$0.00	$0.00
Aetna Golden Medicare Plans HMO	$125.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$125.00
Aetna Healthcare PPO/POS/EPO	$250.00	$250.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Aetna Medicare	$1,212.78	$1,263.00	$0.00	$0.00	$0.00	$0.00	$0.00	($50.22)
Aetna Open Access	$178.00	$178.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Aetna Select	$93.00	$93.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Aetna U S Healthcare - HMO	$350.00	$350.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Aetna U.S. Healthcare	$2,320.68	$1,291.52	-$30.00	$773.34	-$6.31	$378.88	$0.00	($86.75)
Aetna U.S. Healthcare HMO	-$0.16	-$0.16	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Aetna U.S. Healthcare PPO/POS/EPO	$1,627.78	$1,167.68	$29.06	$220.00	$0.00	$0.00	$0.00	$211.04
AEXCEL Plus Choice POS II	$1,594.66	$914.66	-$20.00	$0.00	$700.00	$0.00	$0.00	$0.00
AIM Mutual Insurance	$893.00	$893.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Alaska Care-Wells Fargo	$89.17	$89.17	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Allied Benefit Systems	$93.57	$93.57	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Allstate - Medpay Central	$75.00	$0.00	$0.00	$0.00	$60.00	$0.00	$15.00	$0.00
AMA Insurance - Medicare Supplement Prem	$85.50	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$85.50

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Receivables and Government Patient Receivables

American Heritage Life Insurance Co	$205.00	$205.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
American Medical and Life Insurance	$155.00	$0.00	$0.00	$0.00	$0.00	$0.00	$155.00	$0.00
American Public Life Insurance Co	$20.00	$20.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Americhoices	$4,470.89	$2,030.58	$295.00	$180.00	$329.00	$0.00	$382.72	$1,253.59
Amica	$186.00	$0.00	$0.00	$186.00	$0.00	$0.00	$0.00	$0.00
Anthem - Blue Card Division	$6,394.62	$4,224.54	$461.04	$523.57	$40.00	$0.00	$98.00	$1,047.47
Anthem BCBS	$105,872.56	$70,834.07	$11,836.77	$6,848.45	$9,210.46	$1,782.07	$1,710.98	$3,649.76
Anthem BCBS Out of State Claims	$238.38	$241.00	$0.00	$0.00	$0.00	$0.00	$0.00	($2.62)
Anthem BCBS PPO	$400.00	$400.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Anthem Blue Cross Blue Shield	$255.94	$179.53	$0.00	$14.41	$0.00	$0.00	$0.00	$62.00
Anthem HSA/HRA	$147.87	$0.00	$0.00	$147.87	$0.00	$0.00	$0.00	$0.00
Anthem Medicare PPO	$1,151.00	$151.00	$0.00	$0.00	$0.00	$0.00	$1,000.00	$0.00
Association and Society	$85.50	$44.86	$40.64	$0.00	$0.00	$0.00	$0.00	$0.00
Assurant Health	$286.00	$0.00	$0.00	$0.00	$0.00	$0.00	$286.00	$0.00
AT & T Traditional Plan TI	$156.02	$156.02	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
AT and T Careplus Plan	$162.44	$20.64	$0.00	$0.00	$0.00	$154.97	-$24.39	$11.22
AvMed	$326.00	$163.00	$163.00	$0.00	$0.00	$0.00	$0.00	$0.00
Bailey Insurance Agencies, Inc	$150.00	$0.00	$0.00	$150.00	$0.00	$0.00	$0.00	$0.00
Bankers Life and Casualty	$1,229.03	$267.41	$390.04	$504.29	$0.00	$27.31	$0.00	$39.98
BCBS National Accounts	$22,901.27	$11,810.67	$1,985.63	$1,225.35	$581.81	$2,390.58	$1,101.13	$3,806.10
BCBS of Connecticut	$727.12	$747.12	-$20.00	$0.00	$0.00	$0.00	$0.00	$0.00
BCBS of RI - Blue Solutions	$1,688.00	$1,281.00	$307.00	$0.00	$0.00	$0.00	$100.00	$0.00
BCBS of RI - PPO	$728.01	$620.01	$0.00	$0.00	$0.00	$108.00	$0.00	$0.00
BCBS of RI - Vantage Blue	$12,050.68	$10,157.93	$754.00	$1,352.25	$573.00	-$211.00	-$372.00	($203.50)
BCBS Out of State	$5,269.64	$947.20	$123.00	$1,234.00	$350.86	$1,000.00	$414.00	$1,200.58
BCBS RI - City of Prov	$2,315.00	$1,582.00	$655.00	$189.00	$45.00	-$286.00	$0.00	$130.00
Benefit Administrators	$658.00	$658.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Benefit Management Services	$90.00	$90.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Benemax	$130.28	$97.88	$32.40	$0.00	$0.00	$0.00	$0.00	$0.00
Blue Card	$1,510.00	$0.00	-$190.00	$0.00	$1,700.00	$0.00	$0.00	$0.00
Blue Care	$113.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$113.00
Blue Care - POS	$708.57	$397.00	$0.00	$65.99	-$15.00	$260.58	$0.00	$0.00
Blue Chip	$2,850.11	$1,069.00	$364.00	$346.00	$462.00	-$10.00	$0.00	$619.11
Blue Chip for Healthy Options	$997.86	$327.01	$313.00	$0.00	$0.00	$121.29	$236.56	$0.00
Blue Chip for Medicare	$10,787.82	$8,234.82	$10.00	$412.00	$176.00	$2,325.00	-$20.00	($350.00)
Blue Chip for Medicare Optima	-$15.00	$0.00	$0.00	-$15.00	$0.00	$0.00	$0.00	$0.00
Blue Chip for Ritecare	$102.45	-$43.00	$0.00	$0.00	$0.00	$0.00	$0.00	$145.45
Blue Cross Federal	-$142.65	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	($142.65)

The Westerly Hospital
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Receivables and Government Patient Receivables

Blue Cross National Plan	$3,218.32	$3,175.00	$0.00	$43.32	$0.00	$0.00	$0.00	$0.00	$0.00
Blue Shield of CT - FEP	$40.00	$0.00	$0.00	$0.00	$0.00	$40.00	$0.00	$0.00	$0.00
Blue Shield of RI	$31,103.36	$26,436.36	$2,977.43	$1,896.03	$257.10	$237.46	-$4,019.58	$3,318.56	
Blue Shield Plan 65	$4,095.97	$3,387.81	$0.00	$433.28	$175.00	$0.00	$0.00	$99.88	
CareFirst	$189.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$189.00	
CareFirst Administrators	$196.00	$166.00	$30.00	$0.00	$0.00	$0.00	$0.00	$0.00	
CareFirst BC/BS	$189.00	$0.00	$0.00	$189.00	$0.00	$0.00	$0.00	$0.00	
Carelink Claims	$1,404.88	$965.00	$0.00	$250.00	$189.88	$0.00	$0.00	$0.00	
Cement Concrete Workers,District Council	$1,300.00	$0.00	$354.00	$417.00	$0.00	$398.00	$0.00	$131.00	
Century Preferred	$945.61	$661.00	$43.32	$241.29	$0.00	$0.00	$0.00	$0.00	
CHAMPVA	-$172.05	-$86.66	$0.00	$0.00	$0.00	$0.00	$0.00	($85.39)	
Charter Oak Health Plan	$400.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$400.00	
Chartis Insurance	$600.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$600.00	
Choice Fund Open Access Plus	$95.00	$95.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	
Choice Plus	$450.00	$0.00	$450.00	$0.00	$0.00	$0.00	$0.00	$0.00	
Choice Plus Net	$127.17	$0.00	$0.00	$127.17	$0.00	$0.00	$0.00	$0.00	
Christian Brothers Religious Medical	$1,965.00	$0.00	$1,965.00	$0.00	$0.00	$0.00	$0.00	$0.00	
Cigna	$18,998.89	$9,639.79	$3,107.60	$2,466.70	$1,348.02	$1,964.52	-$112.15	$584.41	
Cigna - APWU	$713.00	$543.00	$0.00	$93.00	$0.00	$0.00	$77.00	$0.00	
Cigna - Tufts	$2,731.19	$1,561.46	$3,680.00	$1,118.00	$122.00	$490.00	-$4,257.86	$17.59	
Cigna Carelink	$1,428.00	$163.00	$0.00	$0.00	$90.00	$0.00	$1,065.00	$110.00	
Cigna Choice Fund HSA Open Access Plus	$328.00	$0.00	$0.00	$328.00	$0.00	$0.00	$0.00	$0.00	
Cigna Group Insurance	$1,353.46	$955.00	$300.46	$0.00	$0.00	$0.00	$0.00	$98.00	
Cigna Health Plan	$97.74	$0.00	$0.00	$97.74	$0.00	$0.00	$0.00	$0.00	
CIGNA HEALTHCARE	$4,077.61	$1,865.95	$700.00	$126.66	$0.00	$147.00	$506.00	$732.00	
Cigna Healthcare - Boilermakers	$189.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$189.00	
Cigna Healthcare Open Access	$4,433.64	$2,921.82	$222.82	$718.00	$150.00	$0.00	$421.00	$0.00	
Cigna Healthcare PPO	$186.00	$186.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	
Cigna Healthcare PPO/POS	$203.00	$15.00	$0.00	$0.00	$0.00	$0.00	$188.00	$0.00	
Cigna Healthcare PPO/POS/EPO	$730.71	$366.08	$194.02	$42.42	$132.88	$0.00	-$4.69	$0.00	
Cigna Medicare Select	$416.00	$0.00	$416.00	$0.00	$0.00	$0.00	$0.00	$0.00	
Cigna Scranton Claims	$3,430.00	$3,500.00	$0.00	$0.00	$0.00	$0.00	$0.00	($70.00)	
Classic Blue Cross	$200.01	$200.01	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	
CMI	$365.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$365.00	
Collect Pend No Statement	$2,188.58	$286.00	$0.00	$0.00	$0.00	$0.00	$132.04	$1,770.54	
Collect Pend Statement	$2,240.00	$0.00	$0.00	$0.00	$140.00	$0.00	$0.00	$2,100.00	
Collections Actual	$72,057.60	$2,020.87	$0.00	$0.00	$0.00	$2,402.32	$0.00	$67,634.41	
Combined Insurance Company	$85.88	$85.88	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	

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Commonwealth Indemnity Plan PPO	$67.04	$67.04	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Community Health Network of CT	$4,383.78	$809.39	$175.00	$0.00	$0.00	$0.00	$0.00	$0.00	$3,399.39
Compass Rose Health Plan	$211.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$211.00
Conn Carpenters Health Fund	$75.19	$21.65	$0.00	$31.62	$21.92	$0.00	$0.00	$0.00	$0.00
Connecticare	$10,839.67	$9,076.84	$20.00	$49.00	$40.00	$470.00	$115.00	$0.00	$1,068.83
Connecticare - VIP Choice	-$60.06	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	($60.06)
Connecticare - VIP Prime	$583.00	$1,083.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	($500.00)
Connecticare HMO	$209.00	$304.00	$0.00	$0.00	-$330.00	$0.00	$235.00	$0.00	$0.00
Connecticare VIP Option HMO POS	$478.00	$458.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$20.00
Connecticut Department of Social Service	$1,128.07	$378.06	$0.00	$693.12	$0.00	$0.00	$0.00	$0.00	$56.89
Connecticut General Life	$6,160.23	$1,109.09	$1,018.00	$265.00	$0.00	$0.00	$0.00	$0.00	$3,768.14
Consolidated Health Plans	$2,300.00	$310.00	$1,385.00	$0.00	$0.00	$0.00	$0.00	$0.00	$605.00
Coresource	$244.66	$0.00	$0.00	$56.66	$0.00	$0.00	$0.00	$0.00	$188.00
Coris America	$1,550.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$1,550.00
Crum and Forster	$372.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$372.00
CT Pipe Trades Benefit Fund	$273.24	$149.46	$4.54	$0.00	$0.00	$0.00	$0.00	$0.00	$119.24
CT Teachers Retirement	$539.98	$348.39	$0.00	$191.98	$0.00	$0.00	$0.00	$0.00	($0.39)
CTBHP Claims	$8,823.95	$5,582.73	$30.00	$0.00	$0.00	$626.20	$0.00	$0.00	$2,585.02
Definity Health	$192.44	$123.00	$0.00	$0.00	$0.00	$123.00	$6.57	$0.00	($60.13)
Diversified Admin Corp	$894.00	$0.00	$0.00	$0.00	$894.00	$0.00	$0.00	$0.00	$0.00
DMERC Jurisdiction A Electronic	$135.00	$135.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
EBPA	$16.37	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$16.37
EDS Professional Claims	$11,210.52	$1,320.63	$1,270.00	$25.01	$853.43	$425.35	$626.11	$626.11	$6,689.99
EDS/MED Assistance	$57,519.95	$36,629.93	$3,548.50	$795.70	$4,704.68	$621.98	$2,565.35	$2,565.35	$8,653.81
Electric Boat	$3,908.00	$2,838.00	$309.00	$395.00	$180.00	$0.00	$0.00	$0.00	$186.00
Emblem Health	$189.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$189.00
Emblem Health PPO	$154.00	$154.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Empire Plan	$262.18	$282.18	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	($20.00)
Employee Benefit Plan Administration	$15.18	$0.00	$0.00	$0.00	$15.18	$0.00	$0.00	$0.00	$0.00
Evercare	$1,273.60	$319.00	$0.00	$0.00	$175.00	$0.00	$0.00	$0.00	$779.60
FCE Benefit Administators, Inc	$99.51	$0.00	$0.00	$0.00	$0.00	$0.00	$99.51	$99.51	$0.00
FED BC/BS	$175.00	$175.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Federal Blue Cross Blue Shield	$143.00	$143.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Federal Employee Program	$19,017.88	$4,374.34	$3,354.80	$4,015.06	$3,987.77	$701.58	$297.12	$297.12	$2,287.21
Federal Service Claims	$2,941.87	$804.01	$0.00	$0.00	$1,000.00	$125.00	$261.86	$261.86	$751.00
Free Care 100	$780.00	$780.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
G/P Administration	$72.83	$0.00	$0.00	$72.83	$0.00	$0.00	$0.00	$0.00	$0.00
Gallagher and Bassett Services	$2,141.00	$552.00	$0.00	$1,589.00	$0.00	$0.00	$0.00	$0.00	$0.00

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Receivables and Government Patient Receivables

GEHA	$199.57	$165.47	$0.00	$13.95	$0.00	$0.00	$0.00	$20.15
Gerber Life Insurance Company	$75.67	$29.32	$46.35	$0.00	$0.00	$0.00	$0.00	$0.00
GHI	$743.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$743.00
GIC	$14.66	$14.66	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
GIC Indemnity Plan	$57.86	$57.86	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Glatfelter Claims	-$54.73	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	($54.73)
Globe Life and Accident Insurance Co	$526.50	$85.29	$0.00	$0.00	$0.00	$0.00	$0.00	$441.21
Golden Rule United Healthcare	$1,217.23	$538.37	$372.00	$0.00	$42.86	$0.00	$0.00	$264.00
Great West Health - Cigna	$88.00	$88.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Great West Healthcare	-$2.05	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	($2.05)
Group Services Inc	$20.00	$20.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Guard Insurance	$436.00	$186.00	$250.00	$0.00	$0.00	$0.00	$0.00	$0.00
Guardian	$195.00	$0.00	$0.00	$0.00	$0.00	$195.00	$0.00	$0.00
GWH-CIGNA	$496.00	$108.00	$88.00	$0.00	$0.00	$0.00	$0.00	$300.00
Harleysville Insurance Co	$1,123.00	$1,123.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Harrington Health	$195.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$195.00
Hartford	$326.00	$0.00	$0.00	$0.00	$0.00	$140.00	$0.00	$186.00
Hartford Insurance	$186.00	$186.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Hartford Life Insurance CO - Senior Care	$14.98	$14.98	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Hartford Medical Management Company	$629.00	$629.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Harvard Pilgrim Health Care	-$140.00	-$140.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Harvard Pilgrim HMO	$98.00	$0.00	$0.00	$98.00	$0.00	$0.00	$0.00	$0.00
HCC Life Insurance	$189.00	$0.00	$0.00	$189.00	$0.00	$0.00	$0.00	$14.41
Health Benefits Fund	$116.57	$0.00	$0.00	$102.16	$0.00	$0.00	$0.00	$0.00
Health Equity	$79.31	$0.00	$0.00	$0.00	$79.31	$0.00	$0.00	$259.40
Health Net	$259.40	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$570.00
Health New England	$921.43	$330.00	$21.43	$0.00	$0.00	$0.00	$0.00	$0.00
Health Options Program	$68.53	$68.53	$0.00	$0.00	$0.00	$0.00	$0.00	$194.00
Health Plans Inc	$344.00	$150.00	$0.00	$0.00	$0.00	$845.82	$234.70	$2,123.66
HealthMate Coast to Coast	$54,807.61	$40,039.31	$2,209.30	$8,283.00	$1,071.82	$0.00	$0.00	($251.03)
Healthmate HSA	$335.97	$510.00	$77.00	$0.00	$0.00	$0.00	$0.00	$0.00
HMA Administrators	$320.00	$0.00	$320.00	$0.00	$0.00			
HMO Blue Chip New England	$52.00	$77.00	$0.00	$0.00	$0.00	$0.00	$0.00	($25.00)
HMO Blue New England	$7.14	$7.14	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
HMO or TMC Tufts Health Plan HMO	$905.00	$786.00	$0.00	$59.00	$70.00	$0.00	$0.00	($10.00)
Horizon Blue Cross	$16.37	$0.00	$0.00	$16.37	$0.00	$0.00	$0.00	$0.00
Humana	$1,165.00	$1,165.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Husky	$1,575.00	$0.00	$425.00	$0.00	$0.00	$0.00	$0.00	$1,150.00

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Husky Health	$32,041.17	$11,204.36	$1,623.27	$5,895.01	$4,821.53	$2,518.01	$2,198.00	$3,781.00
Husky Health A	$1,170.01	$681.01	$489.00	$0.00	$0.00	$0.00	$0.00	$0.00
Indecs	$56.97	$30.62	$26.35	$0.00	$0.00	$0.00	$0.00	$0.00
Indemnity Plan	$1,150.52	$742.42	$14.51	$87.37	$87.56	$0.00	$204.25	$14.41
InforMed	$36.31	$0.00	$0.00	$14.66	$21.65	$0.00	$0.00	$0.00
Institutional Billing	-$46.18	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	($46.18)
Iron Clad	$125.87	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	($125.87)
IUBAC Local 1 Ct Health Fund	$89.96	$89.96	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
J P Farley Corp	$190.00	$0.00	$0.00	$0.00	$190.00	$0.00	$0.00	$0.00
John Alden Life Insrance Company	-$0.08	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	($0.08)
Legal	$3,270.73	$15.00	$0.00	$0.00	$588.00	$0.00	$0.00	$2,667.73
Legal- Timely Filing	$116,262.62	$116,262.62	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Liberty Mutual	$429.00	$186.00	$243.00	$0.00	$0.00	$0.00	$0.00	$0.00
Liberty Mutual Group	$472.00	$472.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
LifeSpan Blue	$539.00	$554.00	$0.00	-$15.00	$0.00	$0.00	$0.00	$0.00
Local 478 Health Fund	-$1.23	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	($1.23)
London Health Administrators	$2,857.83	$514.85	$298.73	$1,369.79	$193.84	$0.00	$16.43	$464.19
Mac Risk Management	$438.00	$0.00	$438.00	$0.00	$0.00	$0.00	$0.00	$0.00
Magnacare - IUOE Local 825	$44.50	$0.00	$0.00	$0.00	$0.00	$0.00	$44.50	$0.00
MagnaCare Preferred Direct Plus	$113.00	$113.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Mail Handlers Benefits	$38.92	-$0.23	$0.00	$39.15	$0.00	$0.00	$0.00	$0.00
Mail Handlers Insurance	$46.29	-$0.23	$0.00	$0.00	$0.00	$0.00	$0.00	$46.52
Mashantucket Peqout - UHC Integrated Ser	$47,873.01	$30,992.92	$6,983.18	$3,314.08	$2,774.35	$319.61	$2,884.00	$604.87
MCR Advantage	$150.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$150.00
Medco Health Solutions	$435.29	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$435.29
MediBlue HMO	$186.00	$186.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Medicaid	$22,969.03	$2,252.96	$1,369.00	$3,267.00	$7,626.54	$545.00	$4,290.00	$3,618.53
Medicaid of Connecticut	$30,441.83	$871.70	$1,436.77	$4,590.01	$4,940.79	$1,737.10	$4,044.00	$12,821.46
Medicaid of CT	$49,109.01	$10,643.96	$7,831.23	$10,721.72	$3,183.26	$1,263.86	$3,221.39	$12,243.59
Medicaid of Rhode Island Riteshare	$1,238.55	$210.31	$1,570.66	$0.00	$21.61	$126.98	$120.50	($811.51)
Medicaid of RI	$4,086.02	$1,766.70	$598.00	$106.59	$550.14	$600.00	$0.00	$464.59
Medicaid of RI Riteshare	$816.41	$239.40	$20.00	$76.73	$41.73	$115.00	$0.00	$323.55
Medical Mutual of Ohio	$237.01	$237.01	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Medicare Complete Plan 1 HMO	$1,169.29	$1,374.00	$446.00	-$35.00	$9.00	$0.00	$312.29	($937.00)
Medicare Direct Essential/Secure Horizon	$430.36	$0.00	$0.00	$0.00	$0.00	$0.00	$195.00	$235.36
Medicare of Connecticut	$26,015.94	$10,939.77	$1,242.52	$821.30	$2,033.44	$5,873.78	$692.55	$4,412.58
Medicare of Rhode Island	$189,177.76	$141,498.53	$6,950.60	$6,082.69	$7,794.69	$11,874.54	$3,992.27	$10,984.44
Medicare Secondary Claims	$1,166.18	$271.00	$196.00	$74.25	$0.00	$0.00	$0.00	$624.93

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Medicare Supp USAA Life Co	$16.75	$16.75	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Medicare Supplement Plan	$21.65	$21.65	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Mediplus - Military Supplemental Ins	$35.31	$0.00	$33.96	$0.00	$0.00	$0.00	$0.00	$0.00	$1.35
Meritam Health	$3,038.00	$1,097.00	$1,752.00	$0.00	$0.00	$0.00	$0.00	$0.00	$189.00
MidWest National Life Insur	$188.00	$0.00	$0.00	$0.00	$188.00	$0.00	$0.00	$0.00	$0.00
Mitchell International	$56.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$56.00	$0.00
Mitchell International - Beacon	$1,264.00	$613.00	$0.00	$251.00	$0.00	$0.00	$0.00	$0.00	$400.00
Monumental Life Ins Co - WEBTA	$21.95	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$21.95
Mutual Of Omaha - F	$112.21	$112.21	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Mutual of Omaha Companies	$56.38	$48.09	$0.00	$8.29	$0.00	$0.00	$0.00	$0.00	$0.00
MVP Health Plan	$511.00	$161.00	$0.00	$0.00	$350.00	$0.00	$0.00	$0.00	$0.00
MVP Health Plan - HMO	$123.00	$123.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
NALC	$33.43	$33.43	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Narragansett Indian Health	$143.13	$0.00	$143.13	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
National Account Division	$361.21	$361.21	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	($123.00)
National Account Division-	$864.92	$826.92	$161.00	$0.00	$0.00	$0.00	$0.00	$900.00	$0.00
Nationwide Specialty Health Claims	$900.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
NEA Group Insurance Program	$29.32	$14.66	$14.66	$0.00	$6,324.37	$2,110.01	$424.79	$0.00	$22,135.23
Neighborhood Health Plan of RI	$80,606.15	$35,290.52	$4,452.54	$9,868.69	$0.00	$0.00	$0.00	$0.00	$0.00
New England Electrical Workers Fund	$89.34	$60.05	$0.00	$29.29	$3,241.00	$1,316.00	$785.00	($3,894.16)	
NHP Rhody Health Partners	$8,554.78	$2,696.94	$765.00	$3,645.00	$1,461.00	$411.06	-$59.71	$2,900.95	
NHP Ritecare	$8,062.74	$2,359.00	$701.84	$288.60	$264.00	$0.00	$0.00	$0.00	
Nursing Home	$328.00	$0.00	$0.00	$64.00	$0.00	$0.00	$0.00	$117.16	
NYSDSS	$117.16	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	
OptumHealth Behavioral Solutions	$8.00	$0.00	$0.00	$8.00	$0.00	$0.00	$0.00	$403.88	
Oxford Freedom Plan	$13,741.00	$8,416.11	$384.00	$4,440.00	$0.00	$97.01	$0.00	$2,235.94	
Oxford Health Plan	$9,322.94	$6,682.00	$405.00	$0.00	$0.00	$0.00	$0.00	$65.00	$0.00
Oxford HSA	$188.00	$0.00	$0.00	$123.00	$0.00	$0.00			
Palmetto GBA	$2,805.00	$0.00	$0.00	$1,685.00	$895.00	$0.00	$0.00	$225.00	
Patient Budget	$22,951.60	$1,123.24	$578.11	$1,903.21	$6,159.25	$626.25	$2,604.32	$9,957.22	
Payment Plan	$336.61	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$336.61	
Pequot Plus Health Benefit Services	$115.00	$0.00	$0.00	$0.00	$0.00	$115.00	$0.00	$0.00	
Pharmacy Service Center	$4,100.00	$4,100.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	
PHCS	$175.00	$175.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	
Pinnacle Claims Management	$194.00	$0.00	$0.00	$0.00	$0.00	$194.00	$0.00	$0.00	
Plan F Medicare Supplement	$262.60	$161.57	$0.00	$21.03	$0.00	$0.00	$0.00	$80.00	
POMCO	$938.48	$938.48	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	
PPO Choice Plus Plan	$1,281.00	$742.00	$161.00	-$15.00	$0.00	$313.00	$80.00	$0.00	

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PPO or Tufts Navigator Health	-$20.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	($20.00)
Primarily Care	$5,709.34	$1,287.13	$553.06	$2,709.81	$15.00	$651.25	$0.00	$493.09
Primarily Care Inc	$15.00	$0.00	$0.00	$0.00	$15.00	$0.00	$0.00	$0.00
Primarily Care Insurance	$566.50	$319.25	$364.67	$135.55	$0.00	$167.86	$0.00	($420.83)
Private Pay	$441,217.56	$71,370.02	$32,706.22	$28,047.22	$43,613.74	$33,962.23	$21,326.76	$210,191.37
Prudential Healthcare	$40.63	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$40.63
Rhode Island Medicaid	$4,115.28	$1,221.48	$542.51	$332.78	$86.93	$15.00	$53.35	$1,863.23
Rhody Health Partners Plan	$7,873.92	$6,144.92	$756.00	$372.00	$399.00	$98.00	$104.00	$0.00
RI State employee workers comp	$1,081.42	-$104.58	$0.00	$1,186.00	$0.00	$0.00	$0.00	$0.00
Rossi Law Office LTD	$341.92	$341.92	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
S and S Healthcare Strategies	$225.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$225.00
School District Employees	$80.88	$43.07	$0.00	$29.02	$8.79	$0.00	$0.00	$0.00
Secure Horizons	$895.52	$331.00	$61.52	$0.00	$112.00	$0.00	$0.00	$391.00
Secure Horizons-AARP	$6,764.84	$2,939.84	-$15.00	$45.00	$754.00	$354.00	$0.00	$2,687.00
Sedgwick	$864.00	$186.00	$123.00	$555.00	$0.00	$0.00	$0.00	$0.00
Sedgwick CMS	$186.00	$0.00	$186.00	$0.00	$0.00	$0.00	$0.00	$0.00
Self Pay	$2,308.00	$0.00	$0.00	$0.00	$0.00	$136.00	$550.00	$1,622.00
Senior Supplement Plan	$333.03	$313.29	$0.00	$21.35	$0.00	-$1.13	$0.00	($0.48)
Starmark	$120.00	$0.00	$0.00	$0.00	$120.00	$0.00	$0.00	$0.00
State Employees - United Healthcare	$1,280.63	$1,361.63	$190.00	-$60.00	-$20.00	$0.00	-$20.00	($171.00)
State of Connecticut DSS	$17,241.54	$797.78	$0.00	$363.11	$909.81	$173.43	$8,093.00	$6,904.41
State of Connecticut Employee	-$93.68	$0.00	$0.00	-$93.68	$0.00	$0.00	$0.00	$0.00
State of RI	$560.00	$374.00	$186.00	$0.00	$0.00	$0.00	$0.00	$0.00
Stirling & Stirling	$97.42	$47.19	$0.00	$28.88	$0.00	$0.00	$0.00	$21.35
Stirling and Stirling, Inc.	$33.43	$33.43	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Stirling Benefits	$598.93	$487.55	$0.00	$111.94	$0.00	$0.00	$0.00	($0.56)
STM Claims Dept	$175.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$175.00
TCORS	$931.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$931.00
The Trust	$186.00	$186.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Town of West Hartford	-$0.08	-$0.08	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Travelers Insurance	-$186.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	($186.00)
Travelers WC	$186.00	$186.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Tricare	$7,447.06	$2,167.87	$64.93	$422.69	$563.39	$360.87	$506.00	$3,361.31
TRICARE - Americas	$33.10	$33.10	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Tricare - TDEFIC	$106.74	$106.74	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Tricare for Life	$1,279.67	$935.24	$25.00	$54.79	$0.00	$124.23	$94.64	$45.77
Tricare North	$112.97	$29.98	$0.00	$82.99	$0.00	$0.00	$0.00	$0.00
Tricare PGBA	$410.44	$394.44	$0.00	$0.00	$0.00	$0.00	$0.00	$16.00

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Tricare Prime	$4,461.57	$3,237.74	$1,834.61	$1,305.71	$0.00	$0.00	-$1,328.48	($578.01)
TRICARE South Region	$1,025.00	$1,025.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Tricare Standard	$4,981.01	$4,111.10	-$21.75	$258.69	$283.00	$164.77	$0.05	$185.15
Tufts Health Plan	$236.00	$236.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Tufts Health Plan Medicare Pref PPO	$14.66	$14.66	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Tufts Health Plan Open Access Plus	$350.00	$350.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Tufts Health Plan PPO	$717.00	$215.00	$108.00	$0.00	$331.00	$0.00	$93.00	($30.00)
Tufts Medicare Complement Plan	$20.00	$0.00	$0.00	$20.00	$0.00	$0.00	$0.00	$0.00
UFCW - Akron	$174.72	$41.43	$0.00	$0.00	$20.00	$0.00	$93.29	$20.00
UHC	-$562.79	-$562.79	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
UHC - HPHC Passport Connect Plans	$6,121.98	$5,553.01	$523.00	$156.43	$23.47	$0.00	$0.00	($133.93)
UHC - AARP	$22.33	$22.33	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
UHC - Electric Boat	$1,383.00	$286.00	$0.00	$0.00	$0.00	$197.00	$350.00	$550.00
UHC - Health Reinsurance A	$251.35	$251.35	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
UHC - HPHC Plans	$229.02	$0.00	$229.02	$0.00	$0.00	$0.00	$0.00	$0.00
UHC - Oxford Health	$1,940.39	$1,463.00	$207.00	$270.39	$0.00	$0.00	$0.00	$0.00
UHC- Choice Plan Plus	$24,302.91	$12,509.78	$2,856.27	$701.06	$537.84	$1,174.44	$3,166.00	$3,357.52
UHC Choice Plus Definity HSA	$360.00	$0.00	$360.00	$0.00	$0.00	$0.00	$0.00	$0.00
UHC Choice Plus-Definity HRA	$140.00	$140.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
UHC Community Plan Star Plus	$20.00	$0.00	$20.00	$0.00	$0.00	$0.00	$0.00	$0.00
UHC Integrated Services	$4,388.76	$3,733.76	$140.00	$320.00	$0.00	$0.00	$195.00	$0.00
UHC Integrated Services - Electric Boat	$1,166.10	$817.30	$0.00	$0.00	$0.00	$145.42	$253.00	($49.62)
UHC Integrated Services/ GEHA	$1,280.00	$0.00	$0.00	$0.00	$1,280.00	$0.00	$0.00	$0.00
UHC Medicare Advantage PPO	$152.00	$103.00	$0.00	$0.00	$49.00	$0.00	$0.00	$0.00
UHC Student Resource	-$13.53	$0.00	$0.00	$0.00	$0.00	$0.00	-$13.53	$0.00
UHC-AmeriChoice-Charter Oak Plan	$25.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$25.00
UHC-AmeriChoice-Husky A Plan	$25.00	$25.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
UMR	$2,847.74	$1,771.36	$620.00	$30.38	$270.00	$0.00	$156.00	$0.00
UMR- UHC	$555.00	$186.00	$0.00	$369.00	$0.00	$0.00	$0.00	$0.00
UMR UHC Options - Choice Plus	$429.00	$0.00	$0.00	$0.00	$0.00	$429.00	$0.00	$0.00
Unicare Medicare Extension Plan	$33.10	$33.10	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
United American Insurance Co	$36.20	$36.20	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
United American Insurance Company	$69.50	$69.50	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
United Health Care HMO	-$89.74	$85.26	$0.00	$0.00	$0.00	$0.00	$0.00	($175.00)
United Health Plus	$15.18	$0.00	$0.00	$15.18	$0.00	$0.00	$0.00	$0.00
United Healthcare	$45,673.47	$30,938.32	$1,930.73	$913.05	$217.89	$1,000.36	$2,155.46	$8,517.66
United Healthcare - IBM Retirees	$41.10	$106.41	$0.00	$0.00	$0.00	$0.00	$0.00	($65.31)
United Healthcare - Retirees	$4,796.70	$3,668.75	$943.00	$0.00	$0.00	$0.00	$108.00	$76.95

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Receivables and Government Patient Receivables

United Healthcare Aetna	$8.87	$5.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
United Healthcare Choice	$158.00	$158.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
United Healthcare Choice Plus	$525.00	$525.00	$0.00	$0.00	$10.00	$0.00	$0.00	$0.00
United Healthcare Choice Plus HRA	$195.00	$195.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
United Healthcare Choice Plus-HSA	$309.00	$309.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
United Healthcare HMO	$111.65	$0.00	$0.00	$0.00	$0.00	$0.00	$111.65	$0.00
United Healthcare HMO-	$1,717.52	$1,562.52	$0.00	$0.00	-$20.00	$0.00	$0.00	$175.00
United Healthcare HSA/HRA	$2,096.97	$334.69	$469.02	$385.00	$968.00	$0.00	$0.00	($59.74)
United Healthcare Indeminty Plan	-$0.01	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	($0.01)
United Healthcare Medicare Complete Choi	$271.00	$271.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
United Healthcare Medicare Solutions	$148.33	$188.33	$0.00	$0.00	-$40.00	$0.00	$0.00	$0.00
United Healthcare Medicare Supplement Co	$163.47	$59.11	$0.00	$104.36	$0.00	$0.00	$0.00	$0.00
United Healthcare of NE	$416.00	$0.00	$0.00	$286.00	$0.00	$0.00	$130.00	$0.00
United HealthCare Options PPO	$1,939.00	$0.00	$1,939.00	$0.00	$0.00	$0.00	$0.00	$0.00
UNITED HEALTHCARE PPO/POS/EPO	$9,574.92	$6,883.11	$1,839.00	$162.00	$286.00	$133.37	$35.00	$236.44
United Healthcare Ritecare	$74,065.98	$36,825.61	$8,758.00	$1,809.69	-$251.46	$6,481.39	$2,689.00	$17,753.75
United Healthcare Select Plus	$14.94	$14.94	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
UnitedHealthcare - HPHC	$2,160.93	$167.92	$926.36	$285.01	$508.00	$288.64	$0.00	($15.00)
UnitedHealthcare Choice Plus	$1,678.72	$1,749.00	-$70.28	$0.00	$0.00	$0.00	$0.00	$0.00
UnitedHealthcare Choice Plus-HSA	$50.00	$50.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Universal Healthcare Managed Care	$765.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$765.00
US Family Health Plan	$81.76	$0.00	$0.00	$0.00	$0.00	$81.76	$0.00	$0.00
USAA Life Insurance Company	$78.42	$57.07	$0.00	$21.35	$0.00	$0.00	$0.00	$0.00
USAA Property & Casualty Co	$369.00	$0.00	$0.00	$0.00	$0.00	$369.00	$0.00	$0.00
VA Medical Center	$3,665.01	$3,525.01	$0.00	$0.00	$140.00	$0.00	$0.00	$0.00
Veterans Benefits	$375.46	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$375.46
Wausau Insurance	-$168.98	-$31.27	$0.00	$0.00	$0.00	$0.00	-$137.71	$0.00
WEA Trust	-$0.06	-$0.06	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
WEBTPA	-$16.40	$0.00	$0.00	$0.00	$0.00	$0.00	-$16.40	$0.00
Westerly Health Center	-$45.95	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	($45.95)
	$2,021,213.82	$937,696.67	$151,614.76	$143,219.43	$139,610.42	$97,388.58	$70,926.36	$480,757.60

** In the normal course, gross accounts receivable would be approximately

$1,200,000. The Special Master believes that through the Mastership Process there may be an avenue to pursue accounts receivable that may otherwise be deemed uncollectable.

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Receivables and Government Patient Receivables

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Schedule 1.2(k) and (l)

Receivables and Government Patient Receivables

THE WESTERLY HOSPITAL

0000-1101000 (A/R CONTROL,)	29,821,398.39	See attached tab
0000-1109000 (A/R IN HOUSE,)	0.00	
0000-1102000 (RIBC CASH ADV ,)	0.00	
0000-1103000 (CONN BC CASH AD,)	0.00	
0000-1104000 (CAPITAL PASS,)	0.00	
0000-1107000 (ALL FOR THIRD,)	-14,618,146.28	
0000-1860000 (ADV BL CROSS,)	0.00	
0000-1111000 (BAD DEBT CONTRA,)	0.00	
0000-1110000 (BAD DEBT ASSET,)	0.00	
0000-1105000 (DUE TO BLUE CROSS)	0.00	
0000-1112000 (MEDICARE HOLDIN,)	0.00	
0000-1108000 (ALLOW BAD DEBTS,)	-6,275,355.32	
0000-1101500 (BLUE CROSS GLOBAL RECEIVABLE)	-3,295,875.69	
PATIENT ACCOUNTS RECEIVABLE	5,632,021.10	

Receivable Dr. Main	16,355.93

Financial Class (code & description)	Unbilled Amount	0 - 30 Amount	31 - 60 Amount	61 - 90 Amount	91 - 120 Amount	121 - 150 Amount	151 - 180 Amount	181 + Amount	Total Amount
Government									
2 - Medicare	3,234,754.88	3,695,123.04	799,195.30	417,052.99	243,553.19	316,210.44	130,241.21	537,000.81	9,367,101.86
1 - Champus	42,823.20	206,632.62	202,692.67	33,537.19	16,321.06	29,486.32	21,052.70	42,020.39	594,566.15
F - RI-General Public Assistance	8,867.00	0.00	877.00	0.00	0.00	0.00	0.00	-453.79	9,290.21
6 - RI Medicaid	30,285.10	24,816.16	23,963.10	31,418.37	56,341.99	23,390.74	33,852.96	135,760.09	359,828.51
7 - CT Medicaid	74,942.52	159,905.74	122,920.57	-8,229.72	95,187.09	19,088.25	-3,867.56	58,884.32	362,386.07
Government Total	3,391,672.70	4,086,477.56	1,149,648.64	473,278.83	411,403.33	343,999.25	181,249.31	655,443.18	10,693,172.80
Non Government									
0 - Self Pay	293,315.72	330,512.17	484,222.99	479,473.03	365,632.52	374,686.28	132,493.67	819,341.13	3,299,697.51
0IB - Institutional Self-Pay	17,573.70	136,906.46	0.00	2,272.37	1,366.73	2,557.89	4,226.29	59,660.12	244,563.56
10 - HMO	320,693.35	514,917.18	416,561.50	63,383.70	42,989.77	33,670.53	16,555.57	-46,109.78	1,357,159.82
3 - RI Blue Cross	792,336.76	979,501.36	193,110.16	132,264.10	26,818.60	29,959.68	18,916.98	114,083.36	2,247,021.00
4 - CT Blue Cross	222,789.45	378,754.79	50,538.79	17,192.44	8,566.47	5,785.82	5,475.02	94,101.76	783,142.54
5 - Aetna	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-1,792.43	-1,792.43
8 - RI Workers Comp	31,788.90	56,927.06	45,275.15	9,938.70	16,246.70	3,048.19	4,594.75	169,955.64	337,775.09
9 - CT Workers Comp	24,795.20	42,771.28	31,156.01	12,237.50	12,847.06	21,961.49	8,029.60	93,729.78	247,567.92
B - Bal After Medicare	2,336.24	25,508.51	83,986.01	71,359.05	79,925.61	42,088.34	62,447.50	140,811.37	508,462.63
C - Commercial	166,491.03	333,823.32	282,115.83	117,951.31	88,538.41	95,988.97	59,002.73	327,223.96	1,471,135.56
I - HMO Medicare	528,532.00	1,035,325.66	384,456.58	217,281.45	36,992.94	113,376.65	82,549.86	214,001.06	2,612,516.20
IND - Industry	1,158.00	1,557.00	5,087.80	3,204.00	1,180.06	762.00	267.00	6,030.45	19,246.25
MH - Medicaid HMO	346,207.11	484,110.35	295,257.61	164,905.36	17,867.20	62,849.20	40,044.88	300,221.12	1,711,262.83
N - Wood River Health	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-469.99	-469.99
O - Self Pay After Insurance	5,012.02	40,615.47	216,497.80	315,228.42	314,493.09	307,168.10	143,264.44	622,659.31	1,964,938.65
S - Employee/Clergy/Physician	3,039.00	4,918.22	9,249.77	6,290.84	3,341.31	2,658.39	4,455.23	4,835.16	39,377.92
T - Out Of State Blue Cross	184,876.15	199,793.34	84,342.02	64,258.17	34,190.38	28,075.51	28,497.81	-30,077.51	593,955.87
W - United Health Care Corporation	538,259.92	656,281.11	222,131.37	57,410.08	19,906.11	17,292.45	11,816.86	136,593.71	1,659,751.61
Y - Mashantucket Insurance	469.00	0.00	0.00	235.00	0.00	0.00	0.00	-7,783.29	-7,079.29
Non Government Total	3,480,271.55	5,262,223.28	2,798,079.39	1,735,415.52	1,070,662.50	1,141,927.49	622,638.19	3,017,014.93	19,128,233.25
Total Accounts Receivable 5/31/2012	6,871,944.25	9,348,700.84	3,947,728.03	2,208,694.35	1,482,066.23	1,485,926.74	803,887.50	3,672,458.11	29,821,406.05
									29,821,398.39 Balance per GL
									7.66 Variance

RIDOH 1242

	Write off
June 11	588,930
July 11	461,016
Aug 11	913,147
Sept 11	336,988
Oct 11	292,135
Nov 11	424,909
Dec 11	767,975
Jan 12	592,941
Feb 12	644,114
March 12	582,093
April 12	826,584
May 12	555,929
Total	6,986,761

The Westerly Hospital
Asset Purchase Agreement
Schedule 1.3(f)
Excluded Assets

1. Payroll advance $1,260.00

2. Patient refunds $15,759.00

3. Other long term assets (split life insurance policy) $496,439.00[1]

4. Any causes of action and/or claims against any payor, vendor and/or supplier including, but not limited to, claims of overpayment, failure to provide contracted for services or goods, claims of underpayment by any party contracting with the hospital for services, and/or failure to advance payment of services performed prior to January 1, 2012. Notwithstanding, Sections 1.2(e) and 1.2(o) are excluded from this schedule.

[1] Any funds received on this matter by the Seller prior to the closing shall be deemed "Cash" as defined in Section 1.3 of the APA.

The Westerly Hospital
Asset Purchase Agreement
Schedule 1.4(a)
Classes of Assumed Liabilities

Bank Debt – To the extent not paid off at closing all loan documents and contracts related to or referred to by Washington Trust Company in its Motion To Approve Secured Claim filed in the Mastership Case and pursuant to its Allowed Claim.[1]

Allowed Trade Accounts Payable not to exceed $19,131,160[2].

Third Party Payor Liabilities for Medicare Cost Reports and RAC Audits not to exceed $724,932.

Accrued Payroll through Closing Date not to exceed $4,159,880.

Asbestos Abatement Obligation not to exceed $1,425,678.

All lease agreements, contracts and documents related to or referred to by Pantheon Capital, LLC, U.S. Bank, NA d/b/a U.S. Bank Equipment Finance and MB Financial Leasing in their Motion To Approve Secured Claims filed in the Mastership Case to the extent Buyer determines use of the leased equipment is necessary for consummation of the transaction contemplated by the APA and pursuant to its Allowed Claim.

Assumed Liabilities shall not include any Liabilities which are not expressly included in the APA or expressly set out above (by way of example, any liability for bed taxes are not an Assumed Liability).

[1] Pursuant to the terms of an Amendment to the Agreement, Buyer may elect, within its sole discretion to fund the Sellers' satisfaction of the Bank Debt.

[2] Allowed Claims are claims for which a proof of claim was filed in the Mastership Case and as to which no objection is filed, or, if an objection is so filed, as determined by Final Order of the Mastership Court. In addition, final Assumed Liabilities shall depend upon discussions by and between Buyer and third parties anticipated to occur between the date hereof and ninety (90) days after the entry of the Sale Order.

The Westerly Hospital
Asset Purchase Agreement
Schedule 1.4(b)
Assumed Contracts and Assumed Leases

Bank Debt – To the extent not paid off at closing all loan documents and contracts related to or referred to by Washington Trust Company in its Motion To Approve Secured Claim filed in the Mastership Case and pursuant to its Allowed Claim.

Bond Debt - To the extent not redeemed or paid off at closing all loan documents and contracts related to our referred to by US Bank as successor Trustee in its Motion for Order Allowing Revenue Bond Claims filed in the Mastership Case, Including without limitation, that certain Loan and Trust Agreement dated as of January 15, 1994 and pursuant to its Allowed Claim.

All lease agreements, contracts and documents related to or referred to by Pantheon Capital, LLC, U.S. Bank, NA d/b/a U.S. Bank Equipment Finance and MB Financial Leasing in their Motion To Approve Secured Claims filed in the Mastership Case to the extent Buyer determines use of the leased equipment is necessary for consummation of the transaction contemplated by the APA and pursuant to its Allowed Claim.

To the extent no alternative approach is selected by Buyer, the North Stonington Health Center Lease.

Buyer has provided a list of material contracts which is at Schedule 8.1(a). Additionally, pursuant to Section 13.1(b) of the Agreement, Buyer reserves the right to amend and update schedules 8.1(a) and 1.4(b).

Westerly Hospital
Asset Purchase Agreement
Schedule 3.1(b)
Equity Interests

NONE

Westerly Hospital
Asset Purchase Agreement
Schedule 3.2(b)
Approval Required by Governmental Agencies

1. Approval of Change in Effective Control application by Rhode Island Department of Health

2. Approval of Hospital Conversion application by Rhode Island Department of Health and Rhode Island Attorney General

3. Submittal of Hart Scott Rodino ("HSR") Notification and Report Form concerning the proposed transaction to the Federal Trade Commission and Department of Justice and expiration of the HSR waiting period.

4. Medicare certification

5. Rhode Island Medicaid certification

6. Approval by Drug Enforcement Agency of application for registration

The Westerly Hospital
Asset Purchase Agreement
Schedule 3.2(c)
Other Consent

NONE

Westerly Hospital
Asset Purchase Agreement
Schedule 3.4
Financial Statement Deviations from GAAP

NONE

Westerly Hospital
Asset Purchase Agreement
Schedule 3.5
Post Peg Balance Sheets

A. None

B. None

C. None

D. None

E. None

F. None

G. None

H. None

The Westerly Hospital
Asset Purchase Agreement
Schedule 3.6
Licenses, Registrations, Permits and Approvals

See Schedule 1.2(d) Licenses and Permits.

Westerly Hospital
Asset Purchase Agreement
Schedule 3.7
CON, Exemption Certificates, Etc.

- Pending applications for Certificate of Need, Exemption Certificate, or Declaratory Ruling:
    - 15-bed inpatient geriatric psychiatry program

- Certificate of Need, Exemption Certificate, or Declaratory Ruling that has been denied in the last three years:
    - None

The Westerly Hospital
Asset Purchase Agreement
Schedule. 3.9(b)(iii)
Breaches of Unsecured Protected Health Information

Date	Department	HIPAA Issue
12/7/2008	IS	On February 28, 2007, the Chief of Police contacted the Hospital to inform us that a complaint had been filed, and that substantial patient information for a number of Hospital patients was accessible on an internet web site having no affiliation with the Hospital. We notified the Department of Health. The local police began investigating immediately. The Hospital's attorney was also immediately involved in this investigation. The Hospital notified the US Attorney and the RI Attorney General, who in turn involved the FBI and Secret Service. The Hospital cooperated fully in the investigation. The website was shut down with the assistance of the US Attorney General within 4 hours. Ultimately it was realized that there had been in excess of 1000 outpatient face sheets posted on the unsecured website each containing health and personal information. An internal and external investigation occurred and corrective actions and risk management strategies were implemented. No patient related injury regarding the incident was filed or charged to the Hospital. In September 2008, a confidential settlement agreement and general release were agreed upon between the Hospital and the vendor proven to be the accountable source and cause of the breach.

The Westerly Hospital
Asset Purchase Agreement
Schedule 3.10
Real Property Permitted Encumbrances

To be provided as described in the final title report for the Owned Real Property from Commonwealth Land Title Insurance Company, as mutually agreed to by the parties.

The Westerly Hospital
Asset Purchase Agreement
Schedule 3.10(a)
Occupied Real Property

See Schedule 3.10(b) Rent Roll for Seller's Real Property Expense Leases.

Westerly Hospital
Asset Purchase Agreement
Schedule 3.10(c)
Rights of First Refusal & Options to Purchase Real Property

None. However, North Stonington Health Center ("NSHC") in bankruptcy has until Sept. 21, 2012 to accept or reject its option to purchase real estate under its lease with North Stonington Properties, LLC. NSHC in bankruptcy has the right to sell its option or assign the same as part of its plan of reorganization.

Westerly Hospital
Asset Purchase Agreement
Schedule 3.10(d)
Construction

NONE

Westerly Hospital
Asset Purchase Agreement
Schedule 3.10(e)
TI Obligations

NONE

The Westerly Hospital
Asset Purchase Agreement
Schedule 3.11 and 1.2(e)(i)
Depreciation Schedule and Tangible Personal Property - Affiliates

		Cost	Monthly Depreciation		2012 April	2012 May
ATLANTIC MEDICAL GROUP*						
IT Equipment						
9/30/2009 Annual additions		$ 44,378.00	$ 739.63		$ 739.63	$ 739.63
9/30/2010 Annual additions		$ 46,247.00	$ 770.78		$ 770.78	$ 770.78
10/18/2010 Dell Marketing	Dr. Bernado	$ 1,667.00	$ 27.78		$ 27.78	$ 27.78
12/19/2011		$ 840.00				
		$ 93,132.00				
Cap Improvement						
9/30/2009 Annual additions		$ 137,926.00	$ 1,641.98		$ 1,641.98	$ 1,641.98
9/30/2010 Annual additions		$ 63,145.00	$ 751.73		$ 751.73	$ 751.73
10/31/2010 Road Signage		$ 1,458.37			$ 17.36	$ 17.36
11/1/2010 Installed Meters and Pipe System		$ 899.99			$ 10.71	$ 10.71
6/1/2011 Additional Building Improvements		$ 7,662.00			$ 91.21	$ 91.21
		$ 211,091.36				
Medical Equipment						
9/30/2009		$ 60,232.00	$ 717.05		$ 717.05	$ 717.05
9/30/2010		$ 56,976.00	$ 678.29		$ 678.29	$ 678.29
12/12/2010 Spirometer and ECG	Dr. Losos	$ 6,797.51			$ 80.92	$ 80.92
9/12/2011 1988564	Drs. Iovino	$ 3,455.29			$ 41.13	$ 41.13
10/12/2012		$ 1,175.22				
10/28/2011		$ 15,518.00				
11/12/2011		$ 1,838.91				
12/12/2011		$ 3,175.61				
3/23/2012 Breg		$ 974.02				
		$ 150,142.56				
Furniture						
9/30/2009		$ 68,276.00	$ 568.97		$ 568.97	$ 568.97
9/30/2010		$ 27,297.00	$ 227.48		$ 227.48	$ 227.48
10/1/2010 NE Security: New Security System	Dr. Curtice	$ 1,143.66			$ 9.53	$ 9.53
6/17/2011 WB Mason: Desk	Dr. Pecher	$ 1,128.85			$ 9.41	$ 9.41
		$ 97,845.51				
				TOTALS	$ 6,383.96	$ 6,383.96
Total Assets AMG		$ 552,211.43	AMG Accum Depreciation	Accumulated	$ 185,158.31	$ 191,542.27
NORTH STONINGTON HEALTH CENTER						
IT Equipment						
9/30/2011 NSHC		$ 26,130.00	$ 435.50		$ 435.50	$ 435.50
Cap Improvement						
9/30/2011 NSHC		$ 104,121.00	$ 1,239.54		$ 1,239.54	$ 1,239.54
Medical Equipment						
9/30/2011 NSHC		$ 376,603.00	$ 4,483.37		$ 4,483.37	$ 4,483.37
Furniture						
9/30/2011 NSHC		$ 116,288.00	$ 969.07		$ 969.07	$ 969.07
				TOTALS	$ 7,127.47	$ 7,127.47
		$ 623,142.00		Accumulated	$ 92,657.13	$ 99,784.60
WOMEN'S HEALTH OF WESTERLY*						
Furniture and Fixtures						
9/30/2010		$ 86,990.51	$ 156.00		$ 156.00	$ 156.00
Medical Equipment						
9/30/2011 WHOW		$ 4,183.00	$ 49.80		$ 49.80	$ 49.80
		$ 4,183.00		TOTALS	$ 205.80	$ 205.80
		$ 10,231.00	WHOW Accum Deprec.	Accumulated	$ 80,148.30	$ 80,354.10
IT Equipment						
9/30/2010 WHOW		$ 6,048.00	$ 100.80		$ 100.80	$ 100.80
9/30/2010 WHOW		$ 4,640.00	$ 55.24		$ 55.24	$ 55.24

*There is currently no list available of AMG and WHOW assets.

The Westerly Hospital Asset Purchase Agreement
Schedule 3.11 and 1.2(c)(i)
Depreciation Schedule and Tangible Personal Property- Affiliates

NORTH STONINGTON URGENT CARE INVENTORY

Qty	Asset Description:
2	McKesson Wheelchair S/N's E100165, E1000181
1	Sunmark Wheelchair S/N E1000132
1	Invacare Wheelchair Model ATO74
2	Phlebotomy Trays with Contents
1	Unico Microscope G380 S/N 20101925
1	Marco II B R254642 Slit Lamp
1	Welch Allyn CP100 EKG Machine S/N 10010233 with EKG Cart and Contents
2	Welch Allyn GS Exam Light IV
1	Plastic Clear Shield with Vital Sign Charts taped on
1	Yellow Bag Filled with Misc Linen
1	Zoll Aedplus Dephibulator S/N X08H166108
12	North Stonington Health Care Plaques
2	Bags Filled with Exam Room Supplies
1	Fake Tree in Pot
5	Hospira Mico Macro XL IV Infusion Pump with Data Port on Rolling Stainless Steel Stand S/N's 12910894, 12521473, 12528898, 12228664, 12882639
2	Paintings
4	Framed Lithographs
1	Unframed Lithograph
11	Round Glass Container with Exam Room Supplies

The Westerly Hospital Asset Purchase Agreement
Schedule 3.11 and 1.2(c)(i)
Depreciation Schedule and Tangible Personal Property- Affiliates

Group White Plastic open Bins with Exam Room Supplies

4 Plaques

1 Zell Defibrillator M Series BiPhasic 200 Joules Max

1 Schuco Aspirator Model S13A S/N 10406526

1 6 Drawer Rolling Medical Materials Cart

1 Stainless Steel Medical Transport Cart with (2) Six Packs of Glucose Drinks, (3) Boxes Blood Collection Kits, and Supplies

1 Portable Toilet S/N M009D0013365

7 Boxes Kendal Smartip Syringe with Needless Med Prep Cannula

2 Stainless Steel Exam Rolling Trays

1 Nellcor OxiMax N-65 Oxygen Monitor S/N P10811415

8 Boxes BD Nexiva Closed Catheter System

1 First Aid Kit

1 PPE Box

1 Wicker Basket filled with Oxford Alpha Tabs

2 Boxes Ortho-Glass

2 Boxes Scotchcast Roll Splint

2 Boxes Stockinette Tubular Ortho

2 Stanley Innerspace Ortho Carts S/N's 23852, 28383

4 Boxes Baxter ClearLink Pump Tubing

2 Boxes McKesson IV Start Kits

1 Box Hospira Pump Tubing

The Westerly Hospital Asset Purchase Agreement
Schedule 3.11 and 1.2(c)(i)
Depreciation Schedule and Tangible Personal Property- Affiliates

1	White Box IV Tubing
1	Stainless Steel Pedigo Warmer P-2010-S S/N 880181-000
1	Waterloo Uni Cart S/N 06616
1	Box Hospira Sodium Chloride Injection, USP
1	Box Flush Syringe ZR
2	Boxes Similac Infant Feeding Bottles
2	Scotchcast Comfortable Roll Splint
10	Micro Chek Pillow
5	McKesson Aluminum Crutches Youth
4	McKesson Aluminum Crutches Pediatric
12	McKesson Aluminum Crutches Adult
1	Box Latex Biogel
1	Family & Friends CPR Anytime
1	Box Kimberly Clark Lab Jacket
3	PCI Filters
1	Ricoh Aficio MP2851 Super G3 Printer
1	HP DeskJet 5650 Printer
1	HP LaserJet M3035xs MFP Printer
2	HP LaserJet P2055dn Printer
1	HP LaserJet P2035 Printer
1	Box Jiffy Lite Bubble Cushion Mailer
2	Boxes Accurate Measurement Device

The Westerly Hospital Asset Purchase Agreement
Schedule 3.11 and 1.2(c)(i)
Depreciation Schedule and Tangible Personal Property- Affiliates

1	Box Medichoice Suture Removal Kits
1	Box McKesson Combination ABD Pads
1	Box Henryshein Poly-Lines Towel/Drape
1	Box McKesson Sterile Field Towel/Drape
2	Boxes McKesson Powdered Synthetic Vinyl Exam Gloves
5	Boxes McKesson Powder Free Nitrile Exam Gloves
4	Safe Skin Pur Plt Nitrile Sterile Exam Gloves
1	Box McKesson Medi-Pak Vaginal Specula
1	Box Tyco Kendall Curity All Purpose Solution Bowl
10	Box Stonington Health Care Eco Friendly Shopping Bags
9	Pcs Hudson RCI Pediatric Oxygen Mask
1	Box McKesson Gauze Sponges
100	McKesson Sterile Specimen Containers
24	Hospira 150 ml Burette Plumsets
54	Hospira Fat Emulsion Plumset Tubing
63	Hospira Nitroglycerin Plumset Tubing
1	Box Baxter Primary Tubing with Backcheck Valve
5	Boxes Hospira Pump Tubing
1	Box McKesson Nasal Cannula Adult Straight Tip with 7' Oxygen Tubing
2	Boxes Hospira Secondary Tubing
1	Box Hospira Primary Tubing with Backcheck Valve
5	1 L Dextrose 5%

8	500 ml Lidocaine
1	Box McKesson Secondary IV Set with Convertible 32" Pin
6	Boxes 500 ml 0.9% Sodium Chloride Injection, USP
2	Boxes BD 10 ml Syringe
1	Box BD 60 ml Syringe
1	Box Sterile Specimen Containers
1	Box Centurion Sorba View Shield
1	Box Hudson RCI Pediatric Micro Mist Nebulizer with Elongated Mask
1	Box McKesson Adult Oxygen Mask with 7" Tubing
1	Box Aresino Non-Rebreather Mask
5	Boxes North Stonington Health Care Note Pads with Pens
11	Tyco/Kendall Used Needle Disposal with Glove Box Holder
11	Tyco Kendall Glove Box Holders
1	Box Phillips 700 Series Lamps
1	Vision San Jamar Paper Towel Holder
6	Deflecto Docu Holders
1	Box Digital Screening Mammogram Handouts
1	Adult Blood Pressure Cuff
1	Stethoscope
1	Trash Bin
2	Banners

The Westerly Hospital Asset Purchase Agreement
Schedule 3.11 and 1.2(c)(i)
Depreciation Schedule and Tangible Personal Property- Affiliates

1	Dynatron 850 Plus Ultrasound Model 2010-08 S/N 862785 with Generator Model DRF-100
1	Dynatron 950 Plus Ultrasound Model 2010-09 S/N 964395 with Generator Mod DRF-100
1	Armedica Model AM350 Exam Bed S/N 30032
1	Armedica Model AM350 Exam Bed S/N 30033
1	SKF Actuation System Exam Bed S/N 802222
2	Ritter Midmark 204 Exam Bed S/N's V974028, V1000695
1	Ritter Midmark 222 Exam Bed S/N V994994
1	Clinton Industries Exam Bed S/N B0B00660
1	Ritter Midmark 204 Exam Bed S/N V1001649
1	Ritter Midmark 335 Overhead Exam Light S/N V1007461
1	Welch Allyn GS Exam Light IV
2	Sammons Preston Doctors Exam Chair
18	Kimberly-Clark Pro Paper Towel Holders
5	Unopened Boxes with Kimberly-Clark Pro Paper Towel Holders
2	Baseball Posters
2	Football Posters
1	Hockey Poster
1	Skiing Poster
3	Soccer Posters
1	Golf Poster
1	Large Boxing Lithograph

The Westerly Hospital Asset Purchase Agreement
Schedule 3.11 and 1.2(c)(i)
Depreciation Schedule and Tangible Personal Property- Affiliates

16	McKesson Soap/Lotion Dispensers
16	Purell Dispensers
25	Trash Bins
9	WB Mason Clocks
5	Generic Clocks
1	North Stonington Healthcare Clock
1	Adapta Exam Bed Model ADP-400 with Headrest and footstool S/N C-I-T1260
1	Chattanooga Traction Machine
2	Chattanooga Velcro Belts
1	Nylon Adjustable Belt
1	Hydrocollator Cold Pack Chilling Unit C-5 Model 3102 S/N T1201
1	Hydrocollator Hot Pack Heater Model 2402 S/N T2130C
1	Dickson Paraffin Bath Model PB-107 S/N 10290140
7	Stainless Steel Wall Mounted Towel Racks
49	Patient Chairs
1	Patient Loveseat
1	Rolling Exam Stool
9	Rolling Exam Chair
1	Table that Rolls Over Exam Bed
1	Square Stainless Steel Medical Cart
11	Cisco IP Phones 7906

13	Cisco IP Phones 7942
8	Dell OptiPlex 780 Tower Tag #'s DWT98P1, DWT88P1, DWT68P1, HNGDPM1, HNGFPM1, HNGLPM1, HNGGPM1, DWV28P1
5	Dell Laptop Latitude E5510
6	Keytronic Keyboard and Mice
3	Dell Laptop Latitude E6510
8	Dell Desktop Laptop Holders
13	Dell Flatscreen Monitor
9	Dell Keyboard and Dell Mouse
10	Computer Chairs
2	Hot & Cold Water Dispenser
2	HP LaserJet P2055dn Printer
1	Office Suite with Mahogany Laminate L Shaped Desk, 5 Shelf Bookcase, 2 Drawer Lateral File
2	Modular Office L-Shaped Desk with 3 Drawer File
10	Office Guest Chairs, Wooden Frame with Cushion Seats
1	Office Guest Loveseat, Wooden Frame with Cushion Seat
1	Scientific Atlantic Explorer 2200 Cable Box with Remote
1	Executive Office Chair
1	Stainless Steel 6 Hook Wall Mounted Coat Rack
2	4 Hook Wall Mounted Coat Hangers
1	5 Hook Wall Mounted Coat Rack
1	White Dry Erase Board about 3'x4'

6	Cork Board about 3'x4'
2	Cork Board about 2'x3'
7	Square End Tables
1	Magazine Rack
1	Water Dispenser
8	Stainless Steel Step Stools
7	Exam Panel with Blood Pressure Cuff, Ear & Eye Checker and Disposable Ear Guards
1	Welch Allyn Blood Pressure Monitor and Cuff on Stainless Steel Rolling Stand S/N 080502102008
5	Cavi Wipes Holder
1	Health-O-Meter Pro Baby Scale Model 553KL S/N 5530009457
1	Wooden Wall Mounted 10 Slot Chart Holder
1	Stainless Steel Wall Mounted Sink with Foot Pedals
1	Stainless Steel Exam Tray
8	Steel Hand Rails for Bathrooms
1	3 Drawer Vertical File
1	2 Drawer Vertical File
2	3 Drawer Lateral File
1	2 Drawer File Cabinet with Contents
1	6 Door Lateral Pull Out File Cabinet
2	HDN 3 Drawer Lateral Files
1	Glass Jar and Lid with Multiple Keys Inside

The Westerly Hospital Asset Purchase Agreement
Schedule 3.11 and 1.2(c)(i)

Depreciation Schedule and Tangible Personal Property- Affiliates

1	PCI Medical Wash Unit Model G10VP S/N 34199
1	Floor Pad, Cushioned
1	Specialty Doctors Exam Chair
10	Office/Computer Chair
13	Single Plastic Wall Mounted File Holder
1	Plastic 6 Slot File Holder
1	Metal 8 Slot File Holder
1	5 Shelf Bookcase
1	4 Shelf Bookcase
1	8 Section Metal File Holder
1	Plastic 9 Slot Magazine Holder
1	Plastic 8 Slot Pamphlet Holder
8	Plastic Stackable Desktop File Holders
1	Permavault Safe (Mounted on Floor in Urgent Care Check In Area)
1	Pepsi Soda Vending Machine
1	3 Shelf Bookcase
3	Square Kitchen Tables
1	18 Compartment Locker System
1	Amana Refrigerator
1	Keurig Large Auto Brew Machine
1	Keurig Coffee Holder
1	Delonghi Turbo Convection Toaster Over S/N 92907

The Westerly Hospital Asset Purchase Agreement
Schedule 3.11 and 1.2(c)(i)
Depreciation Schedule and Tangible Personal Property- Affiliates

1 Magic Chef Microwave Model MCM1110W S/N 196161100328

1 Follett Symphony Series Ice & Water Dispenser

1 Dayton Small Dorm Refrigerator

1 GE Refrigerator Model GTH18EBTRWW S/N TT793286

1 Summit Lab Size Refrigerator (Bio Hazard, Left in Place) with Testing Supplies and One Vile of Blood Inside

1 Perfect Air De-Humidifier

2 Clinton Industries Blood Taking Chairs

1 Powervar Power Conditioner Model ABC700-11 S/N 6108403R-1040129

1 Powervar Uninterruptable Power Supply Model ABCE800-11 S/N 5409003R-1040180

1 CyberPower 1000AVR Surge/Power Protector

5 Fujitsu FI-6130 Scanner S/N's 253508, 214347, 270885, 270977, 253506

1 Martel Paper Feed Model MCP9819-065 S/N 101244383

1 Abbott I-Stat1 Analyzer MN:300 S/N 343495

1 Hettich Zentrifugen Centrifuge EBA20 D-78532 S/N 0010957-01-00

5 The Tuffy Plastic Rolling Carts

1 Kuala Kare Baby Changer

1 Metal 2 Door 5 Shelf Storage Cabinet

3 Square Metal Test Tube Holders

1 Rectangle Metal Test Tube Holder

3 Plastic Bins (Specimen Holders Left in Place)

1 Swivel Lab Chair

The Westerly Hospital Asset Purchase Agreement
Schedule 3.11 and 1.2(c)(i)

Depreciation Schedule and Tangible Personal Property- Affiliates

1	Sysmex All-In-One Computer and Flatscreen Monitor Model AIO-CPU-KIT S/N 1697853 with Keytronic Keyboard and Microsoft Mouse and with Symbol Barcode Scanner S/N 1019600502490
1	Faux Leather Office Chair
1	White Folding Table
1	Table about 2'x4'
1	Small Table

Physical Therapy Room

4	JBL Control 1 Pro Speakers
1	Crown 140 Max XM Satellite Radio with Remote
1	Weight Scale
1	Dynatron 850 Plus Ultrasound S/N 862786
1	Title Platinum Timer Model FightTimer with Remote
12	Ab Crunch Bars
1	Blue Metal Ball Cage
1	Small Round Trampoline
3	Exercise Balls
1	Foam Workout Mat
4	Balance Balls
1	Turf Board
2	Plyosafe UCS Strength Cubes
1	Pull Sled with Rope
1	Baps Spectrum Biomechanical Ankle Platform System
1	Black Workout Harness

The Westerly Hospital Asset Purchase Agreement
Schedule 3.11 and 1.2(c)(i)
Depreciation Schedule and Tangible Personal Property- Affiliates

1	Set McKesson Crutches
2	Oxytote Oxygen Tanks on Rollers
1	Keiser Air Compressor Model 1021/1022
1	Zoll AedPlus Defibulator in Alarmed Box
4	Bags of Hudson RCI Nasal Cannula
2	Schwinn Airdyne Exercise Bikes
1	Cybex Arc Trainer 750 AT Model 750XT S/N 1027750AT95004N32
1	Cybex Treadmill Model 550T S/N E11-01550T9514NN044
2	NuStep T5 Crostrainers S/N's T5103050, T5103051
1	Armedica Physical Therapy Bed 84"L x 60"W x 18"H
1	Armedica Physical Therapy Bed 84"L x 48"W x 18"H
1	Clinton Ind. Physical Therapy Bed 72"L x 30"W x 30"H
1	Midland Parallel Bars Model 1415 S/N 201009421
1	Sammons Preston Tumble Forms 2 with Anti-Microbial Protection Red Plastic Roll 10" Dia x 36" Long
2	6" Dia x 36" Perform Better Styrofoam Rolls
4	The Cuff Black Weightbands 5 lbs
4	The Cuff Green Weightbands 4 lbs
2	The Cuff Brown Weightbands 10 lbs
2	The Cuff Orange Weightbands 7.5 lbs
2	The Cuff Gold Weightbands 3 lbs
2	The Cuff White Weightbands 2 lbs

2 The Cuff Blue Weightbands 1 lb

1 Sammons Preston Weight Bar 1 lb

1 Sammons Preston Weight Bar 2 lb

1 Sammons Preston Weight Bar 3 lb

1 Sammons Preston Weight Bar 4 lb

1 Sammons Preston Weight Bar 5 lb

4 Power System Plastic Coated Dumbbells 1 lb

4 Power System Plastic Coated Dumbbells 2 lb

4 Power System Plastic Coated Dumbbells 5 lb

2 Power System Plastic Coated Dumbbells 3 lb

2 Power System Plastic Coated Dumbbells 4 lb

2 Power System Plastic Coated Dumbbells 6 lb

2 Power System Plastic Coated Dumbbells 9 lb

1 Drive Cane S/N 1H1012F4291 Ref. 10302-6

1 The Contemporary Design Co., Shuttle 2000-1 Model 07101206 S/N 2000/106103314

1 Cybex Universal Weight Machine Model 17040-95 S/N E1025470409577N

1 True Stretch Stretching Machine Model 800SSC S/N 10-SS01297H

1 Keiser Power Weight Training Machine Model 003110PS S/N's 101116-24056

1 Batca Bench Model B-1 S/N PAB1-001052

1 Web Exercise Slide Rail with 8 Webs

1 Keiser Functional Trainer Model 003020PS S/N 101108-23194

The Westerly Hospital Asset Purchase Agreement
Schedule 3.11 and 1.2(c)(i)
Depreciation Schedule and Tangible Personal Property- Affiliates

1	Keiser Power Bench Model 003150PS S/N 101222-27384
2	Power System Dumbbells 15 lb
2	Power System Dumbbells 20 lb
2	Power System Dumbbells 25 lb
2	Power System Dumbbells 30 lb
2	Power System Dumbbells 35 lb
2	Power System Dumbbells 40 lb
2	Power System Dumbbells 45 lb
2	Power System Dumbbells 50 lb
2	Power System Dumbbells 55 lb
2	Power System Dumbbells 60 lb
2	Plastic Covered Weights 25 lbs
2	Plastic Covered Weights 45 lbs
1	6 Foot Bar with Clamps
1	7 Foot Bar with Clamps
1	Cross Training Bar
6	VTX Free Weight 10 lbs
6	VTX Free Weight 5 lbs
4	VTX Free Weight 25 lbs
4	VTX Free Weight 35 lbs
8	VTX Free Weight 45 lbs
1	Free Weight Stand

The Westerly Hospital Asset Purchase Agreement
Schedule 3.11 and 1.2(c)(i)
Depreciation Schedule and Tangible Personal Property- Affiliates

1	Sandbag Set
6	Jump Ropes
1	Dynamax Medicine Ball 6 lbs
2	Dynamax Medicine Ball 10 lbs
1	Dynamax Medicine Ball 14 lbs
2	First Place Medicine Ball 8 lbs
1	First Place Medicine Ball 4 lbs
1	First Place Medicine Ball 10 lbs
1	First Place Medicine Ball 12 lbs
1	Power Systems Medicine Ball 6 lbs
1	First Place Core Ball 16 lbs
1	First Place Core Ball 20 lbs
4	Nerf Balls
1	Rack for Medicine and Core Balls
1	Playback-Pro Plyometric Rebounder System S/N 825
1	Power System Kettle Ball 5 lbs
1	Power System Kettle ball 8.8 lbs
1	Power System Kettle Ball 17.6 lbs
1	Power System Kettle Ball 20.4 lbs
2	Plastic Nets 10.5' L x 4' H
2	Sets of Aerobic Steps 2 pieces each

The Westerly Hospital
Asset Purchase Agreement
Schedules 3.12(a) and 3.12(b)
Benefit Plans and ERISA and Benefit Plan Liabilities – The Westerly Hospital

BENEFIT PLANS	FUNDING STATUS (a)	Compliance w/Terms & Laws	Unfavorable Determination (c)	Claims (threats/pending) (d)	Untimely Governmental Filings (e)
BCBS Medical	Pay as you go*	None	None	None	None
BCBS Dental	Pay as you go*	None	None	None	None
Basic Group Term Life	Pay as you go, Current	None	None	None	None
Supplemental Life/AD&D Insurance	Emp Funded, Current	None	None	None	None
Voluntary Life Insurance	Emp Funded, Current	None	None	None	None
Dependent Life Insurance	Emp Funded, Current	None	None	None	None
Reimbursement Accounts	Emp Funded, Current	None	None	None	None
MetLife Critical Illness	Emp Funded, Current	None	None	None	None
Hyatt Legal Insurance	Emp Funded, Current	None	None	None	None
Home & Auto Insurance	Emp Funded, Current	None	None	None	None
Temporary Disability (TDI)	Emp Funded, Current	None	None	None	None
Long Term Disability (LTC)	Pay as you go, Current	None	None	None	None
CollegeBound fund	Emp Funded, Current	None	None	None	None
Defined Benefit Plan	Under funded	Distress Termination of Plan filed	None	None xx	None
Defined Contribution Plan (403b)	Pay bi-annual, Current	None	None	None	None

* Pre-Petition amount to be settled.

xx - United Nurses and Allied Professionals Local Union Nos. 5075 and 5104 ("UNAP") submitted an objection to the distressed termination of the Defined Benefit Pension Plan. As a result of the Tentative Agreement between UNAP and LMW Healthcare, Inc. and LMW Physicians, Inc., UNAP has allowed the Pension Benefit Guaranty Corporation to continue processing the application for a distressed termination.

The Westerly Hospital
Asset Purchase Agreement
Schedule 3.12(a) and 3.12 (b)
Benefit Plans and ERISA and Benefit Plan Liabilities – Affiliates

BENEFIT PLANS	FUNDING STATUS (a)	Compliance w/Terms & Laws	Section 401 Unfavorable Determination (c)	Claims (threats/pending) (d)	Untimely Governmental Filings (e)
ING 401K [i]	fully funded through September 15, 2011 for funding year 2010	None	None	None	None
BCBS Health Insurance	Pay as you go, current	None	None	None	None
BCBS Dental	Pay as you go, current	None	None	None	None
Assurant Long Term Disability Short Term Disability, Life	Pay as you go, current	None	None	None	None

[i] Accounts Administrator -Cornerstone Retirement Plan Administrator's LLC - Benefit plan is held by AMG and the rest of the affiliates are employers for the plan

The Westerly Hospital
Asset Purchase Agreement
Schedule 3.12(e)
Benefit Plans Under Investigation

NONE

The Westerly Hospital
Asset Purchase Agreement
Schedule 3.14
Hill- Burton and Other Liens

NONE

Westerly Hospital
Asset Purchase Agreement
Schedule 3.15(a)
Property Taxed by Municipality

Real Property

- 45 East Avenue, Westerly, RI
- 11 Wells Street, Unit 6, Westerly, RI

Personal Property

- Atlantic Medical Group
- Women's Health of Westerly
- Westerly Hospital pays tax for certain medical equipment located at 116 Granite Street

The Westerly Hospital
Asset Purchase Agreement
Schedule 3.15(b)
Entity Taxes

Taxes that may be due and payable pursuant to the Mastership closing process and post - closing are as follows:

1. Real property and tangible property taxes identified in Schedule 3.15(a); and
2. Hospital license fee pursuant to R.I.G.L. § 23-17-38.1.

The Westerly Hospital
Asset Purchase Agreement
Schedule 3.16(d)(ii)
Collective Bargaining Agreements

1. The Westerly United Nurses and Allied Professionals, Local 5104 (Service and Maintenance & Skilled Maintenance Bargaining Units) AND The Westerly Hospital, November 5, 2009 – November 4, 2012

2. The Westerly United Nurses and Allied Professionals, Local 5075 (Professional and Technical Bargaining Units) AND The Westerly Hospital, November 5, 2009 – November 4, 2012

The Westerly Hospital
Asset Purchase Agreement
Schedule 3.16(c)
Compliance With Employment Laws

Issue/Matter	Case Caption	Case No.
Unemployment *		
Wrongful Discharge - Disability	Todd Kirschhofer v. Westerly Hospital	W.C. C.A. NO. 10-0542
Discrimination; ADA	Matthew Pierce v. Westerly Hospital	EEOC No. 16J-2011-00083
Discrimination; ADA	Victoria Riberdy v. Westerly Hospital	EEOC

*TX-17 quarterly payments have not been made post-mastership. The payments are deemed to be an administrative expense. The Hospital is self insured and thus only not paying the Hospital portion. The non-payment has been communicated to Phil D'Ambra, Chief of the Unemployment Insurance Employer Tax.

The Westerly Hospital
Asset Purchase Agreement
Schedule 3.17(b)
Enforceability of Agreements & Commitments

The Westerly Hospital has negotiated and entered into a group purchasing program contract with MedAssets Supply Chain Systems, LLC dated June 29, 2012. Certain contracts listed in Schedule 3.17(a) are by and through the Supply Chain Management Agreement previously entered into with Yale New Haven Health Services, Corporation dated December 28, 2010, which is being terminated on or before November 1, 2012.

The Westerly Hospital
Asset Purchase Agreement
Schedule 3.19
Insurance

Insurance Policy	Policy Number	Company Name	Policy Amount	Policy Term
Facility Professional Liability	2-13525	Covery's	$6,000,000	10/1/11 - 10/1/12
Commercial General Liability	2-13525GL	Covery's	$6,000,000	10/1/11 - 10/1/12
Excess and Umbrella Liability	2-13525CA	Covery's	$6,000,000	10/1/11 - 10/1/12
NSHC Professional Liability	2-22038HPL	Covery's	$5,000,000	10/1/11 - 10/1/12
D&O, Fiduciary and Crime Coverage	8208-3465	CHUBB/Federal Insurance	$3,000,000	10/1/11 - 10/1/12
Automobile Insurance	BA41853G	Harleysville/Lathrop	$1,000,000	10/1/11 - 10/1/12
Property & Fire Insurance	AM 856	Affiliated FM/Lathrop	$111,131,476	4/11/12 - 4/11/13
Corporate Contingent Aviation Liability	BA-11-10-00055	StarNet Insurance Company	$5,000,000	10/1/11- 10/1/12
Medical Professional Liability	2-13525PL	Covery's		10/1/11 - 10/1/12
Conlin, William	2-13525PL	Covery's	$6,000,000	10/1/11 - 10/1/12
Jaccarino, Fredrick	2-13525PL	Covery's	$6,000,000	10/1/11 - 10/1/12
Lehrach, Chris	2-13525PL	Covery's	$6,000,000	10/1/11 - 10/1/12
Torres, Kevin	2-13525PL	Covery's	$6,000,000	10/1/11 - 10/1/12
Hodgson, Benjamin	2-13525PL	Covery's	$6,000,000	10/1/11 - 10/1/12
Nordness, Robert	2-13525PL	Covery's	$6,000,000	10/1/11 - 10/1/12
Bernardo, Edsell	2-13525PL	Covery's	$6,000,000	10/1/11 - 10/1/12
Stuart, Susan	2-13525PL	Covery's	$6,000,000	10/1/11 - 10/1/12
Harwood, Michael	2-13525PL	Covery's	$6,000,000	10/1/11 - 10/1/12
Menihan, Suzie (Tail)	2-13525PL	Covery's	$6,000,000	Indefinite
Vanasse, Rebecca	2-13525PL	Covery's	$6,000,000	10/1/11 - 10/1/12
Greenlee, Robert	2-13525PL	Covery's	$6,000,000	10/1/11 - 10/1/12
Kelley, Lori	2-13525PL	Covery's	$6,000,000	10/1/11 - 10/1/12
Gupta, Rajesh	2-13525PL	Covery's	$6,000,000	10/1/11 - 10/1/12
Pecher, Stephana (Tail)	2-13525PL	Covery's	$6,000,000	Indefinite
Curtice, Walter	2-13525PL	Covery's	$6,000,000	10/1/11 - 10/1/12

RIDOH 1286

Bourguignon, Paul	2-13525PL	Covery's	$6,000,000	10/1/11 - 10/1/12
McGoldrick, Karen (Tail)	2-13525PL	Covery's	$6,000,000	Indefinite
Fisher, Whit	2-13525PL	Covery's	$6,000,000	10/1/11 - 10/1/12
Rowther, Minu	2-13525PL	Covery's	$6,000,000	10/1/11 - 10/1/12
Losos, Roland (Tail)	2-13525PL	Covery's	$6,000,000	Indefinite
Bragg, Mason (Tail)	2-13525PL	Covery's	$6,000,000	Indefinite
Medical Professional Liability	2-22038	Covery's		10/1/11 - 10/1/12
Motyl, Paqui (request for transfer to WH provided to Coverys)	2-22038	Covery's	$5,000,000	10/1/11 - 10/1/12
Griscom, Andrew (Tail)	2-22038	Covery's	$5,000,000	Indefinite
Duhig, Rosalinda (Tail)	2-22038	Covery's	$5,000,000	Indefinite
Larsen, Kenneth (Tail)	2-22038	Covery's	$5,000,000	Indefinite
Katamura, Kathleen (Tail)	2-22038	Covery's	$5,000,000	Indefinite
Deindorfer, Barbara (Tail)	2-22038	Covery's	$5,000,000	10/1/11 - 10/1/12
Witt, Wendy (request for transfer to WH provided to Coverys)	2-22038	Covery's	$5,000,000	10/1/11 - 10/1/12
Ravi, Ram (Tail)	2-22038	Covery's	$5,000,000	Indefinite
Dale-Walek, Debra (cancelled)	2-22038	Covery's	$5,000,000	10/1/11 - 10/1/12
Conti, Amanda	2-22038	Covery's	$5,000,000	10/1/11 - 10/1/12
Horgan, William (Tail)	2-22038	Covery's	$5,000,000	Indefinite
Terranova, George (Tail)	2-22038	Covery's	$5,000,000	Indefinite
Phelan, Stephen	2-22038	Covery's	$5,000,000	10/1/11 - 10/1/12
Professional Liability Neilson, Kevin (Occurrence Made)	2-21371	Covery's	$6,000,000	10/1/11 - 10/1/12
Professional Liability Hilliker, Kevin (Occurrence Made)	2-23317	Covery's	$6,000,000	10/1/11 - 10/1/12
CT Workers Compensation & Employee Liability	WC 927648336344	Argonaut Insurance	$1,000,000	3/10/12 - 3/10/13
RI Workers Compensation & Employee Liability	23201	Beacon Mutual Insurance	$1,000,000	3/10/12 - 3/10/13

Westerly Hospital
Asset Purchase Agreement
Schedule 3.20
Unaudited Cost Reports

2011: A Notice of Program Reimbursement for 2011 has not been issued. There are no known outstanding issues.

2010: A Notice of Program Reimbursement for 2010 has not been issued. There are no known outstanding issues.

2009: A Notice of Program Reimbursement has not been issued for 2009. A nationwide issue regarding Supplemental Security Income has held up a Notice of Program Reimbursement.

Westerly Hospital
Asset Purchase Agreement
Schedule 3.21
Medical Staff Matters

NONE

Westerly Hospital
Asset Purchase Agreement
Schedule 3.24(b)
Reports or Allegations Pursuant to Settlement Agreements

NONE

Westerly Hospital
Asset Purchase Agreement
Schedule 3.24(c)
Office of Inspector General - Pending Investigation

On November 23, 2010, the Office of Inspector General issued a subpoena duces tecum to the Custodian of Records for Westerly Hospital and CHOW Newco, Inc. Pursuant to an agreement between the parties, responsive documents were produced on a rolling basis with the first production in January 2011 and the fourth and final production in March 2011. Thereafter, in May 2011 the OIG indicated that it had concerns with some of the agreements that CHOW Newco entered into with various physicians and a physician practice group in terms of compliance with the Stark law and anti-kickback statute. The OIG requested an analysis of how the various contracts complied with the referenced statutes and a meeting was subsequently held in Washington, D.C. to discuss same. Thereafter, the OIG issued an additional request for documents and information, which was duly complied with in May 2012. A subsequent meeting was held with Peter Neronha of the U.S. Attorney's Office and the parties are in the process of making a settlement demand to resolve all outstanding issues.

Westerly Hospital
Asset Purchase Agreement
Schedule 3.24(d)
Defendant in *qui tam*/False Claims Act

NONE

The Westerly Hospital
Asset Purchase Agreement
Schedule 3.24(e)
Self-Referral Disclosure Protocol

In February 2012, The Westerly Hospital ("TWH"), with Drs. Bradford C. Lavigne, Pamela J. Connors, Steven R. Yolen, Barry A. Ross and Gastroenterology Specialists, Inc. ("GSI"), self disclosed to the Office of Inspector General the agreement by and between TWH, GSI, Bradford C. Lavigne, Pamela J. Connors, Steven R. Yolen and Barry A. Ross, executed as of November 21, 2008 (the "Agreement"). The Hospital has made an offer of settlement to the United States Attorney's Office for the District of Rhode Island.

The Westerly Hospital
Asset Purchase Agreement
Schedule 3.25(a)
Environmental Compliance

NONE[1]

[1] The Mastership received a comment from Washington Trust Company suggesting the disclosure of the fact that there may be lead paint located in the Hospital's Property at 26 Wells Street.

The Westerly Hospital
Asset Purchase Agreement
Schedule 3.25(b)
Environmental Concerns & Matters Treated

On December 5, 2007, The Hospital was notified of dumping of medical waste at the state Landfill in Johnson. The Hospital paid a contractor to clean up all responsible areas of the landfill. Landfill clean up completed and approved by DEM officials by December 29, 2007. DEM and Department of health were notified immediately upon discovery of this incident. Corrective actions were taken within the Hospital to prevent further events. DEM, subsequently inspected the Hospital to ensure we were following the guidelines.

On April 28, 2008, the hospital received a Notice of violation for discharging waste water in excess of permitted amount for oil and grease. The permit amount is 100mg/l, the amount tested was 187 mg/l. The letter also notes that retesting test results were under the 100mg/l therefore no further action was required.

On January 12, 2012, the hospital received a Notice of violation for discharging waste water in excess of permitted amount for oil and grease. The permit amount is 100mg/l, the amount tested was 225 mg/l. The letter also notes that retesting test results were under the 100mg/l, 32.1 mg/l, therefore no further action was required.

The Westerly Hospital
Asset Purchase Agreement
Schedule 3.25(c)
Pending Environmental Claims

NONE

The Westerly Hospital
Asset Purchase Agreement
Schedule 3.25(d)
Offsite Material Storage Locations

NONE

The Westerly Hospital
Asset Purchase Agreement
Schedule 3.25(e)
Underground Storage Tanks & Asbestos on Hospital Property

The Hospital has one (1) 16,000 gallon #4 heating oil underground storage tank located on Hospital property. The Hospital does not have any friable unmanaged asbestos on the property. The Hospital has no PCN containing items on Hospital property.

The Westerly Hospital
Asset Purchase Agreement
Schedule 3.26(a)
Owned Intellectual Property

1. Entity Names
    a. Westerly Hospital Healthcare, Inc.
    b. The Westerly Hospital
    c. Atlantic Medical Group, Inc.
    d. North Stonington Health Center, Inc.
    e. Ocean Myst, LLC
    f. Women's Health of Westerly, LLC

2. Trademarks, Service Marks and Logos
    a. WESTERLY HOSPITAL
    b. WESTERLY HOSPITAL Logo

WESTERLY HOSPITAL

    c. The Oval Wave Logo

    d. ATLANTIC MEDICAL GROUP
    e. OCEAN MYST, MSO, LLC
    f. NORTH STONINGTON HEALTH CENTER
    g. WOMEN'S HEALTH OF WESTERLY
    h. All other trademarks, service marks or logos used by Sellers in connection with the Business.

3. Copyrights in all works of authorship used by Sellers in connection with the Business.
    a. Lateral / Horizontal Violence Administrative Policy, Copyright Registration No. TXu 1-325-396

4. Websites

Domain Name	Owner	Expiration Date
Thewesterlyhospital.com	The Westerly Hospital	May 26, 2014
Thewesterlyhospital.org	The Westerly Hospital	July 20, 2014
Twhfoundation.org	The Westerly Hospital	May 2, 2013
Westerlyhospital.com	The Westerly Hospital	May 26, 2014
Westerlyhospital.org	The Westerly Hospital	May 2, 2013
Westerlymd.com	The Westerly Hospital	June 12, 2014
Westerlymd.net	The Westerly Hospital	June 12, 2014

The Westerly Hospital
Asset Purchase Agreement
Schedule 3.26(a)
Owned Intellectual Property

Westerlymd.org	The Westerly Hospital	June 12, 2014
Whhcare.com	The Westerly Hospital	November 18, 2015
Whhcare.net	The Westerly Hospital	November 18, 2015
Whhcare.org	The Westerly Hospital	November 18, 2015

The Westelry Hospital
Asset Purchase Agreement
Schedule 3.26(b)
Non-Owned Use of Intellectual Property

Name

Ability Network (Prev. VisionShare)
AVSS
Blackbaud for CR
Cintas (IT hardware destruction only)
Dot Net Nuke
DVI
eClinicalworks
Elekta - Tumor Registry System
Frontier Matrix
Fuji PACS Imaging Solution
GE Healthcare - Centricity Perinatal
GE MERSE
GE Muse
GE ViewPoint - Ultrasound (OPD Women's Health)
General Electric (fetal monitoring)
GHX
gMed
HCS – Hospital Capacity System
Healthcare Source Postion Manager (HR)
Heartlab
Hollogic Digital Mammo
HUGS
Ingenix Claredi
Ingenix WebStrat
Insight - CoreInsight
Insight - OccurrenceInsight & CentralInsight
Intersystems - Ensemble Interface Engine
Kronos
Lane Passport
Lexi-Comp
Lippencott's Nursing Procedures and Skills
ManageEngine Enterprise ITIL Helpdesk
McKesson - LEAP
McKesson - OpenText - RightFax
McKesson - Paragon & HPF Suite of Apps
McKesson Ansos Employee Scheduling
McKesson Equisys - Zetafax
McKesson Horizon Release of Iinformation
McKesson Medication Reconciliation
McKesson RelayHealth ePremis

The Westelry Hospital
Asset Purchase Agreement
Schedule 3.26(b)

Medacist; MediDose

Non-Owned Use of Intellectual Property

MedAssets, Harvest Contract Management
Merge (Confirma) - CadStream
NEC Unified Solutions, Inc
Neo Enterprise Backup Support
ONSSI Video
Optuminsight, Inc. (Caretracker)
Pathway Compliance Advisor
Philips (Endo-No Central Station)
Pyxis Connect (Digital Imaging)
Pyxis MedCart
QS1 (Pharmacy)
Quinton Tele-charting system
RelayHealth Rev Runner (Eligibility, Address verification)
Salary.com
Sandhill Esophageal Manometry
ShredIt (for paper destruction)
Standing Stone
Sunquest - IBM
Sunquest - Intersystems Cache
Sunquest - Red Hat
Sunquest - Veritas
Sunquest Applications
SwiftView - PCL to PDF SwiftConvert (McKesson)
Teleradiology
T-systems (manual forms)
UpToDate (Clinical Decision Support Tool)
Vortex Mobile
WebMedx
Websense Enterprise Security Suite
Wellsoft for ED
What's Up Pro
WITT
Wolters Kluwer - Medical Dictionary

The Westerly Hospital
Asset Purchase Agreement
Schedule 3.26(d)
Maintenance of Owned Intellectual Property

1. North Stonington Health Center
    a. www.northstoningtonhealthcenter.org – Domain expired.

The Westerly Hospital
Asset Purchase Agreement
Schedule 3.27
Undisclosed Liabilities

1. Pending defined benefit pension termination with the Pension Benefit Guaranty Corporation.

2. Office of the Inspector General Investigation referenced in Schedule 3.24.

3. The contracts identified by the Seller referenced in Schedule 3.9(a).

The Westerly Hospital
Asset Purchase Agreement
Schedule 4.1(b)
Certificate of Formation

See attached.

Filing Fee: $35.00

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
Office of the Secretary of State
Division of Business Services
148 W. River Street
Providence, Rhode Island 02904-2615

2012 MAY 29 PM 4:01
RECEIVED
SECRETARY OF STATE
CORPORATIONS DIV

NON-PROFIT CORPORATION

ARTICLES OF INCORPORATION

The undersigned, acting as incorporator(s) of a corporation under Chapter 7-6 of the General Laws of Rhode Island, 1956, as amended, accpt(s) the following Articles of Incorporation for such corporation:

1. The name of the corporation is LMW Physicians, Inc.

2. The period of its duration is (if perpetual, so state) Perpetual

3. The specific purpose or purposes for which the corporation is organized are:

The Corporation shall be organized and operated exclusively for charitable purposes within the meaning of the Internal Revenue Code of 1986, as now in effect or as may hereafter be amended (the "Code"). Notwithstanding any other provisions of this certificate, the Corporation shall not conduct or carry on any activities not permitted to be conducted or carried on by an organization exempt under Section 501(c)(3) of the Code. The Purpose is to integrate some of the various physicians and healthcare professionals under contract with LMW Healthcare, Inc. into a more efficient and cost effective entity, and to engage in any lawful act or activity for which a corporation may be organized under the RI Nonprofit Corporation Act, as the same may be amended from time to time.

4. Provisions, if any, not inconsistent with the law, which the incorporators elect to set forth in these articles of incorporation for the regulation of the internal affairs of the corporation are:

See Exhibit A attached hereto

Form No. 200
Revised: 12/05

RIDOH 1306

5. The address of the initial registered office of the corporation is:

One Citizens Plaza, Suite 500
(Street Address, not P.O. Box)

Providence (City/Town), RI 02903 (Zip Code) and the name of its initial registered agent at such address is Stephen D. Zublago, Esq. (Name of Agent)

6. The number of directors constituting the initial Board of Directors of the Corporation is 3 (not less than 3 directors) and the names and address of the persons who are to serve as the initial directors are:

Name	*Address*
Bruce D. Cummings	901 Pequot Avenue, New London, CT 06320
Marilyn Materba	4 Glen Craig Place, Uncasville, CT 06382
Ulysses B. Hammond	8 Susan Terrace, Waterford, CT 06385

7. The name and address of each incorporator is:

Name	*Address*
Bruce D. Cummings	901 Pequot Avenue, New London, CT 06320

8. These Articles of Incorporation shall be effective upon filing unless a specified data is provided which shall be no later than the 30th day after the date of this filing Upon Filing

Under penalty of perjury, I/we declare and affirm that I/we have examined these Articles of Incorporation, including any accompanying attachments, and that all statements contained herein are true and correct.

Date: _____

_____

_____

_____

_____

_____
Signature of each Incorporator

Attachment to
Articles of Incorporation for:
LMW Physicians, Inc.

4. **Provisions, if any, not inconsistent with the law, which the incorporators elect to set forth in these articles of incorporation for the regulation of the internal affairs of the corporation are:**

(a) No part of the net earnings of the Corporation shall inure to the benefit of any director or officer of the Corporation or any private individual, except that reasonable compensation may be paid for services rendered to or for the Corporation. No director or officer of the Corporation or any private individual shall be entitled to share in the distribution of any of the corporate assets on dissolution of the Corporation.

(b) No substantial part of the activities of the Corporation shall be carrying on propaganda, or otherwise attempting to influence legislation, except as otherwise provided by Section 501(h) of the Code. The Corporation shall not participate or intervene (including the publication or distribution of statements) in any political campaign on behalf of or in opposition to any candidate for public office.

(c) Notwithstanding any other provision of these articles, the Corporation is organized exclusively for one or more of the following purposes: religious, charitable, scientific, testing for public safety, literary, or educational purposes, as specified in Section 501(c)(3) of the Code. The Corporation shall not carry on any 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.

(d) In the event of the liquidation, dissolution, or winding up of the Corporation, whether voluntary or involuntary or by operation of law, all of the remaining assets and property of the Corporation shall after necessary expenses thereof be distributed to one or more organizations which are then qualified under Section 501(c)(3) of the Code to be used in such manner as will best accomplish the general purposes for which this Corporation was formed, to be determined in the discretion of the Board of Directors.

Filing Fee: $35.00

2012 MAY 29 PM 4:01

RECEIVED
SECRETARY OF STATE
CORPORATIONS DIV

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
Office of the Secretary of State
Division of Business Services
148 W. River Street
Providence, Rhode Island 02904-2615

NON-PROFIT CORPORATION

ARTICLES OF INCORPORATION

The undersigned, acting as incorporator(s) of a corporation under Chapter 7-6 of the General Laws of Rhode Island, 1956, as amended, adopt(s) the following Articles of Incorporation for such corporation:

1. The name of the corporation is LMW Healthcare, Inc.

2. The period of its duration is (if perpetual, so state) Perpetual

3. The specific purpose or purposes for which the corporation is organized are:
The Corporation is formed and shall be operated exclusively for scientific, educational, and charitable purposes, as qualified under Section 501(c)(3) of the Internal Revenue Code of 1988 (as now in effect or may hereafter be amended)(the "Code"). The purpose is to establish, maintain and carry on an institution with permanent facilities for inpatients and ambulatory patients, with medical services to provide diagnosis and treatment, to carry on all associated services, and to engage in any lawful act or activity for which a corporation may be organized under the Rhode Island Nonprofit Corporation Act, as the same may be amended from time to time.

4. Provisions, if any, not inconsistent with the law, which the incorporators elect to set forth in these articles of incorporation for the regulation of the internal affairs of the corporation are:
See Exhibit A attached hereto

Form No. 200
Revised: 12/05

RIDOH 1309

5. The address of the initial registered office of the corporation is:

One Citizens Plaza, Suite 500
(Street Address, not P.O. Box)

Providence, RI 02903 and the name of its initial registered agent at
(City/Town) (Zip Code)

such address is Stephen D. Zubiago, Esq.
(Name of Agent)

6. The number of directors constituting the initial Board of Directors of the Corporation is 3
(not less than 3 directors)

and the names and address of the persons who are to serve as the initial directors are:

Name	*Address*
Bruce D. Cummings	901 Pequot Avenue, New London, CT 06320
Marilyn Malerba	4 Glen Craig Place, Uncasville, CT 06382
Ulysses B. Hammond	8 Susan Terrace, Waterford, CT 06385

7. The name and address of each incorporator is:

Name	*Address*
Bruce D. Cummings	901 Pequot Avenue, New London, CT 06320

8. These Articles of Incorporation shall be effective upon filing unless a specified date is provided which shall be no later than the 30th day after the date of this filing Upon Filing

Under penalty of perjury, I/we declare and affirm that I/we have examined these Articles of Incorporation, including any accompanying attachments, and that all statements contained herein are true and correct.

Date: _____

_____

_____

_____

_____

_____

Signature of each Incorporator

Attachment to
Articles of Incorporation for:
LMW Healthcare, Inc.

4. **Provisions, if any, not inconsistent with the law, which the incorporators elect to set forth in these articles of incorporation for the regulation of the internal affairs of the corporation are:**

(a) No part of the net earnings of the Corporation shall inure to the benefit of any director or officer of the Corporation or any private individual, except that reasonable compensation may be paid for services rendered to or for the Corporation. No director or officer of the Corporation or any private individual shall be entitled to share in the distribution of any of the corporate assets on dissolution of the Corporation.

(b) No substantial part of the activities of the Corporation shall be carrying on propaganda, or otherwise attempting to influence legislation, except as otherwise provided by Section 501(h) of the Code. The Corporation shall not participate or intervene (including the publication or distribution of statements) in any political campaign on behalf of or in opposition to any candidate for public office.

(c) Notwithstanding any other provision of these articles, the Corporation is organized exclusively for one or more of the following purposes: religious, charitable, scientific, testing for public safety, literary, or educational purposes, as specified in Section 501(c)(3) of the Code. The Corporation shall not carry on any 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.

(d) In the event of the liquidation, dissolution, or winding up of the Corporation, whether voluntary or involuntary or by operation of law, all of the remaining assets and property of the Corporation shall after necessary expenses thereof be distributed to one or more organizations which are then qualified under Section 501(c)(3) of the Code to be used in such manner as will best accomplish the general purposes for which this Corporation was formed, to be determined in the discretion of the Board of Directors.

The Westerly Hospital
Asset Purchase Agreement
Schedule 4.3(b)
Government Approval

All approvals and/or consents required for Buyer to assume or otherwise obtain those licenses and permits necessary and appropriate to operate the Facilities, including but not limited to those set forth on Schedule 1.2(d), including without limitation, the approval or consent of the:

- Department of the Attorney General of the State of Rhode Island
- Rhode Island Department of Health
- Center for Medicare and Medicaid Services
- Rhode Island Medicaid

The Westerly Hospital
Asset Purchase Agreement
Schedule 4.3(c)
Non-Contravention

NONE

The Westerly Hospital
Asset Purchase Agreement
Schedule 8.1(a)
Material Contracts

Payor Contracts:

1) Provider Agreement (ATN 21078), executed May 20, 2011, by and between The Westerly Hospital ("WH") and MassHealth.

2) Provider Agreement (ATN 21077), executed May 20, 2011, by and between WH and MassHealth.

3) Agreement, effective January 1, 2006, by and between WH and Neighborhood Health Plan of Rhode Island, as amended January 1, 2009, January 5, 2010, January 1, 2012 and by letter amendment November 19, 2010.

4) Hospital Contract, dated March 1, 2010, by and between WH and Pace Organization of Rhode Island.

5) Hospital Participation Agreement, dated April 1, 2009, by and between WH and Blue Cross and Blue Shield of Rhode Island, as amended July 16, 2010.

6) Provider Agreement Form, executed January 5, 2009, by and between WH and Rhode Island Department of Human Services Medical Assistance Program.

7) Plan 65 Select Hospital Participation Agreement, dated January 1, 1996, by and between WH and Blue Cross and Blue Shield of Rhode Island.

8) Facility Provider Agreement Tricare Program, effective the first day of the month following Health Net Federal Services LLC ("HNFS") execution, by and between WH and HNFS.

9) Letter Agreement re: Terms of Continued Participation, dated January 1, 2012, by and between WH and Tufts Health Plan.

10) Facility Participation Agreement, effective the later of August 15, 2006 or the first day of the first calendar month that begins at least 30 days after the date the Agreement has been fully executed, by and between WH and United HealthCare Insurance Company, as amended effective September 13, 2009 (Amendment Number 2) and October 15, 2011 (Amendment Number 3).

11) Facility Medicaid Payer Appendix, effective as of January 1, 2012, by and between WH and United Healthcare.

12) Medical Group Participation Agreement, effective on the later of July 1, 2004 or the first day of the first calendar month that begins at least 30 days after the date the Agreement

Inclusion on this Schedule 8.1(a) does not connote that all terms and conditions are acceptable to Buyer and all such contracts remain subject to amendment and or extension as acceptable to Buyer. Without limiting the generality of the foregoing, the foregoing contracts are subject to modification or amendment, and any such modification, amendment or assignment shall be only as may be compliant with applicable laws.

has been fully executed, by and between WH and United HealthCare Insurance Company.

13) Letter re: Regulatory Amendment to Network Participation Agreement regarding Medical Assistance Managed Care Payments, dated January 1, 2011, by and between WH and United HealthCare.

14) Agreement, dated February 1, 2008, by and between WH and Pequot Health Care, as amended October 3, 2008 (First Amendment to Agreement re: Revisions to Exhibit A).

15) Letter of Intent, effective August 1, 1999, by and between WH and First Health.

16) Any contract that remains in effect as of the date hereof, by and between WH and Anthem (Connecticut).

17) Any contract that remains in effect as of the date hereof, by and between WH and Aetna.

18) Any contract that remains in effect as of the date hereof, WH and Connecticare Empire.

19) Any contract that remains in effect as of the date hereof, WH and First Health.

20) Any contract, not otherwise listed above, that remains in effect as of the date hereof between WH and Blue Cross and Blue Shield of Rhode Island.

21) Any contract, not otherwise listed above, that remains in effect as of the date hereof between WH and United Healthcare.

Atlantic Medical Group ("AMG") and Womens Health of Westerly Contracts ("WHOW"):

1) Employment Agreements remaining in effect as of the date hereof by and between AMG and each of:

   a. William Conlin;

   b. Amanda Conti;

   c. Fred Jaccarino;

   d. Edsell Bernardo;

   e. Whit Fisher;

   f. Rebecca Vanasse-Passas;

   g. Keith Hilliker;

Inclusion on this Schedule 8.1(a) does not connote that all terms and conditions are acceptable to Buyer and all such contracts remain subject to amendment and or extension as acceptable to Buyer. Without limiting the generality of the foregoing, the foregoing contracts are subject to modification or amendment, and any such modification, amendment or assignment shall be only as may be compliant with applicable laws.

h. Stephen Phelan;

i. Benjamin Hodgson;

j. Paul Benoit;

k. Christopher Lehrach;

l. Walter Scott Curtice;

m. Kevin Neilson;

n. Rajesh Gupta;

o. Robert Nordness;

p. Michael Harwood;

q. Peter Willis;

r. Brandi Iovino;

s. Wendy Witt;

t. Louis Iovino;

u. Paqui Motyl;

v. Susan Stuart; and

w. Michael Weaver.

2) Employment Agreements remaining in effect as of the date hereof by and between WHOW and each of

a. Robert Greenlee;

b. Minu Rawther;

c. Lori Kelly (CNM); and

d. Barbara Muir (PA).

3) Any service agreements with outsourced arrangements for billing and collection (third party billing and collection or outside collection agencies), which AMG and/or WHOW are a party to.

Inclusion on this Schedule 8.1(a) does not connote that all terms and conditions are acceptable to Buyer and all such contracts remain subject to amendment and or extension as acceptable to Buyer. Without limiting the generality of the foregoing, the foregoing contracts are subject to modification or amendment, and any such modification, amendment or assignment shall be only as may be compliant with applicable laws.

The Westerly Hospital
Asset Purchase Agreement
Schedule 8.1(a)
Material Contracts

4) Any license agreements for software used in the AMG and/or WHOW practices, including but not limited to eClinical Works and Caretracker software.

5) Professional Services Agreement, dated as of January 19, 2010, by and between WHOW and Marshall Carpenter, M.D., and any amendments thereto.

6) Professional Services Agreement by and between WHOW and Frank Mayeda, and any amendments thereto.

7) Professional Services Agreement by and between WHOW and Andrew Neuhauser.

8) Space and Services Agreement, dated December 23, 2009, by and between CHOW NewCo, Inc. and Oncology-Hematology Associates, LLC (for Rebecca Anne Vanasse Passas, M.D.).

9) Amended and Restated Space and Services Agreement, effective as of January 1, 2012, by and between Westerly Medical Center, Inc. and Atlantic Medical Group, Inc. (for Edsell Bernardo, M.D., Paul Bourguignon, M.D. and Michael Weaver, M.D.)

10) Shared Services Letter of Agreement, dated as of July 1, 2010, by and between CHOW NewCo, Inc. and Anne Garvey, M.D.

11) Lease for space, supplies, and medical oversight of a nurse practitioner between Robert Fox, M.D. (for Dennis Tomaz, NP) and AMG.

12) Agreement by and among WH, Chow NewCo, Inc., Dr. Benoit and Dr. Gross/Ninigret Orthopedics.

Leases:

1) Lease by and between WestMed Properties, LLC and WH for term beginning January 1, 2002, for 3,333 sq.ft. of space at 45 Wells Street, Unit 104, Westerly, RI.

2) Lease by and between ALBACO, LLC and WH for term commencing May 2, 2010 for 3,618 sq. ft. of space at 3769 Old Post Road, Units A & B, Charlestown, RI.

3) Lease by and between Copper Beach, LLC and CHOW NewCo for term commencing May 1, 2009 for 2,622 sq. ft of space at 41 East Main Street, Mystic, CT.

4) Lease by and between Tobias Goodman, M.D. and CHOW NewCo for term commencing July 1, 2009 for 2,100 sq. ft (1st and 2nd floors) of space at 41 East Avenue, Westerly, RI.

Inclusion on this Schedule 8.1(a) does not connote that all terms and conditions are acceptable to Buyer and all such contracts remain subject to amendment and or extension as acceptable to Buyer. Without limiting the generality of the foregoing, the foregoing contracts are subject to modification or amendment, and any such modification, amendment or assignment shall be only as may be compliant with applicable laws.

The Westerly Hospital Asset Purchase Agreement
Schedule 3.11 and 1.2(c)(i)
Depreciation Schedule and Tangible Personal Property- Affiliates

1 Magic Chef Microwave Model MCM1110W S/N 196161100328

1 Follett Symphony Series Ice & Water Dispenser

1 Dayton Small Dorm Refrigerator

1 GE Refrigerator Model GTH18EBTRWW S/N TT793286

1 Summit Lab Size Refrigerator (Bio Hazard, Left in Place) with Testing Supplies and One Vile of Blood Inside

1 Perfect Air De-Humidifier

2 Clinton Industries Blood Taking Chairs

1 Powervar Power Conditioner Model ABC700-11 S/N 6108403R-1040129

1 Powervar Uninterruptable Power Supply Model ABCE800-11 S/N 5409003R-1040180

1 CyberPower 1000AVR Surge/Power Protector

5 Fujitsu FI-6130 Scanner S/N's 253508, 214347, 270885, 270977, 253506

1 Martel Paper Feed Model MCP9819-065 S/N 101244383

1 Abbott I-Stat1 Analyzer MN:300 S/N 343495

1 Hettich Zentrifugen Centrifuge EBA20 D-78532 S/N 0010957-01-00

5 The Tuffy Plastic Rolling Carts

1 Kuala Kare Baby Changer

1 Metal 2 Door 5 Shelf Storage Cabinet

3 Square Metal Test Tube Holders

1 Rectangle Metal Test Tube Holder

3 Plastic Bins (Specimen Holders Left in Place)

1 Swivel Lab Chair

The Westerly Hospital Asset Purchase Agreement
Schedule 3.11 and 1.2(c)(i)

Depreciation Schedule and Tangible Personal Property- Affiliates

1	Sysmex All-In-One Computer and Flatscreen Monitor Model AIO-CPU-KIT S/N 1697853 with Keytronic Keyboard and Microsoft Mouse and with Symbol Barcode Scanner S/N 1019600502490
1	Faux Leather Office Chair
1	White Folding Table
1	Table about 2'x4'
1	Small Table

Physical Therapy Room

4	JBL Control 1 Pro Speakers
1	Crown 140 Max XM Satellite Radio with Remote
1	Weight Scale
1	Dynatron 850 Plus Ultrasound S/N 862786
1	Title Platinum Timer Model FightTimer with Remote
12	Ab Crunch Bars
1	Blue Metal Ball Cage
1	Small Round Trampoline
3	Exercise Balls
1	Foam Workout Mat
4	Balance Balls
1	Turf Board
2	Plyosafe UCS Strength Cubes
1	Pull Sled with Rope
1	Baps Spectrum Biomechanical Ankle Platform System
1	Black Workout Harness

The Westerly Hospital Asset Purchase Agreement
Schedule 3.11 and 1.2(c)(i)

Depreciation Schedule and Tangible Personal Property- Affiliates

1	Set McKesson Crutches
2	Oxytote Oxygen Tanks on Rollers
1	Keiser Air Compressor Model 1021/1022
1	Zoll AedPlus Defibulator in Alarmed Box
4	Bags of Hudson RCI Nasal Cannula
2	Schwinn Airdyne Exercise Bikes
1	Cybex Arc Trainer 750 AT Model 750XT S/N 1027750AT95004N32
1	Cybex Treadmill Model 550T S/N E11-01550T9514NN044
2	NuStep T5 Crostrainers S/N's T5103050, T5103051
1	Armedica Physical Therapy Bed 84"L x 60"W x 18"H
1	Armedica Physical Therapy Bed 84"L x 48"W x 18"H
1	Clinton Ind. Physical Therapy Bed 72"L x 30"W x 30"H
1	Midland Parallel Bars Model 1415 S/N 201009421
1	Sammons Preston Tumble Forms 2 with Anti-Microbial Protection Red Plastic Roll 10" Dia x 36" Long
2	6" Dia x 36" Perform Better Styrofoam Rolls
4	The Cuff Black Weightbands 5 lbs
4	The Cuff Green Weightbands 4 lbs
2	The Cuff Brown Weightbands 10 lbs
2	The Cuff Orange Weightbands 7.5 lbs
2	The Cuff Gold Weightbands 3 lbs
2	The Cuff White Weightbands 2 lbs

2 The Cuff Blue Weightbands 1 lb

1 Sammons Preston Weight Bar 1 lb

1 Sammons Preston Weight Bar 2 lb

1 Sammons Preston Weight Bar 3 lb

1 Sammons Preston Weight Bar 4 lb

1 Sammons Preston Weight Bar 5 lb

4 Power System Plastic Coated Dumbbells 1 lb

4 Power System Plastic Coated Dumbbells 2 lb

4 Power System Plastic Coated Dumbbells 5 lb

2 Power System Plastic Coated Dumbbells 3 lb

2 Power System Plastic Coated Dumbbells 4 lb

2 Power System Plastic Coated Dumbbells 6 lb

2 Power System Plastic Coated Dumbbells 9 lb

1 Drive Cane S/N 1H1012F4291 Ref. 10302-6

1 The Contemporary Design Co., Shuttle 2000-1 Model 07101206 S/N 2000/106103314

1 Cybex Universal Weight Machine Model 17040-95 S/N E1025470409577N

1 True Stretch Stretching Machine Model 800SSC S/N 10-SS01297H

1 Keiser Power Weight Training Machine Model 003110PS S/N's 101116-24056

1 Batca Bench Model B-1 S/N PAB1-001052

1 Web Exercise Slide Rail with 8 Webs

1 Keiser Functional Trainer Model 003020PS S/N 101108-23194

The Westerly Hospital Asset Purchase Agreement
Schedule 3.11 and 1.2(c)(i)
Depreciation Schedule and Tangible Personal Property- Affiliates

1	Keiser Power Bench Model 003150PS S/N 101222-27384
2	Power System Dumbbells 15 lb
2	Power System Dumbbells 20 lb
2	Power System Dumbbells 25 lb
2	Power System Dumbbells 30 lb
2	Power System Dumbbells 35 lb
2	Power System Dumbbells 40 lb
2	Power System Dumbbells 45 lb
2	Power System Dumbbells 50 lb
2	Power System Dumbbells 55 lb
2	Power System Dumbbells 60 lb
2	Plastic Covered Weights 25 lbs
2	Plastic Covered Weights 45 lbs
1	6 Foot Bar with Clamps
1	7 Foot Bar with Clamps
1	Cross Training Bar
6	VTX Free Weight 10 lbs
6	VTX Free Weight 5 lbs
4	VTX Free Weight 25 lbs
4	VTX Free Weight 35 lbs
8	VTX Free Weight 45 lbs
1	Free Weight Stand

The Westerly Hospital Asset Purchase Agreement
Schedule 3.11 and 1.2(c)(i)
Depreciation Schedule and Tangible Personal Property- Affiliates

1	Sandbag Set
6	Jump Ropes
1	Dynamax Medicine Ball 6 lbs
2	Dynamax Medicine Ball 10 lbs
1	Dynamax Medicine Ball 14 lbs
2	First Place Medicine Ball 8 lbs
1	First Place Medicine Ball 4 lbs
1	First Place Medicine Ball 10 lbs
1	First Place Medicine Ball 12 lbs
1	Power Systems Medicine Ball 6 lbs
1	First Place Core Ball 16 lbs
1	First Place Core Ball 20 lbs
4	Nerf Balls
1	Rack for Medicine and Core Balls
1	Playback-Pro Plyometric Rebounder System S/N 825
1	Power System Kettle Ball 5 lbs
1	Power System Kettle ball 8.8 lbs
1	Power System Kettle Ball 17.6 lbs
1	Power System Kettle Ball 20.4 lbs
2	Plastic Nets 10.5' L x 4' H
2	Sets of Aerobic Steps 2 pieces each

The Westerly Hospital
Asset Purchase Agreement
Schedules 3.12(a) and 3.12(b)
Benefit Plans and ERISA and Benefit Plan Liabilities – The Westerly Hospital

BENEFIT PLANS	FUNDING STATUS (a)	Compliance w/Terms & Laws	Unfavorable Determination (c)	Claims (threats/pending) (d)	Untimely Governmental Filings (e)
BCBS Medical	Pay as you go*	None	None	None	None
BCBS Dental	Pay as you go*	None	None	None	None
Basic Group Term Life	Pay as you go, Current	None	None	None	None
Supplemental Life/AD&D Insurance	Emp Funded, Current	None	None	None	None
Voluntary Life Insurance	Emp Funded, Current	None	None	None	None
Dependent Life Insurance	Emp Funded, Current	None	None	None	None
Reimbursement Accounts	Emp Funded, Current	None	None	None	None
MetLife Critical Illness	Emp Funded, Current	None	None	None	None
Hyatt Legal Insurance	Emp Funded, Current	None	None	None	None
Home & Auto Insurance	Emp Funded, Current	None	None	None	None
Temporary Disability (TDI)	Emp Funded, Current	None	None	None	None
Long Term Disability (LTC)	Pay as you go, Current	None	None	None	None
CollegeBound fund	Emp Funded, Current	None	None	None	None
Defined Benefit Plan	Under funded	Distress Termination of Plan filed	None	None xx	None
Defined Contribution Plan (403b)	Pay bi-annual, Current	None	None	None	None

* Pre-Petition amount to be settled.

xx - United Nurses and Allied Professionals Local Union Nos. 5075 and 5104 ("UNAP") submitted an objection to the distressed termination of the Defined Benefit Pension Plan. As a result of the Tentative Agreement between UNAP and LMW Healthcare, Inc. and LMW Physicians, Inc., UNAP has allowed the Pension Benefit Guaranty Corporation to continue processing the application for a distressed termination.

The Westerly Hospital
Asset Purchase Agreement
Schedule 3.12(a) and 3.12 (b)
Benefit Plans and ERISA and Benefit Plan Liabilities – Affiliates

BENEFIT PLANS	FUNDING STATUS (a)	Compliance w/Terms & Laws	Section 401 Unfavorable Determination (c)	Claims (threats/pending) (d)	Untimely Governmental Filings (e)
ING 401K [1]	fully funded through September 15, 2011 for funding year 2010	None	None	None	None
BCBS Health Insurance	Pay as you go, current	None	None	None	None
BCBS Dental	Pay as you go, current	None	None	None	None
Assurant Long Term Disability Short Term Disability, Life	Pay as you go, current	None	None	None	None

[1] Accounts Administrator -Cornerstone Retirement Plan Administrator's LLC - Benefit plan is held by AMG and the rest of the affiliates are employers for the plan

RIDOH 1278

The Westerly Hospital
Asset Purchase Agreement
Schedule 3.12(e)
Benefit Plans Under Investigation

NONE

The Westerly Hospital
Asset Purchase Agreement
Schedule 3.14
Hill- Burton and Other Liens

NONE

Westerly Hospital
Asset Purchase Agreement
Schedule 3.15(a)
Property Taxed by Municipality

Real Property

- 45 East Avenue, Westerly, RI
- 11 Wells Street, Unit 6, Westerly, RI

Personal Property

- Atlantic Medical Group
- Women's Health of Westerly
- Westerly Hospital pays tax for certain medical equipment located at 116 Granite Street

The Westerly Hospital
Asset Purchase Agreement
Schedule 3.15(b)
Entity Taxes

Taxes that may be due and payable pursuant to the Mastership closing process and post - closing are as follows:

1. Real property and tangible property taxes identified in Schedule 3.15(a); and
2. Hospital license fee pursuant to R.I.G.L. § 23-17-38.1.

The Westerly Hospital
Asset Purchase Agreement
Schedule 3.16(d)(ii)
Collective Bargaining Agreements

1. The Westerly United Nurses and Allied Professionals, Local 5104 (Service and Maintenance & Skilled Maintenance Bargaining Units) AND The Westerly Hospital, November 5, 2009 – November 4, 2012

2. The Westerly United Nurses and Allied Professionals, Local 5075 (Professional and Technical Bargaining Units) AND The Westerly Hospital, November 5, 2009 – November 4, 2012

The Westerly Hospital
Asset Purchase Agreement
Schedule 3.16(c)
Compliance With Employment Laws

Issue/Matter	Case Caption	Case No.
Unemployment *		
Wrongful Discharge - Disability	Todd Kirschhofer v. Westerly Hospital	W.C. C.A. NO. 10-0542
Discrimination; ADA	Matthew Pierce v. Westerly Hospital	EEOC No. 16J-2011-00083
Discrimination; ADA	Victoria Riberdy v. Westerly Hospital	EEOC

*TX-17 quarterly payments have not been made post-mastership. The payments are deemed to be an administrative expense. The Hospital is self insured and thus only not paying the Hospital portion. The non-payment has been communicated to Phil D'Ambra, Chief of the Unemployment Insurance Employer Tax.

The Westerly Hospital
Asset Purchase Agreement
Schedule 3.17(b)
Enforceability of Agreements & Commitments

The Westerly Hospital has negotiated and entered into a group purchasing program contract with MedAssets Supply Chain Systems, LLC dated June 29, 2012. Certain contracts listed in Schedule 3.17(a) are by and through the Supply Chain Management Agreement previously entered into with Yale New Haven Health Services, Corporation dated December 28, 2010, which is being terminated on or before November 1, 2012.

The Westerly Hospital
Asset Purchase Agreement
Schedule 3.19
Insurance

Insurance Policy	Policy Number	Company Name	Policy Amount	Policy Term
Facility Professional Liability	2-13525	Covery's	$6,000,000	10/1/11 - 10/1/12
Commercial General Liability	2-13525GL	Covery's	$6,000,000	10/1/11 - 10/1/12
Excess and Umbrella Liability	2-13525CA	Covery's	$6,000,000	10/1/11 - 10/1/12
NSHC Professional Liability	2-22038HPL	Covery's	$5,000,000	10/1/11 - 10/1/12
D&O, Fiduciary and Crime Coverage	8208-3465	CHUBB/Federal Insurance	$3,000,000	10/1/11 - 10/1/12
Automobile Insurance	BA41853G	Harleysville/Lathrop	$1,000,000	10/1/11 - 10/1/12
Property & Fire Insurance	AM 856	Affiliated FM/Lathrop	$111,131,476	4/11/12 - 4/11/13
Corporate Contingent Aviation Liability	BA-11-10-00055	StarNet Insurance Company	$5,000,000	10/1/11- 10/1/12
Medical Professional Liability	2-13525PL	Covery's		10/1/11 - 10/1/12
Conlin, William	2-13525PL	Covery's	$6,000,000	10/1/11 - 10/1/12
Jaccarino, Fredrick	2-13525PL	Covery's	$6,000,000	10/1/11 - 10/1/12
Lehrach, Chris	2-13525PL	Covery's	$6,000,000	10/1/11 - 10/1/12
Torres, Kevin	2-13525PL	Covery's	$6,000,000	10/1/11 - 10/1/12
Hodgson, Benjamin	2-13525PL	Covery's	$6,000,000	10/1/11 - 10/1/12
Nordness, Robert	2-13525PL	Covery's	$6,000,000	10/1/11 - 10/1/12
Bernardo, Edsell	2-13525PL	Covery's	$6,000,000	10/1/11 - 10/1/12
Stuart, Susan	2-13525PL	Covery's	$6,000,000	10/1/11 - 10/1/12
Harwood, Michael	2-13525PL	Covery's	$6,000,000	10/1/11 - 10/1/12
Menihan, Suzie (Tail)	2-13525PL	Covery's	$6,000,000	Indefinite
Vanasse, Rebecca	2-13525PL	Covery's	$6,000,000	10/1/11 - 10/1/12
Greenlee, Robert	2-13525PL	Covery's	$6,000,000	10/1/11 - 10/1/12
Kelley, Lori	2-13525PL	Covery's	$6,000,000	10/1/11 - 10/1/12
Gupta, Rajesh	2-13525PL	Covery's	$6,000,000	10/1/11 - 10/1/12
Pecher, Stephana (Tail)	2-13525PL	Covery's	$6,000,000	Indefinite
Curtice, Walter	2-13525PL	Covery's	$6,000,000	10/1/11 - 10/1/12

RIDOH 1286

Bourguignon, Paul	2-13525PL	Covery's	$6,000,000	10/1/11 - 10/1/12
McGoldrick, Karen (Tail)	2-13525PL	Covery's	$6,000,000	Indefinite
Fisher, Whit	2-13525PL	Covery's	$6,000,000	10/1/11 - 10/1/12
Rowther, Minu	2-13525PL	Covery's	$6,000,000	10/1/11 - 10/1/12
Losos, Roland (Tail)	2-13525PL	Covery's	$6,000,000	Indefinite
Bragg, Mason (Tail)	2-13525PL	Covery's	$6,000,000	Indefinite
Medical Professional Liability	2-22038	Covery's		10/1/11 - 10/1/12
Motyl, Paqui (request for transfer to WH provided to Coverys)	2-22038	Covery's	$5,000,000	10/1/11 - 10/1/12
Griscom, Andrew (Tail)	2-22038	Covery's	$5,000,000	Indefinite
Duhig, Rosalinda (Tail)	2-22038	Covery's	$5,000,000	Indefinite
Larsen, Kenneth (Tail)	2-22038	Covery's	$5,000,000	Indefinite
Katamura, Kathleen (Tail)	2-22038	Covery's	$5,000,000	Indefinite
Deindorfer, Barbara (Tail)	2-22038	Covery's	$5,000,000	10/1/11 - 10/1/12
Witt, Wendy (request for transfer to WH provided to Coverys)	2-22038	Covery's	$5,000,000	10/1/11 - 10/1/12
Ravi, Ram (Tail)	2-22038	Covery's	$5,000,000	Indefinite
Dale-Walek, Debra (cancelled)	2-22038	Covery's	$5,000,000	10/1/11 - 10/1/12
Conti, Amanda	2-22038	Covery's	$5,000,000	10/1/11 - 10/1/12
Horgan, William (Tail)	2-22038	Covery's	$5,000,000	Indefinite
Terranova, George (Tail)	2-22038	Covery's	$5,000,000	Indefinite
Phelan, Stephen	2-22038	Covery's	$5,000,000	10/1/11 - 10/1/12
Professional Liability Neilson, Kevin (Occurrence Made)	2-21371	Covery's	$6,000,000	10/1/11 - 10/1/12
Professional Liability Hilliker, Kevin (Occurrence Made)	2-23317	Covery's	$6,000,000	10/1/11 - 10/1/12
CT Workers Compensation & Employee Liability	WC 927648336344	Argonaut Insurance	$1,000,000	3/10/12 - 3/10/13
RI Workers Compensation & Employee Liability	23201	Beacon Mutual Insurance	$1,000,000	3/10/12 - 3/10/13

Westerly Hospital
Asset Purchase Agreement
Schedule 3.20
Unaudited Cost Reports

2011: A Notice of Program Reimbursement for 2011 has not been issued. There are no known outstanding issues.

2010: A Notice of Program Reimbursement for 2010 has not been issued. There are no known outstanding issues.

2009: A Notice of Program Reimbursement has not been issued for 2009. A nationwide issue regarding Supplemental Security Income has held up a Notice of Program Reimbursement.

Westerly Hospital
Asset Purchase Agreement
Schedule 3.21
Medical Staff Matters

NONE

Westerly Hospital
Asset Purchase Agreement
Schedule 3.24(b)
Reports or Allegations Pursuant to Settlement Agreements

NONE

Westerly Hospital
Asset Purchase Agreement
Schedule 3.24(c)
Office of Inspector General - Pending Investigation

On November 23, 2010, the Office of Inspector General issued a subpoena duces tecum to the Custodian of Records for Westerly Hospital and CHOW Newco, Inc. Pursuant to an agreement between the parties, responsive documents were produced on a rolling basis with the first production in January 2011 and the fourth and final production in March 2011. Thereafter, in May 2011 the OIG indicated that it had concerns with some of the agreements that CHOW Newco entered into with various physicians and a physician practice group in terms of compliance with the Stark law and anti-kickback statute. The OIG requested an analysis of how the various contracts complied with the referenced statutes and a meeting was subsequently held in Washington, D.C. to discuss same. Thereafter, the OIG issued an additional request for documents and information, which was duly complied with in May 2012. A subsequent meeting was held with Peter Neronha of the U.S. Attorney's Office and the parties are in the process of making a settlement demand to resolve all outstanding issues.

Westerly Hospital
Asset Purchase Agreement
Schedule 3.24(d)
Defendant in *qui tam*/False Claims Act

NONE

The Westerly Hospital
Asset Purchase Agreement
Schedule 3.24(e)
Self-Referral Disclosure Protocol

In February 2012, The Westerly Hospital ("TWH"), with Drs. Bradford C. Lavigne, Pamela J. Connors, Steven R. Yolen, Barry A. Ross and Gastroenterology Specialists, Inc. ("GSI"), self disclosed to the Office of Inspector General the agreement by and between TWH, GSI, Bradford C. Lavigne, Pamela J. Connors, Steven R. Yolen and Barry A. Ross, executed as of November 21, 2008 (the "Agreement"). The Hospital has made an offer of settlement to the United States Attorney's Office for the District of Rhode Island.

The Westerly Hospital
Asset Purchase Agreement
Schedule 3.25(a)
Environmental Compliance

NONE[1]

[1] The Mastership received a comment from Washington Trust Company suggesting the disclosure of the fact that there may be lead paint located in the Hospital's Property at 26 Wells Street.

The Westerly Hospital
Asset Purchase Agreement
Schedule 3.25(b)
Environmental Concerns & Matters Treated

On December 5, 2007, The Hospital was notified of dumping of medical waste at the state Landfill in Johnson. The Hospital paid a contractor to clean up all responsible areas of the landfill. Landfill clean up completed and approved by DEM officials by December 29, 2007. DEM and Department of health were notified immediately upon discovery of this incident. Corrective actions were taken within the Hospital to prevent further events. DEM, subsequently inspected the Hospital to ensure we were following the guidelines.

On April 28, 2008, the hospital received a Notice of violation for discharging waste water in excess of permitted amount for oil and grease. The permit amount is 100mg/l, the amount tested was 187 mg/l. The letter also notes that retesting test results were under the 100mg/l therefore no further action was required.

On January 12, 2012, the hospital received a Notice of violation for discharging waste water in excess of permitted amount for oil and grease. The permit amount is 100mg/l, the amount tested was 225 mg/l. The letter also notes that retesting test results were under the 100mg/l, 32.1 mg/l, therefore no further action was required.

The Westerly Hospital
Asset Purchase Agreement
Schedule 3.25(c)
Pending Environmental Claims

NONE

The Westerly Hospital
Asset Purchase Agreement
Schedule 3.25(d)
Offsite Material Storage Locations

NONE

The Westerly Hospital
Asset Purchase Agreement
Schedule 3.25(e)
Underground Storage Tanks & Asbestos on Hospital Property

The Hospital has one (1) 16,000 gallon #4 heating oil underground storage tank located on Hospital property. The Hospital does not have any friable unmanaged asbestos on the property. The Hospital has no PCN containing items on Hospital property.

The Westerly Hospital
Asset Purchase Agreement
Schedule 3.26(a)
Owned Intellectual Property

1. Entity Names
    a. Westerly Hospital Healthcare, Inc.
    b. The Westerly Hospital
    c. Atlantic Medical Group, Inc.
    d. North Stonington Health Center, Inc.
    e. Ocean Myst, LLC
    f. Women's Health of Westerly, LLC

2. Trademarks, Service Marks and Logos
    a. WESTERLY HOSPITAL
    b. WESTERLY HOSPITAL Logo

WESTERLY HOSPITAL

    c. The Oval Wave Logo

    d. ATLANTIC MEDICAL GROUP
    e. OCEAN MYST, MSO, LLC
    f. NORTH STONINGTON HEALTH CENTER
    g. WOMEN'S HEALTH OF WESTERLY
    h. All other trademarks, service marks or logos used by Sellers in connection with the Business.

3. Copyrights in all works of authorship used by Sellers in connection with the Business.
    a. Lateral / Horizontal Violence Administrative Policy, Copyright Registration No. TXu 1-325-396

4. Websites

Domain Name	Owner	Expiration Date
Thewesterlyhospital.com	The Westerly Hospital	May 26, 2014
Thewesterlyhospital.org	The Westerly Hospital	July 20, 2014
Twhfoundation.org	The Westerly Hospital	May 2, 2013
Westerlyhospital.com	The Westerly Hospital	May 26, 2014
Westerlyhospital.org	The Westerly Hospital	May 2, 2013
Westerlymd.com	The Westerly Hospital	June 12, 2014
Westerlymd.net	The Westerly Hospital	June 12, 2014

The Westerly Hospital
Asset Purchase Agreement
Schedule 3.26(a)
Owned Intellectual Property

Westerlymd.org	The Westerly Hospital	June 12, 2014
Whhcare.com	The Westerly Hospital	November 18, 2015
Whhcare.net	The Westerly Hospital	November 18, 2015
Whhcare.org	The Westerly Hospital	November 18, 2015

The Westelry Hospital
Asset Purchase Agreement
Schedule 3.26(b)
Non-Owned Use of Intellectual Property

Name

Ability Network (Prev. VisionShare)
AVSS
Blackbaud for CR
Cintas (IT hardware destruction only)
Dot Net Nuke
DVI
eClinicalworks
Elekta - Tumor Registry System
Frontier Matrix
Fuji PACS Imaging Solution
GE Healthcare - Centricity Perinatal
GE MERSE
GE Muse
GE ViewPoint - Ultrasound (OPD Women's Health)
General Electric (fetal monitoring)
GHX
gMed
HCS – Hospital Capacity System
Healthcare Source Postion Manager (HR)
Heartlab
Hollogic Digital Mammo
HUGS
Ingenix Claredi
Ingenix WebStrat
Insight - CoreInsight
Insight - OccurrenceInsight & CentralInsight
Intersystems - Ensemble Interface Engine
Kronos
Lane Passport
Lexi-Comp
Lippencott's Nursing Procedures and Skills
ManageEngine Enterprise ITIL Helpdesk
McKesson - LEAP
McKesson - OpenText - RightFax
McKesson - Paragon & HPF Suite of Apps
McKesson Ansos Employee Scheduling
McKesson Equisys - Zetafax
McKesson Horizon Release of Iinformation
McKesson Medication Reconciliation
McKesson RelayHealth ePremis

The Westelry Hospital
Asset Purchase Agreement
Schedule 3.26(b)
Non-Owned Use of Intellectual Property

Medacist; MediDose

MedAssets, Harvest Contract Management
Merge (Confirma) - CadStream
NEC Unified Solutions, Inc
Neo Enterprise Backup Support
ONSSI Video
Optuminsight, Inc. (Caretracker)
Pathway Compliance Advisor
Philips (Endo-No Central Station)
Pyxis Connect (Digital Imaging)
Pyxis MedCart
QS1 (Pharmacy)
Quinton Tele-charting system
RelayHealth Rev Runner (Eligibility, Address verification)
Salary.com
Sandhill Esophageal Manometry
Shredlt (for paper destruction)
Standing Stone
Sunquest - IBM
Sunquest - Intersystems Cache
Sunquest - Red Hat
Sunquest - Veritas
Sunquest Applications
SwiftView - PCL to PDF SwiftConvert (McKesson)
Teleradiology
T-systems (manual forms)
UpToDate (Clinical Decision Support Tool)
Vortex Mobile
WebMedx
Websense Enterprise Security Suite
Wellsoft for ED
What's Up Pro
WITT
Wolters Kluwer - Medical Dictionary

The Westerly Hospital
Asset Purchase Agreement
Schedule 3.26(d)
Maintenance of Owned Intellectual Property

1. North Stonington Health Center
    a. www.northstoningtonhealthcenter.org – Domain expired.

The Westerly Hospital
Asset Purchase Agreement
Schedule 3.27
Undisclosed Liabilities

1. Pending defined benefit pension termination with the Pension Benefit Guaranty Corporation.

2. Office of the Inspector General Investigation referenced in Schedule 3.24.

3. The contracts identified by the Seller referenced in Schedule 3.9(a).

The Westerly Hospital
Asset Purchase Agreement
Schedule 4.1(b)
Certificate of Formation

See attached.

Filing Fee: $35.00

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
Office of the Secretary of State
Division of Business Services
148 W. River Street
Providence, Rhode Island 02904-2615

RECEIVED
SECRETARY OF STATE
CORPORATIONS DIV
2012 MAY 29 PM 4:01

NON-PROFIT CORPORATION

ARTICLES OF INCORPORATION

The undersigned, acting as incorporator(s) of a corporation under Chapter 7-6 of the General Laws of Rhode Island, 1956, as amended, accpt(s) the following Articles of Incorporation for such corporation:

1. The name of the corporation is LMW Physicians, Inc.

2. The period of its duration is (if perpetual, so state) Perpetual

3. The specific purpose or purposes for which the corporation is organized are:

The Corporation shall be organized and operated exclusively for charitable purposes within the meaning of the Internal Revenue Code of 1986, as now in effect or as may hereafter be amended (the "Code"). Notwithstanding any other provisions of this certificate, the Corporation shall not conduct or carry on any activities not permitted to be conducted or carried on by an organization exempt under Section 501(c)(3) of the Code. The Purpose is to integrate some of the various physicians and healthcare professionals under contract with LMW Healthcare, Inc. into a more efficient and cost effective entity, and to engage in any lawful act or activity for which a corporation may be organized under the RI Nonprofit Corporation Act, as the same may be amended from time to time.

4. Provisions, if any, not inconsistent with the law, which the incorporators elect to set forth in these articles of incorporation for the regulation of the internal affairs of the corporation are:

See Exhibit A attached hereto

Form No. 200
Revised: 12/05

5. The address of the initial registered office of the corporation is:

One Citizens Plaza, Suite 500
(Street Address, not P.O. Box)

Providence (City/Town) RI 02903 (Zip Code) and the name of its initial registered agent at such address is Stephen D. Zublago, Esq. (Name of Agent)

6. The number of directors constituting the initial Board of Directors of the Corporation is 3 (not less than 3 directors) and the names and address of the persons who are to serve as the initial directors are:

Name	*Address*
Bruce D. Cummings	901 Pequot Avenue, New London, CT 06320
Marilyn Malerba	4 Glen Craig Place, Uncasville, CT 06382
Ulysses B. Hammond	8 Susan Terrace, Waterford, CT 06385

7. The name and address of each incorporator is:

Name	*Address*
Bruce D. Cummings	901 Pequot Avenue, New London, CT 06320

8. These Articles of Incorporation shall be effective upon filing unless a specified date is provided which shall be no later than the 30th day after the date of this filing Upon Filing

Under penalty of perjury, I/we declare and affirm that I/we have examined these Articles of Incorporation, including any accompanying attachments, and that all statements contained herein are true and correct.

Date: _____

_____

_____

_____

_____

Signature of each Incorporator

Attachment to
Articles of Incorporation for:
LMW Physicians, Inc.

4. **Provisions, if any, not inconsistent with the law, which the incorporators elect to set forth in these articles of incorporation for the regulation of the internal affairs of the corporation are:**

(a) No part of the net earnings of the Corporation shall inure to the benefit of any director or officer of the Corporation or any private individual, except that reasonable compensation may be paid for services rendered to or for the Corporation. No director or officer of the Corporation or any private individual shall be entitled to share in the distribution of any of the corporate assets on dissolution of the Corporation.

(b) No substantial part of the activities of the Corporation shall be carrying on propaganda, or otherwise attempting to influence legislation, except as otherwise provided by Section 501(h) of the Code. The Corporation shall not participate or intervene (including the publication or distribution of statements) in any political campaign on behalf of or in opposition to any candidate for public office.

(c) Notwithstanding any other provision of these articles, the Corporation is organized exclusively for one or more of the following purposes: religious, charitable, scientific, testing for public safety, literary, or educational purposes, as specified in Section 501(c)(3) of the Code. The Corporation shall not carry on any 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.

(d) In the event of the liquidation, dissolution, or winding up of the Corporation, whether voluntary or involuntary or by operation of law, all of the remaining assets and property of the Corporation shall after necessary expenses thereof be distributed to one or more organizations which are then qualified under Section 501(c)(3) of the Code to be used in such manner as will best accomplish the general purposes for which this Corporation was formed, to be determined in the discretion of the Board of Directors.

Filing Fee: $35.00

2012 MAY 29 PM 4:01
RECEIVED
SECRETARY OF STATE
CORPORATIONS DIV

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
Office of the Secretary of State
Division of Business Services
148 W. River Street
Providence, Rhode Island 02904-2615

NON-PROFIT CORPORATION

ARTICLES OF INCORPORATION

The undersigned, acting as incorporator(s) of a corporation under Chapter 7-6 of the General Laws of Rhode Island, 1956, as amended, adopt(s) the following Articles of Incorporation for such corporation:

1. The name of the corporation is LMW Healthcare, Inc.

2. The period of its duration is (if perpetual, so state) Perpetual

3. The specific purpose or purposes for which the corporation is organized are:

The Corporation is formed and shall be operated exclusively for scientific, educational, and charitable purposes, as qualified under Section 501(c)(3) of the Internal Revenue Code of 1986 (as now in effect or may hereafter be amended)(the "Code"). The purpose is to establish, maintain and carry on an institution with permanent facilities for inpatients and ambulatory patients, with medical services to provide diagnosis and treatment, to carry on all associated services, and to engage in any lawful act or activity for which a corporation may be organized under the Rhode Island Nonprofit Corporation Act, as the same may be amended from time to time.

4. Provisions, if any, not inconsistent with the law, which the incorporators elect to set forth in these articles of incorporation for the regulation of the internal affairs of the corporation are:

See Exhibit A attached hereto

Form No. 200
Revised: 12/05

5. The address of the initial registered office of the corporation is:

One Citizens Plaza, Suite 500
(Street Address, not P.O. Box)

Providence, RI 02903 and the name of its initial registered agent at
(City/Town) (Zip Code)

such address is Stephen D. Zublago, Esq.
(Name of Agent)

6. The number of directors constituting the initial Board of Directors of the Corporation is 3
(not less than 3 directors)

and the names and address of the persons who are to serve as the initial directors are:

Name	*Address*
Bruce D. Cummings	901 Pequot Avenue, New London, CT 06320
Marilyn Malerba	4 Glen Craig Place, Uncasville, CT 06382
Ulysses B. Hammond	8 Susan Terrace, Waterford, CT 06385

7. The name and address of each incorporator is:

Name	*Address*
Bruce D. Cummings	901 Pequot Avenue, New London, CT 06320

8. These Articles of Incorporation shall be effective upon filing unless a specified date is provided which shall be no later than the 30th day after the date of this filing Upon Filing

Under penalty of perjury, I/we declare and affirm that I/we have examined these Articles of Incorporation, including any accompanying attachments, and that all statements contained herein are true and correct.

Date: _____

_____

_____

_____

_____

_____

Signature of each Incorporator

Attachment to
Articles of Incorporation for:
LMW Healthcare, Inc.

4. **Provisions, if any, not inconsistent with the law, which the incorporators elect to set forth in these articles of incorporation for the regulation of the internal affairs of the corporation are:**

(a) No part of the net earnings of the Corporation shall inure to the benefit of any director or officer of the Corporation or any private individual, except that reasonable compensation may be paid for services rendered to or for the Corporation. No director or officer of the Corporation or any private individual shall be entitled to share in the distribution of any of the corporate assets on dissolution of the Corporation.

(b) No substantial part of the activities of the Corporation shall be carrying on propaganda, or otherwise attempting to influence legislation, except as otherwise provided by Section 501(h) of the Code. The Corporation shall not participate or intervene (including the publication or distribution of statements) in any political campaign on behalf of or in opposition to any candidate for public office.

(c) Notwithstanding any other provision of these articles, the Corporation is organized exclusively for one or more of the following purposes: religious, charitable, scientific, testing for public safety, literary, or educational purposes, as specified in Section 501(c)(3) of the Code. The Corporation shall not carry on any 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.

(d) In the event of the liquidation, dissolution, or winding up of the Corporation, whether voluntary or involuntary or by operation of law, all of the remaining assets and property of the Corporation shall after necessary expenses thereof be distributed to one or more organizations which are then qualified under Section 501(c)(3) of the Code to be used in such manner as will best accomplish the general purposes for which this Corporation was formed, to be determined in the discretion of the Board of Directors.

The Westerly Hospital
Asset Purchase Agreement
Schedule 4.3(b)
Government Approval

All approvals and/or consents required for Buyer to assume or otherwise obtain those licenses and permits necessary and appropriate to operate the Facilities, including but not limited to those set forth on Schedule 1.2(d), including without limitation, the approval or consent of the:

- Department of the Attorney General of the State of Rhode Island
- Rhode Island Department of Health
- Center for Medicare and Medicaid Services
- Rhode Island Medicaid

The Westerly Hospital
Asset Purchase Agreement
Schedule 4.3(c)
Non-Contravention

NONE

The Westerly Hospital
Asset Purchase Agreement
Schedule 8.1(a)
Material Contracts

Payor Contracts:

1) Provider Agreement (ATN 21078), executed May 20, 2011, by and between The Westerly Hospital ("WH") and MassHealth.

2) Provider Agreement (ATN 21077), executed May 20, 2011, by and between WH and MassHealth.

3) Agreement, effective January 1, 2006, by and between WH and Neighborhood Health Plan of Rhode Island, as amended January 1, 2009, January 5, 2010, January 1, 2012 and by letter amendment November 19, 2010.

4) Hospital Contract, dated March 1, 2010, by and between WH and Pace Organization of Rhode Island.

5) Hospital Participation Agreement, dated April 1, 2009, by and between WH and Blue Cross and Blue Shield of Rhode Island, as amended July 16, 2010.

6) Provider Agreement Form, executed January 5, 2009, by and between WH and Rhode Island Department of Human Services Medical Assistance Program.

7) Plan 65 Select Hospital Participation Agreement, dated January 1, 1996, by and between WH and Blue Cross and Blue Shield of Rhode Island.

8) Facility Provider Agreement Tricare Program, effective the first day of the month following Health Net Federal Services LLC ("HNFS") execution, by and between WH and HNFS.

9) Letter Agreement re: Terms of Continued Participation, dated January 1, 2012, by and between WH and Tufts Health Plan.

10) Facility Participation Agreement, effective the later of August 15, 2006 or the first day of the first calendar month that begins at least 30 days after the date the Agreement has been fully executed, by and between WH and United HealthCare Insurance Company, as amended effective September 13, 2009 (Amendment Number 2) and October 15, 2011 (Amendment Number 3).

11) Facility Medicaid Payer Appendix, effective as of January 1, 2012, by and between WH and United Healthcare.

12) Medical Group Participation Agreement, effective on the later of July 1, 2004 or the first day of the first calendar month that begins at least 30 days after the date the Agreement

Inclusion on this Schedule 8.1(a) does not connote that all terms and conditions are acceptable to Buyer and all such contracts remain subject to amendment and or extension as acceptable to Buyer. Without limiting the generality of the foregoing, the foregoing contracts are subject to modification or amendment, and any such modification, amendment or assignment shall be only as may be compliant with applicable laws.

has been fully executed, by and between WH and United HealthCare Insurance Company.

13) Letter re: Regulatory Amendment to Network Participation Agreement regarding Medical Assistance Managed Care Payments, dated January 1, 2011, by and between WH and United HealthCare.

14) Agreement, dated February 1, 2008, by and between WH and Pequot Health Care, as amended October 3, 2008 (First Amendment to Agreement re: Revisions to Exhibit A).

15) Letter of Intent, effective August 1, 1999, by and between WH and First Health.

16) Any contract that remains in effect as of the date hereof, by and between WH and Anthem (Connecticut).

17) Any contract that remains in effect as of the date hereof, by and between WH and Aetna.

18) Any contract that remains in effect as of the date hereof, WH and Connecticare Empire.

19) Any contract that remains in effect as of the date hereof, WH and First Health.

20) Any contract, not otherwise listed above, that remains in effect as of the date hereof between WH and Blue Cross and Blue Shield of Rhode Island.

21) Any contract, not otherwise listed above, that remains in effect as of the date hereof between WH and United Healthcare.

Atlantic Medical Group ("AMG") and Womens Health of Westerly Contracts ("WHOW"):

1) Employment Agreements remaining in effect as of the date hereof by and between AMG and each of:

   a. William Conlin;

   b. Amanda Conti;

   c. Fred Jaccarino;

   d. Edsell Bernardo;

   e. Whit Fisher;

   f. Rebecca Vanasse-Passas;

   g. Keith Hilliker;

Inclusion on this Schedule 8.1(a) does not connote that all terms and conditions are acceptable to Buyer and all such contracts remain subject to amendment and or extension as acceptable to Buyer. Without limiting the generality of the foregoing, the foregoing contracts are subject to modification or amendment, and any such modification, amendment or assignment shall be only as may be compliant with applicable laws.

h. Stephen Phelan;

i. Benjamin Hodgson;

j. Paul Benoit;

k. Christopher Lehrach;

l. Walter Scott Curtice;

m. Kevin Neilson;

n. Rajesh Gupta;

o. Robert Nordness;

p. Michael Harwood;

q. Peter Willis;

r. Brandi Iovino;

s. Wendy Witt;

t. Louis Iovino;

u. Paqui Motyl;

v. Susan Stuart; and

w. Michael Weaver.

2) Employment Agreements remaining in effect as of the date hereof by and between WHOW and each of

a. Robert Greenlee;

b. Minu Rawther;

c. Lori Kelly (CNM); and

d. Barbara Muir (PA).

3) Any service agreements with outsourced arrangements for billing and collection (third party billing and collection or outside collection agencies), which AMG and/or WHOW are a party to.

Inclusion on this Schedule 8.1(a) does not connote that all terms and conditions are acceptable to Buyer and all such contracts remain subject to amendment and or extension as acceptable to Buyer. Without limiting the generality of the foregoing, the foregoing contracts are subject to modification or amendment, and any such modification, amendment or assignment shall be only as may be compliant with applicable laws.

The Westerly Hospital
Asset Purchase Agreement
Schedule 8.1(a)
Material Contracts

4) Any license agreements for software used in the AMG and/or WHOW practices, including but not limited to eClinical Works and Caretracker software.

5) Professional Services Agreement, dated as of January 19, 2010, by and between WHOW and Marshall Carpenter, M.D., and any amendments thereto.

6) Professional Services Agreement by and between WHOW and Frank Mayeda, and any amendments thereto.

7) Professional Services Agreement by and between WHOW and Andrew Neuhauser.

8) Space and Services Agreement, dated December 23, 2009, by and between CHOW NewCo, Inc. and Oncology-Hematology Associates, LLC (for Rebecca Anne Vanasse Passas, M.D.).

9) Amended and Restated Space and Services Agreement, effective as of January 1, 2012, by and between Westerly Medical Center, Inc. and Atlantic Medical Group, Inc. (for Edsell Bernardo, M.D., Paul Bourguignon, M.D. and Michael Weaver, M.D.)

10) Shared Services Letter of Agreement, dated as of July 1, 2010, by and between CHOW NewCo, Inc. and Anne Garvey, M.D.

11) Lease for space, supplies, and medical oversight of a nurse practitioner between Robert Fox, M.D. (for Dennis Tomaz, NP) and AMG.

12) Agreement by and among WH, Chow NewCo, Inc., Dr. Benoit and Dr. Gross/Ninigret Orthopedics.

Leases:

1) Lease by and between WestMed Properties, LLC and WH for term beginning January 1, 2002, for 3,333 sq.ft. of space at 45 Wells Street, Unit 104, Westerly, RI.

2) Lease by and between ALBACO, LLC and WH for term commencing May 2, 2010 for 3,618 sq. ft. of space at 3769 Old Post Road, Units A & B, Charlestown, RI.

3) Lease by and between Copper Beach, LLC and CHOW NewCo for term commencing May 1, 2009 for 2,622 sq. ft of space at 41 East Main Street, Mystic, CT.

4) Lease by and between Tobias Goodman, M.D. and CHOW NewCo for term commencing July 1, 2009 for 2,100 sq. ft (1st and 2nd floors) of space at 41 East Avenue, Westerly, RI.

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5) Lease by and between North Stonington Properties, LLC and TWH Community Health Center entered into on October 5, 2009.

6) Lease by and between Woodlot Associates and WH for 10,000 sq. ft. of space at 23 Clara Drive, Mystic, CT, with renewal term commencing February 1, 2011, and any subleases remaining in effect related thereto.

7) Lease by and between Wood River Health Services and WH for term commencing October 1, 2010 for 761.8 sq. ft of space at 823 Main Street, Hope Valley, RI.

8) Lease by and between Granite APR Development Corp. and WH (through assignment from Shoreline Medical Imaging) for 4,284 sq. ft. of space at 114-116 Granite Street, Westerly, RI.

9) Sublease by and between WH and Bartel Crisafi, M.D. for 1,716 sq. ft. of space at 114-116 Granite Street, Westerly, RI expiring August 31, 2014.

10) Lease by and between WH and Dialysis Center of Westerly, LLC for term commencing June 1, 2009 for 6,400 sq. ft. of space at 1 Rhody Drive, Westerly, RI.

11) Lease by and between WH and Stephen Gross, M.D. for term commencing September 1, 2008 for 1,675 sq. ft. of space on 1st Floor at 81 Beach Street, Westerly, RI.

12) Lease by and between WH and Shoreline Pulmonary Associates for renewal term commencing October 1, 2011 for 1,140 sq. ft. of space at 81 Beach Street, Westerly, RI.

13) Lease arrangement by and between WH and John Elliot, M.D. for term commencing May 1, 2011 for 400 sq. ft. of space at 45 East Avenue, B Building.

14) Lease arrangement by and between WH and Anesthesia Associates of Westerly for 211 sq. ft at Room 2101, Westerly Hospital Building, 2nd floor.

15) Lease arrangement by and between WH and Joseph Giancaspro, M.D. for 1,201 sq. ft. of space at 81 Beach Street.

16) Lease arrangement by and between WH and Soundview Orthopeadic Associates for 2,800 sq. ft. of space in Morgan Medical Building, Suite 204, 45 Wells Street, Westerly, RI.

17) Lease arrangement by and between WH and Anne-Marie Garvey, M.D. (Westerly Pediatrics) for 808 sq. ft. of space in Morgan Medical Building, Suite 201, 45 Wells Street, Westerly, RI.

Inclusion on this Schedule 8.1(a) does not connote that all terms and conditions are acceptable to Buyer and all such contracts remain subject to amendment and or extension as acceptable to Buyer. Without limiting the generality of the foregoing, the foregoing contracts are subject to modification or amendment, and any such modification, amendment or assignment shall be only as may be compliant with applicable laws.

18) Lease arrangement by and between WH and Christopher D'Arcy, M.D. for 1,085 sq. ft. of space in Morgan Medical Building, Suite 203B, 45 Wells Street, Westerly, RI.

19) Lease arrangement by and between WH and Robert Fox, M.D. for 1,011 sq. ft. of space in Morgan Medical Building, Suite 203A, 45 Wells Street, Westerly, RI.

20) Lease arrangement by and between WH and Andrew Neuhauser for 1,500 sq. ft. of space in 45 East Avenue, Westerly, RI.

21) Sublease Agreement, effective as of January 1, 2005, by and between WH and Champion Urology, as amended most recently by a Lease Addendum, dated February 22, 2012, by and between the same parties.

22) Sublease Agreement, effective as of June 1, 2005, by and between WH and David Schwindt, M.D., as amended most recently by a Letter of Understanding, dated May 17, 2011, by and between the same parties.

23) Sublease Agreement, effective as of January 1, 2005, by and between WH and David M. Lawrence, D.P.M., as amended most recently by a Lease Addendum, dated February 24, 2012, by and between the same parties.

24) Sublease Agreement, dated June 19, 2001, by and between WH and Gastroenterology Specialists, Inc., as amended most recently by a Lease Addendum, dated December 18, 2009, by and between the same parties.

25) Sublease Agreement, effective as of September 1, 2007, by and between WH and William B. Ware, M.D., as amended most recently by a Lease Addendum, effective January 1, 2012, by and between the same parties.

26) Any Seller's Real Property Income Leases that remain in effect as of the date hereof that are not set forth above.

27) Lease between WH and Robert Fox, M.D.

WH Physician Contracts:

1) Services Contract, dated as of November 8, 2009, by and between IPC Hospitalists of New England, LLC and WH , as amended November, 2009 and June, 2011.

2) Services Contract, dated as of October 2008, by and between University Medical Group, Inc. d/b/a/ University Pathologists and WH and any amendments thereto.

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3) Services Contract, dated as of January 1, 2012, by and between Westerly Radiology Associates and WH and any amendments thereto.

4) Services Contract, dated as of August 2008, by and between Teleradiology Solutions and WH and any amendments thereto.

5) Any service agreement or other contract regarding the provision of anesthesia services at or with WH.

6) Services Contract, dated June 1, 2009, by and between WH and Niall Duhig, M.D. and any amendments thereto

7) Services Contract, dated as of June 2009, by and between WH and Robert Harrison, M.D.

8) Services Contract, dated October 1, 2010, by and among WH, AMG, Advanced Spine and Pain Management and Adrian Hamburger, M.D. and any amendments thereto.

9) Services Contract, dated March 1, 2011, by and between WH and South Shore Center.

10) Amended and Restated Definitive Management Agreement, dated January 8, 2001, by and between WH and Yale New Haven Hospital.

11) Any contracts with WH medical staff pertaining to medical staff leadership or administrative positions (i.e. Medical Director, Department Chair)

Vendor Contracts:

1) Clinical Education Agreement, dated July 29, 2010, by and between WH and 911 Programs, Inc.

2) Staffing Agreement, dated October 2008, by and between WH and Account Search (The Greysmith Companies).

3) Agreement for Therapy Services, dated August 2011, by and between WH and Adult Day Center of Westerly.

4) Contract by and between WH and Adult Day Center of Westerly (Hospital Bed).

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5) Data Use Agreement, dated April 12, 2011, by and between WH and Agency for Healthcare Research & Quality.

6) Training Agreement, dated May 2, 2012, by and between WH and AJA Training, LLC.

7) Publishing Contract, dated July 19, 2010, by and between WH and American Hospitals Publishing Group.

8) Perioperative Autologous Services Agreement, dated March 1, 2002, by and between WH and American Red Cross Blood Services.

9) Back-Up Hospital Agreement, dated March 1, 2010, by and between WH and American Renal Association, Dialysis Center of Westerly.

10) First Amendment to Lease, dated May 26, 2009, by and between WH and American Renal Association, Dialysis Center of Westerly.

11) Agreement, dated November 17, 2006, by and between WH and American Renal Association, Dialysis Center of Westerly (TWH Blood Bank).

12) Participation Agreement, dated April 1, 1999, by and between WH and AmeriNet/Vector Healthcaresystems, Inc.

13) Clinical Education Agreement, dated May 6, 2011, by and between WH and Arcadia University.

14) Program Co-sponsorship Agreement, dated August 25, 2010, by and between WH and Arthritis Foundation.

15) Clinical Education Agreement, dated January 14, 2008, by and between WH and Ashaway Ambulance Association.

16) Lease Agreement, dated March 16, 1995, by and between WH and Metro Mobile CTS of Providence, Inc. d/b/a Bell Atlantic Mobile (AT&T).

17) Laboratory Service Agreement, dated September 8, 2004, by and between WH and Avalon Health Care Center @ StoneRidge.

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18) VHA Executive Search Services Agreement, dated January 24, 2011, by and between WH and B. E. Smith.

19) Interim Services Agreement, dated October 17, 2011, by and between WH and B. E. Smith.

20) Clinical Laboratory Service Agreement, dated April 1, 2008, by and between WH and Backus Hospital.

21) Agreement, dated December 1, 2008, by and between WH and Beacon Hospice.

22) Reagent Agreement & Security Agreement, dated December 10, 2008, by and between WH and bioMerieux.

23) Contract by and between WH and Blackbaud/CR.

24) SYNtrac Agreement, dated January 1, 2003, by and between WH and Cardinal Health 414, Inc.

25) Rental Agreement and Support Agreement dated, March 1, 2011, by and between WH and CareFusion (Pyxis/Division of CareFusion).

26) Phlebotomy Station Lease, dated March 1, 2006, by and between WH and Champion Urology.

27) Nursing Assistant Program Agreement, dated September 1, 2010, by and between WH and Chariho Regional School.

28) Shredding Service Agreement, dated November 19, 2009, by and between WH and Cintas Corp. No. 2.

29) Any contract in place by and between WH and CISCO.

30) Environmental Services and Waste Disposal Agreement, dated April 13, ___, by and between WH and Clean Harbors Environmental Services, Inc.

31) Agreement, dated December 17, 2002, by and between WH and Clipper Home, Inc.

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32) Clinical Education Agreement, dated August 30, 2011, by and between WH and Community College of Rhode Island.

33) Clinical Education Agreement, dated February 9, 2010, by and between WH and Community College of Rhode Island (C.N.A.).

34) Bulk Telecommunications Service Agreement, dated March 31, 2000, by and between WH and Cox Communication TV Service.

35) Site Agreement, dated September 24, 2009, by and between WH and COX TMI Wireless, LLC.

36) Quote/Service Agreement, dated September 1, 2004, by and between WH and Datex-Ohmeda (Anesthesia).

37) Memorandum of Understanding, dated December 13, 2010, by and between WH and Day One.

38) KIDSNET Agreement to Participate by and between WH and RI Department of Health.

39) Management System Certification/Accreditation Agreement, dated September 11, 2009, by and between WH and DNV (Det Norske Veritas).

40) Supplemental Staffing Agreement, dated April 14, 2012, by and between WH and Favorite Healthcare Staffing, Inc.

41) Agreement by and between WH Blood Bank and Everest Health Care of RI d/b/a Fresenius Medical Care of Westerly.

42) End User Purchase, License & Service Agreement, dated April 28, 2009, by and between WH and Fuji Film Medical Systems.

43) Service Terms and Conditions, dated August 17, 2011, by and between WH and Fuji Film Medical Systems.

44) Fuji Medical Imaging Film Agreement, dated January 25, 2005, by and between WH and Fuji Film Medical Systems.

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45) Emerald Synapse Preferred Service Agreement, dated November 1, 2010, by and between WH and Fuji Film Synapse Service Agreement.

46) GE Healthcare Service Quotation, dated October 21, 2011, by and between WH and GE – Muse System.

47) Lease by and between WH and GE CT Scan Lease.

48) Master Consulting Agreement, dated January 5, 2005, by and between WH and GE Healthcare.

49) Contract by and between WH and GE Healthcare (Cadstream Software).

50) Agreement for Event Reporting Services, dated June 26, 2011, by and between WH and GE Healthcare (MERS).

51) Equipment Schedule to Master Lease Agreement, dated June 17, 2009, by and between WH and GE Healthcare Services (VCT Lease).

52) Equipment Schedule to Master Lease Agreement, dated June 17, 2009, by and between WH and GE Healthcare (Proteus X-ray).

53) Viewpoint Software Quotation & Maintenance Agreement, dated December 30, 2011, by and between WH and GE Healthcare (ViewPoint Software).

54) Centricity Perinatal Customer Quotation Renewal Agreement, dated July 1, 2011, by and between WH and GE Healthcare (Centricity Perinatal).

55) QS-ACT Lease Agreement, dated December 6, 2011, by and between WH and GE Medical Systems Technologies, Inc.

56) GHX User Agreement, dated May 21, 2007, by and between WH and Global Healthcare Exchange, LLC.

57) Medical Records Management Agreement, dated September 1, 2003, by and between WH and Gorwood Business Services.

58) Agreement dated, October 11, 2010, by and between WH and Gyrus ACMI.

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59) Building and Rooftop Lease Agreement, dated July 22, 2012, by and between WH and Cello Partnership/Hall Associates.

60) Temporary Staffing Services Agreement, dated March 16, 2012, by and between WH and Healthcare Resource Group.

61) Temporary Staffing Services Agreement, dated June 25, 2012, by and between WH and Healthcare Resource Group.

62) Agreement, dated September 30, 2009, by and between WH and Healthcare Source.

63) Service and Maintenance Agreements, dated January 29, 2009, by and between WH and Hologic Agreement.

64) Amendment #4 to Reagent Rental Agreement, dated [March 8, 2006, March 21, 2012], by and between WH and Hologic.

65) Agreement, dated April 25, 2002, by and between WH and Home and Hospice Care of Rhode Island.

66) Agreement, dated August 14, 2006, by and between WH and Hospice of Southeastern Connecticut.

67) ValuePlan Lease Agreement, dated April 9, 2012, by and between WH and IBM Credit LLC.

68) Master Service Agreement, dated April 15, 2007, by and between WH and IKON.

69) Contract by and between WH and Imprivata.

70) Service Agreement, dated October 1, 2002, by and between Infoshred and Yale-New Haven Hospital.

71) Services and License Agreement, dated December 6, 2010, by and between WH and Ingenix – Web.Strat.

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72) Product Agreement, dated April 15, 2009, by and between WH and Instrumentation Laboratory Co. (Beckman Coulter).

73) Contract for Interpreting Services, dated January 21, 2011, by and between WH and International Institute of Rhode Island.

74) License Agreement, dated September 1, 2007, by and between WH and McKesson Health Solutions, LLC (InterQual).

75) Subscription Agreement, dated January 17, 2011, by and between WH and InterSystems.

76) Equipment Rental Contract, dated August 18, 2009, by and between WH and Iris Financial Services.

77) Contract by and between WH and J&S Medical Associates.

78) Client Service Agreement, dated January 11, 2007, by and between WH and Kforce.

79) Sales, Software License and Services Agreement, dated August 29, 2007, by and between WH and Kronos.

80) Interpreter Services, dated January 5, 2007, by and between WH and Language Line.

81) Site License Agreement, dated November 19, 2007, by and between WH and Lexi-Comp.

82) Master Lease, dated April 6, 2004, by and between WH and Lifeline Systems, Inc.

83) Monitoring Service Agreement, dated September 15, 2006, by and between WH and Lifeline Systems, Inc.

84) Commitment Document, dated August 1, 2002, by and between WH and Novation/Johnson & Johnson Health Care Systems (LifeScan).

85) Any contract in place by and between WH and LifeScan.

86) Master Services Agreement dated June 16, 2008 by and between Westerly Hospital (for Atlantic Medical Group) and Lighthouse MD, Inc.

Inclusion on this Schedule 8.1(a) does not connote that all terms and conditions are acceptable to Buyer and all such contracts remain subject to amendment and or extension as acceptable to Buyer. Without limiting the generality of the foregoing, the foregoing contracts are subject to modification or amendment, and any such modification, amendment or assignment shall be only as may be compliant with applicable laws.

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87) Master Services Agreement, dated June 16, 2006, by and between WH and Lighthouse MD, Inc.

88) Clinical Education Agreement, dated September 11, 2007, by and between WH and Lincoln College of New England (Formerly Briarwood College).

89) Clinical Education Agreement, dated April 28, 2009, by and between WH and Lincoln Technical Institute.

90) Amendment, dated December 30, 2010, by and between WH and McKesson ProManager.

91) Sales Order dated May 10, 2011 by and between WH and McKesson.

92) Master Agreement dated December 31, 2009 by and between WH and McKesson.

93) Sales Order, dated March 27, 2012, by and between WH and McKesson.

94) Service Renewal Agreement, dated March 28, 2011, by and between WH and Medacist.

95) Master Services Agreement, dated December 31, 2008, by and between WH and Accuro Healthcare Solutions.

96) Contract, dated June 1, 2010, by and between WH and MedTech Ambulance Service.

97) Quotation and Terms and Conditions, dated October 17, 2007, by and between WH and GE Healthcare.

98) Service Contract, dated October 2, 2007, by and between WH and Michael W. Larimore Associates.

99) Agreement, dated April 30, 2012, by and between WH and Microsoft.

100) Agreement for Provision of Diabetes Education Services, dated February 10, 2011, by and between WH and Kathlyn Montheth.

101) Phone system agreement by and between WH and NEC Unified Solutions, Inc.

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105) Clinical Education Agreement, dated September 30, 2011, by and between WH and New England Institute of Technology.

106) Service Agreement, dated April 1, 2004, by and between WH and Northeast, Inc.

107) Brachytherarpy Services Agreement, dated June 16, 2005, by and between WH and Radiation Oncology Associates, Inc.

108) Agreement for Supplemental Staffing, dated October 22, 2009, by and between WH and Nursestaffing d/b/a Nurses 24/7.

109) Health Care Staffing Agreement, dated March 2, 2010, by and between Yale New Haven Health System and Nursefinders, Inc. d/b/a Medfinders.

110) Agreement, dated November 17, 2010, by and between WH and Hosptice Odyssey HealthCare.

111) Tai Chi Agreement, dated August 1, 2011, by and between Westerly Chariho ARC Inc. and WH Outpatient Rehabilitation Department.

112) Novation/Olympus Agreement, dated October 1, 2009, by and between WH and Olympus America Inc.

113) Services Agreement #18190, dated April 1, 2010, by and between WH and Olympus America, Inc.

114) Hospital Contract, dated March 1, 2010, between WH and Pace Organization of RI.

115) Service Agreement, dated August 30, 2002, by and between WH and Pathway Solutions, LLC.

116) Integrated Care Agreement, dated May 23, 2011, by and between WH Department of Emergency Medicine and Phoenix Houses of New England, Inc.

117) Pitney Bowes Global Financing Services Lease Agreement, dated January 6, 2011, by and between WH and Pitney Bowes.

Inclusion on this Schedule 8.1(a) does not connote that all terms and conditions are acceptable to Buyer and all such contracts remain subject to amendment and or extension as acceptable to Buyer. Without limiting the generality of the foregoing, the foregoing contracts are subject to modification or amendment, and any such modification, amendment or assignment shall be only as may be compliant with applicable laws.

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118) Pitney Bowes Global Financing Services Lease Agreement, dated June 21, 2012, by and between WH and Pitney Bowes.

119) Annual Agreement, dated October 31, 2007, by and between WH and HealthCare Source.

120) Ambulatory and Outpatient Contracts, Notices of Renewal Pricing, dated January and May, 2010, by and between WH and Press Ganey.

121) License and Sales Agreement, dated February 8, 2011, by and between WH and JM Smith Corp. d/b/a QS/1 Data Systems.

122) Memorandum of Agreement, dated September 10, 2003, by and between WH and RI Quality Partners d/b/a Quality Partners of RI.

123) Agreement for the Purchase of Reference Laboratory Services, dated August 1, 2002, by and between Yale New Haven Health System and Quest Diagnostic, LLC.

124) Addendum 1 to the Standard Records Storage and Management Contract, dated June 10, 2009, by and between WH and Quinlan Company.

125) Addendum to Clinical Education Agreement, dated December 2, 2011, by and between WH and Quinnipiac University.

126) Clinical Affiliation Agreement, dated June 10, 2002, by and between WH and Quinnipiac University.

127) Service Agreement for Traveler Nurse Coverage, dated May 28, 2009, by and between WH and RNNetwork.

128) Reagent Sales and Equipment Rental Agreement, dated August 5, 2002, by and between WH and Reagent Sales and Equipment (Gen-Probe).

129) ePremis Claims Management, dated December 31, 2009, by and between WH and NDCHealth Corp. d/b/a RelayHealth, a McKesson affiliation.

130) Agreement, dated March 1978, by and between WH and Rhode Island Blood Center.

Inclusion on this Schedule 8.1(a) does not connote that all terms and conditions are acceptable to Buyer and all such contracts remain subject to amendment and or extension as acceptable to Buyer. Without limiting the generality of the foregoing, the foregoing contracts are subject to modification or amendment, and any such modification, amendment or assignment shall be only as may be compliant with applicable laws.

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131) Clinical Education Agreement, dated May 22, 2009, by and between WH and Rhode Island College School of Social Work.

132) Patient Transfer Agreement, dated June 13, 2000, by and between WH and Rhode Island Hospital.

133) Data Use Agreement, dated November 15, 2010, by and between WH and Rhode Island Quality Institute.

134) Service Agreement, dated November 1, 2009, by and between WH and RIEAS.

135) Clinical Laboratory Service Agreement, dated August 1, 2006, by and between WH and Roger Williams Hospital.

136) Clinical Education Agreement, dated February 1, 2008, by and between WH and Sage Colleges.

137) Clinical Education Agreement, dated November 21, 2007, by and between WH and Salve Regina University.

138) Service Agreement, dated October 17, 2005, by and between Mystic Medical Center and the Southern New England Telephone Company d/b/a SBC Connecticut.

139) Agreement, dated June 23, 1997, by and between WH and Seaport Walk-In Medical Center.

140) Equipment Lease, dated March 31, 2008, and Assignment and Assumption Agreement and Lessor Consent, relating to Real Property Sublease, dated March 28, 2008, by and among WH, Shoreline Medical Imaging, LLC d/b/a Shoreline Medical Leasing Company and Granite APR Development Corp.

141) Preventive Maintenance Agreement, dated March 1, 2012, by and between WH and Siemens.

142) Service Billing Agreement, dated March 7, 2012, by and between WH and Sigma Spectrum.

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143) Lease Agreement, dated March 16, 1995, and Notice of intent to Extend Lease Term, dated June 7, 2004, by and between WH and Metro Mobile CTS of Providence, Inc.

144) Real Property Lease Addendum, dated December 1, 2005, by and between WH and Soundview Orthopaedic Associates, LLP.

145) Amended and Restated Agreement, dated March 1, 2011, by and between WH and South Shore Center.

146) Service Provider Agreement, dated January 1, 2006, by and between WH and Standing Stone, Inc.

147) Memorandum of Understanding by and between WH and Stepping Up.

148) Letter of Agreement, dated March 24, 2011, by and between WH and Stonington Institute.

149) Master Agreement, dated October 18, 2005, by and between WH Misys Hospital Systems, Inc. d/b/a Misy Healthcare Systems (now operating as Sunquest Information Systems).

150) License Agreement, dated November 12, 2002, by and between WH and The T-System.

151) Clinical Education Agreement, dated September 1, 2011, by and between WH and Three Rivers Community College.

152) Master Agreement for Environmental Services, dated August 3, 2010, by and between WH and Triumvirate Environmental.

153) Transfer Agreement for Trauma Patients, dated November 1, 1997, by and between WH and University of Mass Med Ctr.

154) Clinical Education Agreement, dated September 1, 2009, by and between WH and University of Connecticut (School of Nursing).

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155) Clinical Education Agreement, dated March 20, 2009, by and between WH and University of Rhode Island, as amended November 16, 2011 and November 28, 2011.

156) Agreement dated February 7, 2006, by and between WH and URI College of Nursing.

157) Application for Service, dated September 24, 2001, by and between WH and Verizon (Corporate Awards).

158) Application for Directory Advertising, dated March 22, 2005, by and between WH and Verizon Directories.

159) Letter of Agreement, dated March 6, 2012, by and between WH and VNA of Southeastern Connecticut.

160) Software and Services Order, dated January 22, 2008, by and between WH and VisionShare.

161) Agreement, dated June 29, 2004, by and between WH and VNS Home Health Services.

162) Workforce Mobile Scheduler Services Agreement dated September 6, 2011, by and between WH and Vortex Connect, Inc.

163) Agreement, dated December 30, 1996, by and between WH and Watch Hill Manor, as amended April 1, 1999.

164) Agreement, dated December 6, 2010, by and between WH and Webmedx.

165) Purchase Request, dated September 24, 2001, by and between WH and Wellsoft.

166) Data Use Agreement, dated May 23, 2011, by and between WH and Westat.

167) Agreement, dated September 20, 1996, by and between WH and Westerly Health Center, as amended April 1, 1999.

168) Agreement, dated January 1, 2002, by and between WH and Westerly Nursing Home.

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169) Agreement for Selective Housing of Depository Documents, dated September 1989, by and between WH and Westerly Public Library.

170) Equipment Lease, dated March 28, 2008, by and between WH and Westerly Radiology Associates, Inc.

171) Subscription & License, dated December 10, 2008, by and between WH and Wolters Kluwer.

172) Master Subscription Agreement, dated September 29, 2009, by and between WH and Wolters Kluwer.

173) Discount Agreement for Prompt Payment, dated November 1, 2002, by and between WH and Women & Infants Hospital.

174) Clinical Education Agreement, dated July 1, 2008, by and between WH and Yale University.

175) Facility Rental Agreement, dated February 11, 2012, by and between WH and YMCA.

176) Agreement by and between WH and Ameridose/NECC Pharmaceutical Compounding.

177) Contract, through March 10, 2013, by and between WH and Argonaut Insurance Company.

178) Agreement by and between WH and Baxa.

179) Contract, through March 10, 2013, by and between WH and Beacon Mutual Insurance Company.

180) Tumor Registry, by and between WH and Claredi.

181) CR Reader contract, by and between WH and Eastman Kodak Co.

182) EMR for GI Practice contract, by and between WH and eClinicalWorks.

Inclusion on this Schedule 8.1(a) does not connote that all terms and conditions are acceptable to Buyer and all such contracts remain subject to amendment and or extension as acceptable to Buyer. Without limiting the generality of the foregoing, the foregoing contracts are subject to modification or amendment, and any such modification, amendment or assignment shall be only as may be compliant with applicable laws.

The Westerly Hospital
Asset Purchase Agreement
Schedule 8.1(a)
Material Contracts

183) Cath lab contract, by and between WH and Elekta.

184) FXCR 5000, Drypix 7000 Laser Processors, by and between WH and Fuji Medical.

185) Interface Engine, by and between WH and gMed.

186) Self Pay Outsourcing, by and between WH and HBCS.

187) Infant Security System, by and between WH and HeartLab.

188) Bone Density Unit, by and between WH and Hologic.

189) Selenia D Mammo System by and between WH and Hologic.

190) Medical Dispensing by and between WH and HUGS.

191) Contract by and between WH and Insight Health Solutions/Occurrence Insight and Central Insight.

192) Contract by and between WH and Intersystems Ensemble.

193) Tympanic Thermometer by and between WH and Kendall Co. Div. of TYCO.

194) Dictation/Transcription System for Pathology by and between WH and Leaders for Today.

195) EMR used at Stonington by and between WH and Lighthouse MD/Ingenix/Optimunlnight.

196) EDI Billing Solution by and between WH and McKesson ANSOS.

197) Contrast Injector at Imaging Center s/n20841 by and between WH and MEDRAD Inc.

198) Agreement by and between WH and RT Cotter and Associates.

Inclusion on this Schedule 8.1(a) does not connote that all terms and conditions are acceptable to Buyer and all such contracts remain subject to amendment and or extension as acceptable to Buyer. Without limiting the generality of the foregoing, the foregoing contracts are subject to modification or amendment, and any such modification, amendment or assignment shall be only as may be compliant with applicable laws.

The Westerly Hospital
Asset Purchase Agreement
Schedule 8.1(a)
Material Contracts

199) Clamydia Tester by and between WH and Genprobe.

200) Medication Management System Contract, dated August 29, 2008, by and between WH and Hospira Worldwide Inc.

201) Master Agreement, dated July 1, 2012, by and between WH and MedAssets Supply Chain Systems, LLC.

202) Pharmacy Agreement, dated January 15, 2007, between Cardinal Health 109, Inc. and WH, as amended.

To the extent not redeemed or paid off at closing all loan documents and contracts related to our referred to by US Bank as successor Trustee in its Motion for Order Allowing Revenue Bond Claims filed in the Mastership Case, Including without limitation, that certain Loan and Trust Agreement dated as of January 15, 1994.

To the extent not paid off at closing all loan documents and contracts related to or referred to by Washington Trust Company in its Motion To Approve Secured Claim filed in the Mastership Case.

All lease agreements, contracts and documents related to or referred to by Pantheon Capital, LLC, U.S. Bank, NA d/b/a U.S. Bank Equipment Finance and MB Financial Leasing in their Motion To Approve Secured Claims filed in the Mastership Case to the extent Buyer determines use of the leased equipment is necessary for consummation of the transaction contemplated by the APA.

Inclusion on this Schedule 8.1(a) does not connote that all terms and conditions are acceptable to Buyer and all such contracts remain subject to amendment and or extension as acceptable to Buyer. Without limiting the generality of the foregoing, the foregoing contracts are subject to modification or amendment, and any such modification, amendment or assignment shall be only as may be compliant with applicable laws.

The Westerly Hospital
Asset Purchase Agreement
Schedule 10.6(b)
Commitments Regarding Employees

See attached.

TENTATIVE AGREEMENT

This Tentative Agreement is made this 28th day of July, 2012, by and between Lawrence + Memorial Hospital and the Westerly United Nurses and Allied Professionals, Locals 5075 and 5104 ("Union").

WITNESSETH:

WHEREAS, Lawrence + Memorial Hospital and its Rhode Island non-profit affiliates, LMW Healthcare, Inc. and LMW Physicians, Inc. (collectively "L+M") are parties to an Asset Purchase Agreement (the "APA") with W. Mark Russo, Esq., the Court-appointed Special Master of the Westerly Hospital and Related Entities (the "Special Master"); and

WHEREAS, Section 10.6 of the APA requires L+M in conjunction with the Special Master to negotiate amendments to the Westerly Hospital's collective bargaining agreements ("CBAs") with the Union as a condition of the closing of the sale contemplated by the APA (hereinafter the "Closing"); and

WHEREAS, L+M and the Union have met and negotiated successors to the current CBAs between the Westerly Hospital and the Union Hospital's Professional Bargaining Unit ("Local 5075") and its Service and Maintenance and Skilled Maintenance Unit ("Local 5104"); and

WHEREAS, the terms of this Tentative Agreement shall be effective upon the Rhode Island Superior Court's determination that L+M is the highest and best bidder for the assets of Westerly Hospital.

NOW, THEREFORE, for good and valuable consideration, the exchange of which is hereby acknowledged by the parties, it is hereby agreed as follows:

1. This Tentative Agreement and the CBAs shall go into effect on or about August 27, 2012 or the date on which the Superior Court enters a Sale Order in Charles S. Kinney v. Westerly Hospital Healthcare, Inc., et al, C.A. No. 2011-0781 (the "Mastership").

2. The term of the CBAs shall commence on or about August 27, 2012 or the date on which the Superior Court enters a Sale Order in the Mastership. Notwithstanding Paragraphs 1 and 2, in the event that employees are enrolled in a new health insurance plan as of January 1, 2013 and L&M fails to close on the acquisition of the Westerly Hospital pursuant to the APA, employee health coverage, both medical and dental, shall remain in place for thirty (30) days at L+M's expense (with co-pays remaining in place) to allow the Mastership to secure substitute coverage which is comparable and at no additional expense to the Employees.

iii. All employees eligible to enroll in the CIGNA PPO or substantially equivalent plan;

iv. Change in premium share effective 1/1/13 (per attached schedule). Full time family premium share shall remain at 20%.

v. New plan participants as of 8/20/12 must be regular part-time employees with scheduled hours of 24 or greater. Employees employed prior to 8/20/12 who currently participate in the plan shall be eligible with scheduled hours of 20 or greater.

c. Long Term Disability

i. The Hospital will offer an LTD Plan for employees at their cost

d. R.I. Employee Assistance Program

i. The Hospital will provide the RIEAP to all employees and their dependents at no cost to employees.

e. Vision Eyewear Program

i. The Hospital will offer a Vision Eyewear Program for employees at their cost

Retirement Benefits

a. Pension Plans (The Westerly Hospital Pension Plan, The Westerly Hospital Nurses and Health Professionals Tax-Sheltered Annuity Plan and The Westerly Hospital Retirement Savings Plan) shall be terminated. As set forth in the APA, L+M will not assume any liability or obligation in connection with the terminated Plans, including any withdrawal liability related to any terminated Plans.

b. The Hospital will offer a new Defined Contribution Plan with an annual 1% match to eligible employees effective 1/1/13. The annual match shall increase to 2% effective 1/1/14 if Westerly Hospital meets the 3% operating margin benchmark in fiscal year 2013.

Paid time off

a. Sick Time:

i. Accrue on scheduled hours;

ii. Accrue to an annual maximum of 84 hours/year;

iii. Sick time bank capped at 240 hours;

iv. If holiday occurs during period of sick time, sick pay will be used for that day;

v. If eligible for T.D.I. and/or L.T.D. sick time will be used for the difference between the income from insurance and the employee's regular pay;

vi. Sick days will be used for personal illness. Up to 1 day can be used to care for a member of employee's immediate family;

vii. There will be no December cash out of unused sick time and no cash out on termination/resignation;

viii. Employees who have more than the cap of 240 hours as of 8/27/12 will receive a 50% cash out for hours greater than 240 up to a maximum of $5,000.

b. "Personal Day" will be eliminated.

5. With regard to job security, the parties have agreed to a form of side letter agreement that is attached hereto as Exhibit A.

6. Employees who accept employment with L+M shall carry over, rather than be paid, for all accrued and unused time off, both pre- and post-Mastership Petition (vacation time, longevity days, holidays, and/or sick time up to the 240 hour cap referenced in paragraphs (a)(iii) and (viii) above) in lieu of payment for said accrued and unused time. The Union agrees that employees who accept employment with L+M shall waive their right pursuant to R.I. Gen. Laws § 28-14-4 to payment for the accrued and unused time. The waiver set forth herein shall only apply to the transition from employment by the Westerly Hospital in Mastership to employment by LMW Healthcare, Inc. on or about the Closing Date set forth in the APA. Once, the transition is complete, said employees shall again be covered by R.I. Gen. Laws Section 28-14-4.

7. L+M agrees to recognize all grievance settlements and memorandums of agreement executed or made by the Westerly Hospital prior to the Closing and to comply with arbitration awards issued prior to the Closing. L+M shall also continue and process any outstanding grievances that exist as of the Closing pursuant to the grievance and arbitration provisions of the CBAs.

8. L+M shall provide the Union with a copy of the Anthem Blue Cross Provider Network.

9. The past practice language in the Local 5104 CBA (Article 4.2) shall be added to the Local 5075 CBA.

10. Article 15.4 of the CBA shall be amended to read as follows:

15.4 Work Schedule

3. The CBA and this Tentative Agreement shall be expressly conditioned upon and subject to a Sale Order entering that holds L&M to be the highest and best bidder with all applicable appeals periods having expired.

4. L+M and the Union have agreed to the following changes to the CBAs:

BARGAINING CHANGES

Dispute resolution – remove last/best offer arbitration provisions

ECONOMIC CHANGES

Wages

a. No across the board wage increases for the term of the CBAs;

b. All step/level increases will be suspended for the term of the CBAs;

c. Benchmark bonus for FY13 based on 3% Operating Margin

Premium Pay

a. Shift Differentials:

i. To be eligible employees have to work 4 hours into the evening or night shift (night shift differential discontinued after 8 am);

ii. Pay Computation for non-work time (vacation, holiday, etc) will not include shift differentials, but employees may use accrued time off to make up the non-work time pay computation

b. Overtime Payment:

i. One and one-half times the FLSA rate of pay for over 40 hours in a week;

ii. One and one-half times the regular straight-time rate of pay for all hours in excess of an employee's scheduled shift plus one hour (for example, 8 hour shift = 9 hours);

Insurance

a. Health:

i. Current health insurance plan with current premium shares stays in effect through 12/31/12;

ii. Eligible 1st of the month following 30th day of continued employment;

iii. Change in premium share effective 1/1/13 (per attached schedule). Full-time family premium share 22%;

iv. All employees enroll in the HDHP with an HSA (if ineligible to participate in HSA have the option of enrolling in PPO Plan) for 1/1/13;

v. The Employer shall contribute an annual amount of $1,000 to an employee's individual HSA account each year and $2,000 annually each year to the employee plus one and family HSA. Subject to current Federal regulations, the total amount in the HSA rolls over from year to year;

vi. The representative plans and a summary of coverage are attached hereto. *See Paragraph 12;*

vii. Funding for the HSA shall be on a quarterly basis and for new hires funding shall begin at the start of the next quarter;

viii. Employees shall not be deemed ineligible for coverage based on any alleged pre-existing conditions;

ix. There shall be no cash payments made to those employees who waive health insurance coverage;

x. Wellness component (failure to participate results in higher premium share);

xi. New plan participants as of 8/20/12 must be regular part-time employees with scheduled hours of 24 or greater. Employees employed prior to 8/20/12 who currently participate in the plan shall be eligible with scheduled hours of 20 or greater; and

xii. Discounts for Hospital Services are eliminated. Discounts for Prescription Drugs shall remain in full force and effect.

b. Dental

i. Current dental insurance plan with current premium shares stays in effect through 12/31/12;

ii. Eligible 1st of the month following 30th day of continued employment;

(a). Specific work schedules for each department or unit shall be prepared covering a period of at least one (1) month at a time. Such schedules shall be posted in permanent form at least ten (10) days in advance of the first day on which the schedule is to become effective. The parties understand that work schedules shall be posted completed and without holes (unscheduled shifts) ***and/or an adequate staffing plan to fill the holes should the need arise.*** Once this schedule has been posted, no alterations shall be made thereto except to cover subsequently occurring vacancies or absences. Employees may switch assignments with other Employees; provided that they receive approval from the department manager in advance, that coverage is provided to the same extent as it was in the original schedule and that the switch does not result in overtime.

(b) Employees must make special scheduling requests prior to the posting of permanent schedules.

11. L+M and the Union agree to keep the terms and conditions of this Tentative Agreement strictly confidential (except as to any disclosures which may be required by any governmental agency or court of law) and agree not to make, cause or to be made, oral or written statements or communications regarding the terms of this Tentative Agreement without the prior consent of Special Master, W. Mark Russo, Esq. Notwithstanding anything to the contrary herein, the terms and conditions of this Tentative Agreement shall remain strictly confidential and not be disclosed in any way to competitive bidders or potential competitive bidders in the Mastership sale process.

12. List of Attachments:

a. HSA Summary;

b. LTD Plan Summary;

c. Vision Eyewear Program Summary;

d. Health/Dental Plan Summaries;

e. Current Physician Network; and

f. Premium Share Worksheet

IN WITNESS WHEREOF, this Agreement has been executed as of the date first written above.

WITNESS:

LAWRENCE + MEMORIAL HOSPITAL

By: _____

WITNESS:

WESTERLY UNITED NURSES AND ALLIED PROFESSIONALS LOCAL 5075

By: _____

WITNESS:

WESTERLY UNITED NURSES AND ALLIED PROFESSIONALS, LOCAL 5104

By: _____

Supplemental Exhibit 16

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
Washington, D.C. 20580

Bureau of Competition
Premerger Notification Office

July 3, 2012

David A Martland, Esq.
Nixon Peabody LLP, (BO)
100 Summer Street
Boston, MA 02110-2131 USA

Re: Premerger Notification Transaction Number: 20121060
Lawrence & Memorial Corporation

Dear Mr. Martland:

The Premerger Notification Office of the Federal Trade Commission and the Antitrust Division of the Department of Justice have received completed Notification and Report Forms from all parties with respect to the proposed acquisition by Lawrence & Memorial Corporation of certain assets of Westerly Hospital Healthcare, Inc. The waiting period required by Section 7A(b)(1) of the Clayton Act, 15 U.S.C. Section 18a(b)(1), will commence and expire on the dates listed below, unless extended by a request for additional information or documentary material, pursuant to 16 C.F.R. Section 803.20, or, if requested by either person, early termination of the waiting period is granted pursuant to 16 C.F.R. Section 803.11.

Waiting Period Commences: July 2, 2012
Waiting Period Expires: August 1, 2012 at 11:59pm

If you have any questions concerning this matter, please contact the Premerger Notification Office at (202) 326-3100.

Sincerely,

B. Michael Verne
Compliance Specialist

AN FTC GUIDE TO

MERGERS

PREMERGER NOTIFICATION AND THE MERGER REVIEW PROCESS

UNDER THE HART-SCOTT-RODINO (HSR) ACT, parties to certain large mergers and acquisitions must file premerger notification and wait for government review. The parties may not close their deal until the waiting period outlined in the HSR Act has passed, or the government has granted early termination of the waiting period. The FTC administers the premerger notification program, and its staff members answer questions and maintain a website with helpful information about how and when to file. The FTC also provides daily updates of deals that receive early termination.

STEPS IN THE MERGER REVIEW PROCESS

Step One: Filing Notice of a Proposed Deal

Not all mergers or acquisitions require a premerger filing. Generally, the deal must first have a minimum value and the parties must be a minimum size. These filing thresholds are updated annually. In addition, some stock or asset purchases are exempt, as are purchases of some types of real property. For further help with filing requirements, see the FTC's Guides to the Premerger Notification Program. There is a filing fee for premerger filings.

For most transactions requiring a filing, both buyer and seller must file forms and provide data about the industry and their own businesses. Once the filing is complete, the parties must wait 30 days (15 days in the case of a cash tender offer or a bankruptcy) or until the agencies grant early termination of the waiting period before they can consummate the deal.

Step Two: Clearance to One Antitrust Agency

Parties proposing a deal file with both the FTC and DOJ, but only one antitrust agency will review the proposed merger. Staff from the FTC and DOJ consult and the matter is "cleared" to one agency or the other for review (this is known as the "clearance process"). Once clearance is granted, the investigating agency can obtain non-public information from various sources, including the parties to the deal or other industry participants.

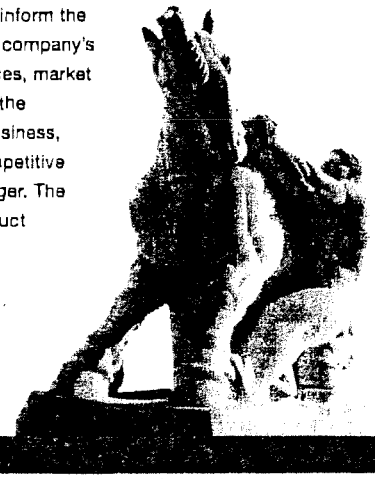
Step Three: Waiting Period Expires or Agency Issues Second Request

After a preliminary review of the premerger filing, the agency can:

1. Terminate the waiting period prior to the end of the waiting period (grant Early Termination or "ET");
2. Allow the initial waiting period to expire; or
3. Issue a request for additional information ("Second Request") to each party, asking for more information.

If the waiting period expires or is terminated, the parties are free to close their deal. If the agency has determined that it needs more information to assess the proposed deal, it sends both parties a Second Request. This extends the waiting period and prevents the companies from completing their deal until they have "substantially complied" with the Second Request and observed a second waiting period. A Second Request typically asks for business documents and data that will inform the agency about the company's products or services, market conditions where the company does business, and the likely competitive effects of the merger. The agency may conduct

THE FTC ADMINISTERS THE PREMERGER NOTIFICATION PROGRAM, ANSWERS QUESTIONS, AND MAINTAINS A WEBSITE WITH HELPFUL INFORMATION ABOUT HOW AND WHEN TO FILE.



interviews (either informally or by sworn testimony) of company personnel or others with knowledge about the industry.

Step Four: Parties Substantially Comply with the Second Requests

Typically, once both companies have substantially complied with the Second Request, the agency has an additional 30 days to review the materials and take action, if necessary. (In the case of a cash tender offer or bankruptcy, the agency has 10 days to complete its review and the time begins to run as soon as the buyer has substantially complied.) The length of time for this phase of review may be extended by agreement between the parties and the government in an effort to resolve any remaining issues without litigation.

Step Five: Waiting Period Expires or the Agency Challenges the Deal

The potential outcomes at this stage are:

1. Close the investigation and let the deal go forward unchallenged;
2. Enter into a negotiated consent agreement with the companies that includes provisions that will restore competition; or
3. Seek to stop the entire transaction by filing for a preliminary injunction in federal court pending an administrative trial on the merits.

Unless the agency takes some action that results in a court order stopping the merger, the parties can close their deal at the end of the waiting period. Sometimes, the parties will abandon their plans once they learn that the agency is likely to challenge the proposed merger.

In many merger investigations, the potential for competitive harm is not a result of the transaction as a whole, but rather occurs only in certain lines of business. One example would be when a buyer competes in a limited line of products with the company it seeks to buy. In this situation the parties may resolve the concerns about the merger by agreeing to sell off the particular overlapping business unit or assets of one of the merging parties, but then complete the remainder of the merger as proposed. This allows the procompetitive benefits of the merger to be realized without creating the potential for anticompetitive harm. Many merger challenges are resolved with a consent agreement between the agency and the merging parties.

RIDOHS0521

EXHIBIT 17

. Exhibit 17

The Facility Licensing and Investigations Section of the Connecticut Department of Public Health (the "Department") conducted unannounced inspections at Lawrence + Memorial Hospital ("L + M") on various dates commencing on June 3, 2010 and concluding on October 6, 2010. The Department then set forth violations uncovered during the inspections in a violation letter dated October 29, 2010. CMS also conducted a survey in July 2010 due to the Department's findings. As a result of the Department's and CMS' inspections, the Department and L + M entered into a Consent Order that set forth a corrective action plan in March 2011. As of July 2012, L + M had completed 12 of 18 items under the corrective action plan. The remaining 6 items require follow up reports, assessments, or other compliance items set for a future date, and thus are ongoing. L + M anticipates continued compliance with all items contained in the Consent Order through and after the Consent Order expires in April 2013.

Supplemental Exhibit 17(a)

STATE OF CONNECTICUT
DEPARTMENT OF PUBLIC HEALTH
FACILITY LICENSING AND INVESTIGATIONS SECTION

IN RE: Lawrence and Memorial Corporation of New London, CT d/b/a
Lawrence and Memorial Hospital
365 Montauk Ave
New London, CT 06320

CONSENT ORDER

WHEREAS, Lawrence and Memorial Corporation (hereinafter the "Licensee"), has been issued License No. 0047 to operate a general hospital known as Lawrence and Memorial Hospital, (hereinafter the "Facility") under Connecticut General Statutes Section 19a-490 by the Department of Public Health, State of Connecticut (hereinafter the "Department"); and

WHEREAS, the Facility Licensing and Investigations Section (hereinafter the "FLIS") of the Department conducted unannounced inspections on various dates commencing on June 3, 2010 and concluding on October 6, 2010 and

WHEREAS, the Department, during the course of the aforementioned inspections identified violations of the Connecticut General Statutes and/or Regulations of Connecticut State Agencies in a violation letter dated October 29, 2010 (Exhibit A – copy attached); and

WHEREAS, the Licensee is willing to enter into this Consent Order and agrees to the conditions set forth herein.

NOW THEREFORE, the FLIS of the Department acting herein and through Barbara Cass, its Section Chief, and the Licensee, acting herein and through Bruce Cummings, its President and CEO, hereby stipulate and agree as follows:

1. The Licensee shall within twenty (20) days of the execution of this Consent Order, contract with an outside Clinical Consulting Entity (CCE) that has expertise in professional and clinical health care services to perform the services set forth in this Consent Order and which shall incorporate the requirements of this Consent Order regarding the CCE. Said CCE shall be approved by the Department prior to execution of the contract between the Licensee and the CCE.
2. The CCE shall act and perform the duties assigned herein at all times to serve the interest of the Department in assuring the safety, welfare and well-being of the patients and to secure compliance with applicable federal and state law and shall not accept any direction or suggestion from the Licensee or its employees that will deter or interfere in fulfilling this obligation.
3. The CCE shall, at a minimum, conduct onsite reviews of hospital systems and direct observations of the Facility staffs' performance as further specified in paragraph four (4) of the Consent Order. The CCE team shall consist of credentialed healthcare professional(s) with the expertise necessary to address and evaluate the Facility as to the issues identified in Exhibit A of this document.
4. The CCE review shall include, but not be limited to, the following professional and hospital services and systems and shall make recommendations to assure quality in:
    a. Medical staff consultations in regard to timeliness, communication/collaboration, and documentation;
    b. Anesthesia services as it relates to emergency airway evaluation and management;
    c. Care of pediatric patients requiring multi-resource inpatient care; and
    d. Nursing assessment and monitoring of patients, communication with multidisciplinary providers and nursing care planning.
5. The initial onsite review shall be scheduled within thirty (30) days of the execution of the contract with the CCE.
6. The CCE shall, within thirty (30) days after the completion of the initial onsite review, develop a report and provide copies to the Licensee and the Department. Neither party shall be provided with the opportunity to review the report prior to release and both parties shall receive copies of the report simultaneously. The report

shall identify methods utilized for the analysis, areas reviewed and process, findings and recommendations. CCE recommendations shall include, as applicable, areas that need to be addressed, continuing onsite consulting initiatives, professional staff assigned to Lawrence and Memorial Hospital, and number of onsite hours per consulting staff per week. If the Licensee disagrees with any CCE findings or recommendations, the Licensee, the CCE and the Department shall meet to discuss issues. The Licensee shall have the right to present information related to the Licensee's areas of disagreement.

7. The Department shall have the authority to make the final determination whether to approve the CCE recommendations should the parties not be able to reach a mutual agreement.
8. Upon approval by the Department of the recommendations by the CCE, the Licensee shall provide the Department with a proposed timeframe for implementation of the CCE recommendations, within twenty-one (21) days of receipt of the Department's determination. The timeframes shall be subject to approval by the Department and shall become operative upon the Department's approval. All recommendations shall be implemented in accordance with the Department's approved timeframe.
9. Any records maintained in accordance with any state or federal law or regulation or as required by this Consent Order shall be made available to the Department upon request.
10. The CCE shall re-evaluate the Licensee at three (3) months and at six (6) months following the submission of its report to the parties. The re-evaluation shall determine the Licensee's ability to implement and maintain quality of care and services. Upon conclusion of said reviews, the CCE shall provide the Department and the Licensee with a comprehensive report of said assessments.
11. Within sixty (60) days of the initial evaluation by the Clinical Consultant Firm (CCF) of this Consent Order, the Licensee shall develop and/or review and revise, as necessary to assure compliance with the standards of care and regulatory requirements, policies and procedures of the Licensee relative to:
    a. Nursing assessment, monitoring and care of pediatric patients;
    b. Emergency care of pediatric in-patients;

c. Systems for communicating requests for medical consultation including time frames for routine, urgent and emergent consultations, documentation of collaboration between physicians and plan for medical care;
d. Anesthesia care policies; and
e. Restraint policies and procedures including assessment, monitoring and documentation as it relates to pediatric patients.

12. Within ninety (90) days of the initial evaluation by the CCF, all applicable staff employed at the facility shall receive education, as necessary, regarding the policies and procedures addressed in this Consent Order.
13. The Licensee shall also provide inservice education for all applicable licensed independent practitioners who are not employed at the facility, as necessary, regarding the policies and procedures addressed in this Consent Order.
14. Within ninety (90) days of the initial evaluation by the CCF, the Licensee shall incorporate into its Quality Assurance/Performance Improvement Program (QAPI) a method to monitor implementation of the requirements of the Consent Order and those recommendations implemented as a result of the CCE assessment. A report on such measures shall be presented to Medical Staff and to the Governing Authority. The QAPI shall include outcome measures, which identify and analyze the quality of health care for pediatric patients admitted to the emergency department and inpatient units, for a period of no less than two (2) years. Minutes of the QAPI meetings shall be kept for a minimum of three (3) years after the date of the meeting and made available for review upon request of the Department.
15. Within ninety (90) days of the effective date of this Consent Order, the Licensee shall provide a Health Care Quality Conference for both internal/external health care practitioners and providers. The conference shall be provided at not charge to attendees and shall be no less than three (3) hours and shall be presented at two (2) sessions. The Licensee shall invest resources of at least seven thousand five hundred ($7,500.00) and shall address components of inpatient pediatric care including the following:
    a. Medical assessment and management of life threatening events;
    b. Identification of early warning signs in pediatric emergencies;

c. Rapid response protocols;

d. Multidisciplinary collaboration and care planning; and

e. Clinical documentation.

16. The Licensee shall submit the following information to the Facility Licensing and Investigations Section:

a. Title of conference;

b. Resumes of presenters;

c. Conference outline; and

d. Projected budget.

17. The FLIS shall review and approve the information required in paragraph sixteen (16) prior to publishing a date for the conference.

18. The Licensee, within seven (7) days of the execution of this document, shall designate an individual within the Facility to monitor the requirements of this Consent Order. The name of the designated individual shall be provided to the Department. Said individual assigned this responsibility shall submit reports every six (6) weeks for the first six (6) months than quarterly for the period of this Consent Order. Any reports required by this document shall be directed to:

Janet Williams, R.N.
Public Health Services Manager
Facility Licensing and Investigations Section
Department of Public Health
410 Capitol Avenue, P.O. Box 340308 MS #12HSR
Hartford, CT 06134-0308

19. All parties agree that this Consent Order is an Order of the Department with all of the rights and obligations pertaining thereto and attendant thereon. Nothing herein shall be construed as limiting the Department's available legal remedies against the Licensee for violations of the Consent Order or of any other statutory or regulatory requirements, which may be sought in lieu of or in addition to the methods of relief listed above, including all options for the issuance of citations, the imposition of civil penalties calculated and assessed in accordance with Section 19a-524 et seq. of the General Statutes, or any other administrative and judicial relief provided by law. This Consent Order may be admitted by the Department as evidence in any proceeding

between the Department and the Licensee in which compliance with its terms is at issue. The Licensee retains all of its rights under applicable law.

20. The execution of this document has no bearing on any criminal liability without the written consent of the Director of the MFCU or the Bureau Chief of the Department of Criminal Justice's Statewide Prosecution Bureau.
21. The terms of this Consent Order shall remain in effect for a period of two (2) years from the effective date of this document unless otherwise specified in this document.
22. The Licensee understands that this Consent Order and the terms set forth herein are not subject to reconsideration, collateral attack or judicial review under any form or in any forum including any right to review under the Uniform Administrative Procedure Act, Chapter 368a of the Statutes, Regulations that exists at the time the agreement is executed or may become available in the future, provided that this stipulation shall not deprive the Licensee of any other rights that it may have under the laws of the State of Connecticut or of the United States.
23. Should the Licensee not be able to maintain substantial compliance with the requirements of the Consent Order the Department retains the right to issue charges including those identified in the October 29, 2010 violation letter referenced in this document.
24. The execution of this document has no bearing on any criminal liability without the written consent of the Director of the MFCU or the Bureau Chief of the Department of Criminal Justice's Statewide Prosecution Bureau.
25. The Licensee had the opportunity to consult with an attorney prior to the execution of this Consent Order.

*

*

WITNESS WHEREOF, the parties hereto have caused this Consent Order to be executed by their respective officers and officials, which Consent Order is to be effective as of the later of the two dates noted below.

Lawrence and Memorial Corporation of
New London, CT – Licensee

3/14/11
Date

By: _____
Bruce Cummings, President/CEO

STATE OF CONNECTICUT)

County of NEW LONDON) ss MARCH 14, 2011

Personally appeared the above named BRUCE CUMMINGS and made oath to the truth of the statements contained herein.

My Commission Expires: _____
(If Notary Public)

DIANE M. LUX
NOTARY PUBLIC
MY COMMISSION EXPIRES JAN. 31, 2014

_____
Notary Public [✓]
Justice of the Peace [ ]
Town Clerk [ ]
Commissioner of the Superior Court [ ]

STATE OF CONNECTICUT,
DEPARTMENT OF PUBLIC HEALTH

3-16-11
Date

By: _____
Barbara Cass, R.N., Section Chief
Facility Licensing and Investigations Section

STATE OF CONNECTICUT

DEPARTMENT OF PUBLIC HEALTH

October 29, 2010

Bruce Cummings, President & CEO
Lawrence & Memorial Hospital
365 Montauk Avenue
New London, Ct 06320

Dear Mr. Cummings:

Unannounced visits were made to Lawrence & Memorial Hospital commencing on June 3, 2010 and concluding on October 6, 2010 by representatives of the Facility Licensing and Investigations Section of the Department of Public Health for the purpose of conducting multiple investigations, a licensure inspection, and a full federal survey.

Attached are the violations of the Regulations of Connecticut State Agencies and/or General Statutes of Connecticut which were noted during the course of the visits. The state violations cannot be edited by the provider in any way.

An office conference has been scheduled for November 18, 2010 at 10:00 A.M. in the Facility Licensing and Investigations Section of the Department of Public Health, 410 Capitol Avenue, Second Floor, Hartford, Connecticut. Should you wish legal representation, please feel free to have an attorney accompany you to this meeting.

Please prepare a written Plan of Correction for the above mentioned violations to be presented at this conference.

Each violation must be addressed with a prospective Plan of Correction which includes the following components:

1. Measures to prevent the recurrence of the identified violation, (e.g., policy/procedure, inservice program, repairs, etc.).

2. Date corrective measure will be effected.

3. Identify the staff member, by title, who has been designated the responsibility for monitoring the individual plan of correction submitted for each violation.

If there are any questions, please do not hesitate to contact this office at (860) 509-7400.

Respectfully,

Elizabeth Andstrom, R.N.
Supervising Nurse Consultant
Facility Licensing and Investigations Section

ESA:lsl

CT #'s 10144, 10218, 10247, 10248, 10335, 10530, 10626
10829, 10856, 10911, 10929, 10946, 11260

Phone: (860) 509-7400
Telephone Device for the Deaf (860) 509-7191
410 Capitol Avenue - MS # 12HSR
P.O. Box 340308 Hartford, CT 06134
An Equal Opportunity Employer

DATES OF VISIT: Commencing on June 3, 2010 and concluded on October 6, 2010

THE FOLLOWING VIOLATION(S) OF THE REGULATIONS OF CONNECTICUT STATE AGENCIES AND/OR CONNECTICUT GENERAL STATUTES WERE IDENTIFIED

The following is a violation of the Regulations of Connecticut State Agencies Section 19-13-D3 (b) Administration (2) and/or (e) Nursing service (1) and/or (i) General (6).

1. Based on observations, interviews with staff, and review of policies for 7 patients (Patients #36, #38, #39, #40, #60, #61, and #62) who were receiving care in the main emergency department (ED), the hospital failed to ensure that each patient received care in a private and dignified manner. The findings include:
   a. Patient #36 was admitted to the ED on 9/8/10 at 7:26 AM following a motor vehicle accident. The patient was observed on a stretcher in the hallway with all wrists and ankles restrained to the stretcher. The patient was struggling against the restraints and attempting to get off the stretcher. Patient #36 was not afforded privacy during this restraint episode that was deemed to be a necessary treatment. Interview with RN #9 at 9:50 AM identified that he/she placed Patient #36 in the hallway so he/she could keep an eye on the patient. Upon surveyor inquiry, the patient was moved to an empty patient care area with a sitter for safety.
   b. b. A tour of the ED was conducted with the Quality Manager and Nurse Manager on 9/8/10 at 9:30 AM. Patients #36, #38, #39, and #40 were observed to have 11 by 14 inch yellow signs hanging on their stretchers that read " CAUTION. " Staff identified that the caution signs were meant to convey to other staff that the patient in the stretcher might be a fall risk. The hospital failed to provide a dignified atmosphere for the patients when the patient ' s were labeled with caution signs.
   c. During the tour of the ED with the Quality Manager and Nurse Manager on 9/8/10 at 10:10 AM, a video screen was observed hanging from the ceiling at one corner of the staff work desk. The monitor depicted live video of patients #39, #40, #60, #61, and #62 laying in their beds and/or moving about their rooms. This video screen could be viewed from two main hallways used by patients, visitors, and non-clinical staff. The hospital failed to ensure that live video footage of patients were viewed in a private and dignified manner.

The following is a violation of the Regulations of Connecticut State Agencies Section 19-13-D3 (a) Physical plant (1) and/or (b) Administration (1) and/or (2) and/or (i) General (6).

2. Based on a tour of the hospital, the facility failed to ensure that the Behavioral Health Unit was designed and maintained in such a manner as to promote the safety and well being of patients. On 08/09/10 at 08:30 AM, during a tour of the Behavioral Health Unit, while accompanied by the Behavioral Health Unit Director and the Interim Director of Engineering the following was observed:
   a. That the resident rooms within the Behavioral Health Unit (Pond 4) had non-tamper proof screws and fasteners, curtains that had washers/weights within them, shower curtains & rod assemblies that do not break away, anchor point-free toilet paper dispensers, grab rails, faucet and shower controls, non-institutional style sprinkler heads, door handles, under sink piping and door hinges that posed a potential hanging hazard

and was not designed to a psychiatric institutional standard and that such had been identified on a risk based analysis conducted by the facility prior to this inspection with no date for abatement of these hazards.

b. That the behavioral rooms within the Emergency Department had non-tamper proof screws and fasteners, non-institutional style sprinkler heads, open ceiling/wall HVAC registers & grilles, door handles, and door hinges that posed a potential hanging hazard and was not designed to a psychiatric institutional standard and that such had been identified on a risk based analysis conducted by the facility prior to this inspection with no date for abatement of these hazards.

c. That the bathroom within the Emergency Department that is designated for use by behavioral patients had non-tamper proof screws and fasteners, non-institutional style sprinkler heads, and door hinges that posed a potential hanging hazard and was not designed to a psychiatric institutional standard and that such had been identified on a risk based analysis conducted by the facility prior to this inspection with no date for abatement of these hazards.

A list of capitol approved items for the behavioral health unit identified costs for remediation of fixtures, plumbing, curtains (cubical and shower), toilet valves, door locks, grab bars shelves, toilet paper holders and soap dishes, however the list failed to identify a time line for implementing the approved expenditures.

The following is a violation of the Connecticut General Statutes 46a-152 (a)(1) and/or the Regulations of Connecticut State Agencies Section 19-13-D3 (b) Administration (2) and/or (e) Nursing service (1) and/or (i) General (6).

3. Based on clinical record review and facility documentation, the facility failed to ensure that restraints applied for one patient with violent behaviors were released at the earliest possible time. The findings include:
   a. Patient # 44, a child less than nine years of age, was admitted to the Emergency Department (ED) on 8/5/10 with a chief complaint of emotional disturbance. The patient was evaluated by the psychiatric crisis team and was held in the emergency department through 8/10/10 pending disposition to a specialized inpatient unit. Review of ED documentation including the Violent Patient Monitoring and Intervention Record identified that the patient was placed in two point restraints on 8/6/10 at 12:10 a.m. through 4:10 a.m. Nursing documentation (8/5/10 11:39 p.m.) identified that the patient was " sound asleep at shift change .... " Documentation dated 8/6/10 at 4:24 a.m. noted that the patient had slept through the shift and remained in two point restraints (total time in restraints greater than 4 hours). Facility policy regarding restraint and seclusion directs that release of violent patients will occur when the behavior that necessitated the restraint has ceased.

DATES OF VISIT: Commencing on June 3, 2010 and concluded on October 6, 2010

THE FOLLOWING VIOLATION(S) OF THE REGULATIONS OF CONNECTICUT STATE AGENCIES AND/OR CONNECTICUT GENERAL STATUTES WERE IDENTIFIED

The following is a violation of the Regulations of Connecticut State Agencies Section 19-13-D3 (c) Medical staff (4)(A) and/or (i) General (6).

4. Based on clinical record review, interviews with staff, and review of policies for 1 patient (Patient #63) who was threatening others with physical harm, the hospital failed to identify the situation as a criminal activity and place the perpetrator in the custody of local law enforcement when a Security Officer dispensed OC foam to the patient ' s face to gain control of the patient. The findings include:
    a. Patient #63 was admitted on 8/16/10 with diagnoses that included bipolar disorder with manic phases, borderline personality, and probable schizoaffective disorder. Between 8/16/10 and 8/27/10, the patient experienced multiple assaultive and destructive out of control behaviors requiring restraint and seclusion episodes and had commitment papers filed with the Probate Court. On 8/25/10 at 8:58 AM, Patient #63 was in his/her bedroom screaming and kicking and picked up a chair to throw at any staff member who entered the room. Three security officers were called to the floor and attempted to deescalate the patient without success. Security Officer #1 directed the patient to put the chair down, the patient raised the chair in a threatening manner, and the Officer discharged OC foam (pepper spray) towards Patient #63. The patient continued to raise the chair and the officer discharged a second dose of OC foam. The patient put the chair down, medical treatment was provided to relieve the effects of the OC foam, and the patient was placed in restraints.

       Although the hospital had a policy directing the use of the OC foam, the policy did not reflect State and/or Federal guidelines in the use of OC foam, in that if the OC foam was used by security staff to protect patients or staff from harm, the situation would be handled as a criminal activity and the perpetrator would be placed in the custody of local law enforcement

The following is a violation of the Connecticut General Statutes 46a-152 (a)(2) and/or the Regulations of Connecticut State Agencies Section 19-13-D3 (c) Medical staff (2)(B) and/or (e) Nursing service (1) and/or (i) General (6).

5. Based on clinical record review, facility documentation and staff interview, the facility failed to ensure that restraints utilized for one patient with violent behaviors were implemented in accordance with a modification to the patient ' s plan of care. The findings include:
    a. Patient # 44, a child less than nine years of age, was admitted to the Emergency Department (ED) on 8/5/10 with a chief complaint of emotional disturbance. The patient was evaluated by the psychiatric crisis team and was held in the emergency department through 8/10/10 pending disposition to a specialized inpatient unit. Review of ED documentation including " Violent Patient Restraint & Seclusion Assessment & Order Sheet "; " Violent Patient Monitoring And Intervention Record "; " Close Observation Flow Sheet "; and nursing progress notes identified that the patient was restrained in four point and/or two point restraints on multiple occasions including for a

period of time on 8/5/10 from 12:10 p.m. through 8:30 p.m. (greater than 8 hours) and on 8/6/10 from 12:10 a.m. through 4:10 a.m. (4 hours). Additional periods of physical restraint were documented on 8/8/10, 8/9/10 and 8/10/10. Review of the patient ' s Behavioral Health Patient Care Plan (Emergency Department) failed to identify the patient ' s repeated need for restraints. Although the Patient Care Plan identified the need for structured activities for pediatric patients, the care plan and/or the Structured Activity and ADL ' s Flow sheet failed to identify any plan and/or attempt at diversionary activities as part of an approach to limit the need of restraints. Upon interview on 9/15/10 at 2:30 p.m., the Director of the ED Crisis Unit stated that activities were attempted with the patient, however, did not sustain her attention. The ED Crisis Unit Director also stated that communication between staff consisted of ongoing conversations between nursing and the crisis Director and snacks were utilized as part of a reward system to redirect the patient. Although progress notes dated 8/10/10 identified an instance of water play provided to the patient which provided a calming effect for the patient, neither this activity nor other approaches utilized with the patient were identified on the patient ' s care plan or the patient ' s Structured Activity and ADL ' s Flow sheet.

The following is a violation of the Connecticut General Statutes 46a-152 (a)(2) and/or the Regulations of Connecticut State Agencies Section 19-13-D3 (c) Medical staff (2)(B) and/or (d) Medical records (3) and/or (e) Nursing service (1) and/or (i) General (6).

6. Based on clinical record review, facility documentation and staff interview, the facility failed to ensure that a physician order for each instance of restraint was obtained for one patient with violent behaviors. The findings include:
   a. Patient #44, a child less than nine years of age, was admitted to the Emergency Department (ED) on 8/5/10 with a chief complaint of emotional disturbance. The patient was evaluated by the psychiatric crisis team and was held in the emergency department through 8/10/10 pending disposition to a specialized inpatient unit. Review of ED documentation including " Violent Patient Restraint & Seclusion Assessment & Order Sheet "; " Violent Patient Monitoring And Intervention Record "; " Close Observation Flow Sheet "; and nursing progress notes identified that the patient was restrained in four point and/or two point restraints on multiple occasions including for a period of time on 8/5/10 from 12:10 p.m. through 8:30 p.m. (greater than 8 hours) and on 8/6/10 from 12:10 a.m. through 4:10 a.m. (4 hours). Additional periods of physical restraint were documented on 8/7/10, 8/8/10, 8/9/10 and 8/10/10. Review of physician orders for restraints identified that orders were lacking for each initiation of restraints on 8/6/10, 8/7/10, 8/8/10 and 8/9/10. Numerous documented instances of physical restraint, as noted on undated monitoring sheets, lacked corresponding physician orders for restraint. In addition, physician orders for restraints initiated on 8/5/10 were unsigned and Close Observation Flow Sheets of 8/7/10 identified that the patient was in bilateral wrist restraints from 12:45 to 2:15 p.m. without corresponding documentation of physician orders. Facility policy regarding physical restraints directs that a new order is required prior to reapplying restraints that have been discontinued. Upon interview on

9/15/10 at 2:30 p.m., the Director of the ED Crisis Unit stated that the patient was in and out of restraints frequently and did not know if the physician was contacted each and every time.

The following is a violation of the Connecticut General Statutes 46a-152 (a)(2) and/or the Regulations of Connecticut State Agencies Section 19-13-D3 (c) Medical staff (2)(B) and/or (d) Medical records (3) and/or (e) Nursing service (1) and/or (i) General (6).

7. Based on clinical record review, facility documentation and staff interviews, the facility failed to ensure that the orders for restraints for a violent patient under 9 years of age were renewed every hour (up to a total of 24 hours). The findings include:
   a. Patient #44, a child less than nine years of age, was admitted to the Emergency Department (ED) on 8/5/10 with a chief complaint of emotional disturbance. The patient was evaluated by the psychiatric crisis team and was held in the emergency department through 8/10/10 pending disposition to a specialized inpatient unit. Review of ED documentation including " Violent Patient Restraint & Seclusion Assessment & Order Sheet "; " Violent Patient Monitoring And Intervention Record "; " Close Observation Flow Sheet "; and nursing progress notes identified that the patient was restrained in four point and/or two point restraints on multiple occasions including for a period of time on 8/5/10 from 12:10 p.m. through 8:30 p.m. (greater than 8 hours) and on 8/6/10 from 12:10 a.m. through 4:10 a.m. (4 hours). Additional periods of physical restraint were documented on 8/7/10, 8/8/10, 8/9/10 and 8/10/10. Review of physician orders for restraints identified that orders were lacking for each initiation of restraints on 8/6/10, 8/7/10, 8/8/10 and 8/9/10. Documentation was lacking to reflect that renewal of orders for restraints were obtained when time frames for the restraints had lapsed on 8/5/10 and 8/6/10. Review of facility policy regarding restraints directs that when restraints are initiated by an RN, the Health Professional Affiliate (HPA) must be consulted about the patient ' s care and a restraint order is written on the restraint order form. Restraints are limited to one hour for patients under nine years of age. If the time frames are exceeded a new order is obtained.

The following is a violation of the Connecticut General Statutes 46a-152 (d)(1) and/or (2) and/or the Regulations of Connecticut State Agencies Section 19-13-D3 (c) Medical staff (2)(B) and/or (d) Medical records (3) and/or (e) Nursing service (1).

8. Based on clinical record review, facility policies and interviews with staff for one patient restrained in the Emergency Department, the facility failed to ensure that consultation by the registered nurse with the licensed independent providers and/or assessment by a licensed independent provider was completed when restraints were implemented for a violent patient. The findings include:
   a. Patient # 44, a child less than nine years of age, was admitted to the Emergency Department (ED) on 8/5/10 with a chief complaint of emotional disturbance. The patient was evaluated by the psychiatric crisis team and was held in the emergency department through 8/10/10 pending disposition to a specialized inpatient unit. Review

THE FOLLOWING VIOLATION(S) OF THE REGULATIONS OF CONNECTICUT STATE AGENCIES AND/OR CONNECTICUT GENERAL STATUTES WERE IDENTIFIED

of ED documentation including " Violent Patient Restraint & Seclusion Assessment & Order Sheet "; " Violent Patient Monitoring And Intervention Record "; " Close Observation Flow Sheet "; and nursing progress notes identified that the patient was restrained in four point and/or two point restraints on multiple occasions between 8/5/10 and 8/10/10. Review of physician documentation and/or progress notes failed to identify that the patient was evaluated by an HPA within two hours of the initiation of physical restraints in accordance with facility policy. Additionally, Close Observation Flow Sheets of 8/7/10 identified that the patient was in bilateral wrist restraints from 12:45 to 2:15 p.m. without corresponding documentation of an RN or LIP assessment and/or monitoring sheets. Review of the psychiatrist progress notes throughout the patient ' s ED stay identified that the patient was seen one time per day by the psychiatrist who noted only retrospectively that the patient required restraints on 8/5/10, 8/9/ and 8/10 and failed to specifically address the patient ' s need for restraints in progress notes dated 8/6, 8/7, and 8/8/10. Facility restraint policy directs that the HPA must conduct an in-person evaluation within two hours of the initiation of restraints for patients 17 years of age and younger. Upon interview on 9/15/10 at 2:30 p.m., the Director of the ED Crisis Unit stated that the patient was in and out of restraints frequently and did not know if the physician was contacted each and every time.

The following is a violation of the Regulations of Connecticut State Agencies Section 19-13-D3 (c) Medical staff (2)(B) and/or (4)(A) and/or (i) General (6).

9. Based on clinical record reviews and interviews with facility personnel for one sampled patient (Patient #64), the facility failed to ensure that the medical management of the patient was completed in a timely manner. The findings include:
   a. Patient #64 was born at the hospital on 3/23/10. Review of the postpartum flow sheets dated 3/25/10 at 4:00am identified that Patient #21 had been feeding Patient #64 when she put the baby on her chest then feel asleep. Patient #21 had awakened when she heard Patient #64 crying and found the baby on the floor. Patient #64 had fallen approximately 4 feet on the hardwood floor. Patient #64 was brought to the newborn nursery. Review of the newborn record dated 3/25/10 at 4:00am identified that Patient #64 had no obvious trauma or abrasions with an appropriate neurological exam with balloting sutures on right skull. APRN #2 recommended to nursing staff to observe the patient on pulse oximetry in the nursery. Further review failed to identify that any diagnostic tests and/or orders for monitoring were completed at the time of the injury. Review of the NICU flow sheet dated 3/25/10 at 5:40am identified that Patient #64 had vomited a large amount of formula. At 8:30am, (3 hours later), Patient #64 was evaluated by MD #12 (pediatrician) and found to have right parietal crepitus with balloting sutures and no ecchymosis. Patient #64 was suspected to have a skull fracture. MD # 12 ordered a CT scan of the head and sent the patient to the NICU for monitoring. Review of the CT scan report dated 3/25/10 at 9:37am identified that the patient had a right parietal skull fracture with probable bifurcation interiorly, two separate areas of epidural hematoma adjacent to the fracture and a probable contrecoup injury involving the left frontal cortex with a small focus of hemorrhage. At 1:30pm, Patient #64 was

transferred to a hospital that provided a higher level of care and neurosurgical consultation. Interview with MD #11 (neonatologist) on 10/6/10 identified that he was not notified regarding Patient #64 and would have recommended an immediate CT scan and transfer to the NICU for monitoring.

The following is a violation of the Regulations of Connecticut State Agencies Section 19-13-D3 (b) Administration (2) and/or (d) Medical records (3) and/or (e) Nursing service (1) and/or (i) General (6)

10. Based on interviews with staff and review of staffing levels, the hospital failed to ensure that staffing levels were sufficient to ensure that nursing personnel were able to provide necessary care and document the care provided. The findings include:
    a. Patient #19 was admitted on 7/16/10 with diagnoses that included asthma exacerbation, and had a history of chronic pain, anxiety, and bipolar disorder. Between 7/19/10 and 7/23/10, Patient #19 was identified as anxious, restless, pacing, agitated, banging his/her head on the door, refusing to remain in bed due to a medical condition, leaving his/her room without proper precautions (isolation due to MRSA in a wound), and interfering with medical devices (oxygen and cardiac monitor). The patient was also identified with probable alcohol withdrawal and was placed on alcohol withdrawal assessments and treatment.

       In addition, Patient #19 experienced unexplained episodes of unresponsiveness requiring medical intervention on 7/19/10 and again on 7/22/10. Following the 7/22/10 unresponsive episode, a physician ordered a one to one sitter to monitor Patient #19, which was discontinued on 7/23/10 at 8:50 AM.

       Interview with RN #14 on 9/9/10 at 11:30 AM identified that he/she was responsible for the care of Patient #19 on 7/23/10 from 3 PM until 7 PM. During that time, the patient required close to 3 hours of RN #14 ' s time due to a minor medical issue, not staying in his/her room, not following infection control practices, and not following medical instructions. RN #14 identified that he/she requested a sitter (from the Supervisors office) for Patient #19 twice during the 4 hour shift and was told no because they didn't have anyone (to send). Interview with RN #16 (Supervisor) on 9/16/10 at 7:25 AM identified that he/she was only aware that they " may " need a sitter to help redirect Patient #19. RN #16 identified that there were 2 patient care assistants on the unit (who could have acted as a sitter).

       Review of Patient #19 ' s clinical record and interviews with RN #14 and the Director of Quality on 9/16/10 at 7:25 AM and correspondence received on 9/14/10 at 2:11 PM identified that RN #14 did not document a progress note on 7/23/10 because the floor was very busy and he/she did not have a chance to do so.

DATES OF VISIT: Commencing on June 3, 2010 and concluded on October 6, 2010

THE FOLLOWING VIOLATION(S) OF THE REGULATIONS OF CONNECTICUT STATE AGENCIES AND/OR CONNECTICUT GENERAL STATUTES WERE IDENTIFIED

The following is a violation of the Regulations of Connecticut State Agencies Section 19-13-D3 (d) Medical records (3) and/or (e) Nursing service (1) and/or (i) General (6).

11. Based on clinical record reviews, interviews with staff, and review of policies for four patients (Patients #20, #32, #47 and #53) who had problems with pain, the hospital failed to identify how pain would be assessed/reassessed in a non-communicative patient, and failed to assess and/or reassess the patients' pain. The findings include:
    a. Patient #20 was admitted on 5/9/10 with self-injurious behaviors and had a perirectal abscess that was incised and drained. The patient was non-communicative and was unable to notify staff when he/she experienced pain related to the incision and drainage of the abscess and unable to communicate if relief was obtained following administration of pain medications. Patient #20 ' s physician orders identified to administer Dilaudid 0.5 mg every 4 hours as needed. Review of the medication administration record (MAR) identified that Patient #20 received Dilaudid 0.5 mg IV and was not reassessed for the effectiveness of the pain medications on the following dates and times: 5/9/10 at 1:54 PM, 5/9/10 at 4:11 PM, and 5/11/10 at 12:32 AM. In addition, the clinical record was reviewed with Quality Manager #1 on 9/23/10 at 1:30 PM. A nursing progress note dated 5/11/10 at 2:30 PM identified that Patient #20 received Dilaudid 0.5 mg IV with good effect by discharge at 4:30 PM. However, review of Patient #20 ' s MAR failed to identify that Dilaudid was administered around the stated time frame.
    b. Patient #32 was admitted to the hospital ' s off-campus care center on 9/7/10 at 8:08 AM with a complaint of severe stomach pain that was an 8 out of 10 in severity. Following an examination by a physician, the patient was discharged at approximately 9:15 AM with prescriptions for antibiotics and pain medications. The clinical record failed to address the patient ' s pain level prior to being discharged.
    c. Patient #47 was admitted to the hospital on 8/24/10 with a diagnosis of metastatic cancer. The plan of care dated 8/24/10 identified pain related to abdominal cancer and interventions included the administration of analgesia per physician orders and ongoing assessment. Physician's orders dated 9/6/10 directed Dilaudid 5 milligrams (mg) intravenously (IV) continuously with 1mg of IV Dilaudid every 10 minutes as needed via patient controlled analgesia (PCA). The medication record and/or pain assessment/reassessment flow sheet noted that the patient received the Dilaudid from 9/6/10 to 9/7/10 and patient's pain level was assessed at 9:50 AM on 9/6/10 and was not reassessed until 9:45 AM on 9/7/10. Interview with Patient #47's nurse on 9/7/10 at 10:35 AM indicated that the patient's pain level was to be recorded every four hours. The pain policy for PCA and/or plus infusion pump identified that all patients using the PCA are monitored for sedation/analgesia level at least every four hours.
    d. Review of the physicians orders for Patient #53 dated 8/31/10 directed Percocet one tablet every four hours as needed for pain and the order dated 9/1/10 directed Dilaudid 0.5 mg every two hours as needed for pain. Review of the flow sheets for the period of 9/1/10 through 9/7/10 identified that although the patient received either Percocet or Dilaudid on five occasions, the facility failed to ensure that the patient was reassessed to determine the effectiveness of the pain medication. Review of the facility policy

indicated the patients pain level should be reassessed after each pain management intervention has taken place.

The following is a violation of the Regulations of Connecticut State Agencies Section 19-13-D3 (d) Medical records (3) and/or (e) Nursing service (1) and/or (i) General (6).

12. For two patients (Patient #28 and #59) reviewed, the facility failed to ensure that skin breakdown was assessed in a timely manner. The findings are based on review of the clinical record, review of the facility policy and interview and includes the following:
    a. Review of Patient #28's clinical record indicated that the patient was admitted on 8/29/10 from the long-term care facility. The admission assessment indicated that the patient had a stage 2-pressure ulcer on the buttocks that measured 0.7 cm by 0.5 cm by 0.3 cm. Review of the chart on 9/7/10 failed to identify that further measurements and/or an assessment of the pressure ulcer had been completed since 8/29/10. Review of the hospital's skin policy directed weekly measurements of skin breakdown once identified.
    b. Review of Patient #59's clinical record indicated that the patient was admitted on 8/1/10. The clinical record indicated that the patient was on a ventilator. Review of the respiratory flow sheets indicated that the patient had a stabiltube holder in place and on 8/12/10 the flow sheet indicated that the patient had skin breakdown on the upper lip. The respiratory therapist failed to notify the patient's nurse of the skin breakdown. Review of the respiratory flow sheets, nursing flow sheets and the progress notes for the period of 8/12/10 through 8/18/10 failed to reflect that an assessment of the patient's skin was completed and/or that the physician was notified. Review of the skin/wound documentation dated 8/18/10 indicated that the patient had a deep tissue injury to the upper lip that measured 3 cm by 0.5 cm. Interview with the Manager on 9/9/10 indicated that she was not aware that respiratory staff identified the breakdown on 8/12/10 and once aware, directed an assessment of the patient's skin breakdown.

       Review of the facility policy indicated that the nurse should measure the identified pressure area once identified and that any new wound should be reported to the physician/health professional. The mechanical ventilation policy indicated that Respiratory Therapists would check the ventilators every two hours and the check would include an assessment for skin breakdown and that the therapists would notify the nurse and document this in the comment section.

The following is a violation of the Regulations of Connecticut State Agencies Section 19-13-D3 (c) Medical staff (2)(B) and/or (d) Medical records (3) and/or (e) Nursing service (1) and/or (i) General (6).

13. Based on clinical record reviews and interviews with facility personnel for one sampled patient (Patient #64), the facility failed to ensure that neurological assessments/monitoring were completed after a fall. The findings include:

DATES OF VISIT: Commencing on June 3, 2010 and concluded on October 6, 2010

THE FOLLOWING VIOLATION(S) OF THE REGULATIONS OF CONNECTICUT STATE AGENCIES AND/OR CONNECTICUT GENERAL STATUTES WERE IDENTIFIED

Patient #64 was born at the hospital on 3/23/10. Review of the postpartum flow sheets dated 3/25/10 at 4:00am identified that Patient #21 had been feeding Patient #64 when she put the baby on her chest then feel asleep. Patient #21 awakened when she heard Patient #64 crying and found the baby on the floor. Patient #64 had fallen approximately 4 feet on the hardwood floor. Patient #64 was brought to the newborn nursery. Review of the NICU flow sheet dated 3/25/10 failed to identify that a complete assessment including neurological assessments were completed post fall. In addition, the hospital failed to have a policy on post fall assessments. Interview with the MD #11 (neonatologist) on 10/6/10 identified that neurological checks and close monitoring should be done every half hour for a newborn with a head injury.

The following is a violation of the Regulations of Connecticut State Agencies Section 19-13-D3 (c) Medical staff (2)(B) and/or (d) Medical records (3) and/or (e) Nursing service (1) and/or (i) General (6).

14. Based on clinical record reviews and interviews with facility personal for one sampled patient (Patient #55), the facility failed to ensure that newborn assessments were completed including vital signs and/or for one of one sampled patient (Patient #22), the facility failed to ensure that physician orders/hospital policy was followed including maternal /fetal monitoring during labor. The findings include:
    a. Patient #55 was born at the hospital on 9/7/10. Review of the nursery flow sheet dated 9/7/10 identified that although a newborn assessment and vital signs were completed every 15 minutes for the first hour, the clinical record failed to reflect that continued assessments including vital signs were completed per unit standard. Review of hospital policy identified that newborn assessments and vital signs are to be completed every 30 minutes for the first two hours of life. Interview with the Nurse Manager on 9/8/10 identified that the newborn assessments are to be completed every 30 minutes for the first two hours.

       In addition, review of the newborn physician order sheet dated 9/8/10 identified that the order sheet identified that vital signs were to completed every 4 hours for the initial 24 hours, then every 8 hours, however the unit standard is every 30 minutes for the first two hours of life. Interview with the Nurse Manager on 9/8/10 identified that the physician's order sheet was not updated yet to reflect the changes in policy.

    b. Patient #22 was admitted to the hospital on 4/24/10 for a delivery of a baby. Patient #22 had an epidural placed at 5:29am. Review of physician orders dated 4/24/10 identified that the patient was to have respiratory rate, pain scale and sedation level monitored every fifteen minutes for the first two hours, then every hour until four hours postpartum. Review of the labor and delivery flow sheet dated 4/24/10 identified that although the patient had vital signs completed, the clinical record failed to identify that pain score and sedation levels were completed as ordered. Review of hospital policy "Labor Epidural Analgesia Management" identified that the registered nurse is to monitor vital signs, mobility. level of consciousness, motor function, sensation and pain level.

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In addition, review of the labor and delivery flow sheet dated 4/23/10 at 10:50pm to 4/24/10 at 10:08am failed to identify that the fetal heart rate was monitored every fifteen minutes including fetal heart rate prior to C-Section induction. Review of hospital policy "AWHONN (Association of Women's Health, Obstetric and Neonatal Nursing) Fetal Heart Monitoring" identified that during the active phase of the first stage of labor, the fetal heart rate should be determined and evaluated every fifteen minutes. In addition, before epidural anesthesia is initiated, the fetal heart rate should be assessed before and after the procedure, either intermittently or continuously, as possible, during the procedure.

The following is a violation of the Regulations of Connecticut State Agencies Section 19-13-D3 (d) Medical records (3) and/or (e) Nursing service (1) and/or (i) General (6).

15. Based on clinical record reviews and interviews with facility personnel for one sampled patient (Patient #65), the facility failed to ensure that the standard of care was followed with initial newborn assessments. The findings include:
    a. Patient #65 was born at the hospital on 4/24/10 at 10:36am. Review of the newborn record identified that the Apgar scores were 7 at one minute and 9 at 5 minutes, with normal heart rate and increased color and that the infant was suctioned for increased secretions. Review of the nursery flow sheet dated 4/24/10 at 10:50am identified that although the initial newborn assessment was completed, the nursery flow sheet failed to identify any other newborn assessments were completed. At 11:20am, Patient #65 was brought to mother for breastfeeding with good latch. At 11:48am, the nurse took Patient #65 from mother because she found the newborn to be limp and apneic. Patient #65 was brought to the radiant warmer, quiet, hypotonic and stimulated without response At 11:50am, Patient #65 had no heart rate and a code was called with cardiopulmonary resuscitation efforts unsuccessful. Review of hospital policy " Admission and Care of the Normal Newborn" identified that newborn assessments were to be completed hourly for the first three hours however review of "AWHONN Guidelines for Perinatal Care" identified that temperature, heart, respiratory rates, skin color, adequacy of peripheral, type of respiration, level of consciousness, tone, and activity should be monitored and recorded at least once every 30 minutes until the newborn's condition has remained stable for two hours. Interview with the Nurse Manager on 9/8/10 identified that hospital policy had been changed to reflect the current perinatal standard.

The following is a violation of the Regulations of Connecticut State Agencies Section 19-13-D3 (c) Medical staff (2)(B) and/or (d) Medical records (3) and/or (e) General (1).

16. Based on review of the clinical record and interviews with facility policy for one sampled patient (Patient #65), the facility failed to ensure that when cardiopulmonary resuscitation was performed, the recording of the code was complete. The findings include:
    a. Patient #65 was born at the hospital on 4/24/10 at 10:36am. Review of the newborn record identified that the Apgar scores were 7 at one minute and 9 at 5 minutes. with normal heart rate and increased color and that the infant was suctioned for increased

secretions. At 11:20am, Patient #65 was brought to mother for breastfeeding with good latch. At 11:48am, the nurse took Patient #65 from mother because she found the newborn to be limp and apneic. Patient #65 was brought to the radiant warmer, quiet, hypotonic and stimulated without response At 11:50am, Patient #65 had no heart rate and a code was called with cardiopulmonary resuscitation (CPR) efforts unsuccessful. Review of the code sheet dated 4/24/10 indicated that the code sheet lacked a physician signature, identification of staff present at the code, vital signs, code strips and a complete list of interventions that were completed during the code. Review of hospital policy "Cardiopulmonary Resuscitation" identified that a CPR report must be completed following each arrest including the nurse recording the resuscitation. Interview with RN # 19 on 9/10/10 identified that she was responsible for recording the code however left the room and finished recording the code in another room while the newborn was being resuscitated.

The following is a violation of the Regulations of Connecticut State Agencies Section 19-13-D3 (d) Medical records (3) and/or (e) Nursing service (1) and/or (i) General (6).

17. Based on clinical record reviews and interviews with facility personnel for one sampled patient (Patient #56), the facility failed to ensure that reassessments were completed after a patient received pain medication. The findings include:
    a. Patient #56 was admitted to the hospital on 9/7/10 for a delivery. Review of the physician's orders dated 9/7/10 identified that the patient was to receive Motrin 800mg every eight hours as needed for a pain level of 4-7 and Percocet 1 tab every four hours for a pain level of 4-7. Review of the postpartum flow sheet dated 9/7/10-9/8/10 identified that the patient received pain medication on 9/7/10 at 9:30pm and on 9/8/10 at 4:34am and 9:00pm. Further review failed to identify that pain reassessments were completed. Review of the pain management policy indicated the patients' pain level should be reassessed after each pain management intervention has taken place. Interview with the Nurse Manager on 9/8/10 identified that pain reassessments were not documented.

The following is a violation of the Regulations of Connecticut State Agencies Section 19-13-D3 (d) Medical records (3) and/or (e) Nursing service (1) and/or (i) General (6).

18. Based on clinical record reviews and interviews with facility personnel for one sampled patient (Patient #51), the facility failed to ensure that patient teaching was completed for a new PICC line placement in the infusion center. The findings include:
    a. Patient #51 was admitted to the infusion center for IV therapy for sepsis via PICC line. Review of the flow sheets dated 9/2/10-9/8/10 identified that the patient had IV therapy provided. Review of the interdisciplinary teaching record failed to identify that patient teaching in the infusion center was completed for PICC line care, maintenance and complications while the patient was undergoing IV therapy. In addition, review of the progress notes dated 9/2/10 indicated that nurses notes were never completed. Interview with the Nurse Manager on 9/8/10 identified that the clinical record failed to

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indicate that patient teaching was completed while the patient was seen in the infusion center.

The following is a violation of the Regulations of Connecticut State Agencies Section 19-13-D3 (b) Administration (2) and/or (d) Medical records (3) and/or (e) Nursing service (1) and/or (i) General (6).

19. Based on clinical record review, interviews with staff, and review of policies for 3 patients (Patients #19, #20, and #63), the hospital failed to ensure that the care plans addressed the patients' current problems and/or failed to update the care plan when new problems occurred. The findings include:

a. Patient #19 was admitted on 7/16/10 with diagnoses that included asthma exacerbation, and had a history of chronic pain, anxiety, and bipolar disorder. Between 7/19/10 and 7/23/10, Patient #19 was identified as anxious, restless, pacing, agitated, banging head on door, refusing to remain in bed due to a medical condition, leaving his/her room without proper precautions (isolation due to MRSA in a wound), and interfering with medical devices (oxygen and cardiac monitor). On 7/21/10 Patient #19 was evaluated and treated by psychiatry and identified with depression 8 out of 10, anxiety 6 out of 10, and pain 8 out of 10. The patient was also identified with probable alcohol withdrawal and was placed on alcohol withdrawal assessments and treatment. The patient ' s care plan was reviewed with Quality Manager #1 on 9/23/10 at 1:30 PM. The care plan failed to identify patient specific interventions to address the patient ' s anxiousness, and/or behaviors including restlessness, agitation, refusal to follow direction/redirection, and interfering with medical devices. And failed to identify the patient ' s alcohol withdrawal.

Patient #19 experienced unexplained episodes of unresponsiveness requiring medical intervention on 7/19/10 and again on 7/22/10. Following the 7/22/10 unresponsive episode, a physician ordered a one to one sitter to monitor Patient #19, which was discontinued on 7/23/10. Review of Patient #19's care plan failed to identify interventions to address the unresponsive episodes, failed to address the need for a sitter, and failed to address possible interventions staff should use when the sitter was discontinued.

b. Patient #20 was admitted on 5/9/10 with self-injurious behaviors and had a perirectal abscess that was incised and drained. Due to the self-injurious behaviors, hand mitts were placed on the patient ' s hands and a sitter was placed at the bedside. On 5/9/10 at 12 PM, the patient experienced one episode of attempting to hit his/her self on the head. Between 5/9/10 at 12 PM and 5/11/10 at 8 AM, the patient did not exhibit any self-injurious behaviors and a physician discontinued the sitter. Patient #20's care plan was reviewed with RN #11 on 9/14/10. The care plan failed to identify the patients potential for self-injurious behaviors, failed to identify the need to use hand mitts, and failed to address the need for and discontinuation of a sitter.

In addition, Patient #20 was non-communicative and was unable to notify staff when he/she experienced pain related to the incision and drainage of the abscess. The care plan failed to address how and when the patient's pain would be assessed.

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c. Patient #63 was admitted on 8/16/10 with diagnoses that included bipolar disorder with manic phases, borderline personality, and probable schizoaffective disorder. Between 8/16/10 and 8/27/10, the patient experienced multiple assaultive and destructive out of control behaviors requiring restraint and seclusion episodes and had commitment papers filed with the Probate Court. On 8/25/10 at 8:58 AM, Patient #63 was in his/her bedroom screaming and kicking and picked up a chair to throw at any staff member who entered the room. Three security officers were called to the floor and attempted to deescalate the patient without success. Security Officer #1directed the patient to put the chair down, the patient raised the chair in a threatening manner, and the Officer discharged OC foam (pepper spray) towards Patient #63. The patient continued to raise the chair and the officer discharged a second dose of OC foam. The patient put the chair down, medical treatment was provided to relieve the effects of the OC foam, and the patient was placed in restraints. Patient #63 ' s treatment plan dated between 8/16/10 and 8/27/10 was reviewed. Although the plan identified that the patient was violent towards others, self destructive, and assaultive, the plan failed to identify any interventions to address the stated problems including the patients multiple restraint episodes.

The following is a violation of the Regulations of Connecticut State Agencies Section 19-13-D3 (d) Medical records (3) and/or (e) Nursing service (1) and/or (i) General (6).

20. For one patient (Patient #59) with an endotracheal tube the facility failed to ensure that preventative measures were instituted and/or the care plan was updated to address the actual skin breakdown and/or for one patient (Patient #18) who was identified as a fall risk and was made NPO (nothing by mouth) the facility failed to ensure that the care plan was individualized and/or addressed the possible effects of abruptly discontinuing psychotropic medications. The findings are based on review of clinical records, interviews, and review of facility policy and include the following:
    a. Review of Patient #59's clinical record indicated that the patient was admitted on 8/1/10. The clinical record indicated that the patient was on a ventilator. Review of the respiratory flow sheets indicated that the patient had a stabiltube holder in place and on 8/12/10 the flow sheet indicated that the patient had skin breakdown on the upper lip. Review of the skin/wound documentation dated 8/18/10 indicated that the patient had a deep tissue injury to the upper lip that measured 3 cm by 0.5 cm. Review of the care plan with the Manager on 9/9/10 failed to reflect that the skin breakdown had been addressed until 8/18/10. Although the care plan addressed the skin breakdown on 8/18/10, the facility failed to develop specific interventions to prevent skin breakdown related to the use of the ventilator.
    b. Patient #18 was admitted on 5/18/10 with diagnoses that included Down's syndrome with cognitive developmental delay. On 5/18/10, the patient had an anterior cervical diskectomy at C2-3 with allograft and plate implants with an order for the patient to wear a collar at all times. Review of the admission assessment identified that the patient was incontinent of bowel and bladder and exhibited agitation, anxiety and may become aggressive. The patient was identified as a high risk for falls. On 5/18/10, a fall risk care

plan was developed that included nonspecific interventions that included to evaluate the degree of inherent risk and implement fall risk protocol, assist to reduce risk factors, discuss need for additional resources for supervision, and assess patient behavior, safety and wellbeing. A self-care deficit care plan identified nonspecific interventions that included assess self-care, engage Case Management early in hospitalization, PT/OT/ST evaluations as appropriate and involve family in education. Although review of progress notes during the period of 5/19/10 through 5/22/10 identified that the patient made repeated attempts to remove the collar and/or refused to wear the collar, the hospital failed to develop a plan of care to address the patient's noncompliance. The hospital failed to develop a plan of care that met the individualized needs of the patient.
A nurse's note dated 5/24/10 indicated that at 5:30 AM the patient's bed alarm sounded and upon entering the room the patient was found on the floor in front of the chair. The patient sustained a C2-3 subluxation with a questionable new fracture as the screw had pulled out.

c. Patient #18 was admitted on 5/18/10 for a C1-C5 decompression. Review of the admission assessment indicated that the patient had a history of Downs Syndrome. Review of the physician's orders dated 5/18/10 directed administration of Aricept 10 mg each day, Prozac10 mg daily, and Risperidone 0.25 mg three times a day and 0.5 mg at hour of sleep. The physician's note dated 5/19/10 indicated that a Speech Therapist recommended that the patient have nothing by mouth (NPO) until a more extensive evaluation could be completed. The physician subsequently gave a telephone order that directed to change the patient's diet to NPO. Review of the medication administration record (MAR) for the period of 5/20/10 through 5/25/10 indicated that while the Aricept and Prozac were not administered, staff administered two doses of Risperidone on 5/20/10, 5/23/10 and 5/24/10. Review of the manufacturers guidelines identified that stopping Risperidone can result in Parkinsonism, Somnolence, Dizziness, and Dystonia. The hospital failed to revise and/or review the care plan to address the discontinuation of the patient's antipsychotic medications and potential side affects.
Review of the hospital's care plan policy directed that the care plan is to be reviewed at least every twenty-four hours and revised if necessary.

The following is a violation of the Regulations of Connecticut State Agencies Section 19-13-D3 (c) Medical staff (2)(B) and/or (d) Medical records (3) and/or (e) Nursing service (1) and/or (i) General (6).

21. For one patient reviewed (Patient #28) the facility failed to ensure that medications were titrated consistently. The findings are based on review of the clinical record, and interview and includes the following:
    a. Review of the clinical record for Patient #28 indicated that the patient was admitted on 8/29/10 from the long-term care facility. The physician's order dated 8/30/10 directed Levophed 4 mg in 250 cc's of dextrose at 5 mcg per minute to maintain a systolic blood pressure greater than 95 with a maximum dose of 30 mcgs. The physician's order failed to direct titration increments. Review of the flow sheets dated 8/30/10 through 9/9/10 indicated that the Levophed was increased and/or decreased in increments that ranged

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from 2 mcgs to 5 mcgs. Interview with the Nurse Manager on 9/7/10 indicated that the facility does not have a policy that directs how medications should be titrated, that it is up to the RN to choose the dose change to maintain the goal identified.
Review of the facility guideline for titration medications indicated that titrating orders are acceptable provided there are parameters. The administration of continuous infusion medications must include name of medication, volume, and specific dose increments unless identified as "do not titrate"

The following is a violation of the Regulations of Connecticut State Agencies Section 19-13-D3 (d) Medical records (3) and/or (e) Nursing service (1) and/or (i) General (6).

22. Based on clinical record reviews, interviews with staff, and review of policies for 1 patient (Patient #20) who received IV pain medications, staff failed to ensure that the medication was administered as ordered. The findings include:
    a. Patient #20 was admitted on 5/9/10 with self-injurious behaviors, and had a perirectal abscess that was incised and drained. Patient #20 ' s physician orders identified to administer Dilaudid 0.5 mg every 4 hours as needed. Review of the medication administration record identified that Patient #20 received Dilaudid 0.5 mg IV on 5/9/10 at 1:54 PM and again at 4:11 PM (2 hours and 17 minutes). Interview with Quality Manager #1 on 9/23/10 at 1:30 PM identified that the Dilaudid 0.5 mg IV on 5/9/10 at 4:11 PM was given in error and it appeared that the error.

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23. For one patient (Patient #18) who was made NPO the facility failed to ensure that staff considered the effects of abruptly discontinuing psychotropic medications and/or that staff clarified the NPO order. The findings are based on review of the clinical record, interview and include the following:
    a. Patient #18 was admitted on 5/18/10 for C1-C5 decompression. Review of the admission assessment indicated that the patient had a history of Downs Syndrome. Review of the physician's orders dated 5/18/10 directed administration of Aricept 10 mg each day, Prozac10 mg daily, and Risperidone 0.25 mg three times a day and 0.5 mg at hour of sleep. On 5/19/10, the patient had a chest x-ray completed which revealed bilateral infiltrates/pneumonia. The physician's note dated 5/19/10 indicated that a Speech Therapist recommended that the patient be NPO until a more extensive evaluation could be completed. The physician subsequently gave a telephone order that directed to change the patient's diet to NPO. The progress note dated 5/21/10 indicated that the Speech Therapist recommended that the patient be NPO secondary to secretion management. Review of the medication administration record (MAR) for the period of 5/20/10 through 5/25/10 indicated that while the Aricept and Prozac were not administered, staff administered two doses of Risperidone on 5/20/10, 5/23/10 and 5/24/10. The facility failed to address the patient's medication regimen including the

effects of abruptly discontinuing psychotropic medications and/or a method of administration when the patient was made NPO.

The following is a violation of the Regulations of Connecticut State Agencies Section 19-13-D3 (b) Administration (2) and/or (d) Medical records (3) and/or (e) Nursing service (1) and/or (i) General (6).

24. Based on clinical record review, interview with staff, and review of hospital policies for 1 patient (Patient #1), the hospital failed to ensure that the medical record was complete and accurate, and included documentation of patient assessments. The findings include:
    a. Patient #19 was admitted on 7/16/10 with diagnoses that included asthma exacerbation, and had a history of chronic pain, anxiety, and bipolar disorder. Patient #19 experienced unexplained episodes of unresponsiveness requiring medical intervention on 7/19/10 and again on 7/22/10. Following the 7/22/10 unresponsive episode, a physician ordered a one to one sitter to monitor Patient #19. A physician discontinued the sitter on 7/23/10 at 8 AM without a documented rationale.
    b. Interview with RN #14 on 9/9/10 at 11:30 AM identified that he/she was responsible for the care of Patient #19 on 7/23/10 from 3 PM until 7 PM. During that time, the patient required close to 3 hours of RN #14 ' s time due to a minor medical issue, not staying in his/her room, not following infection control practices, and not following medical instructions. RN #14 identified that he/she requested a sitter (from the Supervisors office) for Patient #19 twice during the 4 hour shift and was told no because they didn't have anyone (to send). Review of Patient #19 ' s clinical record and interviews with RN #14 and the Director of Quality on 9/16/10 at 7:25 AM and correspondence received on 9/14/10 at 2:11 PM identified that RN #14 did not document a progress note on 7/23/10 because the floor was very busy and he/she did not have a chance to do so.
    c. Patient #20 was admitted on 5/9/10 with self-injurious behaviors, and had a perirectal abscess that was incised and drained. Patient #20 ' s physician orders identified to administer Dilaudid 0.5 mg every 4 hours as needed. A nursing progress note dated 5/11/10 at 2:30 PM identified that Patient #20 received Dilaudid 0.5 mg IV with good effect by discharge at 4:30 PM. However, review of Patient #20 ' s MAR failed to identify that Dilaudid was administered around the stated time frame.

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25. Based on medical record reviews, a tour of the medical records department, review of hospital policies/documentation and interviews for two of five patients (Patients #48, #11) reviewed for discharge and/or physician completion of history and physicals and/or operative reports, the hospital failed to ensure record completion/accuracy and/or that an effective system was in place for the completion of medical records. The findings include:
    a. Patient #11 was admitted to the "Express Care Unit" (Unit 3.6) on 9/29/09 at 9:06 AM from the hospital ED with a diagnosis of probable pneumonia and chronic airway

obstruction. Physician orders dated 9/30/09 directed to remove the patient's IV lines and to discharge the patient. Discharge paperwork (summary and W-10) indicated that the patient was discharged to home with Visiting Nurse Service (VNA). Case Manager #2's notes dated 9/30/09 conflicted with the discharge paperwork and indicated that the patient would not receive VNA services because the patient was not homebound. Nursing documentation and/or case management documentation did not include a discharge note to reflect the time that the patient was discharged or to the location the patient was discharged. Interview with case Manager #2 on 9/20/10 at 1PM noted that h/she had arranged VNA services for the patient prior to the patient's discharge and in error did not update his/her case management note. The hospital discharge policy identified that the case manager will facilitate arrangements for implementation of a final discharge plan. On- going documentation will occur throughout the Medical record as appropriate in the nursing assessment tool, case management assessment/note, progress note, W-10 and discharge summary.

b. A tour of the medical records department was conducted on 9/7/10 at 11:10 AM. The medical record completion of two patients who were discharged on 8/3/10 was reviewed and identified that Patient #48's medical record was incomplete. Patient #48 was admitted to the hospital on 7/29/10 with a diagnosis of a postoperative lumbar wound. Review of the patient's electronic record identified that the patient's lumbar wound was surgically debrided on 7/30/10 and although the operative report was dictated on 7/30/10 and transcribed on 7/31/10, the physician had not signed/authenticated the report as of 9/7/10. The medical record also indicated that the history and physical dated 7/29/10 also lacked the physician's signature. Physician orders dated 8/3/10 directed that the patient be discharged and noted that the discharge summary had been dictated. Although nursing progress notes identified that the patient was discharged to home on 8/3/10 at 7 PM the patient's record lacked a physician's discharge summary. Interview with the Director of Medical Records on 9/7/10 at 11:22 AM noted that incomplete records for physician's can be visualized by the physician when the physician signs onto the computer. Review of the hospital's Medical Records Completion policy identified that the physician was responsible for timely completion of medical records. A complete record indicated that all required contents and signatures are present. The person responsible for ordering, providing or evaluating services furnished must authenticate all entries.

In addition, hospital documentation dated 7/1/09 from the Chief Medical Officer (CMO) identified that effective with this communication, the hospital's completion protocol process which ends with physician suspension for delinquent records is on hold. The Medical Records Committee meeting minutes dated 6/23/10 for the delinquent medical records review identified that February had 40%, March had 30% and April had 31% for an average medical record delinquency rate of 32%. The minutes also identified that physician orders not signed within 48 hours increased the numbers for June by 20%. Although the follow up action noted by the Medical Records Committee indicated an action to monitor the impact of unsigned orders on the hospital's overall delinquent account, the action did not include methods to improve the overall delinquency rate. Medical Executive Committee (MEC) meeting minutes dated 7/7/10 identified that the

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MEC had reviewed the minutes of the Medical Records Committee dated 6/23/10. Interview with the Director of Medical Records on 9/7/10 at 11:22 AM noted that the transitional phase of medical record access was difficult and therefore the physician suspension process for delinquent medical records was eliminated August 2009. The Director of Medical Records further noted that a weekly letter was sent to physicians to inform them of delinquent records and after 30 days the delinquency would be handled on a peer to peer basis by the CMO.

The following is a violation of the Regulations of Connecticut State Agencies Section 19-13-D3 (b) Administration (2) and/or (c) Medical staff (2)(B) and/or (4)(A) and/or (d) Medical records (8).

26. Based on clinical record reviews and interviews with facility personnel for one sampled patient (Patient #54), the facility failed to ensure that a consent to treat was completed on admission. The findings include:
    a. Patient #54 was admitted to the hospital on 9/8/10 after transferring from another hospital for neonatal intensive care. Review of the initial consent failed to identify that the parents had consented to treatment when the patient was admitted. Upon surveyor inquiry on 9/8/10, the consent form was signed by the parents on 9/9/10. Interview with the Nurse Manager on 9/8/10 identified that the consent form should have been signed by the parents when the patient had arrived from another hospital.

The following is a violation of the Regulations of Connecticut State Agencies Section 19-13-D3 (b) Administration (2) and/or (c) Medical staff (2)(B) and/or (4)(A) and/or (d) Medical records (7).

27. Based on medical record reviews, a tour of the medical records department, review of hospital policies/documentation and interviews for one patients (Patient #48) the hospital failed to ensure that the physician had completed a discharge summary. The findings include:
    a. Patient #48 was admitted to the hospital on 7/29/10 with a diagnosis of a postoperative lumbar wound. Physician orders dated 8/3/10 directed that the patient be discharged and noted that the discharge summary had been dictated. Although nursing progress notes identified that the patient was discharged to home on 8/3/10 at 7 PM the patient's record lacked a physician's discharge summary. Interview with the Director of Medical Records on 9/7/10 at 11:22 AM noted that a weekly letter was sent to physicians to inform them of delinquent records. Review of the hospital's Rules and Regulations indicated that a dictated discharge summary was required for all patient stays that include an inpatient or observation admission to the hospital. All medical records will be completed within thirty (30) days of patient discharge.

The following is a violation of the Regulations of Connecticut State Agencies Section 19-13-D3 (b) Administration (2) and/or (h) Dietary service (1) and/or (3) and/or (i) General (2).

28. Based on a tour of the dietary department, review of hospital documentation/policies and interviews dietary staff, the hospital failed to provide adequate sanitization of dish washed items and/or consistently monitor sanitization of the pot sink. The findings include:

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THE FOLLOWING VIOLATION(S) OF THE REGULATIONS OF CONNECTICUT STATE AGENCIES AND/OR CONNECTICUT GENERAL STATUTES WERE IDENTIFIED

a. A tour of the dietary kitchen conducted on 9/7/10 by Building and Fire Safety Staff identified that a temperature of 180 degrees Fahrenheit or greater was not reached during the dishwasher sanitization cycle for one observation. A tour of the kitchen was also conducted on 9/7/10 at 11:20 AM with the Director of Food and Nutrition Services and the sign posted on the dishwasher identified that the sanitization cycle must reach a final rinse temperature of 180 degrees Fahrenheit. Although a temperature of greater than 180 degrees Fahrenheit was observed on 9/7/10 at 11:27 AM during the dishwasher sanitization cycle, the dishwasher temperature log noted multiple prior recordings when the dishwasher temperature had not reached 180 degrees Fahrenheit. The dishwasher temperature logs from 8/1/10 to 9/7/10 indicated two undated, untimed temperature labels for each day and 11 recorded labels ranged from plum to black in color. Interview with the Director of Food and Nutrition on 9/7/10 at 11:45 AM noted that the temperature test strips were randomly conducted twice daily, should change color (to orange) and that maybe the readings were wrong. The temperature test strip container directed to place a test strip label on a dry item and if the label turned bright orange, the temperature had reached 180 degrees, brown denoted 170 degrees and plum denoted 160 degrees. The temperature test strip container also directed to remove the temperature label when finished, sign, date and place in the dishwasher temperature log book.
In addition, the three-compartment pot sink was also observed in use on 9/7/10 at 11:20 AM. The sanitizing sink was tested by the Director of Food and Nutrition at this time and noted that the test strip recorded a sanitization level of greater than 200 parts per million (ppm). Review of the Final Rinse Sanitizer Daily Log for the pot sink directed that the sanitization level be monitored and recorded for 9AM, 2PM and 5:30 PM daily and the level should read 200ppm. The log further identified that the sink's sanitization level was not documented for 53 of 210 occasions and this included 12 days when all three timed tests were not recorded. Interview with the Operations Manager on 9/7/10 at 2PM indicated that the dietary staff assigned to the pot sink area was responsible to monitor/record pot sink sanitization levels. Although the Supervisor Check List directed to check room service tray temperatures and log as well as other staff monitoring duties, the list did not direct the supervisor to monitor sanitization testing.

The following is a violation of the Regulations of Connecticut State Agencies Section 19-13-D3 (a) Physical plant (1) and/or (b) Administration (2) and/or (i) General (2) and/or (6).

29. Based on review of facility documentation, review of facility policies, staff interviews, and observation, the facility failed to ensure that water was tested in accordance with facility policy and/or manufacturers directions. The finding includes the following:
    a. On 09/08/10 at 9:45 AM the surveyor observed a staff nurse obtain a water sample from the port located after the RO machine to test for chlorine/chloramine levels. The nurse proceeded to fill the sample tube and add the prepared reagent, however, failed to allow the sample to develop for three minutes prior to interpreting the result. Review of the policy posted on the wall in the water treatment room directed that water should have been obtained from the port after the carbon tank. Review of the manufacturer's

directions for testing water directed that the test sample should develop for three (3) minutes prior to reading the result. Subsequent to this observation the facility provided the Department with an immediate action plan that included reeducation of all dialysis staff on proper testing procedures of water.

The following is a violation of the Regulations of Connecticut State Agencies Section 19-13-D3 (b) Administration (2) and/or (i) General (2) and/or (6) and/or (l) Infection control.

30. Based on clinical record reviews, interviews with staff, observation, and review of policies, the hospital failed to maintain a sanitary hospital environment, and failed to ensure that staff followed proper infection control practices. The findings include:
    a. A tour of the hospital ' s off-campus care center was conducted with the Patient Care Service Director and Nursing Manager on 9/7/10 at 10:10 AM. The patient care area had 3 laryngoscope trays with outdated batteries dating to 6/7/10. A clean commode was observed to be stored in the dirty utility room. And an open bottle of a skin/wound-cleansing agent was observed in a patient care area. The bottle was outdated from 8/15/10.

The following is a violation of the Regulations of Connecticut State Agencies Section 19-13-D3 (c) Medical staff (2)(B) and/or (4)(A) and/or (i) General (6).

31. Based on tour of the facility, review of the clinical record, review of facility policy and interviews with hospital personnel for one patient (Patient #22), the facility failed to ensure that a post-operative anesthesia evaluation was performed. The findings include:
    a. Patient #22 was admitted to the hospital on 4/24/10 for delivery of a baby. Review of clinical record identified that the patient had an emergency C-Section due to failure to progress. Review of the anesthesia record dated 4/24/10 identified that at 5:15am, the patient had an epidural inserted and delivered the baby at 10:37am. Review of the clinical record failed to identify that a post anesthesia evaluation was completed. Interview with the Director of Anesthesia on 10/6/10 identified that the clinical record failed to reflect that a post-anesthesia evaluation was completed.

32. Based on tour of the facility, review of the clinical record, review of facility policy and interviews with hospital personnel for one patient (Patient #41) who had surgery, documentation and interviews failed to reflect that a postoperative anesthesia evaluation was performed.
    a. Patient #41 was admitted to the hospital on 9/7/10 and underwent bilateral breast revision. Review of the clinical record identified that the patient underwent general anesthesia. Review of the anesthesia record dated 9/7/10 and interview with the PACU (post-anesthesia care unit) manager failed to reflect that an anesthesia post-operative evaluation was completed.

DATES OF VISIT: Commencing on June 3, 2010 and concluded on October 6, 2010

THE FOLLOWING VIOLATION(S) OF THE REGULATIONS OF CONNECTICUT STATE AGENCIES AND/OR CONNECTICUT GENERAL STATUTES WERE IDENTIFIED

The following is a violation of the Regulations of Connecticut State Agencies Section 19-13-D3 (b) Administration (2) and/or (c) Medical staff (2)(B) and/or (d) Medical records (3) and/or (e) Nursing service (1) and/or (i) General (6).

33. Based on review of clinical records, review of hospital policy, review of hospital documentation and interviews with hospital personnel for 2 patients (Patients #15 & 16) with hospital acquired pressure ulcers, documentation and interviews failed to reflect that the hospital wound and documentation policies were followed. The findings include:
    a. Patient #16 was admitted to the hospital on 9/1/09 with abdominal pain. The patient's past medical history included end stage renal disease (ESRD) on hemodialysis, two renal transplant failures, chronic anemia, coronary artery disease, diabetes mellitus and status post (s/p) total knee replacement (6/09). Patient #16 was hypotensive on admission, received vasopressors intravenously (IV) and on 9/4/09, the patient required mechanical ventilation. Review of the Nurse's Note dated 9/7/09 indicated that a new upper lip Stage II pressure ulcer was identified at the endotracheal tube (ETT) holder site and that the holder was repositioned. Review of the clinical record and interviews with hospital personnel identified that the lip pressure ulcer subsequently deteriorated to a deep tissue injury (DTI) on 9/10/09 at which time the physician was notified. On 9/15/09, an unstageable 4.5 cm wound was noted and a tracheostomy was performed on 9/16/09 for ventilation management. Review of the Skin/Wound Care Policy indicated that any new wound was to be reported to the Physician and the Wound Care Nurse. The policy also identified that any hospital acquired pressure ulcer (HAPU) required a wound care consult. Review of the clinical record and interviews with hospital personnel failed to reflect that the Physician and/or the Wound Care Nurse was notified of the new wound on 9/7/09 as per policy. In addition, review of the Patient Documentation Policy identified that documentation on the 24 Hour Flow Sheet was completed every 8 hours and that affected systems identified on admission and thereafter were reassessed every shift. Review of the Nursing 24 Hour Flow Sheets dated 9/7/09 at 8:00 PM through 9/9/09 at 8:00 PM failed to reflect skin assessments of the lip wound as per policy.
    b. Patient #15 was admitted to the hospital on 1/2/10 with a right hip fracture. Review of the Discharge Summary dated 1/24/10 identified that the patient had a right hip surgical repair on 1/5/10. Patient #15 had a prolonged hospital course due to congestive heart failure (CHF) and during hospitalization required oxygen therapy. Review of the record and interview with the Wound Care Nurse identified that the patient developed a Stage III pressure ulcer on the ear from the oxygen cannula on 1/15/10 and that treatment included normal saline cleanse with Vitamin A & D ointment application. Subsequently, treatment was changed on 1/21/10 to Santyl, the patient was transferred to the Rehabilitation Unit and discharged to home on 2/12/10 with the ear wound healed. Review of the Patient Documentation Policy identified that documentation on the 24 Hour Flow Sheet was completed every 8 hours and that affected systems identified on

admission and thereafter were reassessed every shift. Review of the Nursing 24 Hour Flow Sheets dated 1/15/10 at 8:25 PM through 1/19/10 at 3:10 AM failed to reflect skin assessments of the left ear wound.

The following is a violation of the Regulations of Connecticut State Agencies Section 19-13-D3 (b) Administration (2) and/or (c) Medical staff (2)(B) and/or (d) Medical records (3) and/or (i) General (6).

34. Based on review of clinical records, review of hospital policy and interviews with hospital personnel for one patient (Patient #16), documentation and interviews failed to reflect that the medical record was complete. The findings include:
    a. Patient #16 was admitted to the hospital on 9/1/09 with abdominal pain. The patient's past medical history included end stage renal disease (ESRD) on hemodialysis, two renal transplant failures, chronic anemia, coronary artery disease, diabetes mellitus and status post (s/p) total knee replacement (6/09). Review of the clinical record and interview with the Quality Coordinator on 9/23/10 identified that the patient expired on 10/3/09 at 12:08 AM. Review of the clinical record and interviews with hospital staff failed to reflect that a Discharge Summary was completed.

The following is a violation of the Regulations of Connecticut State Agencies Section 19-13-D3 (a) Physical plant (2) and/or (b) Administration (2) and/or (i) General (6).

35. "Lawrence & Memorial Hospital was surveyed pursuant to the National Fire Protection Association 101 Life Safety Code, 2000 edition as referenced in Part 483.70 (b)."

36. The facility did not ensure that stairways, elevator shafts, light and ventilation shafts, chutes and other vertical openings between floors were enclosed with construction having a fire resistance rating of at least one hour as required by the referenced LSC.

    On 09/07/10 at 02:20 PM, the surveyor, while accompanied by the facility Fire Marshal observed that the newly-installed pneumatic tubing located through the ceiling in the Pharmacy contained voids & penetrations that were not protected with materials having a 30-minute fire resistance rating; i.e. blue, non metallic piping installed for delivery system & copper, insulated pipes routed up through concrete deck.

The following is a violation of the Regulations of Connecticut State Agencies Section 19-13-D3 (a) Physical plant (2) and/or (b) Administration (2) and/or (i) General (6).

37. The facility did not ensure that smoke barriers were constructed to provide at least a one half hour fire resistance rating in accordance with 8.3 as required by the LSC and referenced facility provided fire protection plans.

    On 09/07/10 - 09/09/10 at 09:30 AM and at times throughout the survey day, The surveyor along with the Facility Project Manager observed that the smoke barrier walls above the suspended ceiling assembly for the corridor smoke doors and adjacent smoke barriers walls in

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Buildings 300 and 400 had voids around penetrations used for the passage of wires, conduit, etc. that were not sealed with materials having at least a half hour fire resistance rating as required.

On 09/07/10 at 10:00 AM, the surveyor, while accompanied by the facility Fire Marshal observed that the smoke barrier that runs through the Operating Room suite had penetrations running through it that were not protected with materials having a 30-minute, fire resistance rating; i.e. voids and penetrations above ceiling around flexible, metal conduits running into recovery area, white & yellow cables running through wall above double doors in corridor.

On 09/07/10 - 09/09/10 at 09:30 AM and at times throughout the survey day, The surveyor along with the Facility Project Manager observed that the fire barrier above the suspended ceiling assembly for the building separation fire doors and adjacent fire barriers walls in Buildings 100, 400 and 500 had voids around penetrations used for the passage of wires, conduit, etc. that were not sealed with materials having at least a ½ hour half hour fire resistance rating as required.

On 09/07/10 at 09:00 AM, the surveyor, while accompanied by the facility Fire Marshal observed that the area above the suspended ceiling, above the doors in the corridor that separates 3.4 & 3.3 (Operating Rooms) contained piping that ran through the fire barrier and not protected with materials having a ½ -hour fire resistance rating; i.e. copper piping routed through for med gas.

The following is a violation of the Regulations of Connecticut State Agencies Section 19-13-D3 (a) Physical plant (2) and/or (b) Administration (2) and/or (i) General (6).

38. The facility did not assure that the required automatic sprinkler system has valves supervised so that at least a local alarm will sound when the valves are closed as required by 19.3.5.1, 9.7.2.1, NFPA 72, & NFPA 25

    On 09/07/10 at 11:35 AM, the surveyor, while accompanied by the facility Fire Marshal observed that the sprinkler heads that were installed within the walk-in refrigerator & freezer in the dietary department were equipped with control valves that are not electrically supervised; installer used ball-style valves that do not sound a local alarm when closed.

The following is a violation of the Regulations of Connecticut State Agencies Section 19-13-D3 (a) Physical plant (2) and/or (3) and/or (b) Administration (2) and/or (i) General (6).

39. The facility did not ensure that the design, installation and use of its commercial cooking equipment was in accordance with NFPA 96: Standard for Ventilation Control and Fire Protection of Commercial Cooking Operations as required by the referenced LSC.

    On 09/07/10 at 11:55 AM, the surveyor, while accompanied by the facility Fire Marshal observed that the wheeled, natural-gas fired appliances located in the cooking line were not

equipped with a system that would prevent damage to the flexible fuel lines; i.e. tether/cables installed but not being used on any of the gas equipment with wheels under the hood.

The following is a violation of the Regulations of Connecticut State Agencies Section 19-13-D3 (a) Physical plant (2) and/or (b) Administration (2) and/or (i) General (6).

40. The facility did not ensure that Draperies, curtains, including cubicle curtains, and other loosely hanging fabrics and films serving as furnishings or decorations in health care occupancies are in accordance with provisions of 10.3.1 and NFPA 13, Standards for the Installation of Sprinkler Systems or NFPA 701.

    On 09/07/10 at 01:45 PM the surveyor was not provided with documentation from the facility Fire Marshal, to indicate that any of curtains located throughout the patient care rooms & floors were constructed or treated to be flame resistant as required; i.e. No documentation & labels on curtains severely faded as not legible.

The following is a violation of the Regulations of Connecticut State Agencies Section 19-13-D3 (a) Physical plant (2) and/or (b) Administration (2) and/or (i) General (6).

41. The facility did not ensure that solid linen or trash collection receptacles do not exceed 32 gallons in capacity and Mobile soiled linen or trash collection receptacles with capacities greater than 32 gallons are located in a room protected as a hazardous area when not attended as required by the referenced LSC.

    On 09/07/10 at 10:45 PM, the surveyor, while accompanied by the facility Fire Marshal observed that 2, large, Rubbermaid brand collection containers had been left unattended and not in use in the exit-access corridor outside of the Operating Rooms in 3.000; i.e. containers not left within 1-hour enclosure.

The following is a violation of the Regulations of Connecticut State Agencies Section 19-13-D3 (a) Physical plant (2) and/or (b) Administration (2) and/or (i) General (6).

42. The facility did not ensure that patient care electrical devices in-patient areas were being inspected as required in NFPA 99 " Health Care Facilities " .

    On 08/09/10 at 11:50 AM, the surveyor while accompanied by the Behavioral Health Unit Director and the Interim, Director of Engineering observed that 7 (seven) of 16 (sixteen) electric, patient beds lacked current, preventive maintenance stickers and the facility failed to provide documentation that all electric, patient beds located throughout the Behavioral Health Unit (Pond 4) are inspected as required in NFPA 99, Section 7-5.1.3, 7-5.2.2.1 and 7-6.2.1.2 and as part of the facilities preventive maintenance program; i.e. maintenance labels either missing or expired on patient beds in unit.

DATES OF VISIT: Commencing on June 3, 2010 and concluded on October 6, 2010

THE FOLLOWING VIOLATION(S) OF THE REGULATIONS OF CONNECTICUT STATE AGENCIES AND/OR CONNECTICUT GENERAL STATUTES WERE IDENTIFIED

The following is a violation of the Regulations of Connecticut State Agencies Section 19-13-D3 (c) Medical staff (2)(B) and/or (d) Medical records (3) and/or (4)(A) and/or (i) General (6).

43. Based on review of the clinical record, review of hospital policies and procedures, review of hospital documentation and interviews with hospital personnel for one pediatric patient (Patient #1) with a change in condition, the medical staff failed to ensure comprehensive medical oversight of the patient's care. The findings include:
    a. Patient #1 was admitted to the hospital on 4/7/10 with diagnoses that included pneumonia and gastroenteritis. Review of the Discharge Summary (no date, scanned into hospital computer system 5/11/10) by the attending pediatrician, MD #1 indicated that the patient experienced fever (102.7), sore throat, cough and nasal congestion between 3/26/10 through 3/31/10. On 4/4/10, Patient #1 developed abdominal pain with vomiting every 3 hours. Admission blood work (4/7/10) identified a marked leukocytosis, white blood cells (WBC) 29,100 (normal 4.0-13.5) with a left shift, marked dehydration and hypokalemia (potassium = 3.0 mEq/L, normal = 3.5-5.5.0 mEq/L). Urinalysis identified 1+ proteinuria and leukocytosis with 23 WBCs. The chest x-ray dated 4/7/10 demonstrated a small lingular infiltrate and bowel distention consistent with an ileus. The patient was admitted to the pediatric unit 5.4 on 4/7/10 at 5:49 PM and received intravenous (IV) fluids and antibiotics from 4/7/10 through 4/9/10. Physician Progress Notes and interview with MD #1 on 7/15/10 failed to reflect abdominal assessments on 4/8/10. Review of the record and interview with MD #1 identified that on 4/9/10, the patient had a change in condition: Patient #1 had complained of abdominal pain during the night and vomited 300 cc dark liquid (positive for blood) at 8:30 AM. Blood work at 10:40 AM reflected hemoconcentration (dehydration) with a hematocrit (HCT) of 46.4 (normal 35-45), WBC 9600 with a massive left shift, acidosis with a serum CO2 of 18.8 (normal 23.0-31.0) and an anion gap of 15 (normal 5-12). Although MD #1 was notified about the patient's vomiting at 8:40 AM, MD #1 did not see the patient until 11:45 AM. Upon patient examination at 11:45 AM, MD #1 identified that he believed that Patient #1 had a "surgical abdomen" and he ordered a "stat" surgical consult, as well as "stat" flat and erect abdomen and chest x-rays . The patient's abdomen was more distended, diffusely tender with minimal bowel sounds. Upon inquiry, MD #1 did not know if the patient was making urine at that time. Although MD #1 indicated, upon interview, that the patient's breathing was "okay" at noon, interview with the patient's family member on 6/11/10 identified that the patient was "panting" at noon and that MD #1 responded with, "I think it's fluid in her belly". Despite the changes in Patient #1's condition and the assessed need for a stat surgical consult, MD #1 returned to his office. After the patient's condition changed throughout the morning, the clinical record and interviews with hospital staff failed to reflect a patient reassessment that included vital signs (VS) and monitoring of intake and output (I & O) for hemodynamic instability and fluid and electrolyte imbalance. Physician Orders failed to direct VS frequency, I & O and patient activity orders. The "stat" surgical consult was not performed until 2 hours later at 1:45 PM. Interview with the surgeon, MD #2 on 6/30/10 identified that he/she conversed with MD #1

between 12:30 and 1:00 p.m. on 4/9/10 but that MD #1 conveyed no immediacy to assess the patient and/or that the consult was considered to be "stat."

Although MD #2 indicated upon interview that his examination of the patient included abdominal inspection, auscultation, palpation and percussion, peritoneal signs were not identified upon the patient's physical examination. MD #2 stated that he did not review the stat abdominal and chest films that were completed at 1:17 PM. The surgeon, MD #2 did not believe Patient #1 had a "surgical abdomen" and ordered a CT scan. MD #2 returned to his office. Documentation and interviews failed to reflect medical and/or nursing reassessment between 1:45 PM - 4 PM. The patient was finally reassessed at 4 PM by nursing staff and was found to be tachypneic (respirations 30, normal 12-20) and hypotensive (blood pressure 89/56, normal 120/80). Despite unstable vital signs, Patient #1 was transported to CT scan at 4:12 PM without the benefit of medical or nursing supervision. The CT scan (completed at 4:29 PM) reflected small bowel loops with thickened wall suggestive of inflammatory bowel disease, moderate to large amount of ascites, a distended lobulated thick-walled bladder and small bilateral pleural effusions. MD #1, MD #2 and the radiologist, MD #3, reviewed the CT scan together in the radiology department (time unclear). Patient reassessment and monitoring by medical and/or nursing staff was not performed until 6:18 PM (two hours since last assessment), at which time the patient's clinical status had clearly deteriorated. Patient #1 was more tachycardic (HR 200s) and hypotensive (66/54). Although MD #1 and MD #2 identified that the anesthesia department was called to evaluate the patient for intubation (prior to resuscitation), documentation and interview with the anesthesiologist, MD #5 failed to reflect a physical assessment of the patient, any interventions provided and/or consultation with attending medical staff. Review of the Cardiopulmonary Resuscitation (CPR) Record dated 4/9/10 identified that the hospital wide resuscitation team was activated at 6:20 PM. Patient #1 was subsequently asystolic and compressions were started at 6:22 PM and another anesthesiologist (MD #6) intubated the patient at 6:25 PM. CPR was performed for 49 minutes. Interview with MD #1 on 7/15/10 indicated that he pronounced Patient #1 dead at 7:11 PM. Review of the Post Mortem Records (dated 4/15/10 and 6/2/10) identified that the cause of death was related to a ruptured appendix with massive peritonitis.

Review of the Rules and Regulations of the Medical Staff (Appendix B, 5 Attending Physician) identified that every member of the medical staff agrees to provide continuum of care to his patients. Review of the Assessment and Reassessment of Patients Policy identified that assessment of the patient's need for care or treatment begins at the time of initial presentation within the organization. The assessment process would determine the need for care and/or treatment, the type of care to be provided and needs throughout the continuum of care. The policy also identified that the assessment/reassessment process included the collection and analysis of relevant physical data regarding each patient and this process involved continuous, collaborative effort among a multidisciplinary team. Documentation and interviews with MD #1, MD #2 and MD #5 failed to reflect comprehensive medical oversight and supervision that

included patient assessments, reassessments and patient monitoring for hemodynamic instability, as well as fluid and electrolyte imbalance after Patient #1 had a change in condition (had complained of abdominal pain, had vomited, was acidotic and dehydrated) on the morning of 4/9/10.

b. Patient #1 was admitted to the hospital on 4/7/10 with diagnoses that included pneumonia and gastroenteritis. Review of the clinical record and interview with MD #1 on 7/15/10 reflected that he examined Patient #1 on 4/9/10 at 11:45 AM and the patient's abdomen was more distended and tender. MD #1 believed the patient had a "surgical abdomen" and the Physician Progress Note dated 4/9/10 by MD #1 identified that a "stat" surgical consult was initiated. However, the Physician Order dated 4/9/10 at 12:15 PM failed to reflect "stat". Interview with MD #2 on 6/30/10 indicated that he was notified (by written memo) on 4/9/10 of the consultation request while in the operating room and that it was not communicated to him as "stat". MD #2 went to his office after surgery and called MD #1 between 12:30 -1 PM. Review of the Surgical Consultation dated 4/9/10 and interview with MD #2 identified that no peritoneal signs were present upon the patient's physical examination. Interview with MD #2 indicated that the patient was tachypneic on exam. However, MD #2 did not believe Patient #1 had a "surgical abdomen", believed that it was a viral syndrome with an abdominal component and ordered a CT scan (order communicated as "urgent" not "stat"). The CT scan (abdomen and pelvis with contrast) identified that the appendix was not definitely seen. After reviewing the CT scan with MD #1 and the radiologist, MD #3 between 5-5:30 PM, MD #2 indicated that upon returning to the patient's room (? time), the patient was tachycardic. MD #2 instructed the nurses to call anesthesia because he thought the patient would require intubation. Patient #1 arrested on 4/9/10 at 6:22 PM and was pronounced dead at 7:11 PM. Review of the Post Mortem Records indicated that the cause of death was related to a ruptured appendix with massive peritonitis. Review of the Medical Staff On-Call Policy identified that when a house physician requests an on-call physician, it was the expectation of the Medical Staff that the on-call physician would respond within 45 minutes. Furthermore, the on-call physician was not required to interrupt surgery, but was responsible to designate another physician to evaluate the patient. MD #2 examined the patient 2 hours after the stat surgical consult was initiated. Documentation and interviews failed to reflect that the surgeon responded within 45 minutes as per hospital policy.

c. Patient #1 was admitted on 4/7/10 with diagnoses that included pneumonia and gastroenteritis. Interviews with MD #1 on 7/15/10 and MD #2 on 6/30/10 identified that anesthesia was called on 4/9/10 (prior to CPR) to evaluate the patient for intubation. Interview with the anesthesiologist, MD #5 on 7/21/10 identified that he could not recall what time he had evaluated Patient #1, whether it was morning or afternoon and that "they" told him that the patient was not acidotic. Upon inquiry, MD #5 could not identify who "they" were. MD #5 recalled the patient's HR was 180 because the patient was on a monitor and that the patient did not need to be intubated because there was no physical evidence of respiratory distress. MD #5 indicated that there was a lot of confusion and that the Medical Emergency Team (MET) code may have been activated. Review of the MET policy identified that the MET was a rapid response team of

clinicians who brought critical care expertise to the patient bedside or wherever it was needed. The goal of the team was to improve patient outcomes by enhancing the ability to intervene when patients first show signs of medical deterioration. Interviews with the nursing staff identified that the MET team was not utilized in the pediatric department and that the MET code was not activated. Upon inquiry, MD #5 was not sure if he had reviewed the arterial blood gases (ABGs) completed at 6:03 PM and identified that the ABGs were an acidotic blood gas. ABGs on 15 L O2 rebreather mask: pH 7.41 (7.35-7.45), pCO2 20 (35-45), HCO3 12.8 (22-28), pO2 319 (80-100). Documentation and interview with MD #5 failed to reflect a physical assessment of the patient, any interventions provided and/or consultation with attending medical staff. when the patient demonstrated a change in condition.

The following is a violation of the Regulations of Connecticut State Agencies Section 19-13-D3 (d) Medical records (3) and/or (e) Nursing service (1) and/or (i) General (6).

44. Based on review of the clinical record, review of hospital documentation, review of hospital policies and interviews with hospital personnel for one pediatric patient (Patient #1) admitted with the complaint of abdominal pain and a subsequent change in condition, nursing staff failed to complete comprehensive patient assessments, reassessments and monitoring as per hospital policy. The findings include:
    a. Patient #1 was admitted to the 5.4 pediatric unit on 4/7/10 at 5:49 PM with diagnoses that included pneumonia and gastroenteritis. Review of the Pediatric Functional Assessment Form dated 4/7/10 completed on admission at 6:30 PM identified that the patient was experiencing abdominal pain described as constant and at a level 4 (pain scale 0-10, 10 worst). Review of the Interdisciplinary Care Plan dated 4/8/10 reflected pain as a problem. Review of the 24 Hour Pediatric Flow sheet dated 4/8/10 failed to reflect a pain level assessment between 3 PM - 11:30 PM. Interview with RN #4 on 7/1/10 identified that she did not specifically ask the patient about abdominal pain, severity or location, but pain in general. RN #4 indicated that Patient #1 had "vague abdominal discomfort". Review of the Pain Management, Infants and Children policy indicated that the RN would document the pain level on the 24-hour flow sheet every 8 hours and with each reassessment. Documentation failed to reflect the pain assessment and reassessment on 4/8/10 between 3:00 PM-11:30 AM as per hospital policy.
    b. Patient #1 was admitted to the 5.4 pediatric unit on 4/7/10 with diagnoses that included pneumonia and gastroenteritis. Review of the Pediatric Functional Assessment Form dated 4/7/10 completed on admission at 6:30 PM identified that the patient was experiencing abdominal pain described as constant and at a level 4 (pain scale 0-10, 10 worst). A Physician Progress Note dated 4/9/10 at 12:15 PM identified that Patient #1 had complained of abdominal pain during the night. However, review of the nursing documentation failed to reflect the complaint of abdominal pain between 12 AM - 8 AM on 4/9/10 and indicated that the patient's pain level was 0/10 (pain scale 0-10, 10 worst). Interview with RN #5 on 7/1/10 identified that Patient #1 actually did complain of abdominal pain during the night of 4/9/10 and that it was not sharp pain. RN #5 was not sure if the complaint was at 3:30 AM or between 4-5 AM. RN #5 identified that the

patient also communicated the need to defecate and was nauseous. Review of the 24 Pediatric Flow sheet dated 4/9/10 and interview with RN #5 indicated that the patient's abdomen was soft with bowel sounds. RN #5 assisted the patient to the bathroom and believed the abdominal discomfort was "gas". RN #5 identified that she reported the patient's pain and nausea to the oncoming shift. Interview with RN #2 (4/9/10 on-coming, day shift nurse) on 6/7/10 recalled the shift report and that the patient had a "fussy night" and had "dry heaves". Review of the Pain Management, Infants and Children policy indicated that the RN would document the pain level on the 24-hour flow sheet every 8 hours and with each reassessment. Documentation failed to reflect Patient #1's complaint of pain and pain reassessment during the night on 4/9/10 as per hospital policy.

c. Review of the intake and output (I & O) sections of the 24 Hour Pediatric Flow sheets dated 4/7/10, 4/8/10 and 4/9/10 reflected incomplete documentation in the "end of shift" and twenty-four hour totals were blank. No urine output was noted on 4/7/10. On 4/8/10, Patient #1's urine output was 300 cc for 24 hours. On 4/9/10, no output was noted on the night shift. The day shift noted "voided x 3 per patient" (with no amount or time noted). Interview with RN #2 reported that the patient "missed the hat" in the bathroom. Documentation for the 3 days indicated the patient's urine output was 300+ cc. Review of the 2010 Lippincott Intake and Output assessment procedure utilized by the hospital identified that I & O may be recorded hourly or at the end of each shift and that total I & O should be calculated at the end of 24 hours and recorded according to the facility's policy. The hospital lacked an I & O policy. Documentation and interviews with nursing staff failed to reflect that Patient #1's hydration status was monitored in order to assess for hemodynamic instability, as well as fluid and electrolyte imbalance.

d. Review of a Nurse's Note dated 4/9/10 at 8:40 AM and interview with RN #2 on 6/7/10 identified that Patient #1 complained of epigastric discomfort, was pale and vomited 300 cc dark liquid (positive for blood) at 8:30 AM on 4/9/10. VS reflected: temperature 37 degrees Celsius, HR 120, RR 20, BP 132/82. RN #2 notified MD #1 and the physician directed nothing by mouth (NPO). Review of the 24 Hour Pediatric Flow sheets dated 4/9/10, 7 AM- 3 PM and interview with RN #2 failed to reflect bowel sound assessment. Blood work obtained at 10:40 AM reflected WBC 9.6 (4.0-13.5), hematocrit 48.8 (35-45), CO2 18.8 (23.0-31.0) and anion gap 15 (5-12). RN #2 reviewed VS and blood work with the pediatric APRN (APRN #1). Although an interview on 6/11/10 with family members present with the patient on 4/9/10, identified that the patient was "panting", Interviews with APRN #1 on 6/3/10 & 7/21/10 identified that she reviewed VS and labs with RN #2 on 4/9/10, that she hung an IV at approximately noon, but did not assess the patient. Interview with NM #1 on 7/1/10 identified that she would have expected APRN #1 to complete a patient assessment. Patient #1 vomited again at 2 PM (300 cc emesis, positive for blood). Although interview with RN #2 identified that she (RN #2) was "nervous" about the patient's condition on 4/9/10 and believed that she obtained the patient's VS at noon, documentation failed to reflect VS after 8:30 AM or a reassessment until 4 PM which identified the patient was hypotensive (BP 89/56) and tachypneic (RR 30). Review of the Assessment and Reassessment of Patients policy

identified that reassessment was to be ongoing and would be related to a significant change in the patient's condition. Documentation and interviews failed to reflect that the patient was monitored or assessed according to hospital policy.

e. Review of the 24 Hour Pediatric Flow sheets dated 4/9/10, 3 PM- 11 PM indicated that the patient's abdomen was soft, non-distended and non-tender, however, failed to reflect bowel sound assessment. Interview with RN #3 on 6/7/10 identified that she thought the patient had hypoactive bowel sounds. The patient was hypotensive (BP 89/56) at 4 PM prior to CT scan. Review of hospital documentation and interview with the Manager of Patient Support Services on 6/8/10 identified that Patient #1's transport from the pediatric unit to CT scan was completed at 4:12 PM. Likewise, transport from CT scan to the pediatric unit was completed at 4:58 PM. However, review of the clinical record and interviews with RN #1 and RN #3 failed to reflect the time when the patient returned to the pediatric unit from radiology and failed to reflect a patient assessment upon return from radiology. Patient reassessment was completed over 2 hours later at 6:20 PM and noted that the patient had deteriorated: BP 66/54, HR 200's, RR 44. Review of the Medical Emergency Team (MET) policy identified that the MET was a rapid response team of clinicians who brought critical care expertise to the patient bedside or wherever it was needed. The goal of the team was to improve patient outcomes by enhancing the ability to intervene when patients first show signs of medical deterioration. Interview with the Clinical Coordinator, RN #1 on 6/7/10 identified that MET was not activated for Patient #1. Interview with NM #1 on 6/7/10 identified that the MET was not utilized for pediatric patients and that pediatric patients were not admitted to ICU, but were transferred out to other hospitals. Review of the Cardiopulmonary Resuscitation (CPR) Record dated 4/9/10 identified that the hospital wide resuscitation team was activated at 6:20 PM. Patient #1 was pronounced dead at 7:11 PM on 4/9/10. Review of the Assessment and Reassessment of Patients Policy identified that assessment of the patient's need for care or treatment begins at the time of initial presentation and continues throughout the patient's contact within the organization. The assessment process would determine the need for care and/or treatment, the type of care to be provided and the needs throughout the continuum of care. The policy also identified that the assessment/reassessment process included the collection and analysis of relevant physical data regarding each patient and this process involved continuous, collaborative effort among a multidisciplinary team. Documentation and interviews with hospital staff failed to reflect that the hospital staff assessed, reassessed, monitored and intervened in a timely manner when Patient #1's clinical status deteriorated.

The following is a violation of the Regulations of Connecticut State Agencies Section 19-13-D3 (d) Medical records (3) and/or (e) Nursing service (1) and/or (i) General (6).

45. Based on review of the clinical record, review of hospital documentation, review of hospital policies and interviews with hospital personnel for one pediatric patient (Patient #1) who became hypotensive, nursing staff failed to notify the physician regarding the patient's change in condition as per hospital policy. The findings include:

THE FOLLOWING VIOLATION(S) OF THE REGULATIONS OF CONNECTICUT STATE AGENCIES AND/OR CONNECTICUT GENERAL STATUTES WERE IDENTIFIED

a. The Physician Progress Note dated 4/9/10 at 12:15 PM indicated that the patient's abdomen became more distended, diffusely tender with minimal bowel sounds and a stat surgical consult was noted. Surgical consultation was completed at 2 PM and a CT scan was ordered. At 4 PM, the patient was tachypneic (RR 30) and hypotensive (BP 89/56) prior to the CT scan. Review of the record and interview with RN #3 on 6/7/10 identified that she reported the VS to the Clinical Coordinator, RN #1 not to the physician. Review of hospital documentation and interview with the Director of Risk Management indicated that RN #3 and RN #1 had discussed the 4 PM VS and decided that the patient needed the CT scan before the patient was transferred to another hospital. Review of the Timely Physician Notification policy identified that in the event of a deterioration in the patient's condition, the nurse would notify the physician immediately. Interview with the Pediatric Nurse Manager, NM #1 identified that she would expect the 4 PM vital signs to have been communicated to the physician.

The following is a violation of the Regulations of Connecticut State Agencies Section 19-13-D3 (e) Nursing service (1) and/or (i) General (6).

46. Based on review of the clinical record, review of hospital documentation, review of hospital policies and interviews with hospital personnel for one pediatric patient (Patient #1) with a change in condition, nursing staff failed to follow physician orders. The findings include:
    a. Physician Orders dated 4/9/10 at 12:15 PM directed to hang D5NS/4 (D5 1/4NS) with 20 mEq when available. Review of the 24 Hour Pediatric Flow sheet dated 4/9/10 reflected IV fluid D5NS with 30 mEq potassium infused at 100cc per hour from 8 AM-11 AM and D51/4NS infused at 100cc per hour from 11 AM-5 PM. Review of the Documentation Tool for Central and Peripheral Vascular Access was blank. Review of the record and interview with RN #2 on 6/7/10 failed to reflect the IV with potassium was hung as per physician order.

The following is a violation of the Regulations of Connecticut State Agencies Section 19-13-D3 (d) Medical records (3) and/or (e) Nursing service and/or (i) General (6).

47. Based on review of the clinical records, review of hospital documentation, review of hospital policies and interviews with hospital personnel for 9 of 10 pediatric patients (Patients #1, #2, #3, #4, #6, #7, #8, #9,#10), documentation failed to reflect that patients were routinely monitored to ensure patient safety. The findings include:
    a. Patient #1 was admitted to the hospital on 4/7/10 with diagnoses that included pneumonia and gastroenteritis. Review of the 24 Hour Pediatric Flow sheets dated 4/7/10 through 4/9/10 identified that the pediatric patient was to be monitored hourly for safety. Review of the "hourly rounding logs" dated 4/8/10 and 4/9/10 (no log for 4/7/10) identified that hourly rounds were completed for 7 hours of the 49 hours during Patient #1's hospitalization.

THE FOLLOWING VIOLATION(S) OF THE REGULATIONS OF CONNECTICUT STATE AGENCIES AND/OR CONNECTICUT GENERAL STATUTES WERE IDENTIFIED

b. Patient #2 was admitted to the hospital with abdominal pain and vomiting on 4/11/10 at 3:20 PM. Review of the clinical record indicated that the pediatric patient was diagnosed with appendicitis, underwent an appendectomy on 4/11/10 at 4:10 PM and was discharged on 4/13/10 at 11 AM. Although a review of the 24 Hour Pediatric Flow sheet dated 4/11/10 indicated hourly rounds, review of the "hourly rounding logs" failed to reflect that hourly rounds were completed (upon return from the operating room) on 4/11/10 from 7 PM to 12 AM.

c. Patient #3 was admitted to the hospital with right middle lobe pneumonia and asthma on 4/20/10 at 11 PM. Review of the clinical record indicated that the pediatric patient was discharged on 4/21/10 at 2 PM. Review of the 24 Hour Pediatric Flow sheets dated 4/20/10 through 4/21/10 identified that the patient was on hourly rounding for safety. Documentation and interviews failed to reflect that hourly rounding was performed during the patient's hospitalization.

d. Patient #4 was admitted to the hospital with acute appendicitis on 4/26/10, underwent a laparoscopic appendectomy and was discharged on 4/27/10. Review of the record failed to reflect that hourly rounds were completed postoperatively between 8:30 PM and 12 AM on 4/26/10.

e. Patient #6 was admitted to the hospital on 4/24/10 with asthma exacerbation and discharged on 4/25/10. Review of the "hourly rounding log" failed to reflect that hourly rounds were completed on 4/24/10.

f. Patient #7 was admitted to the hospital on 4/20/10 with a peritonsilar abscess. Review of the record identified that an urgent tonsillectomy with an incision and drainage of the abscess was performed and the patient was discharged on 4/21/10 at 11:30 AM. Review of the clinical record failed to reflect that hourly rounds were completed postoperatively on 4/20/10 from 7:45 PM to midnight.

g. Patient #8 was admitted to the hospital on 4/16/10 at 3:50 AM with diagnoses that included asthma and right upper lobe pneumonia. Review of the record identified that the patient was discharged on 4/19/10 at 11:48 AM. Review of the "hourly rounding logs" identified that hourly rounds were completed for only 12 hours of the patient's hospitalization.

h. Patient #9 was admitted to the hospital on 4/13/10 at 1:25 PM with asthma and pneumonia and discharged on 4/15/10 at 11:20 AM. Review of the "hourly rounding logs" indicated that rounds were not completed for 23 hours of the hospitalization.

i. Patient #10 was admitted on 4/13/10 at 4:32 PM with asthma and discharged on 4/14/10 at 5:16 PM. Review of the "hourly rounding logs" indicated that rounds were not completed for the evening shift on 4/13/10.

Review of the log sheets and interviews with the Director of Education and Pediatric Nurse Manager, NM #1 identified that, although the hospital lacked a policy to reflect "hourly rounds", hourly rounds were conducted for all pediatric patients with the intent to review toileting, pain, positioning, as well as an environmental assessment for safety. Documentation and interviews failed to reflect that hourly rounds were completed to ensure patient safety.

DATES OF VISIT: Commencing on June 3, 2010 and concluded on October 6, 2010

THE FOLLOWING VIOLATION(S) OF THE REGULATIONS OF CONNECTICUT STATE AGENCIES AND/OR CONNECTICUT GENERAL STATUTES WERE IDENTIFIED

The following is a violation of the Regulations of Connecticut State Agencies Section 19-13-D3 (c) Medical staff (2)(B) and/or (d) Medical records (3).

48. Based on review of the clinical record and interviews with hospital staff for one pediatric patient (Patient #1) who expired, the medical record reflected discrepancies. The findings include:
    a. Review of the clinical record and interviews with hospital personnel identified that Patient #1 expired on 4/9/10 at 7:11 PM. Review of the Death Certificate dated 4/9/10 indicated that the patient's immediate cause of death was gastrointestinal hemorrhage due to enterocolitis due to pneumonia. An autopsy of the chest and abdomen was completed on 4/10/10 at 12:45 PM. The Post Mortem Record dated 4/10/10 noted the Provisional Anatomical Diagnoses as ruptured appendix with massive peritonitis. The second Post Mortem Record dated 6/2/10 noted the Final Anatomical Diagnoses as ruptured appendix with massive peritonitis. Interview with MD #1 on 7/15/10 indicated that he completed the Death Certificate immediately after death and that he did not know if the Death Certificate would be amended. Review of the General Statutes of Connecticut Section 19a-41-10. Death records: Amending cause of death information identified that when existing language on a standard death certificate (VS-4) required amendment due to a change in the original cause-of-death diagnosis, the practitioner who provided the original medical certification shall submit a letter to the local registrar of the town where the death occurred, indicating the correct cause of death.

SUPPLEMENTAL EXHIBIT 17(b)

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	070007	A. BUILDING _____ B. WING _____	C 07/21/2010

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
LAWRENCE & MEMORIAL HOSPITAL	365 MONTAUK AVE NEW LONDON, CT 06320

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE
A 338	482.22 MEDICAL STAFF The hospital must have an organized medical staff that operates under bylaws approved by the governing body and is responsible for the quality of medical care provided to patients by the hospital. This CONDITION is not met as evidenced by: Based on review of the clinical record, review of hospital policies and procedures, review of hospital documentation and interviews with hospital personnel for one pediatric patient (Patient #1) who's condition became unstable, the hospital's medical staff failed to ensure comprehensive medical oversight of the patient's care. 1. Patient #1 was admitted to the hospital on 4/7/10 with diagnoses that included pneumonia and gastroenteritis. Review of the clinical record and interviews with hospital personnel identified that the patient's condition changed on 4/9/10: Patient #1 had complained of abdominal pain during the night, vomited, became acidotic, tachycardic and hypotensive. Documentation and interviews failed to reflect that medical interventions and resuscitative efforts were implemented in a timely manner, consistent with the acuity of the patient's condition. (see A 0347)	A 338	**Tag #s A338, A347** Immediate actions undertaken and include: --Peer Review of case by the Chairman of Pediatrics --Pediatric review by an external pediatrician not affiliated with the hospital --Review of the case with Senior Clinical leadership --Interviews by the Quality & Patient Safety Officer with all unit staff involved with the care of the patient on 4/8/10 and 4/9/10 to determine the details of all aspects of care. -- Department of Surgery and Emergency Services agreed and implemented (July 23, 2010) not to admit to L&M any pediatric patients who may require a general surgery consultation and/or procedure. Both department Chairmen notified their physician staff immediately (July 24, 2010)	Action Implement -ation began July 23, 2010 and is ongoing
A 347	482.22(b) MEDICAL STAFF ACCOUNTABILITY The medical staff must be well organized and accountable to the governing body for the quality of the medical care provided to the patients. (1) The medical staff must be organized in a manner approved by the governing body. (2) If the medical staff has an executive	A 347	--Anesthesia Chairman developed and implemented a new policy, *Anesthesia Management for Airway Evaluation and Management*. Implemented 07/26/10. --Monitoring of MD#5 next 5 anesthesia consultations. This will be done by Chairman or his designee and will include review of documentation as well as all other items outlined in the deficiencies. Implemented 07/26/10.	

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE — TITLE — (X6) DATE 10/28/10

Any deficiency statement ending with an asterisk (*) denotes a deficiency which the institution may be excused from correcting providing it is determined that other safeguards provide sufficient protection to the patients. (See instructions.) Except for nursing homes, the findings stated above are disclosable 90 days following the date of survey whether or not a plan of correction is provided. For nursing homes, the above findings and plans of correction are disclosable 14 days following the date these documents are made available to the facility. If deficiencies are cited, an approved plan of correction is requisite to continued program participation.

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A 338	482.22 MEDICAL STAFF The hospital must have an organized medical staff that operates under bylaws approved by the governing body and is responsible for the quality of medical care provided to patients by the hospital. This CONDITION is not met as evidenced by: Based on review of the clinical record, review of hospital policies and procedures, review of hospital documentation and interviews with hospital personnel for one pediatric patient (Patient #1) who's condition became unstable, the hospital's medical staff failed to ensure comprehensive medical oversight of the patient's care. 1. Patient #1 was admitted to the hospital on 4/7/10 with diagnoses that included pneumonia and gastroenteritis. Review of the clinical record and interviews with hospital personnel identified that the patient's condition changed on 4/9/10: Patient #1 had complained of abdominal pain during the night, vomited, became acidotic, tachycardic and hypotensive. Documentation and interviews failed to reflect that medical interventions and resuscitative efforts were implemented in a timely manner, consistent with the acuity of the patient's condition. (see A 0347)	A 338	**Tag #s A338, A347** Immediate actions undertaken and include: --Peer Review of case by the Chairman of Pediatrics --Pediatric review by an external pediatrician not affiliated with the hospital --Review of the case with Senior Clinical leadership --Interviews by the Quality & Patient Safety Officer with all unit staff involved with the care of the patient on 4/8/10 and 4/9/10 to determine the details of all aspects of care. -- Department of Surgery and Emergency Services agreed and implemented (July 23, 2010) not to admit to L&M any pediatric patients who may require a general surgery consultation and/or procedure. Both department Chairmen notified their physician staff immediately (July 24, 2010) --Anesthesia Chairman developed and implemented a new policy, *Anesthesia Management for Airway Evaluation and Management*. Implemented 07/26/10. --Monitoring of MD#5 next 5 anesthesia consultations. This will be done by Chairman or his designee and will include review of documentation as well as all other items outlined in the deficiencies. Implemented 07/26/10.	Action Implement -ation began July 23, 2010 and is ongoing
A 347	482.22(b) MEDICAL STAFF ACCOUNTABILITY The medical staff must be well organized and accountable to the governing body for the quality of the medical care provided to the patients. (1) The medical staff must be organized in a manner approved by the governing body. (2) If the medical staff has an executive	A 347		

ABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE | TITLE | (X6) DATE

ny deficiency statement ending with an asterisk (*) denotes a deficiency which the institution may be excused from correcting providing it is determined that other afeguards provide sufficient protection to the patients. (See instructions.) Except for nursing homes, the findings stated above are disclosable 90 days following the date f survey whether or not a plan of correction is provided. For nursing homes, the above findings and plans of correction are disclosable 14 days following the date these ocuments are made available to the facility. If deficiencies are cited, an approved plan of correction is requisite to continued program participation.

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A 347	Continued From page 1 committee, a majority of the members of the committee must be doctors of medicine or osteopathy. (3) The responsibility for organization and conduct of the medical staff must be assigned only to an individual doctor of medicine or osteopathy or, when permitted by State law of the State in which the hospital is located, a doctor of dental surgery or dental medicine. This STANDARD is not met as evidenced by: Based on review of the clinical record, review of hospital policies and procedures, review of hospital documentation and interviews with hospital personnel for one pediatric patient (Patient #1) with a change in condition, the medical staff failed to ensure comprehensive medical oversight of the patient's care. The findings include: 1. Patient #1 was admitted to the hospital on 4/7/10 with diagnoses that included pneumonia and gastroenteritis. Review of the Discharge Summary (no date, scanned into hospital computer system 5/11/10) by the attending pediatrician, MD #1 indicated that the patient experienced fever (102.7), sore throat, cough and nasal congestion between 3/26/10 through 3/31/10. On 4/4/10, Patient #1 developed abdominal pain with vomiting every 3 hours. Admission blood work (4/7/10) identified a marked leukocytosis, white blood cells (WBC) 29,100 (normal 4.0-13.5) with a left shift, marked dehydration and hypokalemia (potassium = 3.0 mEq/L, normal = 3.5-5.5.0 mEq/L). Urinalysis identified 1+ proteinuria and leukocytosis with 23 WBCs. The chest x-ray dated 4/7/10 demonstrated a small lingular infiltrate and bowel	A 347	**Tag #s A338, A347** continued --Chairman of Pediatrics notified all the pediatricians as well as family medicine providers of the Hospital's decision to stop pediatric admissions for cases that may require a general surgery consult and/or procedure. This was communicated in the following ways: 1. A memo placed in each physician's hospital mailbox. 2. An Outlook e-mail sent to them. 3. A phone call to each office, by the Chairman, whereby he talked to at least one physician in the practice and asked that they pass the word to his/her associates. --On 7/24/10, the Chairman of Pediatrics personally spoke with MD#1 to advise him that his next 5 pediatric admissions would be proctored by the Chairman and will include review of documentation as well as all other items outlined in the deficiencies. --Notification of same was made to the Credentials Committee. All actions, implementation, and monitoring are being reported to the Chief Quality & Patient Safety Officer on a regular basis. In turn the Hospital's Quality Council, Medical Executive Committee, Senior Leadership and the Board will be kept updated on the progress of the implementation and results. An initial update report was given to the Board at their July 26, 2010 meeting.	Action Implement -ation began July 23, 2010 and is ongoing

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A 347	Continued From page 2 distention consistent with an ileus. The patient was admitted to the pediatric unit 5.4 on 4/7/10 at 5:49 PM and received intravenous (IV) fluids and antibiotics from 4/7/10 through 4/9/10. Physician Progress Notes and interview with MD #1 on 7/15/10 failed to reflect abdominal assessments on 4/8/10. Review of the record and interview with MD #1 identified that on 4/9/10, the patient had a change in condition: Patient #1 had complained of abdominal pain during the night and vomited 300 cc dark liquid (positive for blood) at 8:30 AM. Blood work at 10:40 AM reflected hemoconcentration (dehydration) with a hematocrit (HCT) of 46.4 (normal 35-45), WBC 9600 with a massive left shift, acidosis with a serum CO2 of 18.8 (normal 23.0-31.0) and an anion gap of 15 (normal 5-12). Although MD #1 was notified about the patient's vomiting at 8:40 AM, MD #1 did not see the patient until 11:45 AM. Upon patient examination at 11:45 AM, MD #1 identified that he believed that Patient #1 had a "surgical abdomen" and he ordered a "stat" surgical consult, as well as "stat" flat and erect abdomen and chest x-rays . The patient's abdomen was more distended, diffusely tender with minimal bowel sounds. Upon inquiry, MD #1 did not know if the patient was making urine at that time. Although MD #1 indicated, upon interview, that the patient's breathing was "okay" at noon, interview with the patient's family member on 6/11/10 identified that the patient was "panting" at noon and that MD #1 responded with, "I think it's fluid in her belly". Despite the changes in Patient #1's condition and the assessed need for a stat surgical consult, MD #1 returned to his office. After the patient's condition changed throughout the morning, the clinical record and interviews with hospital staff failed to reflect a patient reassessment that included vital	A 347	**Tag #s A338, A347** continued Refer to page 1 and 2	

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A 347	Continued From page 3 signs (VS) and monitoring of intake and output (I & O) for hemodynamic instability and fluid and electrolyte imbalance. Physician Orders failed to direct VS frequency, I & O and patient activity orders. The "stat" surgical consult was not performed until 2 hours later at 1:45 PM. Interview with the surgeon, MD #2 on 6/30/10 identified that he/she conversed with MD #1 between 12:30 and 1:00 p.m. on 4/9/10 but that MD #1 conveyed no immediacy to assess the patient and/or that the consult was considered to be "stat." Although MD #2 indicated upon interview that his examination of the patient included abdominal inspection, auscultation, palpation and percussion, peritoneal signs were not identified upon the patient's physical examination. MD #2 stated that he did not review the stat abdominal and chest films that were completed at 1:17 PM. The surgeon, MD #2 did not believe Patient #1 had a "surgical abdomen" and ordered a CT scan. MD #2 returned to his office. Documentation and interviews failed to reflect medical and/or nursing reassessment between 1:45 PM - 4 PM. The patient was finally reassessed at 4 PM by nursing staff and was found to be tachypneic (respirations 30, normal 12-20) and hypotensive (blood pressure 89/56, normal 120/80). Despite unstable vital signs, Patient #1 was transported to CT scan at 4:12 PM without the benefit of medical or nursing supervision. The CT scan (completed at 4:29 PM) reflected small bowel loops with thickened wall suggestive of inflammatory bowel disease, moderate to large amount of ascites, a distended lobulated thick-walled bladder and small bilateral pleural effusions. MD #1, MD #2 and the radiologist, MD #3, reviewed the CT scan	A 347	**Tag #s A338, A347** continued Refer to page 1 and 2	

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A 347	Continued From page 4 together in the radiology department (time unclear). Patient reassessment and monitoring by medical and/or nursing staff was not performed until 6:18 PM (two hours since last assessment), at which time the patient's clinical status had clearly deteriorated. Patient #1 was more tachycardic (HR 200s) and hypotensive (66/54). Although MD #1 and MD #2 identified that the anesthesia department was called to evaluate the patient for intubation (prior to resuscitation), documentation and interview with the anesthesiologist, MD #5 failed to reflect a physical assessment of the patient, any interventions provided and/or consultation with attending medical staff. Review of the Cardiopulmonary Resuscitation (CPR) Record dated 4/9/10 identified that the hospital wide resuscitation team was activated at 6:20 PM. Patient #1 was subsequently asystolic and compressions were started at 6:22 PM and another anesthesiologist (MD #6) intubated the patient at 6:25 PM. CPR was performed for 49 minutes. Interview with MD #1 on 7/15/10 indicated that he pronounced Patient #1 dead at 7:11 PM. Review of the Post Mortem Records (dated 4/15/10 and 6/2/10) identified that the cause of death was related to a ruptured appendix with massive peritonitis. Review of the Rules and Regulations of the Medical Staff (Appendix B, 5 Attending Physician) identified that every member of the medical staff agrees to provide continuum of care to his patients. Review of the Assessment and Reassessment of Patients Policy identified that assessment of the patient's need for care or treatment begins at the time of initial presentation within the organization. The assessment process would determine the need for care and/or	A 347	**Tag #s A338, A347** continued Refer to page 1 and 2	

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A 347	Continued From page 5 treatment, the type of care to be provided and needs throughout the continuum of care. The policy also identified that the assessment/reassessment process included the collection and analysis of relevant physical data regarding each patient and this process involved continuous, collaborative effort among a multidisciplinary team. Documentation and interviews with MD #1, MD #2 and MD #5 failed to reflect comprehensive medical oversight and supervision that included patient assessments, reassessments and patient monitoring for hemodynamic instability, as well as fluid and electrolyte imbalance after Patient #1 had a change in condition (had complained of abdominal pain, had vomited, was acidotic and dehydrated) on the morning of 4/9/10. 2. Patient #1 was admitted to the hospital on 4/7/10 with diagnoses that included pneumonia and gastroenteritis. Review of the clinical record and interview with MD #1 on 7/15/10 reflected that he examined Patient #1 on 4/9/10 at 11:45 AM and the patient's abdomen was more distended and tender. MD #1 believed the patient had a "surgical abdomen" and the Physician Progress Note dated 4/9/10 by MD #1 identified that a "stat" surgical consult was initiated. However, the Physician Order dated 4/9/10 at 12:15 PM failed to reflect "stat". Interview with MD #2 on 6/30/10 indicated that he was notified (by written memo) on 4/9/10 of the consultation request while in the operating room and that it was not communicated to him as "stat". MD #2 went to his office after surgery and called MD #1 between 12:30 -1 PM. Review of the Surgical Consultation dated 4/9/10 and interview with MD	A 347	**Tag #s A338, A347** continued Refer to page 1 and 2	

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A 347	Continued From page 6 #2 identified that no peritoneal signs were present upon the patient's physical examination. Interview with MD #2 indicated that the patient was tachypneic on exam. However, MD #2 did not believe Patient #1 had a "surgical abdomen", believed that it was a viral syndrome with an abdominal component and ordered a CT scan (order communicated as "urgent" not "stat"). The CT scan (abdomen and pelvis with contrast) identified that the appendix was not definitely seen. After reviewing the CT scan with MD #1 and the radiologist, MD #3 between 5-5:30 PM, MD #2 indicated that upon returning to the patient's room (? time), the patient was tachycardic. MD #2 instructed the nurses to call anesthesia because he thought the patient would require intubation. Patient #1 arrested on 4/9/10 at 6:22 PM and was pronounced dead at 7:11 PM. Review of the Post Mortem Records indicated that the cause of death was related to a ruptured appendix with massive peritonitis. Review of the Medical Staff On-Call Policy identified that when a house physician requests an on-call physician, it was the expectation of the Medical Staff that the on-call physician would respond within 45 minutes. Furthermore, the on-call physician was not required to interrupt surgery, but was responsible to designate another physician to evaluate the patient. MD #2 examined the patient 2 hours after the stat surgical consult was initiated. Documentation and interviews failed to reflect that the surgeon responded within 45 minutes as per hospital policy. 3. Patient #1 was admitted on 4/7/10 with diagnoses that included pneumonia and gastroenteritis. Interviews with MD #1 on 7/15/10	A 347	**Tag #s A338, A347** continued Refer to page 1 and 2	

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A 347	Continued From page 7 and MD #2 on 6/30/10 identified that anesthesia was called on 4/9/10 (prior to CPR) to evaluate the patient for intubation. Interview with the anesthesiologist, MD #5 on 7/21/10 identified that he could not recall what time he had evaluated Patient #1, whether it was morning or afternoon and that "they" told him that the patient was not acidotic. Upon inquiry, MD #5 could not identify who "they" were. MD #5 recalled the patient's HR was 180 because the patient was on a monitor and that the patient did not need to be intubated because there was no physical evidence of respiratory distress. MD #5 indicated that there was a lot of confusion and that the Medical Emergency Team (MET) code may have been activated. Review of the MET policy identified that the MET was a rapid response team of clinicians who brought critical care expertise to the patient bedside or wherever it was needed. The goal of the team was to improve patient outcomes by enhancing the ability to intervene when patients first show signs of medical deterioration. Interviews with the nursing staff identified that the MET team was not utilized in the pediatric department and that the MET code was not activated. Upon inquiry, MD #5 was not sure if he had reviewed the arterial blood gases (ABGs) completed at 6:03 PM and identified that the ABGs were an acidotic blood gas. ABGs on 15 L O2 rebreather mask: pH 7.41 (7.35-7.45), pCO2 20 (35-45), HCO3 12.8 (22-28), pO2 319 (80-100). Documentation and interview with MD #5 failed to reflect a physical assessment of the patient, any interventions provided and/or consultation with attending medical staff. when the patient demonstrated a change in condition.	A 347	**Tag #s A338, A347** continued Refer to page 1 and 2	
A 385	482.23 NURSING SERVICES	A 385		

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A 385	Continued From page 8 The hospital must have an organized nursing service that provides 24-hour nursing services. The nursing services must be furnished or supervised by a registered nurse. This CONDITION is not met as evidenced by: Based on review of the clinical record, review of hospital documentation, review of hospital policies and interviews with hospital personnel for one pediatric patient (Patient #1) admitted with the complaint of abdominal pain and a subsequent change in condition, nursing staff failed to complete assessments, monitor and intervene in a timely manner when Patient #1's clinical status deteriorated. (see A 0395)	A 385	**Tag # A385, A 395** **Policies:** Review and revise, if indicated, the following hospital policies: 1) Cardiopulmonary Resuscitation 2) Care of Patient in Medical Emergency/Medical Emergency Team; and 3) Assessment and Reassessment of Patients - Review and revision includes development of pediatric-specific assessment and reassessment policy and the addition of the Pediatric Early Warning System (PEWS) 4) Documentation, Patient Started June 1, 2010 and to be completed and approved by 8/10/2010 Responsible Person(s): Director of Patient Care Services, Director of Nursing Research and Clinical Education, and Pediatric APRN	August 10, 2010
A 395	482.23(b)(3) RN SUPERVISION OF NURSING CARE A registered nurse must supervise and evaluate the nursing care for each patient. This STANDARD is not met as evidenced by: Based on review of the clinical record, review of hospital documentation, review of hospital policies and interviews with hospital personnel for one pediatric patient (Patient #1) admitted with the complaint of abdominal pain and a subsequent change in condition, nursing staff failed to complete comprehensive patient assessments, reassessments and monitoring as per hospital policy. The findings include: 1. Patient #1 was admitted to the 5.4 pediatric unit on 4/7/10 at 5:49 PM with diagnoses that included pneumonia and gastroenteritis. Review of the Pediatric Functional Assessment Form dated 4/7/10 completed on admission at 6:30 PM identified that the patient was experiencing abdominal pain described as constant and at a	A 395	**Education/Implementation:** 1) L&M Hospital will educate all nursing staff regarding any policy revisions. This will be done via a Health Stream assignment. — 1-August 20, 2010 2) Pediatric Mock Codes will be completed with the licensed staff on 5.4 — 2- August 2, 2010 3) 5.4 licensed staff will be educated on the Pediatric Early Warning System (PEWS) — 3- August 10, 2010 4) The Pediatric APRN will review the above mentioned policies and introduce the Pediatric Early Warning System (PEWS) at the next Pediatric Department meeting on August 6, 2010. — 4-August 6, 2010 5) PEWS information provided to E.D. physicians with expectations for them to respond to nursing. When there is a PEWS score of 5-6, the E.D. physician will be notified and told of a need for a medical assessment. This process will continue until August 6, 2010 when the plan has been fully implemented with the pediatricians. — 5-August 6, 2010 Started 07/30/2010 and fully completed by 8/20/2010.	

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A 395	Continued From page 9 level 4 (pain scale 0-10, 10 worst). Review of the Interdisciplinary Care Plan dated 4/8/10 reflected pain as a problem. Review of the 24 Hour Pediatric Flowsheet dated 4/8/10 failed to reflect a pain level assessment between 3 PM - 11:30 PM. Interview with RN #4 on 7/1/10 identified that she did not specifically ask the patient about abdominal pain, severity or location, but pain in general. RN #4 indicated that Patient #1 had "vague abdominal discomfort". Review of the Pain Management, Infants and Children policy indicated that the RN would document the pain level on the 24 hour flow sheet every 8 hours and with each reassessment. Documentation failed to reflect the pain assessment and reassessment on 4/8/10 between 3:00 PM-11:30 AM as per hospital policy. 2. Patient #1 was admitted to the 5.4 pediatric unit on 4/7/10 with diagnoses that included pneumonia and gastroenteritis. Review of the Pediatric Functional Assessment Form dated 4/7/10 completed on admission at 6:30 PM identified that the patient was experiencing abdominal pain described as constant and at a level 4 (pain scale 0-10, 10 worst). A Physician Progress Note dated 4/9/10 at 12:15 PM identified that Patient #1 had complained of abdominal pain during the night. However, review of the nursing documentation failed to reflect the complaint of abdominal pain between 12 AM - 8 AM on 4/9/10 and indicated that the patient's pain level was 0/10 (pain scale 0-10, 10 worst). Interview with RN #5 on 7/1/10 identified that Patient #1 actually did complain of abdominal pain during the night of 4/9/10 and that it was not sharp pain. RN #5 was not sure if the complaint was at 3:30 AM or between 4-5 AM. RN #5 identified that the patient also communicated the	A 395	**Tag # A385, A 395** Monitoring to Prevent Reoccurrence & Assure Compliance: **Monitoring** will be performed as described below: 1) All inpatient pediatric records will be audited for the following: documentation and assessment is completed minimally every 8 hours and vital signs/intake and output are documented as ordered. This review will be conducted retrospectively for July pediatric inpatient records and as an ongoing review of all pediatric inpatient records until 30 reviews have been completed and a 90% compliance rate has been achieved. Then 10 records will be reviewed by random sample on a quarterly basis to ensure on-going compliance is maintained. 2) All pediatric inpatient medical records will be audited for PEWS compliance beginning August 25, 2010. All pediatric inpatient records will be reviewed until 30 reviews have been completed and a 90% compliance rate has been achieved. Then 10 records will be reviewed by random sample on a quarterly basis to ensure ongoing compliance is maintained. 3) The pediatric case monthly report, that includes a review of all inpatient pediatric cases, will be enhanced to add a review of, and greater focus on, the completion of the PEWS score as well as its use in identifying and initiating a response to a change in patient condition. To be completed as indicated in monitoring description. Responsible Person(s): Director of Patient Care Services, Director of Nursing Research and Clinical Education, 5.4 Nurse Manager and Pediatric APRN	Beginning August 25, 2010 and ongoing

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A 395	Continued From page 10 need to defecate and was nauseous. Review of the 24 Pediatric Flowsheet dated 4/9/10 and interview with RN #5 indicated that the patient's abdomen was soft with bowel sounds. RN #5 assisted the patient to the bathroom and believed the abdominal discomfort was "gas". RN #5 identified that she reported the patient's pain and nausea to the oncoming shift. Interview with RN #2 (4/9/10 on-coming, day shift nurse) on 6/7/10 recalled the shift report and that the patient had a "fussy night" and had "dry heaves". Review of the Pain Management, Infants and Children policy indicated that the RN would document the pain level on the 24 hour flow sheet every 8 hours and with each reassessment. Documentation failed to reflect Patient #1's complaint of pain and pain reassessment during the night on 4/9/10 as per hospital policy. 3. Review of the intake and output (I & O) sections of the 24 Hour Pediatric Flowsheets dated 4/7/10, 4/8/10 and 4/9/10 reflected incomplete documentation in the the "end of shift" and twenty-four hour totals were blank. No urine output was noted on 4/7/10. On 4/8/10, Patient #1's urine output was 300 cc for 24 hours. On 4/9/10, no output was noted on the night shift. The day shift noted "voided x 3 per patient" (with no amount or time noted). Interview with RN #2 reported that the patient "missed the hat" in the bathroom. Documentation for the 3 days indicated the patient's urine output was 300+ cc. Review of the 2010 Lippincott Intake and Output assessment procedure utilized by the hospital identified that I & O may be recorded hourly or at the end of each shift and that total I & O should be calculated at the end of 24 hours and recorded according to the facility's policy. The hospital lacked an I & O policy. Documentation and	A 395	**Tag # A385, A 395** Refer to pages 9 and 10 **Pain Education:** All inpatient pediatric trained staff will review the hospital policy "Review of the Pain Management, Infants and Children" via Health stream. **Pain Monitoring:** All pediatric inpatient medical records will be audited for pain assessment and reassessment documentation compliance until 30 reviews have been completed and a 90% compliance rate has been achieved. Then 10 records will be reviewed by random sample monthly until the goal of 90% has been sustained for 3 consecutive months. Responsible Person(s): Pediatric APRN, Nurse Manager, Director Patient Care Services **I&O Education:** All inpatient pediatric trained staff will review the policy Assessment and Reassessment of Pediatric Patients – which includes Measuring Intake and Output-referenced from *Waley & Wong's Nursing Care of Infants and Children*. Education will be completed via Health stream. **I&O Monitoring:** All pediatric inpatient medical records will be audited for I & O documentation compliance. All pediatric inpatient records will be reviewed until 30 reviews have been completed and a 90% compliance rate has been achieved. Then 10 records will be reviewed by random sample monthly until the goal of 90% has been sustained for 3 consecutive months. Responsible Person(s): Pediatric APRN, Nurse Manager, Director Patient Care Services	Started August 25, 2010 Complete by Nov. 25, 2010 or until 3-consec-utive months of 90% Started August 25, 2010 Complete by Nov. 25, 2010 or until 3-consec-utive months of 90%

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A 395	Continued From page 11 interviews with nursing staff failed to reflect that Patient #1's hydration status was monitored in order to assess for hemodynamic instability, as well as fluid and electrolyte imbalance. 4. Review of a Nurse's Note dated 4/9/10 at 8:40 AM and interview with RN #2 on 6/7/10 identified that Patient #1 complained of epigastric discomfort, was pale and vomited 300 cc dark liquid (positive for blood) at 8:30 AM on 4/9/10. VS reflected: temperature 37 degrees Celsius, HR 120, RR 20, BP 132/82. RN #2 notified MD #1 and the physician directed nothing by mouth (NPO). Review of the 24 Hour Pediatric Flowsheets dated 4/9/10, 7 AM- 3 PM and interview with RN #2 failed to reflect bowel sound assessment. Blood work obtained at 10:40 AM reflected WBC 9.6 (4.0-13.5), hematocrit 48.8 (35-45), CO2 18.8 (23.0-31.0) and anion gap 15 (5-12). RN #2 reviewed VS and blood work with the pediatric APRN (APRN #1). Although an interview on 6/11/10 with family members present with the patient on 4/9/10, identified that the patient was "panting", Interviews with APRN #1 on 6/3/10 & 7/21/10 identified that she reviewed VS and labs with RN #2 on 4/9/10, that she hung an IV at approximately noon, but did not assess the patient. Interview with NM #1 on 7/1/10 identified that she would have expected APRN #1 to complete a patient assessment. Patient #1 vomited again at 2 PM (300 cc emesis, positive for blood). Although interview with RN #2 identified that she (RN #2) was "nervous" about the patient's condition on 4/9/10 and believed that she obtained the patient's VS at noon, documentation failed to reflect VS after 8:30 AM or a reassessment until 4 PM which identified the patient was hypotensive (BP 89/56) and tachypneic (RR 30). Review of the Assessment	A 395	**Assessment Education:** All inpatient pediatric trained staff will complete a review course on physical assessment of pediatric patients. Additionally, all inpatient pediatric staff will demonstrate successful completion of this course as part of their annual competencies. **Assessment Monitoring:** All pediatric inpatient medical records will be audited for physical assessment documentation compliance. All pediatric inpatient records will be reviewed until 30 reviews have been completed and a 90% compliance rate has been achieved. Then 10 records will be reviewed by random sample monthly until the goal of 90% has been sustained for 3 consecutive months. Responsible Person(s): Pediatric APRN, Nurse Manager, Director Patient Care Services **Pedi APRN** – Starting on July 30th, the pediatric APRN conducted complete physical assessment on all pediatric admissions until PEWS was completely rolled-out (2-weeks). APRN's role includes physical assessment of 5.4 Unit pediatric patients. Our review of all Quality Referrals and Medication Events submitted since April 2010, there have been no pediatric (5.4) events or medication events.	Starting August 17, 2010 and ongoing. Started August 25, 2010 Complete by Nov. 25, 2010 or until 3-consecu -tive months of 90% Started July 30, 2010 and complete August 15, 2010.

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A 395	Continued From page 12 and Reassessment of Patients policy identified that reassessment was to be ongoing and would be related to a significant change in the patient's condition. Documentation and interviews failed to reflect that the patient was monitored or assessed according to hospital policy. 5. Review of the 24 Hour Pediatric Flowsheets dated 4/9/10, 3 PM- 11 PM indicated that the patient's abdomen was soft, non-distended and non-tender, however, failed to reflect bowel sound assessment. Interview with RN #3 on 6/7/10 identified that she thought the patient had hypoactive bowel sounds. The patient was hypotensive (BP 89/56) at 4 PM prior to CT scan. Review of hospital documentation and interview with the Manager of Patient Support Services on 6/8/10 identified that Patient #1's transport from the pediatric unit to CT scan was completed at 4:12 PM. Likewise, transport from CT scan to the pediatric unit was completed at 4:58 PM. However, review of the clinical record and interviews with RN #1 and RN #3 failed to reflect the time when the patient returned to the pediatric unit from radiology and failed to reflect a patient assessment upon return from radiology. Patient reassessment was completed over 2 hours later at 6:20 PM and noted that the patient had deteriorated: BP 66/54, HR 200's, RR 44. Review of the Medical Emergency Team (MET) policy identified that the MET was a rapid response team of clinicians who brought critical care expertise to the patient bedside or wherever it was needed. The goal of the team was to improve patient outcomes by enhancing the ability to intervene when patients first show signs of medical deterioration. Interview with the Clinical Coordinator, RN #1 on 6/7/10 identified that MET was not activated for Patient #1. Interview with	A 395	**Transport with Assessment/Reassessment** **Policy:** The hospital policy "Communication of Patient Status at Time of Transfer from one Care Setting to Another" will be revised to reflect the nurse's name and initials. The policy states intra-hospital transport tickets will be reviewed by a licensed caregiver prior to the patient leaving the unit. Additionally, the policy will reflect that the licensed caregiver will be notified regarding the patients return to the unit. The licensed caregiver will then ensure that the patient condition is stable upon return to the unit. **Education:** Inpatient pediatric trained staff and patient transport staff will be educated on updated policy. The pediatric Assessment/Reassessment policy contains guidelines that determine when a pediatric patient will be escorted by an RN to a diagnostic test or procedure. **Monitoring:** All pediatric patients who are sent to diagnostic tests without an RN escort will receive a "ticket to ride" reviewed by a licensed caregiver both prior to the patient leaving the unit and upon return to the unit. The tickets will then be audited until 30 reviews have been completed and a 90% compliance rate has been achieved. Then 10 records will be reviewed by random sample monthly until the goal of 90% has been sustained for 3 consecutive months. The tickets will be reviewed for compliance. Concurrent monitoring will include a second check for the ticket to ride form the HUC (unit secretary) to ensure all components of the ticket are in place prior to the patient leaving the unit and upon returning to the unit. Responsible Persons: Pediatric APRN, PCS Director of Clinical Education, and Transport Supervisor	August 25, 2010. August 27,2010 August 25, 2010 Started Sept. 6, 2010 Complete Dec. 6, 2010 or until 3-consec-utive months of 90% Sept. 6, 2010

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A 395	Continued From page 13 NM #1 on 6/7/10 identified that the MET was not utilized for pediatric patients and that pediatric patients were not admitted to ICU, but were transferred out to other hospitals. Review of the Cardiopulmonary Resuscitation (CPR) Record dated 4/9/10 identified that the hospital wide resuscitation team was activated at 6:20 PM. Patient #1 was pronounced dead at 7:11 PM on 4/9/10. Review of the Assessment and Reassessment of Patients Policy identified that assessment of the patient's need for care or treatment begins at the time of initial presentation and continues throughout the patient's contact within the organization. The assessment process would determine the need for care and/or treatment, the type of care to be provided and the needs throughout the continuum of care. The policy also identified that the assessment/reassessment process included the collection and analysis of relevant physical data regarding each patient and this process involved continuous, collaborative effort among a multidisciplinary team. Documentation and interviews with hospital staff failed to reflect that the hospital staff assessed, reassessed, monitored and intervened in a timely manner when Patient #1's clinical status deteriorated. Based on review of the clinical record, review of hospital documentation, review of hospital policies and interviews with hospital personnel for one pediatric patient (Patient #1) who became hypotensive, nursing staff failed to notify the physician regarding the patient's change in condition as per hospital policy. The findings include: 1. The Physician Progress Note dated 4/9/10 at	A 395	**Tag # A395** Refer to pages 9 and 10	

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	070007	A. BUILDING _____ B. WING _____	C 07/21/2010

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
LAWRENCE & MEMORIAL HOSPITAL	365 MONTAUK AVE NEW LONDON, CT 06320

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A 395	Continued From page 14 12:15 PM indicated that the patient's abdomen became more distended, diffusely tender with minimal bowel sounds and a stat surgical consult was noted. Surgical consultation was completed at 2 PM and a CT scan was ordered. At 4 PM, the patient was tachypneic (RR 30) and hypotensive (BP 89/56) prior to the CT scan. Review of the record and interview with RN #3 on 6/7/10 identified that she reported the VS to the Clinical Coordinator, RN #1 not to the physician. Review of hospital documentation and interview with the Director of Risk Management indicated that RN #3 and RN #1 had discussed the 4 PM VS and decided that the patient needed the CT scan before the patient was transferred to another hospital. Review of the Timely Physician Notification policy identified that in the event of a deterioration in the patient's condition, the nurse would notify the physician immediately. Interview with the Pediatric Nurse Manager, NM #1 identified that she would expect the 4 PM vital signs to have been communicated to the physician. Based on review of the clinical record, review of hospital documentation, review of hospital policies and interviews with hospital personnel for one pediatric patient (Patient #1) with a change in condition, nursing staff failed to follow physician orders. The findings include: 1. Physician Orders dated 4/9/10 at 12:15 PM directed to hang D5NS/4 (D5 1/4NS) with 20 mEq when available. Review of the 24 Hour Pediatric Flowsheet dated 4/9/10 reflected IV fluid D5NS with 30 mEq potassium infused at 100cc per hour	A 395	**Tag # A 395** Refer to pages 9 and 10 **Physician Orders Education:** Recent practice change on 5.4 now requires the direct care RN to sign off orders on assigned patients versus the charge nurse signing off orders. This practice change allows for timely review of order changes. **Monitoring:** The Clinical Coordinators review the charts to ensure timely sign off of orders. Responsible Person: Nurse Manager	July 30, 2010 and ongoing. July 30, 2010 and ongoing.

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A 395	Continued From page 15 from 8 AM-11 AM and D51/4NS infused at 100cc per hour from 11 AM-5 PM. Review of the Documentation Tool for Central and Peripheral Vascular Access was blank. Review of the record and interview with RN #2 on 6/7/10 failed to reflect the IV with potassium was hung as per physician order. Based on review of the clinical records, review of hospital documentation, review of hospital policies and interviews with hospital personnel for 9 of 10 pediatric patients (Patients #1, #2, #3, #4, #6, #7, #8, #9,#10), documentation failed to reflect that patients were routinely monitored to ensure patient safety. The findings include: 1. Patient #1 was admitted to the hospital on 4/7/10 with diagnoses that included pneumonia and gastroenteritis. Review of the 24 Hour Pediatric Flowsheets dated 4/7/10 through 4/9/10 identified that the pediatric patient was to be monitored hourly for safety. Review of the "hourly rounding logs" dated 4/8/10 and 4/9/10 (no log for 4/7/10) identified that hourly rounds were completed for 7 hours of the 49 hours during Patient #1's hospitalization. 2. Patient #2 was admitted to the hospital with abdominal pain and vomiting on 4/11/10 at 3:20 PM. Review of the clinical record indicated that the pediatric patient was diagnosed with appendicitis, underwent an appendectomy on 4/11/10 at 4:10 PM and was discharged on 4/13/10 at 11 AM. Although a review of the 24 Hour Pediatric Flowsheet dated 4/11/10 indicated hourly rounds, review of the "hourly rounding logs" failed to reflect that hourly rounds were	A 395	**Tag # 395**continued **Education:** All inpatient pediatric trained staff will complete a review of the hourly rounding guidelines. **Monitoring:** All pediatric hourly rounding forms will be audited for complete documentation compliance. All pediatric hourly rounding forms will be reviewed until 30 reviews have been completed and a 90% compliance rate has been achieved. Then 10 records will be reviewed by random sample monthly until the goal of 90% has been sustained for 3 consecutive months. Responsible Person(s): Pediatric APRN, Nurse Manager and Director Patient Care Services	Started August 25, 2010 Started August 25, 2010 Complete by Nov. 25, 2010 or until 3-consec-utive months of 90%

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A 395	Continued From page 16 completed (upon return from the operating room) on 4/11/10 from 7 PM to 12 AM. 3. Patient #3 was admitted to the hospital with right middle lobe pneumonia and asthma on 4/20/10 at 11 PM. Review of the clinical record indicated that the pediatric patient was discharged on 4/21/10 at 2 PM. Review of the 24 Hour Pediatric Flowsheets dated 4/20/10 through 4/21/10 identified that the patient was on hourly rounding for safety. Documentation and interviews failed to reflect that hourly rounding was performed during the patient's hospitalization. 4. Patient #4 was admitted to the hospital with acute appendicitis on 4/26/10, underwent a laparoscopic appendectomy and was discharged on 4/27/10. Review of the record failed to reflect that hourly rounds were completed postoperatively between 8:30 PM and 12 AM on 4/26/10. 5. Patient #6 was admitted to the hospital on 4/24/10 with asthma exacerbation and discharged on 4/25/10. Review of the "hourly rounding log" failed to reflect that hourly rounds were completed on 4/24/10. 6. Patient #7 was admitted to the hospital on 4/20/10 with a peritonsilar abcess. Review of the record identified that an urgent tonsillectomy with an incision and drainage of the abcess was performed and the patient was discharged on 4/21/10 at 11:30 AM. Review of the clinical record failed to reflect that hourly rounds were completed postoperatively on 4/20/10 from 7:45 PM to midnight.	A 395	**Tag # 395**continued Refer to page 16	

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A 395	Continued From page 17 7. Patient #8 was admitted to the hospital on 4/16/10 at 3:50 AM with diagnoses that included asthma and right upper lobe pneumonia. Review of the record identified that the patient was discharged on 4/19/10 at 11:48 AM. Review of the "hourly rounding logs" identified that hourly rounds were completed for only 12 hours of the patient's hospitalization. 8. Patient #9 was admitted to the hospital on 4/13/10 at 1:25 PM with asthma and pneumonia and discharged on 4/15/10 at 11:20 AM. Review of the "hourly rounding logs" indicated that rounds were not completed for 23 hours of the hospitalization. 9. Patient #10 was admitted on 4/13/10 at 4:32 PM with asthma and discharged on 4/14/10 at 5:16 PM. Review of the "hourly rounding logs" indicated that rounds were not completed for the evening shift on 4/13/10. Review of the log sheets and interviews with the Director of Education and Pediatric Nurse Manager, NM #1 identified that, although the hospital lacked a policy to reflect "hourly rounds", hourly rounds were conducted for all pediatric patients with the intent to review toileting, pain, positioning, as well as an environmental assessment for safety. Documentation and interviews failed to reflect that hourly rounds were completed to ensure patient safety.	A 395		
A 438	482.24(b) FORM AND RETENTION OF RECORDS The hospital must maintain a medical record for each inpatient and outpatient. Medical records must be accurately written, promptly completed, properly filed and retained, and accessible. The	A 438	**Tag # A438** A formal communication will be sent out to all active medical staff members regarding the following State statute:	Nov. 15, 2010

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A 438	Continued From page 18 hospital must use a system of author identification and record maintenance that ensures the integrity of the authentication and protects the security of all record entries. This STANDARD is not met as evidenced by: Surveyor: Hubbard, Dawn Based on review of the clinical record and interviews with hospital staff for one pediatric patient (Patient #1) who expired, the medical record reflected discrepancies. The findings include: 1. Review of the clinical record and interviews with hospital personnel identified that Patient #1 expired on 4/9/10 at 7:11 PM. Review of the Death Certificate dated 4/9/10 indicated that the patient's immediate cause of death was gastrointestinal hemorrhage due to enterocolitis due to pneumonia. An autopsy of the chest and abdomen was completed on 4/10/10 at 12:45 PM. The Post Mortem Record dated 4/10/10 noted the Provisional Anatomical Diagnoses as ruptured appendix with massive peritonitis. The second Post Mortem Record dated 6/2/10 noted the Final Anatomical Diagnoses as ruptured appendix with massive peritonitis. Interview with MD #1 on 7/15/10 indicated that he completed the Death Certificate immediately after death and that he did not know if the Death Certificate would be amended. Review of the General Statutes of Connecticut Section 19a-41-10. Death records: Amending cause of death information identified that when existing language on a standard death certificate (VS-4) required amendment due to a change in the original cause-of-death diagnosis, the practitioner who provided the original medical certification shall submit a letter to the local registrar of the town where the death occurred,	A 438	**Tag # A438** cont'd *General Statutes of Connecticut Section 19a-41-10. Death records: Amending cause of death information identified that when existing language on a standard death certificate (VS-4) required amendment due to a change in the original cause-of-death diagnosis, the practitioner who provided the original medical certification shall submit a letter to the local registrar of the town where the death occurred, indicating the correct cause of death.* Responsible Person: VP/Chief Medical and Clinical Operations Officer	

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A 438	Continued From page 19 indicating the correct cause of death.	A 438		

30% PCW

SUPPLEMENTAL EXHIBIT 17(c)

Consent Order Report to DPH – December 07, 2012

Consent Order Topic	Status
Signature from Bruce due date February 16; extension gotten until March 14, 2011	**COMPLETED 3/14/2011**
1.Clinical Consulting Entity (CCE)	Signed by CEO on 4/11/2011 and Approved by Janet Williams, DPH via email on 4/12/2011 -- **COMPLETED**
2.CCE Serves the interest of the Health Department in assuring safety, etc. of patients	Clinical Consulting Entity (CCE) Agreed and acknowledges the focus as solely Pediatrics -**COMPLETED**
3.Conduct onsite review of hospital systems and direct observations of staff performance per ¶4	Clinical Consulting Entity (CCE) conducted on-site review for 3-days, May 2, 3 and 5, 2011 -- **COMPLETED**
4. CCE review of services shall include, but not limited to the professional and hospital services and systems and shall make recommendations to assure quality in: a., b., c., and d.	**COMPLETED**
5.Initial onsite review within 30-days of signing of the Service Agreement	Clinical Consulting Entity (CCE) conducted on-site review for 3-days, May 2, 3 and 5, 2011 -- **COMPLETED**
6. CCE develops report within 30-days after initial onsite review and shares with DPH and Hospital simultaneously.	CCE due to send report to DPH by approximately end-of-week of June 6, 2011; CCE report arrived yesterday, June 9, 2011. **COMPLETED**
7.DPH will have final authority on approval of CCE	Approval given by DPH for Yale New Haven Children's Hospital (YNHCH)to function as CCE -- **COMPLETED**
8.L&M shall provide proposed timeframe for implementation of CCE recommendations within 21-days of receipt by of DPH determination	Awaiting CCE report and then approval by DPH of their recommendations. CCE report arrived yesterday, June 9, 2011. L&M is reviewing the recommendations and will develop a timeframe for implementation of the recommendations. We will work with DPH and the CCE regarding any recommendation concerns. CCE Recommendation review completed by key L&M stakeholders. Meeting held with Barbara Cass, CT-DPH on 7/14/2011 to discuss L&M's response to the recommendations. Based on that meeting and a follow-up conference call on 7/29/2011 with Ms. Cass, four of the CCE recommendations were responded to with alternative hospital action plans. A follow-up email memorializing the discussion was sent to Ms. Cass on 7/29/2011. The timeframe for implementation was agreed upon with Barbara Cass, CT-DPH on September 6, 2011 after she had reviewed the submission emailed to her on September 2nd. She was in agreement and no changes needed to be made. **COMPLETED**

Consent Order Topic	Status
9.Maintain any records for Consent Order and make available to DPH upon request	All such records will be maintained by the hospital for a minimum of 3-years. **Ongoing** *Ongoing* Ongoing Ongoing maintenance of documents/records
10.CCE shall re-evaluate L&M at 3-months & 6-months after initial report and will provide re-assessment reports	CCE will conduct 3-month re-assessment visit at 3-months (~ 8/11/2011); 6-months (~11/11/2011); Scope of reassessments will be dependent on content of initial assessment. Discussion underway to schedule follow-up CCE reassessment visit this month. 3-month reassessment visit by CCE took place 9/14 and 9/15/2011. Will await CCE report. **Awaiting CCE 3-month reassessment report which has not arrived as of this date.** *CCE report arrived in November; reviewed with key stakeholders' team. Request made to DPH to postpone 6-month CCE reassessment visit until February 2012 due to late arrival of 3-month report. DPH (Barbara Cass) agreed.* 6-month reassessment onsite visit by CCE conducted in March 2012; continue to await their report. CCE 6-month re-assessment report arrived August 8, 2012. Report very positive with acknowledgement of L+M's good progress.
11.L&M to develop and/or revise policies/procedures as necessary within 60-days of the initial evaluation	Within 60-days of the CCE's initial consultation recommendations the hospital will complete as necessary policies and procedures revisions and/or development. CCE report arrived yesterday, June 9, 2011. L&M is reviewing the recommendations and will develop a timeframe for implementation of the recommendations, including necessary policy/procedure revisions and/or development. We will work with DPH and the CCE regarding any recommendation concerns. Now that DPH and the hospital have agreed on the

Consent Order Topic	Status
	recommendations from the CCE and the hospital response, we will move forward with the necessary policies and procedures revisions and/or development. L&M is collaborating with Yale on policy/procedure development and revisions. Yale came on-site in mid-August for this consultation. Policies updated include, but are not limited to: --Assessment & Reassessment Policy --PEWS Scores --Admission Guidelines, Pediatric --Aerosolized Medications, Pediatrics **Another on-site policy consultation visit with Yale is planned for this week; tentatively set for November 3, 2011.** *Ongoing: Several key stakeholder team members working closely with Yale consultants to develop pediatric-specific policies/procedures.* Ongoing Ongoing; Policies reviewed at Pediatric Quality Council
12.Staff education as necessary regarding policies and procedures addressed in the Consent Order within 90-days of CCE's initial evaluation	Within 90-days of the CCE's initial consultation recommendations the hospital will implement the necessary staff education regarding policies and procedures. Staff education will be completed on the policy/procedure changes instituted as a result of the CCE report. Staff will be educated on the necessary policies and procedures once the timeframe for implementation has been approved by the DPH per Consent Order item #8. The timeframe for implementation was agreed upon with Barbara Cass, CT-DPH on September 6, 2011. Policy/procedure/practices education will comply with the timeframes outlined for each recommendation. **Staff education is ongoing as policies are developed or revised. Another on-site policy consultation with Yale is planned for this week; tentatively set for November 3, 2011.** *Ongoing; see item 11.*

Consent Order Topic	Status
	Ongoing; see item 11. Ongoing; see item 11.
13. Education of all LIPs who are not employed at the hospital as necessary re: policies and procedures addressed in the Consent Order	As necessary, the hospital's LIPs will be educated on new or revised policies and procedures. All LIPs education will be completed on the policy/procedure changes instituted as a result of the CCE report. See item 12. **Refer to item 12.** *Ongoing; Refer to item 12.* Ongoing; refer to item 12 Ongoing; refer to item 12
14. Within 60-days of the initial evaluation by the CCE, QA/QI methods for monitoring of the implementation of the requirements Report of such measures will be presented to medical staff and governing authority	QA/QI monitoring methods will be developed in concert with the recommendations. Mechanism in place for reporting to Medical Staff and governance via the Board Quality Council and MEC. Reports to DPH are shared at these meetings. Monitoring measures are reported at Quality Council and found in the minutes of that meeting. **Consent Order Reporting continues at Quality Council and MEC with QAPI measures incorporated.** *Ongoing* Consent Order Reporting continues at Quality Council and MEC with QAPI measures incorporated.
15.Health Care Quality Conference for internal/external healthcare professionals	CCE will provide the education program on-site at L&M complying with the Consent Order requirements. The program is targeted for early June 2011. "Pediatric Pitfalls and Perils" educational program scheduled for June 14, 2011 at L&M Hospital's Baker Auditorium. Two sessions being offered t hat day to internal staff and external healthcare professionals. Please refer to attached program flier. ITEM COMPLETED
16.Submit Conference info to DPH for approval	When developed, CCE will submit program details (per Consent Order items 16. A. thru d.) to DPH for approval.

Consent Order Topic	Status
	Program content submitted to CT-DPH and approved. **ITEM COMPLETED**
17. FLIS shall review and approve information in item 16. prior to publishing	Prior to publishing/promoting the program both internally and externally, the hospital will await DPH approval of program outline and content. **ITEM COMPLETED**
18. L&M to designate, within 7-days of Consent Order signing, person to monitor the requirements of the Consent Order. Name needs to be provided to DPH Reports submitted every 6-weeks for 1st 6-months and quarterly thereafter for 2-years (duration of consent order)	Name of Chief Quality & Patient Safety Officer submitted to DPH on 3/14/2011 via letter to Janet Williams **--COMPLETED** Reporting schedule for first 6-months: ▪ Week of May 9, 2011 –submitted May 12th ▪ Week of June 20, 2011 – submitted June 10, 2011 ▪ Week of August 1, 2011 – submitted August 3, 2011 ▪ Week of September 12, 2011-submitted September 16, 2011 ▪ **Week of October 24, 2011 – submitted October 31, 2011; will now move to quarterly reporting to DPH.** ▪ *Ongoing report to DPH January 31, 2012* ▪ L+M continues ongoing reporting to DPH; we continue to await CCE report from their onsite 6-month reassessment visit in March 2012. ▪ Report to DPH updated 12-07-2012

Additionally, two CT-DPH Nurse Surveyors were onsite at the organization Wednesday, June 8 and Thursday, June 9, 2011 to conduct a review of this Consent Order as well as other review items.

Reports Submitted: Dates
First report to DPH: May 13, 2011
Second report to DPH: June 10, 2011
Third report to DPH: August 2, 2011
Fourth report to DPH: September 16, 2011
Fifth report to DPH: October 31, 2011
Quarterly Report to DPH: January31, 2012
Update report submitted to DPH July 31, 2012
Report to DPH updated; submitted12-07-2012

SUPPLEMENTAL EXHIBIT 17(d)

STATE OF CONNECTICUT

DEPARTMENT OF PUBLIC HEALTH

October 19, 2010

Mr. Bruce Cummings,
Lawrence & Memorial Hospital
365 Montauk Ave
New London, CT 06320

Dear Mr. Cummings:

On **July 21 2010**, a substantial allegation survey was concluded at ***Lawrence & Memorial Hospital***. The Lawrence & Memorial Hospital facility was found not in compliance with the Medicare Conditions of Participation, 42 CFR

A0338 - Medical Staff - 482.22
A0385 - Nursing Services - 482023

In addition, a number of other deficiencies were found out of compliance with Medicare requirements.

On **October 6, 2010** the Department of Public Health, Facility Licensing and Investigations Section of the Health Care Systems Branch, concluded a Medicare survey of your facility at the request of The Center for Medicare & Medicaid Services (CMS) to assess compliance with the other Conditions of Participation which were not surveyed during the substantial allegation survey. As a result of this visit, the attached deficiencies were identified. The facility was found not in compliance with the Medicare Condition of Participation, 42 CFR

A0043 - Governing Body - 482.12, as well as other standard level deficiencies.

Enclosed is the statement of deficiencies noted during this full survey as well as those previously cited during the substantial allegation survey. *Lawrence & Memorial Hospital* must submit to the Department of Public Health a signed and dated plan of correction for all the deficiencies identified in the substantial allegation survey that concluded **July 21, 2010** and the full survey concluded on ***October 6, 2010***. Each plan of correction must be written on the Statement of Deficiencies (Form CMS 2567), with identification of the staff member by title who has been designated the responsibility for monitoring the individual plan of correction submitted for each deficiency and shall be documented in the designated column.

Each deficiency needs to be addressed with a prospective plan of correction that include the following components:

- What corrective actions(s) will be accomplished for those patients found to have been affected by the deficient practice;

Phone: (860) 509-7400
Telephone Device for the Deaf (860) 509-7191
410 Capitol Avenue - MS # 12HSR
P.O. Box 340308 Hartford, CT 06134
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- How you will identify other patients having the potential to be affected by the same deficient practice and what corrective action will be taken;
- What measures will be put into place or systemic changes made to ensure that the deficient practice does not recur; and
- How the facility will monitor its corrective action(s) to ensure the solutions are permanent. The facility must develop and implement a quality assurance tool to ensure that corrections is achieved and sustained; and
- Identify the staff member, by title, who has been designated the responsibility for monitoring the individual plan of correction for each deficiency; and
- Insert a Completion Date in appropriate column (X5).

The process provides the facility an opportunity to make corrections. A signed and dated (*column (X6)*) acceptable plan of correction must be submitted to the Facility Licensing & Investigations Section by **October 29, 2010**. The Facility Licensing & Investigations Section will make a revisit within forty-five (45) days of the completed Medicare survey date if a credible allegation of compliance is received. Only two (2) revisits are permitted. Termination in the Medicare program takes effect if compliance is not achieved by **January 4, 2011.**

Please return your response to Elizabeth Andstrom, Supervising Nurse Consultant, *State of Connecticut Department of Public Health, Facility Licensing and Investigations Section, 410 Capitol Avenue, MS#12HSR, P.O. Box 340308, Hartford, CT 06134-0308.* Please direct any questions to the Supervising Nurse Consultant at (860) 509-7400.

Sincerely,

Elizabeth Andstrom, MS, RN
Supervising Nurse Consultant
Facility Licensing and Investigations Section

c. CMS
Enclosure

CT # 1092; 11270

STATE OF CONNECTICUT

DEPARTMENT OF PUBLIC HEALTH

March 17, 2011

Lawrence and Memorial Corporation, Licensee
Lawrence and Memorial Hospital
365 Montauk Avenue
New London, CT 06320

Re: Consent Order – Lawrence and Memorial Hospital

Dear Licensee:

Enclosed please find a copy of the executed consent order with the Department for the above referenced entity.

If you have any questions, please contact Janet Williams, PHSM at (860) 509-7400.

Sincerely,

David DeMaio
Health Program Associate
Department of Public Health

Encl.

Phone: (860) 509-7400
Telephone Device for the Deaf (860) 509-7191
410 Capitol Avenue - MS # 12HSR
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WITNESS WHEREOF, the parties hereto have caused this Consent Order to be executed by their respective officers and officials, which Consent Order is to be effective as of the later of the two dates noted below.

Lawrence and Memorial Corporation of
New London, CT – Licensee

3/14/11
Date

By: _____
Bruce Cummings, President/CEO

STATE OF CONNECTICUT)

County of NEW LONDON) ss MARCH 14, 2011

Personally appeared the above named BRUCE CUMMINGS and made oath to the truth of the statements contained herein.

My Commission Expires:
(If Notary Public)

DIANE M. LUX
NOTARY PUBLIC
MY COMMISSION EXPIRES JAN. 31, 2014

_____
Notary Public [✓]
Justice of the Peace [ ]
Town Clerk [ ]
Commissioner of the Superior Court [ ]

STATE OF CONNECTICUT,
DEPARTMENT OF PUBLIC HEALTH

3-16-11
Date

By: _____
Barbara Cass, R.N., Section Chief
Facility Licensing and Investigations Section

Yale-New Haven Children's Hospital Clinical Consultants
List of Interviews and Documents Utilized in the Assessment and Recommendations for Lawrence & Memorial Hospital: Pediatric Services
March 6 and 7, 2012

INTERVIEWS CONDUCTED:

Bertran Arnold-Duval MD, Chair Psychiatry

Kerin DaCruz RN, Director Patient Care Services Inpatient

Annett Drisco, RN, Patient Service Manager Unit 5-4

Tina Martin, RN, Patient Care Manager Pediatric Services

Oliver Mayorga MD, Chair Emergency Services

Andrea Moran, Emergency Department Behavioral Health

Fred Santoro, MD, Chair Pediatric Services

Sherry Strammiello RN, Chief Quality and Patient Safety Officer and Director of Risk Manager

Marguerite Langlais, RN, Quality Risk Manager Coordinator

Nicole Porter, Nurse Manager, Emergency Department

Dr. Fung, Chair of Anesthesia Services

Julie Dockter, Administrative Manager Anesthesia Associates of New London

Kevin Armstrong, Emergency Department Nursing Director

DOCUMENTS REVIEWED

L&M live case mix pediatric inpatients January - 2012

Pediatric Inpatient Medical Record Review Tool Audit sheet – January 2012

Competency Based Orientation (CBO) Manual for Pediatric Nursing:
- Nursing Care of the High Risk Newborn and Hyperbilirubinemia
- Growth and Development of Toddler
- Pediatric Pain Assessment
- Pediatric Nursing Basics: School Age Child 6-12 Years Old
- Post Traumatic Stress Disorder in Children
- Kawasaki Disease
- Adolescent Nursing Care 13-18 Years Old

RIDOHSC0564

Pediatric Quarterly Competencies:

October 2011: Gastroenteritis

January 2012: Asthma Simulation

Pediatric interdisciplinary rounding – January 2012

Unit 5-4 assignments - February 1 – March 3, 2012

Position description: Patient Care Manager, Pediatrics - December 22, 2011

Pediatric Code 8 simulation conducted – January 6, 2012

Pediatric Quality Council minutes – Nov. 8, 2011, Dec. 13, 2011, Jan. 3, 2012

Pediatric Policies and Protocols Review and Revisions Status Report

Admission Guidelines, Pediatrics revised – October 2011

a. Section #VII admission criteria for pediatric admissions – diagnosis

Transfer for specialty care: Pediatrics

Doctor's orders pediatric admission: Order sets for Acute Gastroenteritis and Bronchiolitis/RSV

Audits – CY- 2011, January 2012 – F/U emails Pediatric Resource RN

a. pain
b. P.E. completed on admit
c. Reassessment
d. PEWS assessment
e. 1 +0 completed & totaled
f. Multidisciplinary rounding tools
g. Concurrent > wts. kg. room safety O_2 suctions B.P. $q4^{o}$ > 3 yrs.

Emergency Department Pediatric Compliance Audit – BP & wt

Violent Patient Restraint and Seclusion Assessment and Order Sheet

Restraint Audit Tool

Anesthesia Credentialing Files Reviewed:

Sudhir Kadran, MD

Lura Hahn Schubert, CRNA

Thomas O. Miette, MD

RIDOHSC0565

YALE-NEW HAVEN HOSPITAL

August 8, 2012

Bruce Cummings, President and CEO
Lawrence and Memorial Hospital
365 Montauk Avenue
New London, Connecticut 06320

Barbara Cass, Section Chief
State of Connecticut, Department of Public Health
Facility Licensing and Investigations Section
410 Capitol Avenue, MS #12HSR
P.O. Box 340308
Hartford, Connecticut 06134-0308

Dear Ms. Cass and Mr. Cummings:

Enclosed please find the 6 month reassessment report to both Lawrence and Memorial Hospital and to the Connecticut Department of Public Health Facility Licensing and Investigations Section from Yale-New Haven Children's Hospital Clinical Consulting Services Team pursuant to the Consent Order of March 14, 2011. Based on the recommendations approved by the Department of Public Health, the Clinical Consulting Team evaluated the implementation progress of the corrective actions during consultation services provided at Lawrence and Memorial Hospital on March 6 and 7, 2012.

The Clinical Consulting Team reviewed the implementation status of the remaining in-progress 23 corrective actions related to ***Pediatric Services*** in the following areas:

- Nursing Competency;
- Inpatient Physician Supervision;
- Rapid Response Team;
- Multidisciplinary Teamwork and Collaboration;
- Medical Staff;
- Other Identified Problems;
- Emergency Department Care
- Anesthesia Services; and,
- Behavioral Health Services

The report initially identifies a list of documents and interviews utilized in the assessment and recommendations. The Report then describes in two sections per recommendation:

1. The on-site evaluation observations, and findings; and,
2. The reassessment and implementation status recommendations.

Yale-New Haven Children's Hospital Clinical Consulting Team for the March 6 and 7, 2012 site visit consisted of the following members:

- Lei Chen, M.D., Associate Medical Director Pediatric Emergency Department
- Donna Donovan, RN, MSN, Quality and Safety Manager Children's Hospital
- Brian Geyser, APRN, Child Psychiatry In-Patient Services
- Matthew Grossman, MD, Hospitalist Department of Pediatrics
- Roberta Hines, M.D., Chair Department of Anesthesiology
- Nancy Karas, RN, CNS, Clinical Nurse Specialist Pediatrics
- Yann Poncin, MD, Medical Director Child Psychiatry
- Victoria Dahl Vickers, RN, MBA, Manager Accreditation, Safety, and Regulatory Affairs, YNHH

This is the Clinical Consulting Team's last report pursuant to the Consent Orders of March 14, 2011. Most all recommendations and corrective actions have been fully implemented and are completed. The remaining few improvement recommendations that are in progress are on target with plans in place that support full implementation. All members of the Clinical Consulting Team congratulate Lawrence and Memorial Hospitals' achievement of these goals. The processes and systems improvements to pediatric services are palpable and were realized by the entire team.

The Clinical Consulting Team would like to thank the Quality, Anesthesia, Behavioral Health, Emergency Department, and the Clinical Staff at Lawrence and Memorial Hospital for their facilitation and assistance of the on-site review. In particular the Team would like to thank Sherry Strammiello for her leadership and participation of these processes. The time and efforts of all were greatly appreciated, and it was a pleasure for our team to work with them all.

Please contact me, if I can be of further assistance.

Best Regards,

Victoria Dahl Vickers, RN, MBA
Yale-New Haven Hospital Clinical Consulting Services Director
Director Accreditation, Safety and Regulatory Affairs
Phone: 203-688-6374
Email: Victoria.dahlvickers@ynhh.org

VDV: af
attachments

cc: Cynthia N. Sparer

CONSENT ORDER RECOMMENDATIONS FROM CLINICAL CONSULTING ENTITY (YNHCH)
Implementation Timeframes

CCE RECOMMENDATIONS	HOSPITAL RESPONSE REVIEWED WITH CT-DPH	TIMEFRAME FOR IMPLEMNTATION / REPSONSIBLE PERSON(S)	YNHCH 3 MONTH REASSESSMENT
Nursing Competency:			
1. Core group of nurses for pediatric patients	Will ensure that at least one Pedi nurse on duty each shift.	6/27/11 Inpatient Director of Patient Care Services and Pediatric APRN	Nancy Karas Donna Donovan Victoria Dahl Vickers
2. Core group will report to nursing leader with expertise in care of children	Recruited such a person	Interim Nurse Manager of Pediatrics –started 8/8/2011	Nancy Karas Donna Donovan Victoria Dahl Vickers
3. Pediatric training with specific pediatric competency requirements and regularly scheduled educational opportunities, including assessment skills e.g. pain assessment, growth and development and management of child requiring escalation of care.	Review/Revise the current Pedi orientation curriculum. Move from annual competency to quarterly. Both to include YHN recommendations.	9/1/11 Inpatient Director of Patient Care Services, Interim Nurse Manager of Pediatrics, and Pediatric APRN	Nancy Karas Donna Donovan Victoria Dahl Vickers
Inpatient Physician Supervision:			
4. Develop pediatric hospitalist/LIP for consistent inpatient coverage	Based on discussion with CT-DPH, the Hospital's plan is to have at least one individual physician or mid-level available in the hospital 24/7 with pediatric competencies to respond to the emergent needs of our pediatric inpatients. We are currently undertaking to recruit EMP physicians who will work with Yale Pediatrics 3-days per month to gain added pediatric experience and competency. They will be mentored and peer reviewed by Yale. This is a 3-party agreement between Yale, EMP and L&M to be phased in over 2-3 years.	Phase-in over 2-3 years VP/Chief Medical & Clinical Operations Officer & VP Patient Care Services/CNO	Matthew Grossman
5. Utilize E.D. physicians who hold board certificate in Pediatrics.	Emergency Medicine Physicians (EMP contracted services) are all Board Certified in Emergency Medicine and as such are competent /qualified to care for pediatric patients. Refer to item 4.	Addressed	Matthew Grossman

RIDOHSC0568

CONSENT ORDER RECOMMENDATIONS FROM CLINICAL CONSULTING ENTITY (YNHCH)
Implementation Timeframes

CCE RECOMMENDATIONS	HOSPITAL RESPONSE REVIEWED WITH CT-DPH	TIMEFRAME FOR IMPLEMNTATION / REPSONSIBLE PERSON(S)	YNHCH 3 MONTH REASSESSMENT
6. Develop Pediatric rapid response team	Instead of a rapid Response Team being called, a Code will be called. Thus, we are eliminating the concept of a "Rapid Response Team" as our Pediatric Code Team will respond. Based on discussion with CT-DPH, our "acceptable plan" is to call a full *Pediatric Code 8* whenever a pediatric patient's condition is in question and warrants the expertise of the full Code Team. This will assure the presence of a PALS certified E.D. physician and PALS certified Anesthesiologist.	Complete by 8/17/11 Inpatient Director of Patient Care Services, Interim Nurse Manager of Pediatrics, and Pediatric APRN VP/Chief Medical & Clinical Operations Officer re: physicians	Matthew Grossman
7. Respiratory Therapist with Pediatric/neonatal certification	Respiratory Therapists all have age-specific competencies, PALS certification and many are "pediatric certified" which exceeds the regulatory requirements.	Addressed	N/A
8. Pediatric trained physician/LIP available 24/7 e.g. Pediatric Hospitalist or E.D. physician board certified in Pediatrics	DPH agreed that E.D. physician does not need to be board certified in Pediatrics since it is not a community hospital standard. Emergency Medicine Physicians (EMP contracted services) are all Board Certified in Emergency Medicine and as such have competencies to care for pediatric patients. L&M in collaboration with EMP is actively recruiting a board certified or board qualified Pediatric Emergency Medicine (PEM) lead physician to develop a distinct ED service for children. An additional two EMP physicians will be recruited to augment the service. All PEM physicians will rotate approximately 36 hours/month to Yale Children's Hospital in order to maintain tertiary skills, and participate in continuing education and peer review processes there. This effort reflects a tripartite agreement between L&M, EMP, and Yale to assure	Addressed in item 4 VP/Chief Medical & Clinical Operations Officer, Chairman Emergency Services & Chairman Pediatrics 3-way contract signed; Interviews underway for coverage 4-11:00PM	Matthew Grossman

RIDOHSC0569

CONSENT ORDER RECOMMENDATIONS FROM CLINICAL CONSULTING ENTITY (YNHCH)
Implementation Timeframes

CCE RECOMMENDATIONS	HOSPITAL RESPONSE REVIEWED WITH CT-DPH	TIMEFRAME FOR IMPLEMNTATION / REPSONSIBLE PERSON(S)	YNHCH 3 MONTH REASSESSMENT
	safe pediatric practice in the emergency setting in the short term and support a long-term goal of a combined pediatric ED/hospitalist role.		
9. Develop and implement a mechanism for daily multidisciplinary care rounds for pediatric in-patients which should include at a minimum the following: Physician and/or LIP, nursing, patient/family.	Memo sent to pediatricians, nurses and therapists/child life with respect to conducting pediatric rounds, including the need to have nurse, etc. available at bedside with patient, physician and family. Tool developed. Education conducted. Process began 6/27/11.	6/27/11 Chairman of Pediatrics, Inpatient Director of Patient Care Services, Interim Nurse Manager of Pediatrics, and Pediatric APRN	Team
10. Develop a Quality Council for Pediatric Care that meets at a regularly scheduled interval which may include: community pediatrician representation, nursing staff and leadership, quality improvement staff, pharmacy, respiratory therapy, social work and child life.	Pediatric APRN will meet with Chairman of Pediatrics to develop the charter for Council and assure integration into the hospital's QAPI program.	12/2011 Chairman of Pediatrics, Inpatient Director of Patient Care Services, Interim Nurse Manager of Pediatrics, and Pediatric APRN	Donna Donovan Victoria Dahl Vickers
11. Develop a mechanism to effectively communicate Quality Council for Pediatrics activities and recommendations back to all pediatric staff and providers.	After the Pediatric Quality Council begins to meet, the findings and recommendations of the Council can be shared with the providers/nursing and support staff at the bi-monthly pediatric staff meetings and more urgently if needed by email and on the Pediatric section of the L&M intranet. The Pediatric Quality Council will be accountable to the hospital-wide board level Quality Council. The existing process of Pediatrics reporting/presenting to the board level QC will continue twice a year; need to assure that discussion at Pediatric QC is then followed by discussion at Department of Pediatrics meetings. Minutes of the Department meetings are	12/2011 Chairman of Pediatrics, Inpatient Director of Patient Care Services, Interim Nurse Manager of Pediatrics, and Pediatric APRN	Donna Donovan Victoria Dahl Vickers

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CONSENT ORDER RECOMMENDATIONS FROM CLINICAL CONSULTING ENTITY (YNHCH)
Implementation Timeframes

CCE RECOMMENDATIONS	HOSPITAL RESPONSE REVIEWED WITH CT-DPH	TIMEFRAME FOR IMPLEMNTATION / REPSONSIBLE PERSON(S)	YNHCH 3 MONTH REASSESSMENT
	posted on the Hospital intranet with access for all Department members.		
12. Develop and/or adopt clear diagnostic and physiological guidelines regarding which pediatric patients should be transferred to a higher level of care. This would facilitate a better understanding by all staff regarding the proper disposition of patients.	Consult with Children's Hospitals about their process for determining levels of care in tertiary versus community hospital settings and request a list of their guidelines for transfer.	12/1/2011 Chairman of Pediatrics, Inpatient Director of Patient Care Services, Interim Nurse Manager of Pediatrics, and Pediatric APRN in consultation with Yale	Matthew Grossman Donna Donovan Nancy Karas
13. Develop and/or adopt clinical guidelines for care and have the medical staff approve these care guidelines for specified pediatric disease categories. This would help assure that practice conforms to best practices that are evidence-based and would improve education and consistency of care.	Define specific diseases (gastroenteritis, asthma, bronchiolitis, etc.) that are commonly being treated at L&M and implement practice guidelines as appropriate; consult with Yale as needed.	12/1/2011 Chairman of Pediatrics, Inpatient Director of Patient Care Services, Interim Nurse Manager of Pediatrics, and Pediatric APRN in consultation with Yale	Matthew Grossman Donna Donovan Nancy Karas
14. Conduct ongoing auditing of documentation of pediatric records (retrospectively as well as concurrent).	Define required documentation and follow-up with providers for process improvement and supplemental documentation.	9/1/2011 Pediatric and E.D. Chairmen	Matthew Grossman Nancy Karas
15. Collaborative approach to regularly reviewing pediatric	Policies will be reviewed pursuant to schedule by the Pediatric Quality Council and consistent with L&M expectations for	12/2011	Donna Donovan Nancy Karas

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CONSENT ORDER RECOMMENDATIONS FROM CLINICAL CONSULTING ENTITY (YNHCH)
Implementation Timeframes

CCE RECOMMENDATIONS	HOSPITAL RESPONSE REVIEWED WITH CT-DPH	TIMEFRAME FOR IMPLEMNTATION / REPSONSIBLE PERSON(S)	YNHCH 3 MONTH REASSESSMENT
policies and procedures to include current and evidence based practices (e.g. blood pressures on all patients regardless of age).	timeliness and content. The structure is being developed in collaboration with Yale.	Inpatient Director of Patient Care Services, Interim Nurse Manager of Pediatrics, and Pediatric APRN	
16. Communicate findings from the documentation audits and any new or revised policies to all nursing staff and appropriate education and/or remediation completed and documented.	Education plan will directly relate and address the findings from documentation reviews and new/revised policies.	Implementation of education contingent upon other timelines. Will prioritize as required. Director of Education and Pediatric	Donna Donovan Nancy Karas
17. Develop documentation method for pediatric emergency equipment to include O2 flow meter, appropriately sized ambu bag and mask and suction set up available with each change in caregiver. Monitor compliance with checklist.	Checklist for pediatric emergency equipment has been developed and was implemented by June 30, 2011. The Charge Nurse will assure this is completed every day every shift. Compliance is being monitored by the pediatric APRN.	6/22/2011 Inpatient Director of Patient Care Services, Interim Nurse Manager of Pediatrics, and Pediatric APRN	Donna Donovan Nancy Karas
18. Develop regularly scheduled interdisciplinary pediatric emergency care case reviews and clinical updates. Providers with specialty training in pediatric emergency medicine may be considered as a resource to lead continuing education for the medical, nursing and allied health staff. The format needs be varied to match the pediatric population	In coordination with Yale, we will schedule regular didactic sessions (every 2 months) focused on ED pediatric patient management. Consideration will be made to forming a standing rotation for a core group of L&M nurses to rotate through the Yale Pediatric ED. Articles recommended by Yale will be regularly distributed and reviewed to ED providers.	December 2011 Chairman of Emergency Service	Matthew Grossman

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CONSENT ORDER RECOMMENDATIONS FROM CLINICAL CONSULTING ENTITY (YNHCH) Implementation Timeframes			
CCE RECOMMENDATIONS	**HOSPITAL RESPONSE REVIEWED WITH CT-DPH**	**TIMEFRAME FOR IMPLEMNTATION / REPSONSIBLE PERSON(S)**	**YNHCH 3 MONTH REASSESSMENT**
in the ED. These include didactic lectures, discussions, case reviews, and hands-on simulations. Recommended topics to include neonatal shock, respiratory distress, noninvasive ventilation, ventilator management, apparent life-threatening events (ALTE), among others. Nursing staff in the emergency department should be required to obtain, and maintain PALS certification.			
19. All pediatric patients, upon presentation to the emergency department are to have first contact with a registered nurse for an initial triage evaluation and wait time decision. The greeter should immediately direct pediatric patients to the triage registered nurse to perform the assessment.	In coordination with registration, we will have the greeter immediately direct pediatric patients to the triage registered nurse to perform the assessment and determine acuity.	December 2011 Chairman of Emergency Service and Nurse Manger of E.D.	Donna Donovan Nancy Karas Victoria Dahl Vickers
20. All pediatric patients, regardless of age, must have a blood pressure taken and documented during the triage process.	The ED educated the staff and has the appropriate BP equipment available in the triage area. This was implemented the week of July 3, 2011. All pediatric patients now have a BP taken when presenting to the ED. All E.D. nurses are PALS certified.	7/2011 Interim Nurse Manager of Pediatrics, Pediatric APRN and Nurse Manager of E.D. in collaboration with Yale	Donna Donovan Nancy Karas Victoria Dahl Vickers

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CONSENT ORDER RECOMMENDATIONS FROM CLINICAL CONSULTING ENTITY (YNHCH)
Implementation Timeframes

CCE RECOMMENDATIONS	HOSPITAL RESPONSE REVIEWED WITH CT-DPH	TIMEFRAME FOR IMPLEMNTATION / REPSONSIBLE PERSON(S)	YNHCH 3 MONTH REASSESSMENT
21. All pediatric patients must have a weight obtained and documented in kilograms upon admission to the emergency department. .	The ED educated their staff and are appropriately weighing all pediatric patients and documenting in kilograms. This was implemented week of July 3, 2011.	7/2011 Interim Nurse Manager of Pediatrics, Pediatric APRN and Chairman of Pediatrics	Donna Donovan Nancy Karas Victoria Dahl Vickers
Anesthesia Services:			
22. The hospital should have a second anesthesia care provider (which could be a CRNA or attending) allowing for 2 anesthesia care providers who are available on a 24/7 basis.	Clarification regarding this recommendation: It is and has been the Hospital's practice that when the after 11:00PM (or on the weekends) anesthesia provider goes to the O.R., E.D. etc. a second provider comes in immediately to cover. In discussion with DPH, it was agreed that Anesthesia will continue to monitor the reasonableness of this structure based upon response time and any problems that arise from such a request.	Already in place prior to recommendation. Chairman of Anesthesia	N/A
23. Develop a data-driven CQI process to include OR and non-OR activities, that is specific for the pediatric population.	Chairman will separate-out the Pediatric Anesthesia and Moderate Sedation monitoring from the overall moderate sedation report. Cases will be reviewed by the Chairman with a monthly summary report of the reviews.	First monitoring report will start with month ending September 2011. Chairman of Anesthesia	Victoria Dahl Vickers
24. Requirement that a core group of anesthesia providers (both MD and CRNA) have obtained and maintain ongoing training/expertise in pediatric anesthesia. This is especially important for providers who practice at the Pequot facility.	A core group (Anesthesia Medical Director at Pequot and at least two additional anesthesia providers) will attend one pediatric-focused CME training every credential cycle (2 years). PALS certification will be required for all providers in the department and be accomplished within 3-months.	Within 1-year (June 2012) Chairman of Anesthesia September 2011	Victoria Dahl Vickers
25. Until appropriate competencies with pediatric anesthesia issues	We will immediately limit pediatric anesthesia care patients to ASA class I and II exclusively.	Immediately	Victoria Dahl Vickers

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CONSENT ORDER RECOMMENDATIONS FROM CLINICAL CONSULTING ENTITY (YNHCH)
Implementation Timeframes

CCE RECOMMENDATIONS	HOSPITAL RESPONSE REVIEWED WITH CT-DPH	TIMEFRAME FOR IMPLEMNTATION / REPSONSIBLE PERSON(S)	YNHCH 3 MONTH REASSESSMENT
have been addressed, there should be a limit to the acuity of patients who receive pediatric anesthesia services to those in the ASA class I or II.		Chairman of Anesthesia	
26. The Anesthesiology department needs to establish an active and substantial role in the oversight of sedation activities for pediatric patients.	Anesthesia accepts responsibility for the supervision of pediatric conscious sedation. Refer to item 23.	September 30, 2011 Chairman of Anesthesia	Victoria Dahl Vickers
27. Develop a robust CME ongoing program for the Department of Anesthesiology with patient emphasis on pediatric anesthesiology associated topics.	In addition to PALS, each Anesthesia Department provider will have 5-CME hours in pediatrics during their re-credentialing cycle (2-years).	Within the current re-credentialing cycle Chairman of Anesthesia	Victoria Dahl Vickers
Pediatric Behavioral Health Services:			
28. Change documentation entitled "Violent Patient Restraint and Seclusion Assessment and Order Sheet" so that the age range is adjusted to include 9 year old and under, with one hour interval assessments.	The Crisis Intervention Services Manager and Nurse Manager of Inpatient Psychiatry will change the documentation so that the age range is adjusted to include 9-year olds and under with one hour interval assessments.	July 2011 Crisis Intervention Services Manager	Yann Poncin Brian Geyser
29. Better documentation of the neurovascular and medical status of patients who have been put in restraints is warranted.	The Crisis Intervention Services Manager will educate staff and have the documentation include medical assessment. The Crisis Intervention Services Manager will meet with Nursing Staff (RNs) to discuss improved documentation relating to the use of restraints as well as neurovascular and medical	July 2011 Crisis Intervention Services Manager	Yann Poncin Brian Geyser

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CONSENT ORDER RECOMMENDATIONS FROM CLINICAL CONSULTING ENTITY (YNHCH) Implementation Timeframes			
CCE RECOMMENDATIONS	**HOSPITAL RESPONSE REVIEWED WITH CT-DPH**	**TIMEFRAME FOR IMPLEMNTATION / REPSONSIBLE PERSON(S)**	**YNHCH 3 MONTH REASSESSMENT**
	assessment during restraints. Andrea will set up a meeting with the EMP Physicians with expertise in pediatric care to identify the elements to be documented in IBEX.		
30. Compliance with restraint procedures has improved with the audit tool L&M has been using. It would be helpful to ensure ongoing compliance by using the audit tool in a real time vs. retrospective situation.	The Crisis Intervention Services Manager created a Restraint Learning Tool Packet (with input from Yale) that will assure ongoing compliance with the CMS Conditions of Participation and other applicable regulatory requirements.	July 2011 Crisis Intervention Services Manager	Yann Poncin Brian Geyser
31. Given the rarity of restraints it may be helpful to designate a specific person who is informed of all restraints so that there is one person who has the expertise to ensure proper procedures are implemented. This may not be required if the live audit tool is effective.	The Crisis Intervention Services Manager is the designated person being informed of all restraints with all Behavioral Health patients. A list was started on 5/28/2011 recording restraints (to date - 7/7/2011: 10 restraints)	Completed already Crisis Intervention Services Manager	Yann Poncin Brian Geyser
32. The space is a difficult one. There are no easy solutions and many hospitals have emergency rooms that must take care of patients aged 0 to 100+. However, given the volume of behavioral health presentations, there is some concern about housing both	Recommendation is under consideration in connection with the building plan going forward.	Under consideration	Yann Poncin Brian Geyser

RIDOHSC0576

CONSENT ORDER RECOMMENDATIONS FROM CLINICAL CONSULTING ENTITY (YNHCH)
Implementation Timeframes

CCE RECOMMENDATIONS	HOSPITAL RESPONSE REVIEWED WITH CT-DPH	TIMEFRAME FOR IMPLEMNTATION / REPSONSIBLE PERSON(S)	YNHCH 3 MONTH REASSESSMENT
adults in and children in such a narrow space. As Lawrence & Memorial makes additional changes to their architecture consideration should be made for a pediatric environment that is conducive to children and families.			
33. Develop a standard protocol for psychiatric medication administration for pediatrics (as well as adult).	Arrange a combined meeting with EMP and Psychiatry.	October 2011 Medical Director, Psychiatry and Chairman Emergency Services	Yann Poncin Brian Geyser
34. It may be helpful to consider hiring an identified person, with psychiatric expertise whose responsibilities would include clinical care within, and oversight of, the psychiatric emergency services.	The Medical Director of the Consultation and Crisis Services, will start as of 7/11/2011 to hold twice monthly meetings for clinical supervision of the Crisis Service clinicians.	7/2011 Medical Director of the Consultation and Crisis Services	Yann Poncin Brian Geyser
35. Ensure that locum tenens personnel understand the issues specific to child psychiatry for urgent matters including dosing and administration of medications for agitation and restraint protocols.	The Medical Director of the Consultation and Crisis Services is developing an Orientation module (for new psychiatrists taking call at Lawrence & Memorial Hospital) regarding Crisis Services responsibilities in the care of Adult and Pediatric patients referred by the ED.	10/2011 Medical Director of the Consultation and Crisis Services	Yann Poncin Brian Geyser
36. Consider adding a section to	The Crisis Intervention Services Manager has drafted a new	10/2011	Yann Poncin

RIDOHSC0577

CONSENT ORDER RECOMMENDATIONS FROM CLINICAL CONSULTING ENTITY (YNHCH)
Implementation Timeframes

CCE RECOMMENDATIONS	HOSPITAL RESPONSE REVIEWED WITH CT-DPH	TIMEFRAME FOR IMPLEMNTATION / REPSONSIBLE PERSON(S)	YNHCH 3 MONTH REASSESSMENT
the individualized treatment plan, which is activated after a 24-hour length of stay, which allows for the writing in of individualized approach.	Individualized Treatment Plan for extended lengths of stay involving Pediatric patients	Crisis Intervention Services Manager	Brian Geyser
37. Ongoing staff education about developmental needs of children, with possible identification of a 'local expert' on children. The use of DVD materials is one option in lieu of formal education.	The Crisis Intervention Services Manager has developed a 3-part series on growth & development for Pediatric Behavioral Health staff. Purchase and load onto the Intranet an educational DVD for staff education.	12/2011 Crisis Intervention Services Manager	Yann Poncin Brian Geyser
38. A standard guide for children, especially since the psychiatric back up attendings are often adult trained only, is recommended	Provide selected reference text books and manuals to be placed and kept in the Crisis Service office for handy consultation.	10/2011 Medical Director of the Consultation and Crisis Services	Yann Poncin Brian Geyser
39. Consider technology as a tool for education and consider identification of a 'local expert' or experts who are tasked to share expertise about child development and mental health with the mental health team.	Make reference material available on the Intranet.	10/2011 Crisis Intervention Services Manager	Yann Poncin Brian Geyser

RIDOHSC0578

RECOMMENDATIONS FROM CLINICAL CONSULTING ENTITY: YALE-NEW HAVEN CHILDREN'S HOSPITAL LAWRENCE AND MEMORIAL HOSPITAL: PEDIATRIC SERVICES						
CCE RECOMMENDATIONS: June 8, 2011	**L+M HOSPITAL RESPONSE REVIEWED WITH CT-DPH**	**L+M TIMEFRAME FOR IMPLEMNTATION / REPSONSIBLE PERSON(S) August 31, 2011**	**CCE ON-SITE EVALUATION L+M CORRECTIVE ACTION PLANS: September 14 and 15, 2011**	**CCE 3 MONTH REASSESSMENT / RECOMMENDATIONS**	**CCE ON-SITE EVALUATION L+M CORRECTIVE ACTION PLANS: March 6 and 7, 2012**	**CCE + 6 MONTH REASSESSMENT/ RECOMMENDATIONS**
Nursing Competency:						
1. Core group of nurses for pediatric patients	Will ensure that at least one Pedi nurse on duty each shift.	6/27/11 Inpatient Director of Patient Care Services and Pediatric APRN	Observation and Interview: While meeting the requirement of 1 pediatric oriented RN per shift, which is every RN assigned to 5-4 Cardiology, the core group remains too large to maintain pediatric competencies.	The intent of the original recommendation was that a smaller core group of the 5-4 RNs have the ability to rotate more frequently to pediatrics and therefore develop and maintain pediatric expertise.	Documentation Review and Interviews: Three pediatric resource nurses are available 1100 – 2300 seven (7) days per week to provide support when needed. In addition, a pediatric core group nurses have been identified and are in the process of completing Pediatric Competency Based Orientation. Once completed this will represent the full complement of pediatric prepared nurses for practice.	On schedule to be completed in April 2012.
2. Core group will report to nursing leader with expertise in care of children	Recruited such a person	Interim Nurse Manager of Pediatrics –started 8/8/2011	Observation and Interview: An experienced Pediatric Nurse Leader (PNL) was recruited and has begun work at L+M. The PNL has no direct reports.	The scope and role of the Pediatric Nurse Leader needs clarification.	Interviews: The role has been clarified as the Pediatric Nurse Manager with the scope of the role including: Pediatric Nursing Staff as direct reports; and, Responsibility for ensuring appropriate care of pediatric patients across the organization. This recommendation is implemented.	No further recommendations.
3. Pediatric training with specific pediatric competency requirements and regularly scheduled educational opportunities, including assessment skills e.g. pain assessment, growth and development and management of child requiring escalation of care.	Review/Revise the current Pedi orientation curriculum. Move from annual competency to quarterly. Both to include YNHH recommendations.	9/1/11 Inpatient Director of Patient Care Services, Interim Nurse Manager of Pediatrics, and Pediatric APRN	Direct Observation and Document Review: The competency based orientation manual for Pediatric Nursing is in process, however, not complete. The outline for quarterly education sessions for pediatric related topics was reviewed, however, no specific content or completed educational designs for the topics were observed.	The Competency Based Orientation Manual needs to be completed and implemented for all RN staff rotating to pediatrics. The quarterly education sessions need to be fully designed and implemented.	Documentation Review and Interviews: The Competency Based Orientation (CBO) Manual is fully developed. The quarterly educational session planning is completed and two educational sessions have been conducted to date, including a pediatric code simulation. This recommendation has been met.	The organization may want to consider including a pediatric medication exam as a part of the CBO.

RIDOHSC0579

RECOMMENDATIONS FROM CLIN[illegible]ONSULTING ENTITY: YALE-NEW HAVEN CHILDREN'S HOSPITAL
LAWRENCE AND MEMORIAL HOSPITAL: PEDIATRIC SERVICES

CCE RECOMMENDATIONS: June 8, 2011	L+M HOSPITAL RESPONSE REVIEWED WITH CT-DPH	L+M TIMEFRAME FOR IMPLEMNTATION / REPSONSIBLE PERSON(S) August 31, 2011	CCE ON-SITE EVALUATION L+M CORRECTIVE ACTION PLANS: September 14 and 15, 2011	CCE 3 MONTH REASSESSMENT / RECOMMENDATIONS	CCE ON-SITE EVALUATION L+M CORRECTIVE ACTION PLANS: March 6 and 7, 2012	CCE + 6 MONTH REASSESSMENT/ RECOMMENDATIONS
Inpatient Physician Supervision:						
4. Develop pediatric hospitalist/LIP for consistent inpatient coverage	Based on discussion with CT-DPH, the Hospital's plan is to have at least one individual physician or mid-level available in the hospital 24/7 with pediatric competencies to respond to the emergent needs of our pediatric inpatients. We are currently undertaking to recruit EMP physicians who will work with Yale Pediatrics 3-days per month to gain added pediatric experience and competency. They will be mentored and peer reviewed by Yale. This is a 3-party agreement between Yale, EMP and L&M to be phased in over 2-3 years.	Phase-in over 2-3 years VP/Chief Medical & Clinical Operations Officer & VP Patient Care Services/CNO	Observation and Interview with Chief of Pediatric Services and Medical Director of Emergency Department: Recruitment is underway and on target.	Continue with the recruitment process.	Observation and Interviews: Two pediatric ED physicians have been hired at this point (one has already begun, while the other will begin in July), with an additional hire planned. Eventual goal is to have a pediatric trained physician or LIP in house 24/7. Currently on target for this goal.	No further recommendations.
5. Utilize E.D. physicians who hold board certificate in Pediatrics.	Emergency Medicine Physicians (EMP contracted services) are all Board Certified in Emergency Medicine and as such are competent /qualified to care for pediatric patients. Refer to item 4.	Addressed.	Addressed.	N/A	N/A	N/A
Rapid Response Team:						
6. Develop Pediatric rapid response team	Instead of a rapid Response Team being called, a Code will be called. Thus, we are eliminating the concept of a "Rapid Response Team" as our Pediatric Code Team will respond. Based on discussion with CT-DPH, our "acceptable plan" is to call a full *Pediatric Code 8* whenever a pediatric patient's condition is in question and warrants the expertise of the full Code Team. This will assure the presence of a PALS certified E.D. physician and PALS certified Anesthesiologist.	Complete by 8/17/11 Inpatient Director of Patient Care Services, Interim Nurse Manager of Pediatrics, and Pediatric APRN VP/Chief Medical & Clinical Operations Officer re: physicians	Interview Table-Top Simulation with an experienced 5-4 RN on Pediatric Service: Scenario described by CCE staff was indicative of a pediatric patient experience significant decompensating symptoms. The RN was given multiple opportunities to intervene by calling a 'code 8' as per L+M policy (in lieu of an RRT), and she did not. It was clear in this exercise that she would not call a Pediatric Code 8 in a situation that fell short of a resuscitation event.	Though a rapid response team will not be created, it is important to educate the staff on the need to call a Pediatric Code 8 whenever, a pediatric patient's condition is in question. Establishing specific pediatric physiological parameters to indicate when to call a Code 8 may be beneficial to support the staff to call.	Observation, Documentation Review and Interviews: Use of PEWS score as an early indicator for escalation in care has improved significantly since the last on-site evaluation. Plan has been well-publicized to nursing staff and mock code program has begun. The initial mock code demonstrated a timely and broad response. The Consultant observed a discussion of a hypothetical worsening patient with the pediatric nurse on the floor and the nurse appropriately indicated that they would call a Pediatric Code 8. This recommendation has been met.	The organization may want to consider supporting a routinely scheduled (e.g. quarterly, twice annually) interdisciplinary pediatric code simulation.

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RECOMMENDATIONS FROM CLINICAL CONSULTING ENTITY: YALE-NEW HAVEN CHILDREN'S HOSPITAL
LAWRENCE AND MEMORIAL HOSPITAL: PEDIATRIC SERVICES

CCE RECOMMENDATIONS: June 8, 2011	L+M HOSPITAL RESPONSE REVIEWED WITH CT-DPH	L+M TIMEFRAME FOR IMPLEMNTATION / REPSONSIBLE PERSON(S) August 31, 2011	CCE ON-SITE EVALUATION L+M CORRECTIVE ACTION PLANS: September 14 and 15, 2011	CCE 3 MONTH REASSESSMENT / RECOMMENDATIONS	CCE ON-SITE EVALUATION L+M CORRECTIVE ACTION PLANS: March 6 and 7, 2012	CCE + 6 MONTH REASSESSMENT/ RECOMMENDATIONS
7. Respiratory Therapist with Pediatric/neonatal certification	Respiratory Therapists (Respiratory Care Practitioners- RCPs) by virtue of their State of Connecticut licensure are competent to provide care to patients of all age groups including pediatrics. In order to maintain their CT licensure, RCPs are required to submit proof of annual continuing education credits.	Addressed	Addressed	N/A	N/A	N/A
8. Pediatric trained physician/LIP available 24/7 e.g. Pediatric Hospitalist or E.D. physician board certified in Pediatrics	DPH agreed that E.D. physician does not need to be board certified in Pediatrics since it is not a community hospital standard. Emergency Medicine Physicians (EMP contracted services) are all Board Certified in Emergency Medicine and as such have competencies to care for pediatric patients. L&M in collaboration with EMP is actively recruiting a board certified or board qualified Pediatric Emergency Medicine (PEM) lead physician to develop a distinct ED service for children. An additional two EMP physicians will be recruited to augment the service. All PEM physicians will rotate approximately 36 hours/month to Yale Children's Hospital in order to maintain tertiary skills, and participate in continuing education and peer review processes there. This effort reflects a tripartite agreement between L&M, EMP, and Yale to assure safe pediatric practice in the emergency setting in the short term and support a long-term goal of a combined pediatric ED/hospitalist role.	Addressed in item 4 VP/Chief Medical & Clinical Operations Officer, Chairman Emergency Services & Chairman Pediatrics 3-way contract signed; Interviews underway for coverage 4-11:00PM	Addressed as per item #4 above. 3-way contract signed; Interviews underway for coverage 1600 -2300.	Continue to work towards fully implementing recommendation.	Interview: As in #4 above. Pediatric emergency medicine specialists are being hired to fulfill this recommendation. While the current scheme does not bring about 24/7 coverage, future plans for such are in place.	No further recommendations.

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RECOMMENDATIONS FROM CLINICAL CONSULTING ENTITY: YALE-NEW HAVEN CHILDREN'S HOSPITAL
LAWRENCE AND MEMORIAL HOSPITAL: PEDIATRIC SERVICES

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Multidisciplinary Teamwork and Collaboration						
9. Develop and implement a mechanism for daily multidisciplinary care rounds for pediatric in-patients which should include at a minimum the following: Physician and/or LIP, nursing, patient/family.	Memo sent to pediatricians, nurses and therapists/child life with respect to conducting pediatric rounds, including the need to have nurse, etc. available at bedside with patient, physician and family. Tool developed. Education conducted. Process began 6/27/11.	6/27/11 Chairman of Pediatrics, Inpatient Director of Patient Care Services, Interim Nurse Manager of Pediatrics, and Pediatric APRN	Observation, Documentation Review, and Interviews: The multidisciplinary care rounds have been implemented.	No further recommendations.	Completed.	
10. Develop a Quality Council for Pediatric Care that meets at a regularly scheduled interval which may include: community pediatrician representation, nursing staff and leadership, quality improvement staff, pharmacy, respiratory therapy, social work and child life.	Pediatric APRN will meet with Chairman of Pediatrics to develop the charter for Council and assure integration into the hospital's QAPI program.	12/2011 Chairman of Pediatrics, Inpatient Director of Patient Care Services, Interim Nurse Manager of Pediatrics, and Pediatric APRN	Interview: The Pediatric Quality and Safety Council is in development.	Continue to work towards full implementation of the Pediatric Quality and Safety Council by December 2011.	Documentation Review and Interviews: Completed. The Pediatric Quality and Safety Council had met three times since the previous on-site evaluation.	No further recommendations.
11. Develop a mechanism to effectively communicate Quality Council for Pediatrics activities and recommendations back to all pediatric staff and providers.	After the Pediatric Quality Council begins to meet, the findings and recommendations of the Council can be shared with the providers/nursing and support staff at the bi-monthly pediatric staff meetings and more urgently if needed by email and on the Pediatric section of the L&M intranet. The Pediatric Quality Council will be accountable to the hospital-wide board level Quality Council. The existing process of Pediatrics reporting/presenting to the board level QC will continue twice a year; need to assure that discussion at Pediatric QC is then followed by discussion at Department of Pediatrics meetings. Minutes of the Department meetings are posted on the Hospital intranet with access for all Department members.	12/2011 Chairman of Pediatrics, Inpatient Director of Patient Care Services, Interim Nurse Manager of Pediatrics, and Pediatric APRN	Addressed as per #10 above.	Addressed as per #10 above	Document Review and Interview: Completed.	Completed.

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RECOMMENDATIONS FROM CLIN[illegible]ONSULTING ENTITY: YALE-NEW HAVEN CHILDREN'S HOSPITAL
LAWRENCE AND MEMORIAL HOSPITAL: PEDIATRIC SERVICES

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Medical Staff:						
12. Develop and/or adopt clear diagnostic and physiological guidelines regarding which pediatric patients should be transferred to a higher level of care. This would facilitate a better understanding by all staff regarding the proper disposition of patients.	Consult with Children's Hospitals about their process for determining levels of care in tertiary versus community hospital settings and request a list of their guidelines for transfer.	12/1/2011 Chairman of Pediatrics, Inpatient Director of Patient Care Services, Interim Nurse Manager of Pediatrics, and Pediatric APRN in consultation with Yale	Interview: The Chairman of Pediatrics was interviewed and reported that the transfer guidelines are in the advanced stages of development.	The Transfer Guideline Document to be fully completed and implemented by December 2011.	Document Review and Interview: Thorough transfer guidelines based around PEWS have been developed. The emergency department has instituted a thorough admission policy which calls for transfer if the patient is not stable. Transfer guidelines reviewed and deemed appropriate for transfer of pediatric inpatients. This goal has been completed.	No further recommendations.
13. Develop and/or adopt clinical guidelines for care and have the medical staff approve these care guidelines for specified pediatric disease categories. This would help assure that practice conforms to best practices that are evidence-based and would improve education and consistency of care.	Define specific diseases (gastroenteritis, asthma, bronchiolitis, etc.) that are commonly being treated at L&M and implement practice guidelines as appropriate; consult with Yale as needed.	12/1/2011 Chairman of Pediatrics, Inpatient Director of Patient Care Services, Interim Nurse Manager of Pediatrics, and Pediatric APRN in consultation with Yale	Interview: The Chairman of Pediatrics was interviewed and YNHCH will share related evidence based guidelines for medical and nursing care of the pediatric patient for requested patient populations.	Implementation of evidence based guidelines by December 2011.	Document Review and Interviews: Under the leadership of the Chairman of Pediatrics, guidelines have been developed or are in development for asthma, bronchiolitis, dehydration and occult bacteremia or sepsis.	No further recommendations.
Other Identified Problems:						
14. Conduct ongoing auditing of documentation of pediatric records (retrospectively as well as concurrent).	Define required documentation and follow-up with providers for process improvement and supplemental documentation.	9/1/2011 Pediatric and E.D. Chairmen	Observation and Medical Record Review: Retrospective reviews were in progress, however, no evidence of concurrent document review found. CCE reviewed 5 cases from August-September 2011. Of note, anesthesia records indicated use of estimated weights despite the fact that actual weights were available in the medical record.	Implement concurrent document reviews. Recommendation that Anesthesia services utilize actual weight for patient care as opposed to the estimated weight.	Document and Medical Record Review and Interviewing: Concurrent and retrospective auditing of medical records is in place. Review of medical records demonstrated excellent documentation, compliance with vital sign orders and the presentation of weights only in kilograms. In addition 5 anesthesia cases from October 2011 – January 2012 were reviewed and	No further recommendations.

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RECOMMENDATIONS FROM CLINICAL CONSULTING ENTITY: YALE-NEW HAVEN CHILDREN'S HOSPITAL
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					determined that actual weight in Kg was being used. This goal has been completed.	
15. Collaborative approach to regularly reviewing pediatric policies and procedures to include current and evidence based practices (e.g. blood pressures on all patients regardless of age).	Policies will be reviewed pursuant to schedule by the Pediatric Quality Council and consistent with L&M expectations for timeliness and content. The structure is being developed in collaboration with Yale.	12/2011 Inpatient Director of Patient Care Services, Interim Nurse Manager of Pediatrics, and Pediatric APRN	Interviews: L+M plan is to integrate this policy review process into their Pediatric Quality and Safety Council. Preliminary work on Nursing Policy review and revision is in progress.	Pediatric Quality and Safety Council to be implemented with policy review and revision as part of the standing agenda by December 2011.	Document Review and Interviews: The Pediatric Quality and Safety Council has been implemented and the minutes reflect that appropriate activities are monitored including policy review and revisions. This goal has been completed.	No further recommendations.
16. Communicate findings from the documentation audits and any new or revised policies to all nursing staff and appropriate education and/or remediation completed and documented.	Education plan will directly relate and address the findings from documentation reviews and new/revised policies.	Implementation of education contingent upon other timelines. Will prioritize as required. Director of Education and Pediatric	Interview and Document Review: No evidence observed or provided upon inquiry to ensure that nursing education or remediation had occurred related to the defects assessed during pediatric documentation audits.	Implement process by December 2011.	Document Review and Interviews: Audits reflected that remediation occurred when deficiencies were noted by the auditor. Completed.	No further recommendations.
17. Develop documentation method for pediatric emergency equipment to include O2 flow meter, appropriately sized ambu bag and mask and suction set up available with each change in caregiver. Monitor compliance with checklist.	Checklist for pediatric emergency equipment has been developed and was implemented by June 30, 2011. The Charge Nurse will assure this is completed every day every shift. Compliance is being monitored by the pediatric APRN.	6/22/2011 Inpatient Director of Patient Care Services, Interim Nurse Manager of Pediatrics, and Pediatric APRN	Document Review and Observation: practice fully implemented.	No further recommendations.	Completed.	
Pediatric Emergency Department Care						
18. Develop regularly scheduled interdisciplinary pediatric emergency care case reviews and clinical updates. Providers with specialty training in pediatric emergency medicine may be considered as a resource to lead continuing education for the medical, nursing and allied health staff. The format needs be varied to match the pediatric population	In coordination with Yale, we will schedule regular didactic sessions (every 2 months) focused on ED pediatric patient management. Consideration will be made to forming a standing rotation for a core group of L&M nurses to rotate through the Yale Pediatric ED. Articles recommended by Yale will be regularly distributed and reviewed to ED	December 2011 Chairman of Emergency Service	Interview with the Chairman of Emergency Services: active discussions with Yale have been taking place for the didactic review sessions, rotation of Nurses to Y-NHCH ED, and articles. To date these programs have not been implemented.	Recommended that written educational plans for these areas are developed, including timelines, by December 2011.	Document Review and Interviews: While case reviews are being conducted, there are currently no written plans for regularly scheduled pediatric case reviews and didactics for medical staff. Such plans may be formulated with the new pediatric emergency	The organization will continue with its plan to full implementation.

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RECOMMENDATIONS FROM CLINICAL CONSULTING ENTITY: YALE-NEW HAVEN CHILDREN'S HOSPITAL
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in the ED. These include didactic lectures, discussions, case reviews, and hands-on simulations. Recommended topics to include neonatal shock, respiratory distress, noninvasive ventilation, ventilator management, apparent life-threatening events (ALTE), among others. Nursing staff in the emergency department should be required to obtain, and maintain PALS certification.	providers.				service director who began employment on March 5. Partially completed with plan in place to support full implementation.	
19. All pediatric patients, upon presentation to the emergency department are to have first contact with a registered nurse for an initial triage evaluation and wait time decision. The greeter should immediately direct pediatric patients to the triage registered nurse to perform the assessment.	In coordination with registration, we will have the greeter immediately direct pediatric patients to the triage registered nurse to perform the assessment and determine acuity.	December 2011 Chairman of Emergency Service and Nurse Manger of E.D.	Direct Observation and Interview: After speaking with the Emergency Department Nurse Manager the process for directing pediatric patients immediately to triage had been fully implemented. However, upon direct observation in the ED it was noted by the CCE that when the Greeter had stepped away from their desk leaving the area unattended, there was no clear process for pediatric patients arriving to see the triage nurse immediately. The CCE observed a pediatric patient in respiratory distress arrive and the parent signed in on a log at the Greeter's desk and then sat in the waiting room area. The CCE intervened by alerting the triage nurse to the patients presence and condition, and the patient was then immediately seen.	The CCE is recommending that the front area (Greeter desk) has 24 hour/7 days per week coverage. Ideally the role could be filled by an emergency room technician/nursing assistant who could assist with initial VS, however, at minimum provide coverage at the front desk when the Greeter steps away.	Direct Observation and Interviews: The Greeter was present at the front desk and was able to articulate process for meal and break coverage. Completed.	No further recommendations.
20. All pediatric patients, regardless of age, must have a blood pressure taken and documented during the triage	The ED educated the staff and has the appropriate BP equipment available in the triage area. This was implemented the week of July 3, 2011.	7/2011 Interim Nurse Manager of Pediatrics, Pediatric APRN and	Medical Record Review and Interview: at both the Main campus and at the Pequot campus there was evidence that this recommendation	No further recommendations.	Completed.	

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process.	All pediatric patients now have a BP taken when presenting to the ED. All E.D. nurses are PALS certified.	Nurse Manager of E.D. in collaboration with Yale	was fully implemented.			
21. All pediatric patients must have a weight obtained and documented in kilograms upon admission to the emergency department.	The ED educated their staff and are appropriately weighing all pediatric patients and documenting in kilograms. This was implemented week of July 3, 2011.	7/2011 Interim Nurse Manager of Pediatrics, Pediatric APRN and Chairman of Pediatrics	Medical Record Review and Interview: at both the Main campus and at the Pequot campus there was evidence that this recommendation was fully implemented.	No further recommendations.	Completed.	
Anesthesia Services:						
22. The hospital should have a second anesthesia care provider (which could be a CRNA or attending) allowing for 2 anesthesia care providers who are available on a 24/7 basis.	Clarification regarding this recommendation: It is and has been the Hospital's practice that when the after 11:00PM (or on the weekends) anesthesia provider goes to the O.R., E.D. etc. a second provider comes in immediately to cover. In discussion with DPH, it was agreed that Anesthesia will continue to monitor the reasonableness of this structure based upon response time and any problems that arise from such a request.	Already in place prior to recommendation. Chairman of Anesthesia	Already in place prior to recommendation. Chairman of Anesthesia	N/A	N/A	N/A
23. Develop a data-driven CQI process to include OR and non-OR activities, that is specific for the pediatric population.	Chairman will separate-out the Pediatric Anesthesia and Moderate Sedation monitoring from the overall moderate sedation report. Cases will be reviewed by the Chairman with a monthly summary report of the reviews.	First monitoring report will start with month ending September 2011. Chairman of Anesthesia	Document Review and Interview: Moderate Sedation PI Audit Tool has been revised to monitor on a monthly basis (as opposed to quarterly) and has incorporated the breakdown of pediatric cases including their medical record numbers. The revised process began in September 2011 and the review aspect will begin by Oct 15th. The Chair of Anesthesia Services anticipates case review of all Pediatric Moderate Sedation and anesthesia cases retrospectively for September to begin October 15, 2011 and monthly thereafter.	Continue to implement process as outlined. Post 6 month assessment by CCE will confirm compliance with process implementation.	Interview and Document Review: For periods of October 2011 and forward, medical records are reviewed on a monthly basis. The actual number reviewed is 5 cases of pediatric sedation procedures each month. This represents a sample rate of over 75% of cases performed. An attending anesthesiologist is in charge of the review. This review is complete including ASA status of patient, weight in Kg and discharge criteria for the	No further recommendations.

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RECOMMENDATIONS FROM CLINICAL CONSULTING ENTITY: YALE-NEW HAVEN CHILDREN'S HOSPITAL LAWRENCE AND MEMORIAL HOSPITAL: PEDIATRIC SERVICES						
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					patient.	
24. Requirement that a core group of anesthesia providers (both MD and CRNA) have obtained and maintain ongoing training/expertise in pediatric anesthesia. This is especially important for providers who practice at the Pequot facility.	A core group (Anesthesia Medical Director at Pequot and at least two additional anesthesia providers) will attend one pediatric-focused CME training every credential cycle (2 years). PALS certification will be required for all providers in the department and be accomplished within 3-months.	Within 1-year (June 2012) Chairman of Anesthesia September 2011	Document Review and Interview: The core team (three anesthesiologists) for Pediatric focused CME training have been identified. By July 31, 2011 all full time, regular staff MD anesthesiologists and CRNAs, completed PALS certification.	It is planned that the remaining Per Diem anesthesiology staff obtain certification by December 2011.	Document Review and Interview: All full time faculty and CRNAs have completed PALS certification and personal files were reviewed to evaluate compliance. Ongoing education for per diem CRNAs continue and last per diem CRNA will be attending a CME course by the end of May 2012. Compliance has been accomplished by having an attending anesthesiologist certified as a PALS instructor so that ongoing education can be accomplished.	No further recommendations.
25. Until appropriate competencies with pediatric anesthesia issues have been addressed, there should be a limit to the acuity of patients who receive pediatric anesthesia services to those in the ASA class I or II.	We will immediately limit pediatric anesthesia care patients to ASA class I and II exclusively.	Immediately Chairman of Anesthesia	Medical Record Review and Interviews: A communication from the Chair of Anesthesia was sent to providers alerting them that Pediatric Anesthesia care was limited to ASA class I and II effective immediately following the initial CCE visit in May 2011. Eight (8) pediatric OR medical records, dating June through August 2011, were reviewed and found in compliance with this recommendation. In addition, independent interviews with Pre Admission Testing manager and the Ambulatory Surgery Unit manager, Peri-Operative Nurse manager and a clinical RN provided convergent validity on these findings. In addition three concurrent records were reviewed in the Ambulatory	Fully implemented, no additional recommendations.	Completed.	

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			Operating Room which revealed compliance as well.			
26. The Anesthesiology department needs to establish an active and substantial role in the oversight of sedation activities for pediatric patients.	Anesthesia accepts responsibility for the supervision of pediatric moderate sedation. Refer to item 23.	September 30, 2011 Chairman of Anesthesia	Refer to item 23 above.	Refer to item 23 above.	Refer to item 23 above.	No further recommendations.
27. Develop a robust CME ongoing program for the Department of Anesthesiology with patient emphasis on pediatric anesthesiology associated topics.	In addition to PALS, each Anesthesia Department provider will have 5-CME hours in pediatrics during their re-credentialing cycle (2-years).	Within the current re-credentialing cycle Chairman of Anesthesia	Interviews: Administrative Manager for Anesthesia Associates of New London and Manager of the Medical Staff Office confirmed verbally that the 5-CME requirements have been communicated to all Anesthesia providers. There was no documentation provided to substantiate this communication. An identified Anesthesiologist has agreed to monitor Yale University CME offerings and to notify the practice group when Pediatric CME's are offered. In addition, two CRNA credentialing files with reappointment September 1, 2011 were reviewed and did not contain any Pediatric CME.	Design process is complete however this has not been implemented. Implementation and documentation of anesthesia provider's participation in Pediatric CME's should be evident for any practitioner's credentialed starting September 2011.	Document Review and Interview: 3 credentialing files were reviewed to assess the appropriate documents for PALS certification and 5 CME hours of recredentialing were presented. All of the files reviewed have demonstrated both PALS and 5 CME hours of ongoing pediatric anesthesia education. Three individuals form the core of attending who work at the Pequot facility.	No further recommendations.
Pediatric Behavioral Health Services:						
28. Change documentation entitled "Violent Patient Restraint and Seclusion Assessment and Order Sheet" so that the age range is adjusted to include 9 year old and under, with one hour interval assessments.	The Crisis Intervention Services Manager and Nurse Manager of Inpatient Psychiatry will change the documentation so that the age range is adjusted to include 9-year olds and under with one hour interval assessments.	July 2011 Crisis Intervention Services Manager	Document Review and Interview: The teams appeared aware of age differences and policy forms reflect this, but the specific form mentioned here does not reflect the recommended change.	Recommendation: Change the form.	Document review and interview: The Violent Patient Restraint and Seclusion Assessment and Order Sheet has been revised.	Completed.
29. Better documentation of the neurovascular and medical status of patients who have been put in restraints is warranted.	The Crisis Intervention Services Manager will educate staff and have the documentation include medical assessment. The Crisis Intervention Services Manager	July 2011 Crisis Intervention Services Manager	Medical Record Review: We reviewed 3 records of patients who had been in restraints in July. The first record mentions the restraint in IBEX (the electronic medical record) and documents appropriate	Recommendation: -This issue is a medical LIP issue. The Crisis Services Manager can help craft a plan, but it is not her documentation that is the problem. The ED medical team,	Interview with Medical Director of Emergency Room: The plan is to document the LIP neurological or medical findings by having the specific exam needed on the current	The organization will continue with its plan to full implementation.

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	will meet with Nursing Staff (RNs) to discuss improved documentation relating to the use of restraints as well as neurovascular and medical assessment during restraints. Andrea will set up a meeting with the EMP Physicians with expertise in pediatric care to identify the elements to be documented in IBEX.		interventions tried pre-restraint, but the note in IBEX does not mention the physical findings as they relate to the restraint itself (post restraint medical findings). However, this is documented in the paper restraint form which is scanned into the record. This suffices, but if two different areas of documentation are used, overlooking both becomes likelier 2) The second medical record had the following problem: there was no documentation of post-restraint medical-neurological findings by the LIP. Overall, both records *implied* that the patients were fine medically and neurologically after the restraints, given vital signs obtained and other documentation over the course of their stay.	or whoever is the LIP, needs to address this. - Make this part of your live audit tool with a checkbox on whether medical/neurologic deficits have been documented by LIP in the violence and seclusion form, as they relate to the restraint. -Use the restraint seclusion form to document findings. Fill out every section on the form. Under medical, do not put the patient's diagnosis but document whether there are or not medical or neurologic findings.	restraint documentation form.	
30. Compliance with restraint procedures has improved with the audit tool L&M has been using. It would be helpful to ensure ongoing compliance by using the audit tool in a real time vs. retrospective situation.	The Crisis Intervention Services Manager created a Restraint Learning Tool Packet (with input from Yale) that will assure ongoing compliance with the CMS Conditions of Participation and other applicable regulatory requirements.	July 2011 Crisis Intervention Services Manager	Document Review and Observation: The live audit tool has been implemented and is being used.	Recommendations: -Live audit tool should make the one question about patient and staff injury into two separate questions. -Include documentation of post restraint medical findings as part of audit tool, as recommended in #29 above.	Direct observation and document review: 100% compliance using this audit tool.	Completed.
31. Given the rarity of restraints it may be helpful to designate a specific person who is informed of all restraints so that there is one person who has the expertise to ensure proper procedures are implemented. This may not be required if the live audit tool is effective.	The Crisis Intervention Services Manager is the designated person being informed of all restraints with all Behavioral Health patients. A list was started on 5/28/2011 recording restraints (to date -7/7/2011: 10 restraints)	Completed already Crisis Intervention Services Manager	Interview: This has been implemented.	No additional recommendations.	Completed.	

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RECOMMENDATIONS FROM CLINIC[illegible]ONSULTING ENTITY: YALE-NEW HAVEN CHILDREN'S HOSPITAL
LAWRENCE AND MEMORIAL HOSPITAL: PEDIATRIC SERVICES

CCE RECOMMENDATIONS: June 8, 2011	L+M HOSPITAL RESPONSE REVIEWED WITH CT-DPH	L+M TIMEFRAME FOR IMPLEMNTATION / REPSONSIBLE PERSON(S) August 31, 2011	CCE ON-SITE EVALUATION L+M CORRECTIVE ACTION PLANS: September 14 and 15, 2011	CCE 3 MONTH REASSESSMENT / RECOMMENDATIONS	CCE ON-SITE EVALUATION L+M CORRECTIVE ACTION PLANS: March 6 and 7, 2012	CCE + 6 MONTH REASSESSMENT/ RECOMMENDATIONS
32. The space is a difficult one. There are no easy solutions and many hospitals have emergency rooms that must take care of patients aged 0 to 100+. However, given the volume of behavioral health presentations, there is some concern about housing both adults in and children in such a narrow space. As Lawrence & Memorial makes additional changes to their architecture consideration should be made for a pediatric environment that is conducive to children and families.	Recommendation is under consideration in connection with the building plan going forward.	Under consideration	Observation and Interview: The designated psychiatric space is not clinically appropriate for cohorting pediatric psychiatric patients with adult and geriatric psychiatric patients, and may pose safety risks, emotional trauma, and elevated risk for behavioral outbursts requiring physical restraint. In other words, because of the cohorting, the milieu itself is likely to cause pediatric psychiatric patients increased distress, which can lead to restraints or negative outcomes. Staff have tried to make the best of an inadequate space by selecting the largest and most isolated, room for the pediatric psychiatric patient, but this is not always possible.	Recommendations: -Near term strategic planning should include the identification and development of a more clinically appropriate and safe space for psychiatric care of the pediatric patient undergoing psychiatric evaluation in the ED -Consideration should be given to finding another room/location to accommodate pediatric psychiatric patients on a case-by-case basis. A private ED room with a sitter is one option for children being evaluated. Admission to a private medical room with a sitter assigned to the psychiatry service is an option for children who require psychiatric admission but for whom there is no current psychiatric bed availability. This would be a safer and more clinically appropriate option than allowing the child to remain in the ED for many hours or even days.	Observation and Interview: The space issue is not one that is related directly to standard of care or public health concerns, but one concerning strategic vision, and likely future of standards of care. The hospital is planning to expand its general ER space. The Chairman has advocated having a free-standing crisis center to manage psychiatric presentations. Through the Child Psychiatry Director, there has been increased collaboration with Natchaug so that Natchaug's psychiatric services are accessed quickly and appropriately by the ED. There is a private room that can be used in general ED for certain psychiatric cases. However, boarding children on the medical floors who need psychiatric care is not an option that the ED staff feel can be used safely or appropriately at this time (most hospitals in Connecticut do not use this boarding option.	The organization will continue with its plan to full implementation.
33. Develop a standard protocol for psychiatric medication administration for pediatrics (as well as adult).	Arrange a combined meeting with EMP and Psychiatry.	October 2011 Medical Director, Psychiatry and Chairman Emergency Services	Document Review and Interview: Guidelines have been provided in written format.	No additional recommendations.	Completed.	
34. It may be helpful to consider hiring an identified person, with psychiatric expertise whose responsibilities would	The Medical Director of the Consultation and Crisis Services will start as of 7/11/2011 to hold twice monthly meetings for clinical supervision of the	7/2011 Medical Director of the Consultation and Crisis Services	Interview: This has been implemented	No additional recommendations.	Completed.	

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RECOMMENDATIONS FROM CLINICAL CONSULTING ENTITY: YALE-NEW HAVEN CHILDREN'S HOSPITAL LAWRENCE AND MEMORIAL HOSPITAL: PEDIATRIC SERVICES						
CCE RECOMMENDATIONS: June 8, 2011	**L+M HOSPITAL RESPONSE REVIEWED WITH CT-DPH**	**L+M TIMEFRAME FOR IMPLEMNTATION / REPSONSIBLE PERSON(S) August 31, 2011**	**CCE ON-SITE EVALUATION L+M CORRECTIVE ACTION PLANS: September 14 and 15, 2011**	**CCE 3 MONTH REASSESSMENT / RECOMMENDATIONS**	**CCE ON-SITE EVALUATION L+M CORRECTIVE ACTION PLANS: March 6 and 7, 2012**	**CCE + 6 MONTH REASSESSMENT/ RECOMMENDATIONS**
include clinical care within, and oversight of, the psychiatric emergency services.	Crisis Service clinicians.					
35. Ensure that locum tenens personnel understand the issues specific to child psychiatry for urgent matters including dosing and administration of medications for agitation and restraint protocols.	The Medical Director of the Consultation and Crisis Services is developing an Orientation module (for new psychiatrists taking call at Lawrence & Memorial Hospital) regarding Crisis Services responsibilities in the care of Adult and Pediatric patients referred by the ED.	10/2011 Medical Director of the Consultation and Crisis Services	This is being implemented	No additional recommendations	Completed.	
36. Consider adding a section to the individualized treatment plan, which is activated after a 24-hour length of stay, which allows for the writing in of individualized approach.	The Crisis Intervention Services Manager has drafted a new Individualized Treatment Plan for extended lengths of stay involving Pediatric patients	10/2011 Crisis Intervention Services Manager	This is being implemented	No additional recommendations	Completed.	
37. Ongoing staff education about developmental needs of children, with possible identification of a 'local expert' on children. The use of DVD materials is one option in lieu of formal education.	The Crisis Intervention Services Manager has developed a 3-part series on growth & development for Pediatric Behavioral Health staff. Purchase and load onto the Intranet an educational DVD for staff education.	12/2011 Crisis Intervention Services Manager	This is being implemented. An attending with child and psychiatric training on staff is available for local expertise	No additional recommendations	Completed.	
38. A standard guide for children, especially since the psychiatric back up attendings are often adult trained only, is recommended	Provide selected reference text books and manuals to be placed and kept in the Crisis Service office for handy consultation.	10/2011 Medical Director of the Consultation and Crisis Services	This is has been/is being implemented	No additional recommendations	Completed.	
39. Consider technology as a tool for education and consider identification of a 'local expert' or experts who are tasked to share expertise about child development and mental health with the mental health team.	Make reference material available on the Intranet.	10/2011 Crisis Intervention Services Manager	This is being implemented	No additional recommendations	Completed.	

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QAPI MEASURES FOR PEDIATRIC CONSENT ORDER RECOMMENDATIONS 10-2012				
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Nursing Competency:				
1. Core group of nurses for pediatric patients	Will ensure that at least one Pedi nurse on duty each shift.	6/27/11 Inpatient Director of Patient Care Services and Pediatric APRN	Random weekly review of 5.4 schedules shows 100% compliance with at least one Pedi Nurse on duty each shift. Review sheets submitted and show 100% compliance.	Daily review of schedules and assignment sheets 100% compliant. A minimum of one Pediatric trained nurse is scheduled for each shift. Position Control created for Pedi Staff. Recruitment change from Cardiac Pedi Nurses to Pedi Cardiac. Pediatric patients are always assigned to a Pediatric trained Nurse.
2. Core group will report to nursing leader with expertise in care of children	Recruited such a person	Interim Nurse Manager of Pediatrics –started 8/8/2011	COMPLETED	Completed
3. Pediatric training with specific pediatric competency requirements and regularly scheduled educational opportunities, including assessment skills e.g. pain assessment, growth and development and management of child requiring escalation of care.	Review/Revise the current Pedi orientation curriculum. Move from annual competency to quarterly. Both to include YHN recommendations.	9/1/11 Inpatient Director of Patient Care Services, Interim Nurse Manager of Pediatrics, and Pediatric APRN	Pediatric training with specific pediatric competency requirements completed with demonstration of quarterly competencies. Documentation of same reviewed and accepted.	Comprehensive competency based orientation program developed. Program run: 11/11, 4/12 Quarterly competency program rolled out. Quarter 1 compliance 98%; Quarter 2: 98%. Quarter 3: 93% with 2 nurses on FMLA.
Inpatient Physician Supervision:				
4. Develop pediatric hospitalist/LIP for consistent inpatient coverage	Based on discussion with CT-DPH, the Hospital's plan is to have at least one individual physician or mid-level available in the hospital 24/7 with pediatric competencies to respond to the emergent needs of our pediatric inpatients. We are currently undertaking to recruit EMP physicians who will work with Yale Pediatrics 3-days per month to gain added	Phase-in over 2-3 years VP/Chief Medical & Clinical Operations Officer & VP Patient Care Services/CNO	Measures = Yes or No for implementation in timeframe	On-target for this Phase-in. Full-time Pediatric ED physicians hired by EMP with support by the Yale Pediatric ED Department. As of November 1st, the Pediatric ED at L&M open 7-days week from 3PM to 11PM. Discussions are underway to look at potential models for in-patient coverage by pediatric hospitalists.

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	pediatric experience and competency. They will be mentored and peer reviewed by Yale. This is a 3-party agreement between Yale, EMP and L&M to be phased in over 2-3 years.			
5. Utilize E.D. physicians who hold board certificate in Pediatrics.	Emergency Medicine Physicians (EMP contracted services) are all Board Certified in Emergency Medicine and as such are competent /qualified to care for pediatric patients. Refer to item 4.	Addressed	COMPLETED	Completed
6. Develop Pediatric rapid response team	Instead of a rapid Response Team being called, a Code will be called. Thus, we are eliminating the concept of a "Rapid Response Team" as our Pediatric Code Team will respond. Based on discussion with CT-DPH, our "acceptable plan" is to call a full *Pediatric Code 8* whenever a pediatric patient's condition is in question and warrants the expertise of the full Code Team. This will assure the presence of a PALS certified E.D. physician and PALS certified Anesthesiologist.	Complete by 8/17/11 Inpatient Director of Patient Care Services, Interim Nurse Manager of Pediatrics, and Pediatric APRN VP/Chief Medical & Clinical Operations Officer re: physicians	Every Pediatric Code 8 is reviewed and evaluated based on documentation submitted.	Pediatric Early Warning Scoring tool has been updated to require a Code 8 response for specific criteria indicating deterioration in health status. 1:1 nursing education on update and criteria provided. This will ensure an immediate response for rapid interventions for safe patient care. Protocol currently in the approval process. Mock codes performed; evaluation of response reveals compliance with Code 8 policy. Audit for 2012 is 99% compliant for PEWS assessment and score every 4 hours. 0 Pediatric Code 8 initiated from the inpatient unit 2 Pediatric Code 8 in ED, reviewed in Pediatric Quality Council for adherence to policy and quality outcomes.
7. Respiratory Therapist with Pediatric/neonatal certification	Respiratory Therapists (Respiratory Care Practitioners- RCPs) by virtue of their State of Connecticut licensure are competent to provide care to patients of all age groups including pediatrics. In order to maintain	Addressed	Check HR files to ensure 100% compliance with required continuing education credits.	Started December 13 2011 and finished in late January 2012. 100% Compliance Reviews with return demonstration and a written competency exam show 100% compliance.

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	their CT licensure, RCPs are required to submit proof of annual continuing education credits.			
8. Pediatric trained physician/LIP available 24/7 e.g. Pediatric Hospitalist or E.D. physician board certified in Pediatrics	DPH agreed that E.D. physician does not need to be board certified in Pediatrics since it is not a community hospital standard. Emergency Medicine Physicians (EMP contracted services) are all Board Certified in Emergency Medicine and as such have competencies to care for pediatric patients. L&M in collaboration with EMP is actively recruiting a board certified or board qualified Pediatric Emergency Medicine (PEM) lead physician to develop a distinct ED service for children. An additional two EMP physicians will be recruited to augment the service. All PEM physicians will rotate approximately 36 hours/month to Yale Children's Hospital in order to maintain tertiary skills, and participate in continuing education and peer review processes there. This effort reflects a tripartite agreement between L&M, EMP, and Yale to assure safe pediatric practice in the emergency setting in the short term and support a long-term goal of a combined pediatric ED/hospitalist role.	Addressed in item 4 VP/Chief Medical & Clinical Operations Officer, Chairman Emergency Services & Chairman Pediatrics 3-way contract signed; Interviews underway for coverage 4-11:00PM	Measures = Yes or No for implementation in timeframe	On-target for this Phase-in. Full-time Pediatric ED physicians hired by EMP with support by the Yale Pediatric ED Department. As of November 1st, the Pediatric ED at L&M open 7-days week from 3PM to 11PM. Discussions are underway to look at potential models for in-patient coverage by pediatric hospitalists.
9. Develop and implement a mechanism for daily multidisciplinary care rounds for pediatric in-patients which should	Memo sent to pediatricians, nurses and therapists/child life with respect to conducting pediatric rounds, including the need to have nurse, etc. available at	6/27/11 Chairman of Pediatrics, Inpatient Director of Patient Care Services,	Validate through audit of the Interdisciplinary Rounding tool that pediatric	Compliance of audit tool use: FY Quarter 1: 86% FY Quarter 3: 98% compliance on use of Interdisciplinary Rounding tool.

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include at a minimum the following: Physician and/or LIP, nursing, patient/family.	bedside with patient, physician and family. Tool developed. Education conducted. Process began 6/27/11.	Interim Nurse Manager of Pediatrics, and Pediatric APRN	rounds are taking place when there is a patient.	
10. Develop a Quality Council for Pediatric Care that meets at a regularly scheduled interval which may include: community pediatrician representation, nursing staff and leadership, quality improvement staff, pharmacy, respiratory therapy, social work and child life.	Pediatric APRN will meet with Chairman of Pediatrics to develop the charter for Council and assure integration into the hospital's QAPI program.	12/2011 Chairman of Pediatrics, Inpatient Director of Patient Care Services, Interim Nurse Manager of Pediatrics, and Pediatric APRN	COMPLETED	Pediatric Quality Council meets monthly. Agenda and Minutes are posted on the Pediatrician and Pediatric Nursing Intranet pages. Robust participation of Neonatology, Pediatrics, Anesthesia, Surgery, Emergency Medicine, Pharmacy, Respiratory Therapy, Social Work, Nursing, Child Life, Phlebotomy. Ad-hoc disciplines are invited based on relevant agenda topic.
11. Develop a mechanism to effectively communicate Quality Council for Pediatrics activities and recommendations back to all pediatric staff and providers.	After the Pediatric Quality Council begins to meet, the findings and recommendations of the Council can be shared with the providers/nursing and support staff at the bi-monthly pediatric staff meetings and more urgently if needed by email and on the Pediatric section of the L&M intranet. The Pediatric Quality Council will be accountable to the hospital-wide board level Quality Council. The existing process of Pediatrics reporting/presenting to the board level QC will continue twice a year; need to assure that discussion at Pediatric QC is then followed by discussion at Department of Pediatrics meetings. Minutes of the Department meetings are posted on the Hospital intranet with access for all Department members.	12/2011 Chairman of Pediatrics, Inpatient Director of Patient Care Services, Interim Nurse Manager of Pediatrics, and Pediatric APRN	Validate that sharing information is occurring.	Agenda and Minutes are posted on the Pediatrician and Pediatric Nursing Intranet pages and emailed to Pediatric staff. Relevant findings are also discussed at the Pediatric Department meetings and individual unit meetings. Pediatric updates are being shared at Quality Council by Chairman of Pediatrics during his twice yearly reports to the Council.

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12. Develop and/or adopt clear diagnostic and physiological guidelines regarding which pediatric patients should be transferred to a higher level of care. This would facilitate a better understanding by all staff regarding the proper disposition of patients.	Consult with Children's Hospitals about their process for determining levels of care in tertiary versus community hospital settings and request a list of their guidelines for transfer.	12/1/2011 Chairman of Pediatrics, Inpatient Director of Patient Care Services, Interim Nurse Manager of Pediatrics, and Pediatric APRN in consultation with Yale	COMPLETED Monitoring of each pediatric inpatient for use of transfer guidelines.	Admission and transfer guidelines have been implemented. Compliance: FY Quarter 1: 100% FY Quarter 2: 100% FY Quarter 3: 100%
13. Develop and/or adopt clinical guidelines for care and have the medical staff approve these care guidelines for specified pediatric disease categories. This would help assure that practice conforms to best practices that are evidence-based and would improve education and consistency of care.	Define specific diseases (gastroenteritis, asthma, bronchiolitis, etc.) that are commonly being treated at L&M and implement practice guidelines as appropriate; consult with Yale as needed.	12/1/2011 Chairman of Pediatrics, Inpatient Director of Patient Care Services, Interim Nurse Manager of Pediatrics, and Pediatric APRN in consultation with Yale	Measures = Yes or No for implementation in timeframe Monitoring of each pediatric inpatient for use of disease specific guidelines.	Clinical Guidelines for Bronchiolitis/RSV and Gastroenteritis/Dehydration implemented 2/2012. Education provided to pediatric nursing staff. Guidelines posted on the Pediatrician Intranet page and emailed to all Pediatrician and Family Practice physicians. <u>Update as of 10-2012</u> Bronchiolitis Gastroenteritis Hyperbilirubinemia Asthma Going forward orders will only be accepted for the specific diagnoses if the correct admission order sets are used. This was announced at the last staff meeting and if the standard orders are not used in the future the provider will be contacted by the department chairman.
14. Conduct ongoing auditing of documentation of pediatric records (retrospectively as well as concurrent).	Define required documentation and follow-up with providers for process improvement and supplemental documentation.	9/1/2011 Pediatric and E.D. Chairmen	Develop live audit tool for monitoring of inpatient nursing and E.D. records.	All inpatient records are audited daily providing real time nursing education and patient evaluation. An E.D. pediatric chart audit tool was created and charts are being reviewed on a retrospective and concurrent basis. Email

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				reminders are sent to individual staff detailing areas of documentation improvement. Update as of 7-2012: Random review of 5 pediatric charts/week. Feedback emailed and verbally communicated to physicians regarding recommendations for charting of physical examination findings and adequacy of workup for presenting complaint. Any problems/events are addressed through QA reports and all inpatients are reviewed again at the time of the OPPE reviews.
15. Collaborative approach to regularly reviewing pediatric policies and procedures to include current and evidence based practices (e.g. blood pressures on all patients regardless of age).	Policies will be reviewed pursuant to schedule by the Pediatric Quality Council and consistent with L&M expectations for timeliness and content. The structure is being developed in collaboration with Yale.	12/2011 Inpatient Director of Patient Care Services, Interim Nurse Manager of Pediatrics, and Pediatric APRN	Policies are reviewed and approved based on the schedule established.	Policies are reviewed by representatives of each clinical area affected by the policy, Pediatric Quality Council and presentation to the policy committee. Policies are reviewed minimally every three years. Pediatric Quality Council is the forum for discussion of pediatric policies and evidence based practice. Policy Review/Updates: Safety Guidelines, AFB Testing Procedure, Abduction Prevention, Admission Guidelines, Lead Chelating Procedure, Toy Cleaning and Safety
16. Communicate findings from the documentation audits and any new or revised policies to all nursing staff and appropriate education and/or remediation completed and documented.	Education plan will directly relate and address the findings from documentation reviews and new/revised policies.	Implementation of education contingent upon other timelines. Will prioritize as required. Director of Education and Pediatric	Findings from nursing chart audits and policy updates will be communicated at monthly staff meetings with reinforcement via HealthStream and quarterly competencies.	Policy updates are reviewed 1:1 with pediatric staff and Pediatric Resource Nurses. Live chart audits provide realtime education on findings. Email follow up is provided for off shifts Record of staff education on policy updates housed in HealthStream.

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17. Develop documentation method for pediatric emergency equipment to include O2 flow meter, appropriately sized ambu bag and mask and suction set up available with each change in caregiver. Monitor compliance with checklist.	Checklist for pediatric emergency equipment has been developed and was implemented by June 30, 2011. The Charge Nurse will assure this is completed every day every shift. Compliance is being monitored by the pediatric APRN.	6/22/2011 Inpatient Director of Patient Care Services, Interim Nurse Manager of Pediatrics, and Pediatric APRN	Audit of the emergency equipment checklist with 100% compliance.	Daily live chart audits on in patient unit Code cart check: performed daily 100% Audit of room emergency equipment is now part of daily live audit with manager check 5 days per week – 100%
18. Develop regularly scheduled interdisciplinary pediatric emergency care case reviews and clinical updates. Providers with specialty training in pediatric emergency medicine may be considered as a resource to lead continuing education for the medical, nursing and allied health staff. The format needs be varied to match the pediatric population in the ED. These include didactic lectures, discussions, case reviews, and hands-on simulations. Recommended topics to include neonatal shock, respiratory distress, noninvasive ventilation, ventilator management, apparent life-threatening events (ALTE), among others. Nursing staff in the emergency department should be required to obtain, and maintain PALS certification.	In coordination with Yale, we will schedule regular didactic sessions (every 2 months) focused on ED pediatric patient management. Consideration will be made to forming a standing rotation for a core group of L&M nurses to rotate through the Yale Pediatric ED. Articles recommended by Yale will be regularly distributed and reviewed to ED providers.	December 2011 Chairman of Emergency Service	Didactic sessions take place every 2-months Measure = Yes or No for implementation of core group and rotation in timeframe. Measures= Yes or No for implementation in timeframe	Regularly scheduled pediatric lectures, pediatric case reviews and pediatric simulation scenarios are taking place. Specialty pedi lectures are held monthly. This is in addition to pedi case reviews with ED staff and every 2 month simulation scenarios utilizing the simulation baby. Contact at Yale still being sought in order to develop a core group of L&M nurses to rotate through the Yale Pediatric ED.

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19. All pediatric patients, upon presentation to the emergency department are to have first contact with a registered nurse for an initial triage evaluation and wait time decision. The greeter should immediately direct pediatric patients to the triage registered nurse to perform the assessment.	In coordination with registration, we will have the greeter immediately direct pediatric patients to the triage registered nurse to perform the assessment and determine acuity.	December 2011 Chairman of Emergency Service and Nurse Manger of E.D.	Measures=Yes or No for implementation in timeframe.	Implementation of the Pedi Quick Look assessment form is well established and utilized on an on-going basis. Now that the Pedi ED is operating 7 evenings a week consistently, pediatric pts are taken out of the triage line and triaged immediately in the Pedi ED area by the Pedi staff, thereby almost negating the need for the Pedi Quick Look assessment form during peak volume times when the pediatric pt would normally have waited to be fully assessed.
20. All pediatric patients, regardless of age, must have a blood pressure taken and documented during the triage process.	The ED educated the staff and has the appropriate BP equipment available in the triage area. This was implemented the week of July 3, 2011. All pediatric patients now have a BP taken when presenting to the ED. All E.D. nurses are PALS certified.	7/2011 Interim Nurse Manager of Pediatrics, Pediatric APRN and Nurse Manager of E.D. in collaboration with Yale	Monitoring of compliance with BP recording. 100% PALS certification by nurses as shown by random audits of employee files.	Education has been provided to staff. Audit in the E.D. shows 93% compliance. Monthly audits of pediatric BPs average greater than 90% with any staff member who has forgotten receiving an email or verbal reminder.
21. All pediatric patients must have a weight obtained and documented in kilograms upon admission to the emergency department. .	The ED educated their staff and are appropriately weighing all pediatric patients and documenting in kilograms. This was implemented week of July 3, 2011.	7/2011 Interim Nurse Manager of Pediatrics, Pediatric APRN and Chairman of Pediatrics	Auditing of pediatric E.D. and inpatient records to assure weight taken and recorded in kilograms. Goal=95% compliance.	Audit of Emergency Dept. shows 93% compliance in March 2012 with assuring a weight in kgs is being documented. Inpatient Audits show a 100% compliance of weights recorded in kg for direct admissions.
Anesthesia Services:				
22. The hospital should have a second anesthesia care provider (which could be a CRNA or attending) allowing for 2 anesthesia care providers who are available on a	Clarification regarding this recommendation: It is and has been the Hospital's practice that when the after 11:00PM (or on the weekends) anesthesia provider goes to the O.R., E.D. etc. a second	Already in place prior to recommendation. Chairman of Anesthesia	Monitoring of response time each time a second anesthesia provider is called-in to cover during the "after hours" period.	Log created and maintained; Monitoring log continues to be maintained. No problems identified.

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24/7 basis.	provider comes in immediately to cover. In discussion with DPH, it was agreed that Anesthesia will continue to monitor the reasonableness of this structure based upon response time and any problems that arise from such a request.		Monitoring log will be maintained.	
23. Develop a data-driven CQI process to include OR and non-OR activities, that is specific for the pediatric population.	Chairman will separate-out the Pediatric Anesthesia and Moderate Sedation monitoring from the overall moderate sedation report. Cases will be reviewed by the Chairman with a monthly summary report of the reviews.	First monitoring report will start with month ending September 2011. Chairman of Anesthesia	Monthly pediatric moderate sedation monitoring completed. Any opportunities for improvement identified are acted upon.	Moderate sedation tool has been modified to separate adult from pediatric cases. Monitoring is ongoing with no problems identified.
24. Requirement that a core group of anesthesia providers (both MD and CRNA) have obtained and maintain ongoing training/expertise in pediatric anesthesia. This is especially important for providers who practice at the Pequot facility.	A core group (Anesthesia Medical Director at Pequot and at least two additional anesthesia providers) will attend one pediatric-focused CME training every credential cycle (2 years). PALS certification will be required for all providers in the department and be accomplished within 3-months.	Within 1-year (June 2012) Chairman of Anesthesia September 2011	Course work completed by 3 anesthesiologists by June 2012. PALS certification completed by all providers and validated with credentials file review.	Dr. Miett has obtained 36 hours, Dr. Schade 37 hours and Dr. Balch is slated to attend Pediatric focused in Dec. 2012 for 36 hours. All full time and Per Diem providers were PALS certified in July 2011.
25. Until appropriate competencies with pediatric anesthesia issues have been addressed, there should be a limit to the acuity of patients who receive pediatric anesthesia services to those in the ASA class I or II.	We will immediately limit pediatric anesthesia care patients to ASA class I and II exclusively.	Immediately Chairman of Anesthesia	Confirmation via monitoring that anesthesia care is provided only to ASA Class I and II pediatric patients 100% of the time.	Compliance remains at 100%
26. The Anesthesiology department needs to establish an active and	Anesthesia accepts responsibility for the supervision of pediatric conscious sedation.	September 30, 2011	Monthly pediatric moderate sedation monitoring	Refer to item 23

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substantial role in the oversight of sedation activities for pediatric patients.	Refer to item 23.	Chairman of Anesthesia	completed. Any opportunities for improvement identified are acted upon.	Refer to item 23
27. Develop a robust CME ongoing program for the Department of Anesthesiology with patient emphasis on pediatric anesthesiology associated topics.	In addition to PALS, each Anesthesia Department provider will have 5-CME hours in pediatrics during their re-credentialing cycle (2-years).	Within the current re-credentialing cycle Chairman of Anesthesia	By 2013, a review of credential's file demonstrates that 100% of anesthesiology department providers have taken 5-CME hours in pediatrics.	All providers aware and participating. Medical Staff office is monitoring. Providers are obtaining the CME's as required and Med Staff Office will notify us if any provider has not met the requirement.
Pediatric Behavioral Health Services:				
28. Change documentation entitled "Violent Patient Restraint and Seclusion Assessment and Order Sheet" so that the age range is adjusted to include 9 year old and under, with one hour interval assessments.	The Crisis Intervention Services Manager and Nurse Manager of Inpatient Psychiatry will change the documentation so that the age range is adjusted to include 9-year olds and under with one hour interval assessments.	July 2011 Crisis Intervention Services Manager	Documentation changed and assessments demonstrate compliance. Any opportunities for improvement identified are acted upon.	Forms changed to include age range and time frame for assessment. **Completed 9/11**
29. Better documentation of the neurovascular and medical status of patients who have been put in restraints is warranted.	The Crisis Intervention Services Manager will educate staff and have the documentation include medical assessment. The Crisis Intervention Services Manager will meet with Nursing Staff (RNs) to discuss improved documentation relating to the use of restraints as well as neurovascular and medical assessment during restraints. Andrea will set up a meeting with the EMP Physicians with expertise in pediatric care to identify the	July 2011 Crisis Intervention Services Manager	Neurovascular and medical status post restraint is documented by RNs on restrain flow sheet once patients are removed from the restraints.	Compliance rate for documentation of medical status is being monitored with 97% Compliance rate

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	elements to be documented in IBEX.			
30. Compliance with restraint procedures has improved with the audit tool L&M has been using. It would be helpful to ensure ongoing compliance by using the audit tool in a real time vs. retrospective situation.	The Crisis Intervention Services Manager created a Restraint Learning Tool Packet (with input from Yale) that will assure ongoing compliance with the CMS Conditions of Participation and other applicable regulatory requirements.	July 2011 Crisis Intervention Services Manager	Implemented self audit tool in September 2011. Copies of restraint paperwork and self audit tool are kept on file in the crisis office.	Crisis service has maintained 100% compliance rate for restraint protocols and use of self audit tool
31. Given the rarity of restraints it may be helpful to designate a specific person who is informed of all restraints so that there is one person who has the expertise to ensure proper procedures are implemented. This may not be required if the live audit tool is effective.	The Crisis Intervention Services Manager is the designated person being informed of all restraints with all Behavioral Health patients. A list was started on 5/28/2011 recording restraints (to date -7/7/2011: 10 restraints)	Completed already Crisis Intervention Services Manager	Andrea Moran, program manager of Crisis Service insured proper procedures were implemented. Monitoring compliance with restraint procedures and self audit tool is ongoing. Copies of all paperwork are kept on file.	Designated/Responsible person in place (Andrea Moran). 100% compliance maintained
32. The space is a difficult one. There are no easy solutions and many hospitals have emergency rooms that must take care of patients aged 0 to 100+. However, given the volume of behavioral health presentations, there is some concern about housing both adults in and children in such a narrow space. As Lawrence & Memorial makes additional changes to their architecture consideration should be made for a pediatric environment that is conducive to	Recommendation is under consideration in connection with the building plan going forward.	Under consideration	The space issues for behavioral health unit will be addressed through the hospital strategic planning committee.	As part of the facility planning process, ongoing discussions continue regarding finding an alternate location.

RIDOHSC0602

QAPI MEASURES FOR PEDIATRIC CONSENT ORDER RECOMMENDATIONS 10-2012				
CCE RECOMMENDATIONS	**HOSPITAL RESPONSE REVIEWED WITH CT-DPH**	**TIMEFRAME FOR IMPLEMNTATION / REPSONSIBLE PERSON(S)**	**QAPI MEASURES**	**STATUS SUMMARY/ COMPLIANCE RATE**
children and families.				
33. Develop a standard protocol for psychiatric medication administration for pediatrics (as well as adult).	Arrange a combined meeting with EMP and Psychiatry.	October 2011 Medical Director, Psychiatry and Chairman Emergency Services	Dr. Talavera-Briggs developed a protocol for psychiatric medications for managing agitated pediatric patients and included in the orientation packet psychiatrists.	Completed by Dr. Talavera-Briggs January 2012
34. It may be helpful to consider hiring an identified person, with psychiatric expertise whose responsibilities would include clinical care within, and oversight of, the psychiatric emergency services.	The Medical Director of the Consultation and Crisis Services, will start as of 7/11/2011 to hold twice monthly meetings for clinical supervision of the Crisis Service clinicians.	7/2011 Medical Director of the Consultation and Crisis Services	Dr. Naomi Mendelovicz is the Medical Director for the Crisis Service and CL.	Completed
35. Ensure that locum tenens personnel understand the issues specific to child psychiatry for urgent matters including dosing and administration of medications for agitation and restraint protocols.	The Medical Director of the Consultation and Crisis Services is developing an Orientation module (for new psychiatrists taking call at Lawrence & Memorial Hospital) regarding Crisis Services responsibilities in the care of Adult and Pediatric patients referred by the ED.	10/2011 Medical Director of the Consultation and Crisis Services	Dr. Talavera-Briggs developed an orientation packet for locum tenens and new psychiatrists. Medication protocols are included	Completed
36. Consider adding a section to the individualized treatment plan,	The Crisis Intervention Services Manager has drafted a new Individualized Treatment	10/2011	Developed and individualized treatment	Completed 9/11

RIDOHSC0603

QAPI MEASURES FOR PEDIATRIC CONSENT ORDER RECOMMENDATIONS 10-2012				
CCE RECOMMENDATIONS	HOSPITAL RESPONSE REVIEWED WITH CT-DPH	TIMEFRAME FOR IMPLEMNTATION / REPSONSIBLE PERSON(S)	QAPI MEASURES	STATUS SUMMARY/ COMPLIANCE RATE
which is activated after a 24-hour length of stay, which allows for the writing in of individualized approach.	Plan for extended lengths of stay involving Pediatric patients	Crisis Intervention Services Manager	plan for ELOS.	
37. Ongoing staff education about developmental needs of children, with possible identification of a 'local expert' on children. The use of DVD materials is one option in lieu of formal education.	The Crisis Intervention Services Manager has developed a 3-part series on growth & development for Pediatric Behavioral Health staff. Purchase and load onto the Intranet an educational DVD for staff education.	12/2011 Crisis Intervention Services Manager	Further materials have been identified including DVD materials and are in the process of being approved for purchase.	Ongoing Update as of 7-2012: Purchased 4 books, DVD materials. Presented an in-service to staff. Developed and implemented a new triage protocol for managing behavioral health pediatric patients that is responsive to the needs of pediatric patients; implemented June 18, 2012.
38. A standard guide for children, especially since the psychiatric back up attendings are often adult trained only, is recommended	Provide selected reference text books and manuals to be placed and kept in the Crisis Service office for handy consultation.	10/2011 Medical Director of the Consultation and Crisis Services	The standard guidelines for treatment for children and adolescents in the ED has been addressed in the orientation manual developed by Dr. Talavera-Briggs, Medical Director of Child and Adolescent Psychiatry	Completed 1/12
39. Consider technology as a tool for education and consider identification of a 'local expert' or experts who are tasked to share expertise about child development and mental health with the mental health team.	Make reference material available on the Intranet.	10/2011 Crisis Intervention Services Manager	Educational materials are readily available to all staff. Weekly supervision provided by Andrea Moran, LCSW, BCD and Dr. Naomi Mendelovicz, MD, Medical Director of the Crisis Service. Supervision is also available and on a case by case basis. Crisis clinicians are	COMPLETED

RIDOHSC0604

QAPI MEASURES FOR PEDIATRIC CONSENT ORDER RECOMMENDATIONS 10-2012				
CCE RECOMMENDATIONS	HOSPITAL RESPONSE REVIEWED WITH CT-DPH	TIMEFRAME FOR IMPLEMNTATION / REPSONSIBLE PERSON(S)	QAPI MEASURES	STATUS SUMMARY/ COMPLIANCE RATE
			experienced in the assessment and treatment of child and adolescents. All crisis clinicians attend conferences and receive a minimum of 15CEUs per calendar year on current topics in the field of mental health	

RIDOHSC0605

Consent Order Report to DPH – December 07, 2012

Consent Order Topic	Status
Signature from Bruce due date February 16; extension gotten until March 14, 2011	**COMPLETED 3/14/2011**
1.Clinical Consulting Entity (CCE)	Signed by CEO on 4/11/2011 and Approved by Janet Williams, DPH via email on 4/12/2011 -- **COMPLETED**
2.CCE Serves the interest of the Health Department in assuring safety, etc. of patients	Clinical Consulting Entity (CCE) Agreed and acknowledges the focus as solely Pediatrics -**COMPLETED**
3.Conduct onsite review of hospital systems and direct observations of staff performance per ¶4	Clinical Consulting Entity (CCE) conducted on-site review for 3-days, May 2, 3 and 5, 2011 -- **COMPLETED**
4. CCE review of services shall include, but not limited to the professional and hospital services and systems and shall make recommendations to assure quality in: a., b., c., and d.	**COMPLETED**
5.Initial onsite review within 30-days of signing of the Service Agreement	Clinical Consulting Entity (CCE) conducted on-site review for 3-days, May 2, 3 and 5, 2011 -- **COMPLETED**
6. CCE develops report within 30-days after initial onsite review and shares with DPH and Hospital simultaneously.	CCE due to send report to DPH by approximately end-of-week of June 6, 2011; CCE report arrived yesterday, June 9, 2011. **COMPLETED**
7.DPH will have final authority on approval of CCE	Approval given by DPH for Yale New Haven Children's Hospital (YNHCH)to function as CCE -- **COMPLETED**
8.L&M shall provide proposed timeframe for implementation of CCE recommendations within 21-days of receipt by of DPH determination	Awaiting CCE report and then approval by DPH of their recommendations. CCE report arrived yesterday, June 9, 2011. L&M is reviewing the recommendations and will develop a timeframe for implementation of the recommendations. We will work with DPH and the CCE regarding any recommendation concerns. CCE Recommendation review completed by key L&M stakeholders. Meeting held with Barbara Cass, CT-DPH on 7/14/2011 to discuss L&M's response to the recommendations. Based on that meeting and a follow-up conference call on 7/29/2011 with Ms. Cass, four of the CCE recommendations were responded to with alternative hospital action plans. A follow-up email memorializing the discussion was sent to Ms. Cass on 7/29/2011. The timeframe for implementation was agreed upon with Barbara Cass, CT-DPH on September 6, 2011 after she had reviewed the submission emailed to her on September 2nd. She was in agreement and no changes needed to be made. **COMPLETED**

Consent Order Topic	Status
9.Maintain any records for Consent Order and make available to DPH upon request	All such records will be maintained by the hospital for a minimum of 3-years. **Ongoing** *Ongoing* Ongoing Ongoing maintenance of documents/records
10.CCE shall re-evaluate L&M at 3-months & 6-months after initial report and will provide re-assessment reports	CCE will conduct 3-month re-assessment visit at 3-months (~ 8/11/2011); 6-months (~11/11/2011); Scope of reassessments will be dependent on content of initial assessment. Discussion underway to schedule follow-up CCE reassessment visit this month. 3-month reassessment visit by CCE took place 9/14 and 9/15/2011. Will await CCE report. **Awaiting CCE 3-month reassessment report which has not arrived as of this date.** *CCE report arrived in November; reviewed with key stakeholders' team. Request made to DPH to postpone 6-month CCE reassessment visit until February 2012 due to late arrival of 3-month report. DPH (Barbara Cass) agreed.* 6-month reassessment onsite visit by CCE conducted in March 2012; continue to await their report. CCE 6-month re-assessment report arrived August 8, 2012. Report very positive with acknowledgement of L+M's good progress.
11.L&M to develop and/or revise policies/procedures as necessary within 60-days of the initial evaluation	Within 60-days of the CCE's initial consultation recommendations the hospital will complete as necessary policies and procedures revisions and/or development. CCE report arrived yesterday, June 9, 2011. L&M is reviewing the recommendations and will develop a timeframe for implementation of the recommendations, including necessary policy/procedure revisions and/or development. We will work with DPH and the CCE regarding any recommendation concerns. Now that DPH and the hospital have agreed on the

Consent Order Topic	Status
	recommendations from the CCE and the hospital response, we will move forward with the necessary policies and procedures revisions and/or development. L&M is collaborating with Yale on policy/procedure development and revisions. Yale came on-site in mid-August for this consultation. Policies updated include, but are not limited to: --Assessment & Reassessment Policy --PEWS Scores --Admission Guidelines, Pediatric --Aerosolized Medications, Pediatrics **Another on-site policy consultation visit with Yale is planned for this week; tentatively set for November 3, 2011.** *Ongoing: Several key stakeholder team members working closely with Yale consultants to develop pediatric-specific policies/procedures.* Ongoing Ongoing; Policies reviewed at Pediatric Quality Council
12.Staff education as necessary regarding policies and procedures addressed in the Consent Order within 90-days of CCE's initial evaluation	Within 90-days of the CCE's initial consultation recommendations the hospital will implement the necessary staff education regarding policies and procedures. Staff education will be completed on the policy/procedure changes instituted as a result of the CCE report. Staff will be educated on the necessary policies and procedures once the timeframe for implementation has been approved by the DPH per Consent Order item #8. The timeframe for implementation was agreed upon with Barbara Cass, CT-DPH on September 6, 2011. Policy/procedure/practices education will comply with the timeframes outlined for each recommendation. **Staff education is ongoing as policies are developed or revised. Another on-site policy consultation with Yale is planned for this week; tentatively set for November 3, 2011.** *Ongoing; see item 11.*

Consent Order Topic	Status
	Ongoing; see item 11. Ongoing; see item 11.
13. Education of all LIPs who are not employed at the hospital as necessary re: policies and procedures addressed in the Consent Order	As necessary, the hospital's LIPs will be educated on new or revised policies and procedures. All LIPs education will be completed on the policy/procedure changes instituted as a result of the CCE report. See item 12. **Refer to item 12.** *Ongoing; Refer to item 12.* Ongoing; refer to item 12 Ongoing; refer to item 12
14. Within 60-days of the initial evaluation by the CCE, QA/QI methods for monitoring of the implementation of the requirements Report of such measures will be presented to medical staff and governing authority	QA/QI monitoring methods will be developed in concert with the recommendations. Mechanism in place for reporting to Medical Staff and governance via the Board Quality Council and MEC. Reports to DPH are shared at these meetings. Monitoring measures are reported at Quality Council and found in the minutes of that meeting. **Consent Order Reporting continues at Quality Council and MEC with QAPI measures incorporated.** *Ongoing* Consent Order Reporting continues at Quality Council and MEC with QAPI measures incorporated.
15.Health Care Quality Conference for internal/external healthcare professionals	CCE will provide the education program on-site at L&M complying with the Consent Order requirements. The program is targeted for early June 2011. "Pediatric Pitfalls and Perils" educational program scheduled for June 14, 2011 at L&M Hospital's Baker Auditorium. Two sessions being offered t hat day to internal staff and external healthcare professionals. Please refer to attached program flier. ITEM COMPLETED
16.Submit Conference info to DPH for approval	When developed, CCE will submit program details (per Consent Order items 16. A. thru d.) to DPH for approval.

Consent Order Topic	Status
	Program content submitted to CT-DPH and approved. ITEM COMPLETED
17. FLIS shall review and approve information in item 16. prior to publishing	Prior to publishing/promoting the program both internally and externally, the hospital will await DPH approval of program outline and content. ITEM COMPLETED
18. L&M to designate, within 7-days of Consent Order signing, person to monitor the requirements of the Consent Order. Name needs to be provided to DPH Reports submitted every 6-weeks for 1st 6-months and quarterly thereafter for 2-years (duration of consent order)	Name of Chief Quality & Patient Safety Officer submitted to DPH on 3/14/2011 via letter to Janet Williams --**COMPLETED** Reporting schedule for first 6-months: ▪ Week of May 9, 2011 –submitted May 12th ▪ Week of June 20, 2011 – submitted June 10, 2011 ▪ Week of August 1, 2011 – submitted August 3, 2011 ▪ Week of September 12, 2011-submitted September 16, 2011 ▪ **Week of October 24, 2011 – submitted October 31, 2011; will now move to quarterly reporting to DPH.** ▪ *Ongoing report to DPH January 31, 2012* ▪ L+M continues ongoing reporting to DPH; we continue to await CCE report from their onsite 6-month reassessment visit in March 2012. ▪ Report to DPH updated 12-07-2012

Additionally, two CT-DPH Nurse Surveyors were onsite at the organization Wednesday, June 8 and Thursday, June 9, 2011 to conduct a review of this Consent Order as well as other review items.

Reports Submitted: Dates
First report to DPH: May 13, 2011
Second report to DPH: June 10, 2011
Third report to DPH: August 2, 2011
Fourth report to DPH: September 16, 2011
Fifth report to DPH: October 31, 2011
Quarterly Report to DPH: January31, 2012
Update report submitted to DPH July 31, 2012
Report to DPH updated; submitted12-07-2012

Consent Order Report to DPH – July 2012

Consent Order Topic	Status
Signature from Bruce due date February 16; extension gotten until March 14, 2011	**COMPLETED 3/14/2011**
1.Clinical Consulting Entity (CCE)	Signed by CEO on 4/11/2011 and Approved by Janet Williams, DPH via email on 4/12/2011 -- **COMPLETED**
2.CCE Serves the interest of the Health Department in assuring safety, etc. of patients	Clinical Consulting Entity (CCE) Agreed and acknowledges the focus as solely Pediatrics -**COMPLETED**
3.Conduct onsite review of hospital systems and direct observations of staff performance per ¶4	Clinical Consulting Entity (CCE) conducted on-site review for 3-days, May 2, 3 and 5, 2011 -- **COMPLETED**
4. CCE review of services shall include, but not limited to the professional and hospital services and systems and shall make recommendations to assure quality in: a., b., c., and d.	**COMPLETED**
5.Initial onsite review within 30-days of signing of the Service Agreement	Clinical Consulting Entity (CCE) conducted on-site review for 3-days, May 2, 3 and 5, 2011 -- **COMPLETED**
6. CCE develops report within 30-days after initial onsite review and shares with DPH and Hospital simultaneously.	CCE due to send report to DPH by approximately end-of-week of June 6, 2011; CCE report arrived yesterday, June 9, 2011. **COMPLETED**
7.DPH will have final authority on approval of CCE	Approval given by DPH for Yale New Haven Children's Hospital (YNHCH)to function as CCE -- **COMPLETED**
8.L&M shall provide proposed timeframe for implementation of CCE recommendations within 21-days of receipt by of DPH determination	Awaiting CCE report and then approval by DPH of their recommendations. CCE report arrived yesterday, June 9, 2011. L&M is reviewing the recommendations and will develop a timeframe for implementation of the recommendations. We will work with DPH and the CCE regarding any recommendation concerns. CCE Recommendation review completed by key L&M stakeholders. Meeting held with Barbara Cass, CT-DPH on 7/14/2011 to discuss L&M's response to the recommendations. Based on that meeting and a follow-up conference call on 7/29/2011 with Ms. Cass, four of the CCE recommendations were responded to with alternative hospital action plans. A follow-up email memorializing the discussion was sent to Ms. Cass on 7/29/2011. The timeframe for implementation was agreed upon with Barbara Cass, CT-DPH on September 6, 2011 after she had reviewed the submission emailed to her on September 2nd. She was in agreement and no changes needed to be made. **COMPLETED**

Consent Order Topic	Status
9.Maintain any records for Consent Order and make available to DPH upon request	All such records will be maintained by the hospital for a minimum of 3-years. **Ongoing** *Ongoing* Ongoing
10.CCE shall re-evaluate L&M at 3-months & 6-months after initial report and will provide re-assessment reports	CCE will conduct 3-month re-assessment visit at 3-months (~ 8/11/2011); 6-months (~11/11/2011); Scope of reassessments will be dependent on content of initial assessment. Discussion underway to schedule follow-up CCE reassessment visit this month. 3-month reassessment visit by CCE took place 9/14 and 9/15/2011. Will await CCE report. **Awaiting CCE 3-month reassessment report which has not arrived as of this date.** *CCE report arrived in November; reviewed with key stakeholders' team. Request made to DPH to postpone 6-month CCE reassessment visit until February 2012 due to late arrival of 3-month report. DPH (Barbara Cass) agreed.* 6-month reassessment onsite visit by CCE conducted in March 2012; continue to await their report.
11.L&M to develop and/or revise policies/procedures as necessary within 60-days of the initial evaluation	Within 60-days of the CCE's initial consultation recommendations the hospital will complete as necessary policies and procedures revisions and/or development. CCE report arrived yesterday, June 9, 2011. L&M is reviewing the recommendations and will develop a timeframe for implementation of the recommendations, including necessary policy/procedure revisions and/or development. We will work with DPH and the CCE regarding any recommendation concerns. Now that DPH and the hospital have agreed on the recommendations from the CCE and the hospital response, we will move forward with the necessary policies and procedures revisions and/or development. L&M is collaborating with Yale on policy/procedure

Consent Order Topic	Status
	development and revisions. Yale came on-site in mid-August for this consultation. Policies updated include, but are not limited to: --Assessment & Reassessment Policy --PEWS Scores --Admission Guidelines, Pediatric --Aerosolized Medications, Pediatrics **Another on-site policy consultation visit with Yale is planned for this week; tentatively set for November 3, 2011.** *Ongoing: Several key stakeholder team members working closely with Yale consultants to develop pediatric-specific policies/procedures.* Ongoing
12.Staff education as necessary regarding policies and procedures addressed in the Consent Order within 90-days of CCE's initial evaluation	Within 90-days of the CCE's initial consultation recommendations the hospital will implement the necessary staff education regarding policies and procedures. Staff education will be completed on the policy/procedure changes instituted as a result of the CCE report. Staff will be educated on the necessary policies and procedures once the timeframe for implementation has been approved by the DPH per Consent Order item #8. The timeframe for implementation was agreed upon with Barbara Cass, CT-DPH on September 6, 2011. Policy/procedure/practices education will comply with the timeframes outlined for each recommendation. **Staff education is ongoing as policies are developed or revised. Another on-site policy consultation with Yale is planned for this week; tentatively set for November 3, 2011.** *Ongoing; see item 11.* Ongoing; see item 11.
13. Education of all LIPs who are not employed at the hospital as necessary re: policies and procedures addressed in the Consent Order	As necessary, the hospital's LIPs will be educated on new or revised policies and procedures. All LIPs education will be completed on the policy/procedure changes instituted as a result of the CCE report.

Consent Order Topic	Status
	See item 12. **Refer to item 12.** *Ongoing; Refer to item 12.* Ongoing; refer to item 12
14. Within 60-days of the initial evaluation by the CCE, QA/QI methods for monitoring of the implementation of the requirements Report of such measures will be presented to medical staff and governing authority	QA/QI monitoring methods will be developed in concert with the recommendations. Mechanism in place for reporting to Medical Staff and governance via the Board Quality Council and MEC. Reports to DPH are shared at these meetings. Monitoring measures are reported at Quality Council and found in the minutes of that meeting. **Consent Order Reporting continues at Quality Council and MEC with QAPI measures incorporated.** *Ongoing* Consent Order Reporting continues at Quality Council and MEC with QAPI measures incorporated.
15.Health Care Quality Conference for internal/external healthcare professionals	CCE will provide the education program on-site at L&M complying with the Consent Order requirements. The program is targeted for early June 2011. "Pediatric Pitfalls and Perils" educational program scheduled for June 14, 2011 at L&M Hospital's Baker Auditorium. Two sessions being offered t hat day to internal staff and external healthcare professionals. Please refer to attached program flier. ITEM COMPLETED
16.Submit Conference info to DPH for approval	When developed, CCE will submit program details (per Consent Order items 16. A. thru d.) to DPH for approval. Program content submitted to CT-DPH and approved. ITEM COMPLETED
17. FLIS shall review and approve information in item 16. prior to publishing	Prior to publishing/promoting the program both internally and externally, the hospital will await DPH approval of program outline and content. ITEM COMPLETED

Consent Order Topic	Status
18.L&M to designate, within 7-days of Consent Order signing, person to monitor the requirements of the Consent Order. Name needs to be provided to DPH Reports submitted every 6-weeks for 1st 6-months and quarterly thereafter for 2-years (duration of consent order)	Name of Chief Quality & Patient Safety Officer submitted to DPH on 3/14/2011 via letter to Janet Williams **--COMPLETED** Reporting schedule for first 6-months: ▪ Week of May 9, 2011 –submitted May 12th ▪ Week of June 20, 2011 – submitted June 10, 2011 ▪ Week of August 1, 2011 – submitted August 3, 2011 ▪ Week of September 12, 2011-submitted September 16, 2011 ▪ **Week of October 24, 2011 – submitted October 31, 2011; will now move to quarterly reporting to DPH.** ▪ *Ongoing report to DPH January 31, 2012* ▪ L+M continues ongoing reporting to DPH; we continue to await CCE report from their onsite 6-month reassessment visit in March 2012.

Additionally, two CT-DPH Nurse Surveyors were onsite at the organization Wednesday, June 8 and Thursday, June 9, 2011 to conduct a review of this Consent Order as well as other review items.

Reports Submitted: Dates
First report to DPH: May 13, 2011
Second report to DPH: June 10, 2011
Third report to DPH: August 2, 2011
Fourth report to DPH: September 16, 2011
Fifth report to DPH: October 31, 2011
Quarterly Report to DPH: January 31, 2012
Update report submitted to DPH July 31, 2012

2011 DPH Consent Order Work Plan with Yale New Haven Children's Hospital (YNHCH)

Consent Order Topic	COMPLETED	ACTIONS & STATUS (Comments / Questions)
Signature from Bruce due date February 16; extension gotten until March 14, 2011	SIGNED BY Bruce 3/14/2011	**COMPLETE**
1.Clinical Consulting Entity (CCE)	SIGNED BY Bruce & YNHCH 4/11/2011	Approval by Janet Williams, DPH via email on 4/12/2011 **COMPLETE**
2.CCE Serves the interest of the Health Department in assuring safety, etc. of patients	YNHCH Agreed and acknowledges the focus as solely Pediatrics	In process
3.Conduct onsite review of hospital systems and direct observations of staff performance per ¶4	YNHCH Agreed for Pediatric components exclusively of Consent Order and Appendix A (This was clarified and verified several times with YHNCH and DPH and incorporated into the Service Agreement by way of delineation of Violation numbers in the contract.	YNHCH will lay-out an observation schedule for conducting on-site observations ▪ **Targeting first or second week of May for the onsite visit.** ▪ **YHNCH will plan on 3-days onsite** ▪ **YNHCH will provide a list of staff who will be onsite; L&M will provide point-person for each**
4.CCE review of services shall include, but not limited to ...	YNHCH Agreed to Pediatric components exclusively for items 4.a, 4.b, 4.c, and 4.d. in the Consent Order.	YNHCH will provide a plan for looking at practice and opportunities for improvement. For example, Pedi MD will make X-number of observations. Improvement. Observations will not include Bylaws. ▪ **YNHCH will be onsite for 3-days to review the issues outlined in the Agreement**
5.Initial onsite review within 30-days of signing of the Service Agreement	YNHCH agreed to the timeline	First onsite visit by YNHCH consultants will take place by **5/11/2011** (30-days from signing Contractual Service Agreement) ▪ **YNHCH will provide a list of policies they want to review when onsite** ▪ **L&M will send them if YNHCH wants to review them in advance**
6. CCE develops report within 30-days after initial onsite review and share with DPH and Hospital simultaneously.	YNHCH agreed to the timeline	Initial report due 30-days after the initial onsite visit. ▪ **YNHCH due to send report to DPH by approximately end of week of June 6, 2011**

Prepared by S. Strammiello, Chief Quality & Patient Safety Officer 4/2011; **red** = conference call agreements 4/21/11

Consent Order Topic	COMPLETED	ACTIONS & STATUS (Comments / Questions)
7.DPH will have final authority on approval of CCE	All parties agree	
8.L&M shall provide proposed timeframe for implementation of CCE recommendations within 21-days of receipt by of DPH determination	Consent Order modification made from 10 to 21-days; agreed upon by all parties;	Upon approval by DPH of the YHNCH recommendations, L&M will propose a timeframe for implementation of the recommendations. This timeframe proposal will be completed within 21-days.
9.Maintain any records for Consent Order and make available to DPH upon request	L&M owns this process completely	Records will be maintained for a minimum of 3-years.
10.CCE shall re-evaluate L&M at 3-months & 6-months after initial report submitted and provide re-assessment reports	YNHCH Agreed on DPH mandatory timeframes of 3-months and 6-months.	3-month re-assessment by ~ **8/11/2011** 6-month reassessment by **~11/11/2011** Scope of reassessments will be dependent on content of initial assessment.
11.L&M to develop and/or revise policies/procedures as necessary within 60-days of the initial evaluation	Agreement on 60-days of the initial evaluation by YNHCH.	60-days from **the CCE's initial consultation recommendations--** L&M will complete as necessary policies and procedures related to items: a., b., c., d., and e. for Pediatrics.
12.Staff education as necessary regarding policies and procedures addressed in the Consent Order	DPH agreed on "Within 90-days **of YNHCH's initial evaluation"**	Yale will build this into their plan
13. Education of all LIPs who are not employed at the hospital as necessary re: policies and procedures addressed in the Consent Order	YNHCH Agreed	No date specified for completion YNHCH will build this into their plan
14.QA/QI method for monitoring implementation of the requirements Report of such measures will be presented to	Agreement on 60-days of the initial evaluation by YNHCH. Ongoing for 2-years and kept on file for 3-years	Yale will suggest options for monitoring methods, appropriate measures and reporting format.

Prepared by S. Strammiello, Chief Quality & Patient Safety Officer 4/2011; **red** = conference call agreements 4/21/11

Consent Order Topic	COMPLETED	ACTIONS & STATUS (Comments / Questions)
medical staff and governing authority		
15.Health Care Quality Conference for internal/external healthcare professionals	YNHCH agreed to provide this education on-site at L&M complying with the Consent Order requirements.	Within 90-days of the effective date of the Consent Order (3/14/2011) YNHCH will develop an educational program covering Consent Order items: 15. a. thru e. The program will be given within 90-days of the signed Consent Order; therefore **by 6/14/2011.** ▪ **YNHCH will send a proposal for the program for our review sometime next week (April 25th) or the week after (May 2nd).** ▪ **L&M point person for coordination will be Korey Roth, Director of Education.**
16.Submit Conference info to DPH for approval	YNHCH agreed to provide this program and submit for approval.	YNHCH will submit program details (per items 16. A. thru d.) to DPH for approval.
17.FLIS shall review and approve information in item 16. prior to publishing	YNHCH agreed to submit to DPH for approval.	YNHCH will submit program details (per items 16. A. thru d.) to DPH for approval.
18.L&M to designate, within 7-days of Consent Order signing, person to monitor the requirements of the Consent Order Name needs to be provided to DPH Reports submitted every 6-weeks for 1st 6-months and quarterly thereafter for 2-years (duration of consent order)	Name submitted to DPH on 3/14/2011 via letter to Janet Williams Sherry Strammiello, Chief Quality & Patient Safety Officer	DPH has no format requirements; suggested we keep in mind that this is a public document so not to use names, only titles. Reporting schedule for first 6-months: ▪ Week of April 25, 2011 ▪ Week of June 6, 2011 ▪ Week of July 18, 2011 ▪ Week of August 29, 2011 ▪ Week of October 10, 2011
19. thru 25. Rights and obligations under the Consent Order		

Prepared by S. Strammiello, Chief Quality & Patient Safety Officer 4/2011; **red** = conference call agreements 4/21/11

2011 DPH Consent Order Work Plan with Yale New Haven Children's Hospital (YNHCH)

Consent Order Topic	COMPLETED	ACTIONS & STATUS (Comments / Questions)
Signature from Bruce due date February 16; extension gotten until March 14, 2011	SIGNED BY Bruce 3/14/2011	**COMPLETE**
1.Clinical Consulting Entity (CCE)	SIGNED BY Bruce & YNHCH 4/11/2011	Approval by Janet Williams, DPH via email on 4/12/2011 **COMPLETE**
2.CCE Serves the interest of the Health Department in assuring safety, etc. of patients	YNHCH Agreed and acknowledges the focus as solely Pediatrics	**COMPLETE**
3.Conduct onsite review of hospital systems and direct observations of staff performance per ¶4	YNHCH Agreed for Pediatric components exclusively of Consent Order and Appendix A (This was clarified and verified several times with YHNCH and DPH and incorporated into the Service Agreement by way of delineation of Violation numbers in the contract.	YNHCH will lay-out an observation schedule for conducting on-site observations ▪ **Targeting first or second week of May for the onsite visit.** ▪ **YHNCH will plan on 3-days onsite** ▪ **YNHCH will provide a list of staff who will be onsite; L&M will provide point-person for each** **COMPLETED**
4.CCE review of services shall include, but not limited to ...	YNHCH Agreed to Pediatric components exclusively for items 4.a, 4.b, 4.c, and 4.d. in the Consent Order.	YNHCH will provide a plan for looking at practice and opportunities for improvement. For example, Pedi MD will make X-number of observations. Improvement. Observations will not include Bylaws. ▪ **YNHCH will be onsite for 3-days to review the issues outlined in the Agreement** **COMPLETED**
5.Initial onsite review within 30-days of signing of the Service Agreement	YNHCH agreed to the timeline	First onsite visit by YNHCH consultants will take place by **5/11/2011** (30-days from signing Contractual Service Agreement) ▪ **YNHCH will provide a list of policies they want to review when onsite** ▪ **L&M will send them if YNHCH wants to review them in advance** **COMPLETED**

Prepared by S. Strammiello, Chief Quality & Patient Safety Officer 4/2011; **red** = conference call agreements 4/21/11

Consent Order Topic	COMPLETED	ACTIONS & STATUS (Comments / Questions)
6. CCE develops report within 30-days after initial onsite review and share with DPH and Hospital simultaneously.	YNHCH agreed to the timeline	Initial report due 30-days after the initial onsite visit. ▪ **YNHCH due to send report to DPH by approximately end of week of June 6, 2011**
7.DPH will have final authority on approval of CCE	All parties agree	
8.L&M shall provide proposed timeframe for implementation of CCE recommendations within 21-days of receipt by of DPH determination	Consent Order modification made from 10 to 21-days; agreed upon by all parties;	Upon approval by DPH of the YHNCH recommendations, L&M will propose a timeframe for implementation of the recommendations. This timeframe proposal will be completed within 21-days.
9.Maintain any records for Consent Order and make available to DPH upon request	L&M owns this process completely	Records will be maintained for a minimum of 3-years.
10.CCE shall re-evaluate L&M at 3-months & 6-months after initial report submitted and provide re-assessment reports	YNHCH Agreed on DPH mandatory timeframes of 3-months and 6-months.	**3-month re-assessment by ~ 8/11/2011** **6-month reassessment by ~11/11/2011** Scope of reassessments will be dependent on content of initial assessment.
11.L&M to develop and/or revise policies/procedures as necessary within 60-days of the initial evaluation	Agreement on 60-days of the initial evaluation by YNHCH.	60-days from **the CCE's initial consultation recommendations--** L&M will complete as necessary policies and procedures related to items: a., b., c., d., and e. for Pediatrics.
12.Staff education as necessary regarding policies and procedures addressed in the Consent Order	DPH agreed on "Within 90-days **of YNHCH's initial evaluation"**	Yale will build this into their plan
13. Education of all LIPs who are not employed at the hospital as necessary re: policies and procedures addressed in the Consent Order	YNHCH Agreed	No date specified for completion YNHCH will build this into their plan

Prepared by S. Strammiello, Chief Quality & Patient Safety Officer 4/2011; **red** = conference call agreements 4/21/11

Consent Order Topic	COMPLETED	ACTIONS & STATUS (Comments / Questions)
14.QA/QI method for monitoring implementation of the requirements Report of such measures will be presented to medical staff and governing authority	Agreement on 60-days of the initial evaluation by YNHCH. Ongoing for 2-years and kept on file for 3-years	**Yale will suggest options for monitoring methods, appropriate measures and reporting format.** **5-10-11 Meet with Korey & Kerin to begin development of list of indicators to be measured; draw from CAP.**
15.Health Care Quality Conference for internal/external healthcare professionals	YNHCH agreed to provide this education on-site at L&M complying with the Consent Order requirements. Concern about this; watch timeline	Within 90-days of the effective date of the Consent Order (3/14/2011) YNHCH will develop an educational program covering Consent Order items: 15. a. thru e. The program will be given within 90-days of the signed Consent Order; therefore **by 6/14/2011.** ▪ **YNHCH will send a proposal for the program for our review sometime next week (April 25th) or the week after (May 2nd).** ▪ **L&M point person for coordination will be Korey Roth, Director of Education.**
16.Submit Conference info to DPH for approval	YNHCH agreed to provide this program and submit for approval.	YNHCH will submit program details (per items 16. A. thru d.) to DPH for approval.
17.FLIS shall review and approve information in item 16. prior to publishing	YNHCH agreed to submit to DPH for approval.	YNHCH will submit program details (per items 16. A. thru d.) to DPH for approval.
18.L&M to designate, within 7-days of Consent Order signing, person to monitor the requirements of the Consent Order Name needs to be provided to DPH Reports submitted every 6-weeks for 1st 6-months and quarterly thereafter for 2-years (duration of	Name submitted to DPH on 3/14/2011 via letter to Janet Williams Sherry Strammiello, Chief Quality & Patient Safety Officer	**COMPLETE** DPH has no format requirements; suggested we keep in mind that this is a public document so not to use names, only titles. Reporting schedule for first 6-months: ▪ **Week of April 25, 2011** ▪ Week of June 6, 2011

Prepared by S. Strammiello, Chief Quality & Patient Safety Officer 4/2011; **red** = conference call agreements 4/21/11

Consent Order Topic	COMPLETED	ACTIONS & STATUS (Comments / Questions)
consent order)		▪ Week of July 18, 2011 ▪ Week of August 29, 2011 ▪ Week of October 10, 2011
19. thru 25. Rights and obligations under the Consent Order		

March 14, 2011

Janet M. Williams, R.N.
Public Health Services Manager
Facility Licensing & Investigations Section
State of Connecticut Department of Public Health
P.O. Box 340308
Hartford, CT 06134

Re: Consent Order - March 1, 2011

Dear Ms. Williams:

Enclosed please find the signed, dated, and notarized Consent Order executed by Bruce Cummings, President and CEO of Lawrence & Memorial Hospital. Mr. Cummings has designated me as the "individual within the Facility to monitor the requirements of this Consent Order." As such, I will be submitting the required reports to you as outlined in the Order.

Thank you Janet for your many conference calls with Yale New Haven Children's Hospital (YNHCH) and L&M to make the necessary clarifications to the Consent Order so we can move forward with the Clinical Consulting Entity (CCE) agreement.

Please contact me at 860-271-4661 with any questions or additional items.

Sincerely,

Sherry Strammiello
Chief Quality & Patient Safety Officer/
Director of Risk Management

Enclosure

Copies: Bruce Cummings, President & CEO
Ulysses Hammond, Board Chairman
Dr. Henry Amdur, President of the Medical Staff

EXHIBIT 19

Exhibit 19

In November 2010, the Department of Human Services, Office of Inspector General ("OIG") issued document subpoenas to The Westerly Hospital and CHOW NewCo, Inc., now known as Atlantic Medical Group, Inc. (collectively, the "Hospital"). The parties duly responded to the production requests with a rolling production, concluding in March 2011. Thereafter, the OIG requested written analyses concerning some of the agreements with various physicians and physician practice groups. The parties exchanged written communications and also had meetings with OIG representatives, as well as representatives of the United States Attorney General's Office for the District of Rhode Island (the "Government"), both pre and post mastership. In addition, the Hospital has self-disclosed certain arrangements and contracts that were identified during the due diligence in the mastership proceeding that may not fully comply with certain technical requirements of the Stark and Anti-Kickback statutes. The Hospital has made a settlement proposal to the Government that would bring the investigation to closure.[1] The settlement proposal is currently under consideration and it is the Hospital's expectation that the investigation will be resolved prior to closing on the proposed transaction.

[1] On October 18, 2012, the Special Master proposed a global settlement to address not only the pending OIG investigation, but also obligations due to the Pension Benefit Guaranty Corporation and the Internal Revenue Service.

Exhibit 19

Lawrence Memorial Hospital

Case #	Complaint	Status	Finding
OCR09-92623	Impermissible access	Closed 8/17/10	Sufficiently addressed through L&M voluntary action - no further action required.
OCR11-119032	Failure to Safeguard PHI	Closed 3/7/11	Unsubstantiated
OCR11-128892	Impermissible access	Closed 8/11/11	Sufficiently addressed through L&M voluntary action - no further action required.
OCR11-130815	Impermissible disclosure of health information	Closed 9/21/12	Sufficiently addressed through L&M voluntary action - no further action required.
OCR12-133930	Impermissible disclosure of health information	Closed 3/5/12	No violation, employment records that are not under the purview of the Privacy Rule.
CMS ID CHIG11	CMS conducted a substantial allegation survey	Survey on 5/30/12 Closed on 6/11/12	Receive letter on 6/11/12 from CMS stating that L&M was in compliance with the Medicare Conditions of Participation for Hospitals
OCR12-143868	Failure to Safeguard PHI	Open 7/23/12, , sent response to OCR on 8/8/12	Open Investigation, awaiting OCR response letter

SUPPLEMENTAL EXHIBIT 19(e)

CENTERS FOR MEDICARE & MEDICAID SERVICES
Boston Regional Office
JFK Federal Building
Room 2350
Boston, MA 02203

CMS
CENTERS for MEDICARE & MEDICAID SERVICES

Consortium for Quality Improvement and Survey & Certification Operations
Division of Survey & Certification

June 11, 2012

Mr. Bruce Cummings,
Lawrence & Memorial Hospital
365 Montauk Ave
New London, CT 06320

CCN: 070007

Survey ID: CHIG11

Dear Mr. Cummings:

I am pleased to inform you that as a result of the substantial allegation survey conducted on May 30, 2012 by the State Of Connecticut Department Of Public Health (State Survey Agency), Lawrence & Memorial Hospital was found in compliance with the Medicare Conditions of Participation for Hospitals and will continue to be "deemed" to meet applicable Medicare requirements based upon accreditation by the Joint Commission.

The enclosed CMS FORM 2567 is provided for your records. A copy of the 2567 and this notice will be forwarded to the Joint Commission and to the State Survey Agency.

We thank you for your cooperation and look forward to working with you on a continuing basis in the administration of the Medicare program.

Sincerely,

Viola Siriani,
Health Insurance Specialist
Certification & Enforcement Branch

Encl: CMS-2567

cc: CT State Survey Agency
AO

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	070007	A. BUILDING _____ B. WING _____	C 05/30/2012

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
LAWRENCE & MEMORIAL HOSPITAL	365 MONTAUK AVE NEW LONDON, CT 06320

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE
A 000	INITIAL COMMENTS An authorized substantial allegation survey concluded on 5/30/12 in response to Complaint #13806 at: Lawrence & Memorial Hospital 365 Montauk Ave. New London, CT 06320 The following Conditions of Participation were reviewed as they pertained to the Complaint: Patient Rights (482.13 Quality Assurance (482.21) Medical Records (482.24)	A 000		
A9999	CLOSING COMMENTS A substantial allegation survey concluded on 5/30/12 with no federal deficiencies identified.	A9999		

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE | TITLE | (X6) DATE

Any deficiency statement ending with an asterisk (*) denotes a deficiency which the institution may be excused from correcting providing it is determined that other safeguards provide sufficient protection to the patients. (See instructions.) Except for nursing homes, the findings stated above are disclosable 90 days following the date of survey whether or not a plan of correction is provided. For nursing homes, the above findings and plans of correction are disclosable 14 days following the date these documents are made available to the facility. If deficiencies are cited, an approved plan of correction is requisite to continued program participation.

CONFIDENTIAL SUPPLEMENTAL EXHIBIT 19(e)

1. Additional information regarding the open OCR investigation (OCR12-143868):

   Please see the attached correspondence from L+M to the OCR investigator, Vicki Kaufman, dated August 8, 2012. OCR responded to this correspondence by telephone call on December 4, 2012 and requested additional information. The OCR investigator called back on December 6, 2012 and requested copies of the letters provided to the patients involved in this case. On December 6, L+M provided all additional information requested by the OCR investigator. L+M has not received any further contact from the OCR on this matter. The underlying complaint to this OCR investigation is the same complaint that originated the now closed CMS/Connecticut DPH investigation (CMS ID CHIG11). The CMS/Connecticut DPH investigation into the same complaint determined that L+M was in compliance with the Medicare Conditions of Participation for Hospitals.

2. Additional OCR investigation (OCR13-151471):

   The OCR opened this investigation on November 26, 2012. The investigation pertains to an alleged impermissible disclosure of health information. L+M responded on December 13, 2012. A copy of L+M's response dated December 13, 2012 is attached. The OCR has not yet further responded or requested any additional information in connection with this investigation.

LAWRENCE & MEMORIAL HOSPITAL

August 8, 2012

Department of Health and Human Services
Office for Civil Rights, Region 1
JFK Federal Building, Room 1875
Government Center
Boston, MA 02203-0002
Attn: Vicki Kaufman, Investigator

RE: Reference Number 12-143868

Dear Ms. Kaufman:

We are writing in response to your letter that was received by us on July 27th, 2012 concerning the above-referenced complaint made to your office on April 18th, 2012 alleging that Lawrence and Memorial Hospital (the "Hospital") is not in compliance with the Federal Standards for Privacy of Individually Identifiable Health Information and/or the Security Standards for the Protection of Electronic Protected Health Information set forth in 45 C.F.R. Parts 160 and 164. (Subparts A, C and E, the Privacy and Security Rules). We understand that the complaint alleges that the Hospital failed to safeguard the protected health information (PHI) of (Patient Names Redacted) when they were impermissibly accessed and used without authorization between 2007 and 2012.

The following responds to the Data Requests included in your July 23rd, 2012 letter:

1. Respond to the allegation made by (Name Redacted); please submit a detailed response to this allegation, including exactly what occurred and how it was handled by your entity. Please also describe what steps were taken by your entity to assure that protected health information is safeguarded from impermissible use by your staff.

   In sum, (Name Redacted); inappropriately accessed the medical records of (Patient Names Redacted) that are maintained by the Hospital. These actions took place between 2007 and 2012. At that time, (Name Redacted); was an employee of the (Name Redacted); a private medical practice (the "Practice"), and had access to certain systems maintained by the Hospital as part of her job responsibilities for the Practice.

   Specifically, the Hospital was contacted by (Name Redacted), practice manager for the Practice, on February 22nd, 2012 requesting that an audit be performed with respect to (Name Redacted) remote access to the Hospital's information systems in response to an inquiry (Name Redacted) received from (Name Redacted) on February 15th, 2012. The Hospital conducted an audit on February 27th, 2012 limited to the concern raised in the letter and reviewed access to (Name Redacted) medical records. This audit identified several instances of inappropriate access by (Name Redacted) between 2010 and 2012, the results of which were reported to (Name Redacted) in an audit response letter dated February 27th, 2012. As a result of those findings, (Name Redacted) was counseled by the Practice in its role as her employer and she

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was required to reaffirm her obligations under the Hospital's system access confidentiality policy by re-signing the system access acknowledgement form that is executed when initial user accounts are established.

Subsequently, on March 6th, 2012 at the request of (Name Redacted), the Hospital expanded the scope of its audit to include review of access to (Name Redacted) medical records as well, and identified five instances of inappropriate access by (Name Redacted) between 2007 and 2011. These additional results were communicated to (Name Redacted) in correspondence on March 8th, 2012. As a result of this additional finding, (Name Redacted) account was to be regularly audited for appropriate access and compliance with Hospital privacy policies. In addition, a more in-depth audit was conducted and it was determined that (Name Redacted) accessed the three family member's medical records a total of sixteen instances between 2007 and 2012 as well as her own medical record on forty-three instances. Each of the patients was contacted by letter with the results of the audit of their medical records that they had requested between February 22nd and April 19th, 2012.

After evaluation of (Name Redacted) subject actions, a decision was made by the Hospital to immediately terminate (Name Redacted) remote access to the Hospital's information systems. This decision was conveyed in person and in writing to the Practice's manager, (Name Redacted), on March 21st, 2012. Any disciplinary actions against (Name Redacted) with respect to her employment were handled by the (Name Redacted) in its role as her employer.

2. Provide a copy of your policy and procedures regarding impermissible uses of protected health information.

Medical staff and medical staff employee information system users obtain access to the Hospital's information system through the process described in the "Confidentiality and Access to Information" policy enclosed with this letter. That policy explains both the requirement to limit system access to authorized purposes and outlines the procedure for addressing violations such as accessing information that is not needed or within the scope of an individual's job or duties. This policy was in place and would have been communicated when (Name Redacted) user account was initially created.

The procedure for providing access to a physician and/or their office staff is also outlined in the Issuance of User IDs and Passwords for L&M Information Systems policy, a copy of which is enclosed. (Name Redacted) access to the Hospital's information systems followed this procedure. Upon notice, violations of the Hospital's system access policy are immediately investigated and addressed in accordance with the above Confidentiality policy as well as the Hospital's usual policies and procedures for responding to any HIPAA-related complaint.

3. Provide a copy of your policy and procedures to safeguard patients' protected health information.

The Hospital is in full compliance with the Safeguards standard in order to protect a patient's health information. A copy of the Hospital's Safeguards policy is enclosed along with summary information which is stated below.

LAWRENCE & MEMORIAL HOSPITAL

45 C.F. R. § 164.530 (c) *Standard:* Safeguards. A covered entity must have in place appropriate administrative, technical, and physical safeguards to protect the privacy of protected health information.

The Hospital has appropriate administrative, technical, and physical safeguards in place to protect the privacy of protected health information. These include taking steps to reasonably safeguard protected health information from any intentional, unintentional, or limiting incidental use or disclosure that is in violation of the standards and or state and federal laws. Examples include security awareness and training for all employees, audit mechanisms and information system activity review, along with sanctioning workforce members who fail to comply with the Hospital's applicable policies and procedures.

4. Explanation of the relationship between Lawrence and Memorial Hospital and (Name Redacted).

The Hospital permits physicians on the Hospital's medical staff, such as the physician affiliated with the (Name Redacted), to obtain remote access to needed patient care systems maintained by the Hospital for purposes of communicating necessary patient information and diagnostic results and facilitating continuity of care for patients. Such access is established to address the treatment related information needs for patients served by both the hospital and physician practice, and is an extension of the Hospital's organized health care arrangement that it maintains with its medical staff. Remote access provides the same access the medical staff of the Hospital otherwise has to the Hospital's information systems when on the Hospital's physical premises, but allows physicians to manage patient needs without needing to be physically present on the Hospital campus. The Hospital's remote access arrangements additionally allow the physician to identify those employees within their practice whose job responsibilities also necessitate access to information maintained by the Hospital related to patients of the practice. It was pursuant to this type of arrangement that (Name Redacted) access was established. This remote access is consistent with the information sharing for treatment purposes among treating providers described in the Hospital's Notice of Privacy Practices.

5. Documentation confirming that your staff has been trained on their obligations to protect patients' protected health information.

All employees of the Hospital undergo training on their obligations to protect a patient's PHI initially at new employee orientation and thereafter annually through a computer-based HealthStream training module as well as a customized HIPAA training course based on Hospital-specific content. Members of the medical staff receive a HIPAA Handbook for Physicians which provides information about best practices for privacy and security. Additional training occurs as needed when there are significant changes in the HIPAA Privacy and Security Standards (such as the HITECH Act) or Hospital policy. The completion of all training courses is tracked within HealthStream and monthly reports are posted for Hospital Leadership to access and review with their employees as part of the Hospital's performance evaluation process. A copy of the course outline for the computer-based training for 2012 is enclosed.

LAWRENCE & MEMORIAL HOSPITAL

We hope that the foregoing is sufficiently responsive to your request for information. Please be assured that the Hospital takes patient privacy very seriously and has taken the opportunity to review this incident and make improvements to the current process for provisioning access to remote users. This internal review has led to the deployment of a new external access request form for use by private medical practices that request remote access to Hospital information systems. The new access request form requires the physician in charge of the practice to sign the completed form and provide additional information including the job role/function for their employee that has requested remote access to the Hospital's information systems. The completed form will undergo a review process by the Hospital's Information Services department before any access for the remote user is established. If you have additional questions or require any further information please contact me at (860) 442-0711 ext. 4234.

Sincerely,

Ryan Todd
HIPAA Compliance Program Manager

cc: Maureen Anderson, Vice President/General Counsel

LAWRENCE & MEMORIAL HOSPITAL

December 13, 2012

Department of Health and Human Services
Office for Civil Rights, Region 1
Government Center
JFK Federal Building, Room 1875
Boston, MA 02203-0002
Attn: Erin Walker, Investigator

RE: Reference Number 13-151471

Dear Ms. Walker:

We are writing in response to your letter that was received by us on November 28th, 2012 concerning the above-referenced complaint made to your office on November 16th, 2012 alleging that Lawrence and Memorial Hospital (the "Hospital") is not in compliance with the Federal Standards for Privacy of Individually Identifiable Health Information and the Breach Notification for Unsecured Protected Health Information Regulations set forth in 45 C.F.R. Parts 160 and 164. (Subparts A and E, the Privacy Rule and Subpart D, the Breach Notification Rule). We understand that the complaint alleges that a Hospital workforce member impermissibly accessed the complainant's daughter's protected health information (PHI) and subsequently disclosed it to an unauthorized party.

The following responds to the Data Requests included in your November 26th, 2012 letter:

1. ***A written detailed response to the allegation that a Hospital workforce member, specifically [redacted], impermissibly accessed [redacted]'s PHI without a business reason for doing so, and then [redacted] impermissibly disclosed that information to her son who was dating [redacted]. Please include whether or not [redacted] had permissible access to [redacted]'s PHI in the regular course of her business duties.***

On November 15th, 2012, the Hospital received a complaint from [redacted]'s mother alleging that [redacted], a health records analyst employed by the Hospital, inappropriately accessed [redacted]'s medical records. The complaint also alleged that [redacted] disclosed to [redacted]'s son [redacted] recent visits to the Hospital's Emergency Department and medications prescribed to [redacted] during such visits. Following receipt of the complaint, the Hospital commenced an investigation in accordance with the Hospital's Patient Relations policy.

As part of the investigation, the Hospital audited [redacted]'s medical records. The audit confirmed that [redacted] accessed a record of [redacted]'s August 10th and 11th, 2012 visit to the Hospital's Emergency Department. [redacted] accessed the record on August 31st at 11:55am.

As a health records analyst, [redacted] monitors a queue of medical records that contain missing dictations (known as "deficiencies") which require additional review by the attending physician. In the case of [redacted]'s Emergency Department encounter, a dictation by one of the two providers that treated [redacted] was initially missing from [redacted]'s medical record and was later completed as an addendum on August 29th. On August 31st, [redacted] accessed [redacted]'s record at the

LAWRENCE & MEMORIAL HOSPITAL

encounter level to verify that the dictation was completed. At the encounter level of access, [redacted] was able to view only the titles of the document types in [redacted]'s record and was not able to view any PHI within [redacted]'s record. A copy of the audit trail report from the McKesson Horizon Patient Folder (HPF) of [redacted]'s records is attached as Exhibit A and an explanation of encounter level access from the HPF System Administrator's Guide is attached as Exhibit B. Screenshots of the Deficiency Maintenance queue and the screen in which [redacted] viewed [redacted]'s encounter are also attached for your review as Exhibit C.

On December 5th, the Hospital interviewed [redacted] in regards to the complaint. [redacted] stated that she did not recall accessing [redacted]'s record. In fact, [redacted] stated that she did not know, or know of, [redacted] at the time [redacted] accessed her record. [redacted] stated that she did not know [redacted] until mid-September 2012 when [redacted]'s son and [redacted] began dating. [redacted] indicated that she learned of [redacted]'s prior emergency room visits because [redacted] disclosed such visits to her. When disclosing the visits, [redacted] did not mention specific visit dates or the Hospital by name. [redacted] also stated that she had no knowledge of any medications that were prescribed to [redacted] during such visits. [redacted] further indicated that she knew of [redacted] only by her nickname "[redacted]" and did not know her full name, [redacted], as listed on the medical record. [redacted] further stated that she did not receive any information about [redacted] from another workforce member of the Hospital.

Through its investigation, the Hospital concluded that [redacted]'s access of [redacted]'s medical record at the encounter level was appropriate and consistent with her duties as a health record analyst in the Hospital's Health Information Management department.

2. ***The Hospital's minimum necessary policy for workforce member's access to electronic medical records, including the types/classes of workforce members that are allowed access to medical records. Please explain how workforce members are trained on what is authorized or unauthorized/permissible or impermissible when accessing patient PHI.***

A copy of the Hospital's Uses and Disclosures of PHI General policy is attached for your review as Exhibit D.

A copy of the Hospital's Staff Accountability for Data Accuracy and Integrity is attached for your review as Exhibit E. This policy states, "Users are granted access to only the information and functions they need to do their jobs. Functions should be restricted according to the user's job duties." This policy classifies the types/classes of workforce members that are allowed access to medical records as leadership, information services professionals and end-users. In the case of [redacted] the leadership of the Health Information Management department has determined and monitors the appropriate level of access that [redacted] needs to perform her job duties.

All Hospital workforce members undergo training on their obligation to protect a patient's PHI including what is authorized or unauthorized/permissible or impermissible when accessing patient PHI. Workforce members are also trained to limit access to protected health information to only what is necessary to perform their job functions. Training is conducted initially at new employee orientation and thereafter annually through a computer-based HealthStream training module, as well as a customized HIPAA training course based on Hospital-specific content. Additional training occurs as

LAWRENCE & MEMORIAL HOSPITAL

needed, such as when there are significant changes in the HIPAA Privacy and Security Standards (such as the HITECH Act) or Hospital policy. The completion of all training courses is tracked within the HealthStream learning management software and monthly reports are posted for Hospital Leadership to access and review with their employees as part of the Hospital's performance evaluation process. A copy of the course outline for the computer-based training for 2012 is attached for your review as Exhibit F.

3. ***The Hospital's policies and procedures on safeguarding PHI from impermissible uses and disclosures. 45 C.F. R. § 164.530 (c).***

A copy of the Hospital's Safeguards policy is attached for your review as Exhibit G.

4. ***The Hospital's sanctions policies for workforce members who do not comply with internal policies and procedures or who violate the Privacy Rule. If sanctions were taken against the workforce member in this incident, please provide evidence of the sanctions taken.***

A copy of the Hospital's Employee Discipline Program policy is attached for your review as Exhibit H.

The Hospital generally follows a progressive discipline process. Employees who fail to meet acceptable standards of conduct or job performance are disciplined consistent with the nature, seriousness and frequency of the offense or shortcoming. The sanctions applied are documented in the employee's personnel file that is maintained by the Human Resources Department.

At the conclusion of its investigation, the Hospital concluded that [redacted]'s access of [redacted]'s medical record at the encounter level was within the scope of her business duties and thus no sanctions were imposed. Despite there being no evidence of inappropriate access of [redacted]'s patient information, the Hospital viewed this incident as an additional opportunity to review [redacted]'s patient privacy obligations with her and a review with [redacted] was completed at the conclusion of the Hospital's investigation process.

Since the names of the complainant and patient were disclosed to [redacted], she was instructed not to retaliate against either individual and not to discuss the nature of the complaint with anyone other than those directly involved in the investigation. [redacted] was cooperative with the Hospital's investigation and was in agreement with the instructions that were given to her.

5. ***Evidence of workforce training on the Privacy Rule's requirements.***

As stated in the second response, the completion of all training courses is tracked within the HealthStream learning management software and monthly reports are posted for Hospital Leadership to access and review with their employees as part of the Hospital's performance evaluation process. A copy of the course outline for the computer-based training for 2012 is attached as Exhibit F and a copy of an assignment completion report for the Hospital as of December 6th, 2012 is attached as Exhibit I. An assignment completion report for [redacted] is attached as Exhibit J which shows her completion of three courses related to the HIPAA Privacy and Security Rule requirements.

We hope that the foregoing is sufficiently responsive to your request for information. Please be

LAWRENCE & MEMORIAL HOSPITAL

assured that the Hospital takes patient privacy very seriously and has taken the opportunity to review this complaint and how it can be used as an educational opportunity for the Hospital's workforce. If you have additional questions or require any further information please contact me at (860) 442-0711 ext. 4234.

Sincerely,

Ryan Todd
HIPAA Compliance Program Manager

cc: Maureen Anderson, Vice President/General Counsel

Supplemental Exhibit 21

DRAFT

LMW Healthcare, Inc. d/b/a The Westerly Hospital
Charity Care Policy

Original Date: [January 2013]
Endorsing Departments/Committees/Dates: Finance/Board of Directors
Authorizing Signature/Title/Date:

PURPOSE

It is the philosophy and policy of LMW Healthcare, Inc. (hereafter, "The Hospital") that medically necessary health care services should be available to all individuals regardless of their ability to pay.

POLICY

A. Eligibility Criteria Uninsured
   1. Patient Accounts staff is available to help patients apply for charity care.
   2. Charity care applies to uninsured, low-income Rhode Island residents ineligible for state, federal, or employer sponsored health insurance, and shall cover all inpatient and outpatient essential medical services routinely billed by the Hospital and provided under the Hospital's license, and routinely reimbursed by the Rhode Island Medicaid program(s).

B. The Hospital Guidelines
   1. Hospital shall provide full charity care to patients if the patient's: (a) annual income is up to and including 200% of the Federal Poverty Levels, taking into consideration family unit size; and (b) assets do not exceed the assets protection threshold (as defined in the Rhode Island Statewide Standards for the Provision of Charity Care; See R23-17.14-HCA).
   2. Any patient upon initial screening that may qualify for Medicaid will be required to have a determination by the state prior to applying for charity care.
   3. Hospital shall provide discounted care on a sliding scale for self-pay patient if the patient's: (a) annual income is between 200% and up to and including 300% of the Federal Poverty Levels, taking into consideration family unit size; and (b) assets do not exceed the assets protection threshold ((as defined in the Rhode Island Statewide Standards for the Provision of Charity Care; See R23-17.14-HCA). Discounts will be authorized as follows:
      201%-250% = cost of charge
      251%-300% = 40%
   4. The Hospital will consider the total medical expenses faced by a family and the family's ability to pay for those expenses, and offer greater assistance when possible to those families facing catastrophic medical expenses.
   5. Payment arrangements for partial charity care will be made available to qualifying patients.
   6. The Hospital may deny charity care if the patient does not provide the information and documentation necessary to apply for charity care.

C. Notification to Patients

1. The Hospital shall post notices regarding the availability of financial assistance to uninsured patients. These notices shall be posted in visible locations throughout the Hospital such as admitting/registration, billing office, emergency department, and other outpatient settings. The notice will also be posted on the Hospital's website and be made available in other languages in accordance with applicable standards. The notice shall be at least 8.5" x 11" and shall be in format substantially similar to that set forth in Attachment A. This notice will also be included in all patient bills.
2. Patient Financial Advisors will attempt to visit all inpatients registered as self-pay. A summary explaining available programs and charity care will be given to the patient or guarantor when this visit occurs.
3. However, it is a patient's responsibility to advise the hospital if they believe they qualify for charity care.

D. Gross Family Income
   1. the purpose of determining gross family income and qualifying accounts for charity care, the following rules apply: a. Family members are only immediate family members when they:
      a.) Family members are only immediate family members when they are the applicant, spouse, children under the age of 18 or students to the age of 26, and stepchildren under the age of 18 or students to the age of 26. Other dependents claimed on the federal income tax return may be considered.
      b.) Unmarried couples do not qualify as a family unless tax returns are filed as married. Only the applicant's income will be looked at for qualification for funds and only the applicant's accounts will be awarded charity care funds if qualified.
      c.) All self-employed applications must submit the entire tax return including all schedules. The Credit and Collection Manager or designee will review Gross Income from Schedule C to determine income. Adjusted gross will not be used in these cases.

E. Eligibility Determinations
   1. The provision of health care should never be delayed pending an assistance determination.
   2. Requests for charity care may be made before, during, or up to 2 years after the provision of care.
   3. Consideration for charity care will occur once the applicant supplies a completed financial assistance application with supporting documents to the Patient Accounts office. The application shall be in substantially the same form attached hereto as Attachment C.
   4. The Hospital will make charity care determinations, and notifications to patient, within 14 days of receiving a completed financial assistance application.
   5. Acceptable forms of income verification include one of the following:
      a. Most recent federal tax return, including all schedules when applicable, along with at least one of the following:

- Last 3 months payroll check stubs.
- Written verification from employer verifying income for the last 3 months.
- Copies of any pension, alimony or other sources of income.
- Copies of social security earnings.
- Letter from person providing food, shelter, etc.
- Any other information felt to be pertinent.

b. Completion of IRS Form 4506-T "Request for Transcript of Tax Return", when:

- Verification of non-filing is needed, and letter of support from person providing food, shelter, etc.; or
- Requesting copies of most recent tax return from IRS.

6. Charity care may be denied if the application is not complete and patient does not submit additional information within 20 days of request.
   Since charity care is the payer of last resort, an application will not be considered until the applicant has been screened for other assistance programs and all other sources of payment have been exhausted.
7. In extenuating circumstances, where it can support that a financial hardship exists, The Hospital may offer charity care at its own determination without a completed application. The Revenue Cycle Director or the CFO must approve these requests. Example: homeless patients.
8. Charity care may not be granted for non-covered procedures this includes, but is not limited to, all cosmetic procedures, sterilization reversals, hearing aids, dental procedures, Inter-Ocular Lens (IOL's).
9. Charity care may not be granted to individuals that are eligible for other programs and have refused to apply spend down assets to become eligible for state assistance.
10. Falsification of application or refusal to cooperate will result in the denial of charity care benefits. The patient will be deemed "insured" and will be transferred to the self-pay collection process.
11. Applications will remain in effect for up to six months from date approved. The Hospital may request updated financial information at any time during the period and adjust accordingly.
12. The Hospital reserves the right to change benefit determination if financial circumstances have changed. The patient or guarantor will be notified in writing when this occurs (within 7 business days from date of change).

F. Appeals

1. Responsible parties may appeal in writing a charity care determination by providing additional information, such as insurance verification or an explanation of extenuating circumstances. Notifications of re-determinations will be made in writing within 30 days of receiving appeal request.

2. Level I appeals should be made to the Credit and Collection Manager.
   Level 2 appeals should be made to the Revenue Cycle Director.

Level 3 appeals should be made to Administration (CFO or COO).

G. Free Care Approval Guidelines Approvals will be as follows:
   1. Balances up to $10,000.00 will be approved by the Credit & Collections Supervisor.
   2. Balances from $10,001.00 to $30,000.00 will be approved by the Credit and Collection Manager.
   3. Balances above $30,000.01 will be approved by the Revenue Cycle Director.

H. The Hospital's collections process is available upon request.

ATTACHMENT A

NOTICE of HOSPITAL FINANCIAL-AID

The Westerly hospital provides essential hospital care without charge (free) to uninsured Rhode Islanders with incomes up to 200% of the Federal Poverty Limits (and limited assets), and discounted care for incomes between 200% and 300 % of the Federal Poverty Limits. For more information, please contact _____ at _____.

ATTACHMENT B

FINANCIAL AID CRITERIA

The Westerly Hospital is proud of its commitment to provide quality care to all who need it. The Westerly Hospital provides financial aid to patients without health insurance and who may not be able to pay for their care. The Westerly Hospital also offers discounts to uninsured patients who may have difficulty paying their full hospital bill. This free and discounted care applies to essential hospital services ONLY.

FULL CHARITY CARE

Size of Family United	Annual Income Limits($)*
1	22,340
2	30,260
3	38,180
4	46,100
5	54,020
6	61,940
7	69,860
8	77,780

*200% of 2012 Federal Poverty Guidelines, subject to change when updated

Applicants with assets worth MORE than $8,000 for an individual (or $12,000 for a family) may not qualify for care. Please speak to a Patient Financial Advisor in order to determine eligibility.

PARTIAL CHARITY CARE

We also provide discounted hospital care to uninsured Rhode Island residents with incomes between:

% of Federal Poverty Levels	Discounts
>200%-250%	Cost of charge
251%-300%	40%

Applicants with assets worth MORE than $8,000 for an individual (or $12,000 for a family) may not qualify for care. Please speak to a Patient Financial Advisor in order to determine eligibility.

To find out if you qualify for financial aid, please contact:

_____ at _____, of your Patient Financial Advisor. If you are denied financial aid you may appeal the decision. You may also request the appeal process from the contact above.

ATTACHMENT B

Effective April 1, 2007

FINANCIAL-AID CRITERIA

Effective April 1, 2007

_____ Hospital is proud of its commitment to provide quality care to all who need it. _____ Hospital provides financial aid to patients without health insurance and who may not be able to pay for their care. _____ Hospital also offers discounts to uninsured patients who may have difficulty paying their full hospital bill. This free and discounted care applies to essential hospital services ONLY.

FULL CHARITY CARE

We provide hospital care without charge to uninsured Rhode Island residents with incomes less than:

This Section is the actual disclosure, it is not an example! It may only be modified if the hospital expands its financial aid beyond this minimum requirement and/or if it drops the asset test (below).

Size of Family Unit	Annual Income Limits*
1	*$19,600*
2	*$26,400*
3	*$33,200*
4	*$40,000*
5	*$46,800*
6	*$53,600*
7	*$60,400*
8	*$67,200*
each additional:	*$6,800*

This Section is the actual disclosure, it is not an example! It may only be modified if the hospital expands its financial aid beyond this minimum requirement and/or if it drops the asset test (below).

* *200% of 2006 Federal Poverty Guidelines, subject to change when updated*

Applicants with assets worth MORE than $8,000 for an individual (or $12,000 for a family) may not qualify for care without charge but may qualify for discounted care.

PARTIAL CHARITY CARE

We also provide discounted hospital care to uninsured Rhode Island residents with incomes between:

This Section is an example! Hospitals have leeway to determine their own discount schedule up to 300% of FPL. Also, they have the option to apply the asset test (below).

% of Federal Poverty Levels	Discounts
>200% - 225%	*80%*
>225% - 250%	*60%*
>250% - 275%	*40%*
>275% - 300%	*20%*

This Section is an example! Hospitals have leeway to determine their own discount schedule up to 300% of FPL. Also, they have the option to apply the asset test (below).

Applicants with assets worth MORE than $8,000 for an individual (or $12,000 for a family) may not qualify for the highest discount on care but may qualify for a lesser discount.

To find out if you qualify for financial-aid, please contact _____ at _____.

If you are denied financial-aid you may appeal the decision. You may also request the appeal process from the contact above.

DRAFT

ATTACHMENT B

FINANCIAL AID CRITERIA

The Westerly Hospital is proud of its commitment to provide quality care to all who need it. The Westerly Hospital provides financial aid to patients without health insurance and who may not be able to pay for their care. The Westerly Hospital also offers discounts to uninsured patients who may have difficulty paying their full hospital bill. This free and discounted care applies to essential hospital services ONLY.

FULL CHARITY CARE

Size of Family United	Annual Income Limits($)*
1	22,340
2	30,260
3	38,180
4	46,100
5	54,020
6	61,940
7	69,860
8	77,780

*200% of 2012 Federal Poverty Guidelines, subject to change when updated

Applicants with assets worth MORE than $8,000 for an individual (or $12,000 for a family) may not qualify for care. Please speak to a Patient Financial Advisor in order to determine eligibility.

PARTIAL CHARITY CARE

We also provide discounted hospital care to uninsured Rhode Island residents with incomes between:

% of Federal Poverty Levels	Discounts
>200%-250%	Cost of charge
251%-300%	40%

Applicants with assets worth MORE than $8,000 for an individual (or $12,000 for a family) may not qualify for care. Please speak to a Patient Financial Advisor in order to determine eligibility.

To find out if you qualify for financial aid, please contact:

_____ at _____, of your Patient Financial Advisor. If you are denied financial aid you may appeal the decision. You may also request the appeal process from the contact above.

ATTACHMENT C

APPLICATION FOR HOSPITAL FINANCIAL-AID

Any approval of this request is temporary and expires 6 months from the date of approval

Hospital:	Date:
Patient:	Guarantor:
Date of Birth:	Social Security # (if issued):
Social Security # (if issued):	Home Phone:
Home Phone:	Work Phone:
Work Phone:	Relation to Patient:
Home Address:	Address:
Occupation & Employer:	
Employer Address:	

Providing the information below on the patient's primary language, race & ethnicity is optional to the patient.

Language: English	Non-English
Ethnicity: Hispanic:	Non-Hispanic:
Race: Asian:	American Indian/Alaska Native:
Black/African American:	Native Hawaiian/Pacific Islander:
White:	Other or Multiple Races:

Please provide the following information for ALL members of the family unit, EXCEPT the Patient or Guarantor:

Name & Relationship to Patient:	SS# (if issued) & Date of Birth:
Employer, Phone & Address:	Home Address:
Name & Relationship to Patient:	SS# (if issued) & Date of Birth:
Employer, Phone & Address:	Home Address:
Name & Relationship to Patient:	SS# (if issued) & Date of Birth:
Employer, Phone & Address:	Home Address:
Name & Relationship to Patient:	SS# (if issued) & Date of Birth:
Employer, Phone & Address:	Home Address:
Name & Relationship to Patient:	SS# (if issued) & Date of Birth:
Employer, Phone & Address:	Home Address:
Name & Relationship to Patient:	SS# (if issued) & Date of Birth:
Employer, Phone & Address:	Home Address:

MONTHLY INCOME	ASSETS
Patient's Salary & Wages:	Savings:
Spouse's Salary & Wages:	Checking:
Guarantor's Salary & Wages:	Certificates of Deposit (CDs):
Self-Employment Income:	Money Market Accounts:
Child Care Income:	Savings Bonds:
Rental Income:	Stocks:
Unemployment Compensation:	Bonds:
Temporary Disability Insurance:	Mutual Funds:
Child Support:	IRAs:
Alimony:	401(k)s:
Workers' Compensation:	403(b)s:
VA Benefits:	457s:
Social Security Payments:	Cash-in Value Life Insurance:
Dividend & Interest Income:	Personal Property:
Royalties:	2nd Home & Rental Property:
Pensions:	2nd Motor Vehicle:
Public Assistance:	TOTAL:
Other:	
MONTHLY INCOME:	
ANNUAL INCOME:	

"I request the hospital to make a determination of eligibility for financial aid. I understand that this information is confidential and subject to verification by the hospital. I also understand that if the information I provide is false, I may be denied financial aid and be liable for payment for the hospital services provided. I hereby attest that the information in this application is complete and correct to the best of my knowledge and that I understand the process and my responsibilities."

Signature:	*Date:*
Reviewer, Approval or Denial, Comments:	
DISCOUNT (%):	DISCOUNT ($):

ATTACHMENT D

ANNUAL FINANCIAL-AID DATA FILING	# of Applications Denied	# of Applications Approved	Charity Care (Charges-Foregone)	# of Incomplete Applications
ETHNICITY				
0% to 200% of FPL:				
Hispanic				
Non-Hispanic				
No Ethnicity Identified				
Sub-Total:				
Over 200% of FPL:				
Hispanic				
Non-Hispanic				
No Ethnicity Identified				
Sub-Total:				
Total-All:	#VALUE!	#VALUE!	#VALUE!	
RACE				
0% to 200% of FPL:				
American Indian, Alaska Native				
Asian				
Black, African-American				
Native Hawaiian, Pacific Islander				
White				
Other or Multiple Races				
No Race Identified				
Sub-Total:				
Over 200% of FPL:				
American Indian, Alaska Native				
Asian				
Black, African-American				
Native Hawaiian, Pacific Islander				
White				
Other or Multiple Races				
No Race Identified				
Sub-Total:				
Total-All:	#VALUE!	#VALUE!	#VALUE!	
PRIMARY LANGUAGE				
0% to 200% of FPL:				
English				
Non-English				
Sub-Total:				
Over 200% of FPL:				
English				
Non-English				
Sub-Total:				
Total-All:	#VALUE!	#VALUE!	#VALUE!	

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Charity amount @Gross Charges	2,983,821	2,405,415	3,153,445	3,148,344	2,857,099
RCC factor	0.54841	0.523741	0.470923	0.468755	0.465924
Charity care at cost	1,636,357	1,259,814	1,485,030	1,475,802	1,331,191
Net Revenue	265,186,141	280,126,452	306,562,977	318,813,210	323,643,197
Percent of Charity Care	0.62%	0.45%	0.48%	0.46%	0.41%

RIDOHSC0801

Supplemental Exhibit 22(a)

The Joint Commission

August 10, 2010

Re: # 5681
CCN: #070007
Program: Hospital
Accreditation Expiration Date: August 07, 2013

Bruce D. Cummings
President/Chief Executive Officer
Lawrence & Memorial Hospital
365 Montauk Avenue
New London, Connecticut 06320

Dear Mr. Cummings:

This letter confirms that your May 03, 2010 - May 06, 2010 unannounced full resurvey was conducted for the purposes of assessing compliance with the Medicare conditions for hospitals through The Joint Commission's deemed status survey process.

Based upon the submission of your evidence of standards compliance on June 30, 2010 and August 05, 2010, the areas of deficiency listed below have been removed. The Joint Commission is granting your organization an accreditation decision of Accredited with an effective date of May 07, 2010. We congratulate you on your effective resolution of these standard-level deficiencies.

§482.23 Condition of Participation: Nursing Services
§482.24 Condition of Participation: Medical Record Services
§482.26 Condition of Participation: Radiologic Services
§482.41 Condition of Participation: Physical Environment
§482.42 Condition of Participation: Infection Control
§482.56 Condition of Participation: Rehabilitation Services

The Joint Commission is also recommending your organization for continued Medicare certification effective May 07, 2010. Please note that the Centers for Medicare and Medicaid Services (CMS) Regional Office (RO) makes the final determination regarding your Medicare participation and the effective date of participation in accordance with the regulations at 42 CFR 489.13. Your organization is encouraged to share a copy of this Medicare recommendation letter with your State Survey Agency.

This recommendation applies to the following location(s):

Crossroads Medical Office Building
196 Waterford Parkway South, Waterford, CT, 06385

Flanders Health Center
339 Flanders Road, East Lyme, CT, 06333

Hilton Garden Inn - Outpatient Sleep Disorder Center
224 Gold Star Highway, Groton, CT, 06340

www.jointcommission.org

Headquarters
One Renaissance Boulevard
Oakbrook Terrace, IL 60181
630 792 5000 Voice

The Joint Commission

Joslin Diabetes Center
14 Clara Drive, Mystic, CT, 06355

Lawrence & Memorial Hospital
365 Montauk Ave., New London, CT, 06320

Old Saybrook Patient Facility
Middlesex Turnpike, Old Saybrook, CT, 06475

Pequot Health Center
52 Hazelnut Hill Road, Groton, CT, 06340

The Counseling Center
14 Clara Drive, Mystic, CT, 06355

Waterfall Plaza
40 Boston Post Road, Waterford, CT, 06385

We direct your attention to some important Joint Commission policies. First, your Medicare report is publicly accessible as required by the Joint Commission's agreement with the Centers for Medicare and Medicaid Services. Second, Joint Commission policy requires that you inform us of any changes in the name or ownership of your organization, or health care services you provide.

Sincerely,

Ann Scott Blouin RN, PhD

Ann Scott Blouin, RN, Ph.D.
Executive Vice President
Accreditation and Certification Operations

cc: CMS/Central Office/Survey & Certification Group/Division of Acute Care Services
CMS/Regional Office 1 /Survey and Certification Staff

www.jointcommission.org

Headquarters
One Renaissance Boulevard
Oakbrook Terrace, IL 60181
630 792 5000 Voice

The Joint Commission

December 16, 2010

Bruce D. Cummings, B.A., MPH
President/Chief Executive Officer
Lawrence & Memorial Hospital
365 Montauk Avenue
New London, CT 06320

Joint Commission ID #: 5681
Program: Hospital Accreditation
Accreditation Activity: Measure of Success
Accreditation Activity Completed: 12/16/2010

Dear Mr. Cummings:

The Joint Commission would like to thank your organization for participating in the accreditation process. This process is designed to help your organization continuously provide safe, high-quality care, treatment, and services by identifying opportunities for improvement in your processes and helping you follow through on and implement these improvements. We encourage you to use the accreditation process as a continuous standards compliance and operational improvement tool.

The Joint Commission is granting your organization an accreditation decision of Accredited for all services surveyed under the applicable manual(s) noted below:

- Comprehensive Accreditation Manual for Hospitals

This accreditation cycle is effective beginning May 07, 2010. The Joint Commission reserves the right to shorten or lengthen the duration of the cycle; however, the certificate and cycle are customarily valid for up to 39 months.

Please visit Quality Check® on The Joint Commission web site for updated information related to your accreditation decision.

We encourage you to share this accreditation decision with your organization's appropriate staff, leadership, and governing body. You may also want to inform the Centers for Medicare and Medicaid Services (CMS), state or regional regulatory services, and the public you serve of your organization's accreditation decision.

Please be assured that The Joint Commission will keep the report confidential, except as required by law. To ensure that The Joint Commission's information about your organization is always accurate and current, our policy requires that you inform us of any changes in the name or ownership of your organization or the health care services you provide.

Sincerely,

Ann Scott Blouin RN, PhD

Ann Scott Blouin, RN, Ph.D.
Executive Vice President
Accreditation and Certification Operations

The Joint Commission

December 16, 2010

Bruce D. Cummings, B.A., MPH
President/Chief Executive Officer
Lawrence & Memorial Hospital
365 Montauk Avenue
New London, CT 06320

Joint Commission ID #: 5681
Program: Behavioral Health Care Accreditation
Accreditation Activity: Measure of Success
Accreditation Activity Completed: 12/16/2010

Dear Mr. Cummings:

The Joint Commission would like to thank your organization for participating in the accreditation process. This process is designed to help your organization continuously provide safe, high-quality care, treatment, and services by identifying opportunities for improvement in your processes and helping you follow through on and implement these improvements. We encourage you to use the accreditation process as a continuous standards compliance and operational improvement tool.

The Joint Commission is granting your organization an accreditation decision of Accredited for all services surveyed under the applicable manual(s) noted below:

- Comprehensive Accreditation Manual for Behavioral Health Care

This accreditation cycle is effective beginning May 04, 2010. The Joint Commission reserves the right to shorten or lengthen the duration of the cycle; however, the certificate and cycle are customarily valid for up to 39 months.

Please visit Quality Check® on The Joint Commission web site for updated information related to your accreditation decision.

We encourage you to share this accreditation decision with your organization's appropriate staff, leadership, and governing body. You may also want to inform the Centers for Medicare and Medicaid Services (CMS), state or regional regulatory services, and the public you serve of your organization's accreditation decision.

Please be assured that The Joint Commission will keep the report confidential, except as required by law. To ensure that The Joint Commission's information about your organization is always accurate and current, our policy requires that you inform us of any changes in the name or ownership of your organization or the health care services you provide.

Sincerely,

Ann Scott Blouin RN, PhD

Ann Scott Blouin, RN, Ph.D.
Executive Vice President
Accreditation and Certification Operations

The Joint Commission

March 30, 2011

Bruce D. Cummings, B.A., MPH
President/Chief Executive Officer
Lawrence & Memorial Hospital
365 Montauk Avenue
New London, CT 06320

Joint Commission ID #: 5681
Program: Disease-Specific Care Certification
Certification Activity: Unannounced Full Event
Certification Activity Completed: 03/25/2011
Program: DSC-Advanced Primary Stroke Center

Dear Mr. Cummings:

The Joint Commission would like to thank your organization for participating in the certification process. This process is designed to help your organization continuously provide safe, high-quality care, treatment, and services by identifying opportunities for improvement in your processes and helping you follow through on and implement these improvements. We encourage you to use the certification process as a continuous standards compliance and operational improvement tool.

The Joint Commission is granting your organization a Passed Certification decision for all services reviewed under the applicable manual noted below:

- Disease Specific Care Certification Manual

This certification cycle is effective beginning March 26, 2011. The Joint Commission reserves the right to shorten or lengthen the duration of the cycle; however, the certificate and cycle are customarily valid for up to 24 months.

Please visit Quality Check® on The Joint Commission web site for updated information related to your certification decision.

We encourage you to share this certification decision with your organization's appropriate staff, leadership, and governing body. You may also want to inform the Centers for Medicare and Medicaid Services (CMS), state or regional regulatory services, and the public you serve of your organization's certification decision.

Please be assured that The Joint Commission will keep the report confidential, except as required by law. To ensure that The Joint Commission's information about your organization is always accurate and current, our policy requires that you inform us of any changes in the name or ownership of your organization or the health care services you provide.

Sincerely,

Ann Scott Blouin RN, PhD

Ann Scott Blouin, RN, Ph.D.
Executive Vice President
Accreditation and Certification Operations

DNV HEALTHCARE INC.

CERTIFICATE OF ACCREDITATION

Certificate No. 124437-2012-AHC-USA-NIAHO

This is to certify that

The Westerly Hospital

25 Wells Street, Westerly, RI 02891

Complies with the requirements of the:

NIAHO® Hospital Accreditation Program

Pursuant to the authority granted to Det Norske Veritas Healthcare, Inc. by the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services, this organization is deemed in compliance with the Medicare Conditions of Participation for Hospitals (42 C.F.R. §482). This certificate is valid for a period of three (3) years from the Effective Date of Accreditation.

Effective Date of Accreditation:

October 21, 2012

for the Accreditation Body:

DET NORSKE VERITAS HEALTHCARE, INC.

HOUSTON, TEXAS

Patrick Horine
Executive Vice President, Accreditation

Yehuda Dror
President

Lack of continual fulfillment of the conditions set out in the Certification/Accreditation Agreement may render this Certificate invalid.

ACCREDITED UNIT: DNV HEALTHCARE INC.,400 TECHNECENTER DRIVE, SUITE 100 MILFORD, OHIO 45150,OH, UNITED STATES ,TEL: 513-947-8334
WWW.DNVACCREDITATION.COM

Supplemental Exhibit 22(b)

DNV HEALTHCARE INC
1400 Ravello Drive
Katy, Texas 77449
281-396-1000

400 Techne Center Drive
Suite 350,
Milford, Ohio 45150
513-947-8343

Nonconformity Notes / Corrective Action Plan Submittal

☐ **Preliminary**
☒ **Final** – Annual Survey

Organization: The Westerly Hospital, Westerly, Rhode Island

Survey Date: September 1-2, 2010

Report Date: September 17, 2010

C/A Plan Received: September 24, 2010

Once marked "Final", this will serve as the Final Report to the Organization. The Organization must complete the Corrective Action Plan and include date for implementation as well as person/function responsible. The DNV Healthcare Inc. Surveyors will follow-up on all corrective action plans during the next survey or as required if prior to next survey

Total Number of Nonconformities: 0 **Category 1** 5 **Category 2**

NC Number	Process or Department	Finding Category	Number of Requirement/ Clause (Requirement / SR)	CoP/CFR Number(s):
NC-2-1	Quality Management	☐ NC-1 Condition Level ☐ NC-1 ☒ NC-2	**QM.6 (SR.1)**	

Requirement (Description):

QM.6 SYSTEM REQUIREMENTS

In establishing the Quality Management System, the organization shall be required to have the following as a part of this system:

SR.1 Interdisciplinary group to oversee the Quality Management System that includes at least the CEO, COO, Nurse Executive, Pharmacy, Risk Management, Safety Management, Privacy Officer, Quality Facilitator/Management Representative, and two members of the medical staff who must be doctors of medicine or osteopathy. This interdisciplinary group shall conduct Management Reviews;

The requirement was NOT MET as evidenced by the following:

During the quality management system interview with the accreditation coordinator, risk manager, patient safety manager and vice president for clinical services, it was determined that the Board Quality Committee has responsibility for Quality Management Oversight. A review of committee minutes and the membership roster indicates this committee does not have the required representation from pharmacy, safety, or the management representative.

Corrective Action Due Date: 9/27/10

ORGANIZATION RESPONSE

Cause that led to the nonconformity:

It was The Westerly Hospital's understanding that with the combined reporting activities of the Clinical Care Committee and the Operations Committee would satisfy this membership requirement, since all required members belong to both committees combined.

DNV HEALTHCARE INC
1400 Ravello Drive
Katy, Texas 77449
281-396-1000

400 Techne Center Drive
Suite 350,
Milford, Ohio 45150
513-947-8343

Nonconformity Notes / Corrective Action Plan Submittal

Organization Corrective Plan: On Friday September 10, 2010, the Clinical Care Committee approved and added the appropriate membership to its panel according to NIAHO standards and approved a name change from the Clinical Care Committee (CCC) to the Quality Management Oversight Committee (QMOS).		
Person/Function Responsible for Implementation of Corrective Action Plan:	Quality /Accreditation Specialist	
Date for Implementation of Plan*:	October 2010	
Hospital Method for Follow-Up **:	Will be evidenced in the "Clinical Care Committee" monthly meeting minutes and committee membership list	
DNVHC USE ONLY		
Date C/A Plan Accepted: 9/28/10	***DNV Rep: J. Smith***	
Date C/A Plan Rejected:	***DNV Rep:***	***Reason for rejection:***
Date C/A Plan Verified and Closed:		
DNV Follow-Up and Closure of NC:		

* Implementation of corrective action plan will generally be within 60 days
** Measurable evidence of sustained compliance and frequency of monitoring

DNV HEALTHCARE INC
1400 Ravello Drive
Katy, Texas 77449
281-396-1000

400 Techne Center Drive
Suite 350,
Milford, Ohio 45150
513-947-8343

Nonconformity Notes / Corrective Action Plan Submittal

Organization: The Westerly Hospital, Westerly RI

NC Number	Process or Department	Finding Category	Number of Requirement/ Clause (Requirement / SR)	CoP/CFR Number(s):
NC-2-2	Medical Records Record Content	☐ NC-1 Condition Level ☐ NC-1 ☒ NC-2	**MR.5 (SR.2a) / (SR.2b)**	482.24(c)(1)

Requirement (Description):
MR.5 [MEDICAL RECORDS] RECORD CONTENT

SR.2 All entries shall be:

SR.2a legible, complete, dated and timed; and,

SR.2b authenticated by the person responsible for providing or evaluating the services provided consistent with hospital policy.

The medical record must contain information such as notes, documentation, records, reports, recordings, test results, and assessments to: justify admission and continued hospitalization; support the diagnosis; and, describe the patient's progress and response to medications and services. These entries must be legible, complete, dated, timed and authenticated by the person responsible for prescribing the services or by another practitioner who is responsible for the patient's care. This individual must be authorized to write orders in accordance with hospital policy and State law.

The requirement was NOT MET as evidenced by the following:
Eleven patient records were reviewed (7 open and 4 closed).

- Physician writing and signatures were difficult to read in all charts.
- Patient #1 had a pre-op order (8/27/10) which did not have a time noted by the MD when it was signed. There was also a post-op order (9/1/10) which was signed by the MD, but did not have a date or time.
- Patient #2 had a preadmission order (8/25/10) which did not have a time noted when it was signed by the MD. There was a post-op order (9/1/10) which was signed by the MD which was signed by the MD without a time noted. This record also contained a VO which was written incorrectly by the RN, it did not note the date the MD gave the order.
- Patient #4 had a written order and a VO (9/1/10) which did not have times noted by the MD when they were signed. Additionally, the VO was not dated by the MD.
- Patient #5 had a written order that did not contain the date or time when it was signed by the MD. There were two nursing notes that were not signed on 9/1/10 (times are 1355 and 1425). In addition to the previous nursing omissions, there were three separate nursing notes that appear to have been made at different times that did not contain the date, time or signature. These notes all began on separate lines and had a line drawn after each entry to indicate it was the end of notation.
- Patient #6 had an MD order from the ER (8/30/10) which did not note the date or time the MD signed it. There were six additional MD orders made once the patient reached the floor which did not have a time noted by the MD when they were signed (three on 8/30/10, 8/31/10, and two on 9/1/10).
- Patient #9 had 14 MD orders which did not contain the times when they were signed by the MD or pharmacist (five on 5/21/10, two on 5/22/10, 5/23/10, two on 5/24/10, two on 5/25/10, one on 5/25/10). One of the orders on 5/22/10 was a thrombosis risk assessment also did not have a date noted by the MD when it was signed. The entry on 5/23/10 also did not have a date noted by the MD when it was signed. One of the orders which did not contain a time on 5/21/10 was made by a pharmacist. There were six TO/VO's which were missing required elements (date and time) when they were signed by the MD (three on 5/21/10, two on 5/22/10, 5/25/10).
- Patient #10 had pre-admission orders, anesthesia orders, post c/section which did not note the time by the MD when they were signed. The pre-op assessment did not note the time of the patient arrival nor did the

nurses signature have a time noted.

- Patient #11 had one TO for discharge (9/2/10) which did not have a time noted by the nurse when the order was received.

Corrective Action Due Date: 9/27/10

ORGANIZATION RESPONSE

Cause that led to the nonconformity:

The Westerly Hospital recognizes the challenge of no date, time, signature and authentication within it's documents and records. Before the September DNV survey, it had been addressed several times with Staff and Medical Staff at meetings and in part on Medical Staff Dashboards, also implemented a sticker alerting system. However, an effective intervention has not been developed.

Organization Corrective Plan:

The Westerly Hospital plans to do the following:

1. Meet with the CEO who is responsible for the employed Providers of the Hospital and the President of the Medical Staff to develop a mechanism in identifying barriers and processes that impede the Medical Staff in performing what is required in Hospital Policies and Medical Staff Rules and Regulations and Bylaws, before, during an dafter the McKesson Electronic Medical Record implementation.
2. Meet with the Assistant Vice President of Clinical Operations in congruence with Medical Staff, to evaluate consistency, compliance with clinical documentation and policies and procedures surrounding documentation. To further develop initiatives to support compliance with documentation standards
3. Resurrect the Medical Records Audit Committee (MRAC)and expand the membership beyond the two Medical Staff and Clinical Information to include but not limited to Nursing, Admissions, and other areas of the Hospital that have documentation requirements.
    a. The MRAC will revise it's Mission statement and incorporate any and all process improvements identified.
    b. Outline further indicators for the Audit process
    c. Develop interventions to facilitate correction of this ongoing issue
    d. Report data findings to appropriate committees and stakeholders along with the Quality Management Oversight Committee and The Board of Trustees.
4. Develop education opportunities based upon the results of the MRAC activities and Mission.
5. Will re-evaluate after several audit cycles to measure effectiveness of any interventions.

Person/Function Responsible for Implementation of Corrective Action Plan:	Director of Revenue Cycle, Assistant Vice President of Clinical Operations
Date for Implementation of Plan*:	October 2010
Hospital Method for Follow-Up **:	Monitoring plan will be based upon outcomes of the initiatives to be developed from Medical Staff and Clinical / Operations meetings
DNVHC USE ONLY	
Date C/A Plan Accepted: 9/28/10	***DNV Rep: J. Smith***

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Nonconformity Notes / Corrective Action Plan Submittal

Date C/A Plan Rejected:	***DNV Rep:***	***Reason for rejection:***
Date C/A Plan Verified and Closed:		
DNV Follow-Up and Closure of NC:		

* Implementation of corrective action plan will generally be within 60 days
** Measurable evidence of sustained compliance and frequency of monitoring

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Nonconformity Notes / Corrective Action Plan Submittal

Organization: The Westerly Hospital, Westerly RI

NC Number	Process or Department	Finding Category	Number of Requirement/ Clause (Requirement / SR)	CoP/CFR Number(s):
NC-2-3	Medical Management Record Content Required Documentation	☐ NC-1 Condition Level ☐ NC-1 ☒ NC-2	**MR.5 (SR.1) / SR.2(a)) / MR.7 (SR.4 / SR.6)**	482.24(c)(2)(iv)

Requirement (Description):

MR.5 RECORD CONTENT

SR.1 The medical record shall contain information to:

SR.1a justify admission and continued hospitalization;

SR.1b support the diagnosis; and,

SR.1c describe the patient's progress and response to medications and services

SR.2 All entries shall be:

SR.2a legible, complete, dated and timed; and

MR.7 REQUIRED DOCUMENTATION

All records must document the following, as appropriate:

SR.4 Documentation of complications, organization acquired infections, and unfavorable reactions to drugs and anesthesia,

SR.6 All practitioners' orders, nursing notes, reports of treatment, medication records, radiology, and laboratory reports, and vital signs and other information necessary to monitor the patient's condition

Interpretive Guidelines:
Policies and procedures shall be developed with the involvement and approval of the medical staff in order to minimize medication errors, adverse drug reactions, and drug incompatibility.
The hospital will develop and implement procedures for reporting transfusion reactions, adverse drug reactions, and errors in prescribing, preparing, and administration of medications. These errors and reactions must be immediately reported to the patient's attending physician, or when appropriate the covering physician. When the covering physician is notified due to the attending physician not being available, the patient's attending physician must be notified as soon as he/she is available.
The hospital will document the information obtained from the errors and reactions reported and have a means for aggregating this information and related data to be trended and analyzed and continually evaluated in order to identify and implement corrective/preventive action.
The facility must have a method to measure the effectiveness of its reporting system to identify whether or not their system(s) is identifying as many medication errors and adverse drug reactions that would be expected for the size and scope of services provided by their hospital. Such methods could include use of established benchmarks or studies on reporting rates published in peer-reviewed journals.
To improve incident reporting, the facility should adopt a non-punitive system with the focus on the system and not the involved health care professionals.
The medical record must contain information such as notes, documentation, records, reports, recordings, test results,

and assessments to:

- *Describe the patient's progress and response to medications and services*

All entries in the patient's medical record (information/documentation regarding evaluations, interventions, care provided, services, care plans, discharge plans, and the patient's response to those activities, laboratory reports, test results, consults, assessments, radiology reports, dictated notes, etc. must be promptly filed in the patient's medical record in order to be available to the physician and other care providers.

The requirement was NOT MET as evidenced by the following:
Four patient records were reviewed which had critical lab values (Patient's #6, 7, 8 and 11).

- The facility has a thorough process documented for identification and follow-up of critical lab values.
- In all of the charts reviewed, none were completed correctly.
- It was not possible to accurately identify through the "critical value reporting" sheet if the process had been followed (what the test was, the value reported, the times the MD had been notified and if physician orders had been received).
- In one record (Patient #11), the nurse had crossed out information and did not initial the entry.

Corrective Action Due Date: 9/27/10

ORGANIZATION RESPONSE

Cause that led to the nonconformity:

The Westerly Hospital Staff is not consistent with following the Critical Values Reporting Policy and procedure.
Lack of review and/or audit with the Critical Value Reporting process.

Organization Corrective Plan:
The Westerly Hospital will develop the following plan:

1. Gather all Stakeholders together to form a workgroup to review the current Policy and Procedure and current practice process.
    a. Revise the policy and procedure, if needed.
    b. Revise the Critical Value report form if needed
    c. Identify any barriers to compliancy with the policy and procedure.
2. Educate all stakeholders of any changes to process or if there is a determination of no changes on the policy and procedure that all stakeholders be re-educated to facilitate compliance.
3. Assess and develop further review and reporting mechanisms involving the Critical Values reporting on each unit.

September 2010 presentation of DNV data findings of this issue and re-education to Nursing staff performed

Person/Function Responsible for implementation of Corrective Action Plan:	Assistant Vice President of Clinical Operations / Director of Revenue Cycle
Date for Implementation of Plan*:	October 2010

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Hospital Method for Follow-Up **:	Enact a focused chart audit with results reporting to each stakeholder department and to the Quality Management Oversight Committee Random auditing will take place after the focused chart audit with reporting to the Quality Mgmt Oversight Committee and each clinical unit involved.	
DNVHC USE ONLY		
Date C/A Plan Accepted: 9/28/10	***DNV Rep: J. Smith***	
Date C/A Plan Rejected:	***DNV Rep:***	***Reason for rejection:***
Date C/A Plan Verified and Closed:		
DNV Follow-Up and Closure of NC:		

* Implementation of corrective action plan will generally be within 60 days
** Measurable evidence of sustained compliance and frequency of monitoring

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Nonconformity Notes / Corrective Action Plan Submittal

Organization: The Westerly Hospital, Westerly RI

NC Number	Process or Department	Finding Category	Number of Requirement/ Clause (Requirement / SR)	CoP/CFR Number(s):
NC-2-4	Physical Environment Life Safety Management	☐ NC-1 Condition Level ☐ NC-1 ☒ NC-2	**PE.2 (SR.6)**	482.41(b)(1)(i)

Requirement (Description):

PE.2 LIFE SAFETY MANAGEMENT SYSTEM

SR.6 Health care occupancies shall conduct unannounced fire drills regularly, but not less than one (1) drill per shift per building each calendar quarter that transmits a fire alarm signal and simulates an emergency fire condition. When fire drills are conducted between 9:00 p.m. (2100 hours) and 6:00 a.m. (0600 hours), a coded announcement shall be permitted to be used instead of audible alarms. (NFPA 101-2000, 18.7.1.2. & 19.7.1.2). False alarms may be used (up to 50% of total drills) if all elements of the fire plan are exercised.

Business occupancies shall conduct at least one unannounced fire drill annually per shift.

SR.6a. Fire drills must be thoroughly documented and evaluate the organization's knowledge to the items listed in PE.2, SR.4

SR.6a.(i) At least annually, the organization shall evaluate the effectiveness of the fire drills, The report of effectiveness shall be forwarded to Quality Management oversight.

The requirement was NOT MET as evidenced by the following:

During the review of documents related to the physical environment, it was noted that fire drills in the hospital are conducted quarterly per the schedule in the requirements. During the offsite tour of the Beech Street physical therapy gym (a business occupancy) two staff interviewed were unable to recall fire drills being conducted in the department. Further interview with facility manager indicated that they have not conducted drills at the Beech Street location.

Additional review of fire drill documentation indicated that drill documentation does not include an evaluation of the organization's knowledge of all the required elements in PE.2, SR.4. Only occasional narrative notes were included with drill log sheets and these notes were not always legible. Names of drill participants are not collected, further hampering the ability to evaluate this knowledge.

Further interview with the accreditation coordinator and facility manager indicated that there is no annual evaluation of fire drill effectiveness, with required reporting to Quality Management.

Corrective Action Due Date: 9/27/10

ORGANIZATION RESPONSE

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Cause that led to the nonconformity:
The lack of documentation of: • Participants of the fire drills • Illegible evaluation notes • fire drill evaluations did not document the required elements • Annual effectiveness of fire drills reported to the "Clinical Care Committee"
Organization Corrective Plan: 1. Update the Fire Plan. 2. Additional Training opportunities will be identified. 3. Fire drill documentation will now include: • Participants • Legible entries • Required elements • An Annual fire drill effectiveness report to be brought to the Environment of Care Meetings and the Quality Management Oversight Committee.

Person/Function Responsible for Implementation of Corrective Action Plan:	Assistant Vice President of Hospital Operations	
Date for Implementation of Plan*:	October 2010	
Hospital Method for Follow-Up **:	Will be evidenced in fire drill documentation, reports and meeting minutes of EOC and QMOS	
DNVHC USE ONLY		
Date C/A Plan Accepted: 9/28/10	***DNV Rep: J. Smith***	
Date C/A Plan Rejected:	***DNV Rep:***	***Reason for rejection:***
Date C/A Plan Verified and Closed:		
DNV Follow-Up and Closure of NC:		

* Implementation of corrective action plan will generally be within 60 days
** Measurable evidence of sustained compliance and frequency of monitoring

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Organization: The Westerly Hospital, Westerly RI

NC Number	Process or Department	Finding Category	Number of Requirement/ Clause (Requirement / SR)	CoP/CFR Number(s):
NC-2-5	Physical Environment	❑ NC-1 Condition Level ❑ NC-1 ☒ NC-2	**PE.2 (SR.1)** NFPA 101, 9.1.2 NFPA 70, 517.20 NFPA 101; 6.1.14.2 / 26.3.3.5	482.41(b)(1)(i)

Requirement (Description):

PE.2 LIFE SAFETY MANAGEMENT SYSTEM

SR.1 The organization shall meet the applicable provisions of the 2000 edition of the Life Safety Code® of the National Fire Protection Association.

NFPA 101, Life Safety Code, 2000 Edition
9.1.2 Electric. *Electrical wiring and equipment shall be in accordance with NFPA 70, National Electrical Code, unless existing installations, which shall be permitted to be continued in service, subject to approval by the authority having jurisdiction.*

NFPA 70; National Electrical Code, 1999 Edition
Article 517 Health Care Facilities
517.20 Wet Locations.
(A) Receptacles and Fixed Equipment. All receptacles and fixed equipment within the area of the wet location shall have ground-fault circuit-interrupter protection for personnel if interruption of power under fault conditions can be tolerated, or be served by an isolated power system if such interruption cannot be tolerated.

NFPA 101, Life Safety Code, 2000 Edition
6.1.14 Mixed Occupancies.
6.1.14.1* Definition — Mixed Occupancy. *An occupancy in which two or more classes of occupancy exist in the same building or structure and where such classes are intermingled so that separate safeguards are impracticable.*
6.1.14.2 Applicable Requirements. *Where a mixed occupancy classification occurs, the means of egress facilities, construction, protection, and other safeguards shall comply with the most restrictive life safety requirements of the occupancies involved.*

Chapter 26 LODGING OR ROOMING HOUSES
26.1.1.1* *This chapter applies to buildings that provide sleeping accommodations for a total of 16 or fewer persons on either a transient or permanent basis, with or without meals, but without separate cooking facilities for individual occupants, except as provided in Chapter 24.*
26.3.3.5 *Smoke Alarms. Approved single-station smoke alarms shall be installed in accordance with 9.6.2.10 in every sleeping room. Such smoke alarms shall not be required to be interconnected.*

The requirement was NOT MET as evidenced by the following:

During the offsite tour of the Beech Street physical therapy gym, two (2) Hydrocollator hot pack warmers were observed not plugged in to GFCI receptacles.

During the physical environment tour of the physician's lounge area, it was observed that a smoke detector was installed in sleeping room 1, however no smoke detector was observed in sleeping room 2. **NOTE: This is a continuation of NC-2-4 from the 2009 survey.**

Corrective Action Due Date: 9/27/10

ORGANIZATION RESPONSE

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Nonconformity Notes / Corrective Action Plan Submittal

Cause that led to the nonconformity:

1. Hydroculators were not plugged into the proper electrical outlets.

2. This NC2 form 2009 was not fully compliant and did not outfit both Doctors Sleep Rooms with smoke detectors as required.

Organization Corrective Plan:

1. September 2010 the Hydroculators at the Beach Street facility have now been plugged into the required GFCI receptacles.

2. Smoke detectors:
   - New facilities management was put into place in June 2010.
   - A temporary smoke detector was installed September 2010.
   - A Hardwired System is scheduled to replace the temporary one.
   - All sleep quarters associated with the Hospital will be re-evaluated for compliance Life Safety Code pertaining to Mixed Occupancy/ National Fire Protection Assoc.
   - This will also be incorporated into the maintenance rounding schedule.

Person/Function Responsible for Implementation of Corrective Action Plan:		Assistant Vice President of Hospital Operations
Date for Implementation of Plan*:		
Hospital Method for Follow-Up **:	Both will be an added indicator in Facility / Maintenance rounds.	
DNVHC USE ONLY		
Date C/A Plan Accepted: 9/28/10	***DNV Rep: J. Smith***	
Date C/A Plan Rejected:	***DNV Rep:***	***Reason for rejection:***
Date C/A Plan Verified and Closed:		
DNV Follow-Up and Closure of NC:		

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The following has been included as an Opportunity for Improvement as the organization implements ISO 9001:2008 standards.

Organization: The Westerly Hospital, Westerly RI

NC Number	Process or Department	Finding Category	Number of Requirement/ Clause (Requirement / SR)	CoP/CFR Number(s):
OFI	Quality Management	❑ NC-1 Condition Level ❑ NC-1 ❑ NC-2	**QM.4**	

Requirement (Description):

QM.4 MANAGEMENT REPRESENTATIVE

A management representative shall be designated and shall have the responsibility and authority for ensuring that the requirements of the Quality Management System are implemented and maintained.

The requirement was NOT MET as evidenced by the following:
During the quality management system interview with the accreditation coordinator, risk manager, patient safety manager and vice president for clinical services, it was noted that the accreditation coordinator has been assigned the role of "management representative" however this designation has not been formalized by the Board Committee on Quality or documented in the record.

Corrective Action Due Date: n/a

ORGANIZATION RESPONSE

Cause that led to the nonconformity:

Organization Corrective Plan:

Person/Function Responsible for Implementation of Corrective Action Plan:	
Date for Implementation of Plan*:	
Hospital Method for Follow-Up **:	

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Date C/A Plan Accepted:	***DNV Rep:***	
Date C/A Plan Rejected:	***DNV Rep:***	***Reason for rejection:***
Date C/A Plan Verified and Closed:		
DNV Follow-Up and Closure of NC:		

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Nonconformity Notes / Corrective Action Plan Submittal

Organization: The Westerly Hospital – Westerly, Rhode Island

❑ Preliminary
☒ Final (Annual)

Survey Date: September 14 - 15, 2011

Report Date: September 29, 2011

C/A Plan Received: October 7, 2011

Once marked "Final", this will serve as the Final Report to the Organization. The Organization must complete the Corrective Action Plan and include date for implementation as well as person/function responsible. The DNV Healthcare Inc. Surveyors will follow-up on all corrective action plans during the next survey or as required if prior to next survey

Total Number of Nonconformities: 3 Category 1 6 Category 2

NC Number	Process or Department	Finding Category	Number of Requirement/ Clause (Requirement / SR)	CoP/CFR Number(s):
NC-1-1	Quality Management	❑ NC-1 Condition Level ☒ NC-1 ❑ NC-2	**QM.7** ISO 9001:2008; 5.4.2(b) / 8.2.3 / 8.4(c)	482.21(a)(2)

Requirement (Description):

QM.7 MEASUREMENT, MONITORING, ANALYSIS

The organization shall evaluate all organized services and processes, both direct and supportive, including services provided by any contracted service. The monitoring shall include the use of internal reviews (audits) of each department or service at scheduled intervals, not to exceed one year and data related to these processes. Individual(s) not assigned to that department or service shall conduct the internal review (audit). Measurement, monitoring and analysis of processes throughout the organization require established measures that have the ability to detect variation identify problem processes, identify both positive and negative outcomes, and effectiveness of actions taken to improve performance and/or reduce risks. The organization must define the frequency and detail of the measurement. Those functions to be measured at a minimum must include the following:

SR.1 Threats to patient safety;
SR.2 Medication therapy/medication use; to include medication reconciliation and the use of dangerous abbreviations;
SR.3 Operative and invasive procedures; to include wrong site/wrong patient/wrong procedure surgery
SR.4 Anesthesia/moderate sedation;
SR.5 Blood and blood components
SR.6 Restraint use/seclusion;
SR.7 Effectiveness of pain management system;
SR.8 Infection control system, including nosocomial infections;
SR.9 Utilization Management System;
SR.10 Patient flow issues, to include reporting of patients held in the Emergency Department or the PACU in excess of eight hours.
SR.11 Customer satisfaction, both clinical and support areas;
SR.12 Discrepant pathology reports;
SR.13 Unanticipated deaths, non-sentinel event;
SR.14 Sentinel event/near miss and other medical errors;
SR.15 Other adverse events;
SR.16 Critical and/or pertinent processes, both clinical and supportive;
SR.17 Medical record delinquency; and,

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Nonconformity Notes / Corrective Action Plan Submittal

SR.18 Physical Environment Management Systems

Requirement (Description): (CONTINUED)
ISO 9001:2008
5.4.2 Quality management system planning
Top management shall ensure that
b) The integrity of the quality management system is maintained when changes to the quality management system are planned and implemented.

8.2.3 Monitoring and measurement of processes
The organization shall apply suitable methods for monitoring and, where applicable, measurement of the quality management system processes. These methods shall demonstrate the ability of the processes to achieve planned results. When planned results are not achieved, correction and corrective action shall be taken, as appropriate.
NOTE When determining suitable methods, it is advisable that the organization consider the type and extent of monitoring or measurement appropriate to each of its processes in relation to their impact on the conformity to product requirements and on the effectiveness of the quality management system.

8.4 Analysis of data
The organization shall determine, collect and analyze appropriate data to demonstrate the suitability and effectiveness of the quality management system and to evaluate where continual improvement of the effectiveness of the quality management system can be made. This shall include data generated as a result of monitoring and measurement and from other relevant sources.
The analysis of data shall provide information relating to
c) characteristics and trends of processes and products, including opportunities for preventive action (see 8.2.3 and 8.2.4),

The requirement was NOT MET as evidenced by the following:
During the quality management review and in interviews with the accreditation manager and chief nursing officer, it was noted that significant quality indicators had no data or incomplete data for the 3rd quarter of 2011. Further discussion indicated that key data elements, (including patient days, which is the required denominator for many indicators), can no longer be abstracted from the electronic medical record. It is noted that the EMR went "live" in April 2011. Continued discussion indicated that the report writer software necessary to facilitate data abstraction was not included in the initial EMR implementation, and that the upgrade is cost prohibitive. Beyond this research on the report writer, no corrective action plan has been developed to address the absence of data and no timeline exists to implement a solution.

Examples of indicators not reported or not verifiable include:

- Patient fall rate
- Readmission rate
- Pediatric ER visits and admission rates

Corrective Action Due Date: 10/09/2011

ORGANIZATION RESPONSE

Cause that led to the nonconformity:
The McKesson Project Plan did not identify the maintenance of data integrity as a core goal. Focus was placed on electronic medical record build and implementation. There was an assumption that data integrity would follow and system report menu would offer accurate data and report formats to meet the quarterly review needs of the evolving Quality Management System.

Organization Corrective Plan:

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Nonconformity Notes / Corrective Action Plan Submittal

1. Create a data integrity review team that will be responsible for the evaluation of data input and output during this time of implementing and transitioning a new IT and EHR platform (McKesson). They will report directly to the McKesson Steering Committee.

12/22/11 TWH Response:
The Data Integrity Team was formed as a sub-committee under the McKesson Steering Committee, in response to the 2011 DNV nonconformity and have met for a total of 5 times with a the result of a developed Charter.
Attachments for NC1-1:

- *The Data Integrity Team Charter NC1-1A.*
- *Data Integrity Team Meeting minutes (10/18/11, 12/1/11, 12/8/11, 12/15/11, 12/19/11) NC1-1B.*
- *McKesson Steering Committee Meeting minutes NC1-1C*
- *Operations Team Meeting Minutes 12/19/11 NC1-1D*
- *Quality Management Oversight Committee Meeting minutes NC1-1E*

All of this will be brought to the Quality Management Oversight Committee in January 2012

2. Define the most critical core indicators for the Organization, at this point in time, and analyze the integrity of the report methodology and the validity of the data output for those indicators.

12/22/11 TWH Response:
A data dictionary of the critical core indicators required for the Clinical Dashboards has been developed. The IS/IT Department will clearly define what data definitions are validated for the critical core indicators and reports. This spreadsheet will denote a status column and will display "validated" upon approved validation. The core indicators will be found in the standard McKesson reports for any end user.
Attachments for NC1-1:

- *Data Dictionary NC1-1F*

3. Will have valid and reportable data for those identified core indicators for the Q1FY2012 reporting timeframe.

12/22/11 TWH Response:
While developing the Data integrity Team, its Charter, and determining the critical core indicators required for any clinical reporting, it was necessary to clarify critical core indicator definitions and verify their accuracy utilizing McKessons' standard definitions. The development of custom reports was placed on hold with the exception of any essential for Public Reporting of data. McKesson standard reports will be primarily utilized.

The Data Team felt strongly that taking the time to perform a thorough evaluation of all core indicators was prudent to be successful in addressing current improvement opportunities to prevent their recurrence. Gathering input from Quality, Risk, Care Management/ Utilization, Infection control and other stakeholders is being made to facilitate the, above mentioned core indicator list and subsequently the Data Dictionary of Reports.

It is planned to develop a timeline for the updating of Clinical Dashboard reports for Q3 FY 2011, Q4 FY 2011 and Q1 FY 2012, with a statement to all stakeholders outlining the readjustment and re-reporting of data.

4. Analyze the process of data flow, and integrity of all other indicators throughout the Organization.

12/22/11 TWH Response:
A Data Task Force directed by the Data Integrity Team is formed to create a data flow process from beginning to end

for a electronic chart (Golden Chart) and then for the data elements related to the core indicator listing, with implementation to start in January 2012. Participants will include by not limited to McKesson Application Team members representing each McKesson application.

5. Define the report system process flow and the accountability and authority for this process.

12/22/11 TWH Response:
The Report system process flow will define the procedure and decision chart of when a custom report will be required. The Data Integrity team will review the custom requests for approval.

Person/Function Responsible for Implementation of Corrective Action Plan:	Margaret Austin, Vice President of Clinical Operations
Date for Implementation of Plan*:	October 6, 2011
Hospital Method for Follow-Up **:	The Data integrity Review team will report improvement plan and progress to the Operations Team bi-weekly and to the QMOC monthly. Once stability of the data integrity is secured, validation of data integrity will be reported quarterly.

DNVHC USE ONLY

Date C/A Plan Accepted: 10/31/11	***DNV Rep: J. Smith*** ***Clarification received by surveyor:*** The absence of these data elements was attributed to the conversion to a new clinical IT platform. The previous system was able to generate appropriate data; however the new system was installed without a corresponding capability to generate the necessary statistics. The NIAHO nonconformance was focused on three issues; 1) absence of denominator data used to determine data for certain SPECIFIC indicators over the most recent reporting period (not all indicators.) 2) absence of a plan or timeframe to address the missing data elements. 3) consideration of the ISO requirements under 5.4.2

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Nonconformity Notes / Corrective Action Plan Submittal

Date C/A Plan Rejected: 10/27/11	***DNV Rep: J. Smith / P. Horine***	***Reason for rejection:*** ***The action taken to address the steps is not consistent with the requirements under QM. 7. Organization needs to be consistent with the requirements under QM.7 – not just indicators defined as the most critical at this time. DNV is not prescriptive regarding the specific indicators under each SR, but QM.7 does require the minimum areas SR.1 – SR.18 must be covered. Please clarify this to ensure the corrective action(s) address the process for completeness evaluation of those functions to be measured at a minimum including SR.1 – SR.18.*** ***Additionally please address that in order to have reportable data in first quarter 2012 data collection will start in third quarter 2011. Please clarify that the organization will be collecting data for indicators SR.1 – SR.18 to meet this requirement.***
Date C/A Plan Verified and Closed:		
DNV Follow-Up and Closure of NC: ***DNV Healthcare requests the following objective evidence and supporting documentation be provided to attest to the above listed Organization Corrective Plan:*** - ***Summary report of the most recent improvements and progress as reported to Operations and QMOC to reflect the effectiveness of the actions taken.*** ***This information is to be submitted to DNV Healthcare by December 28, 2011. This will also be reviewed for continued effectiveness at the next annual survey.***		

* Implementation of corrective action plan will generally be within 60 days
** Measurable evidence of sustained compliance and frequency of monitoring

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Nonconformity Notes / Corrective Action Plan Submittal

Organization: The Westerly Hospital, Westerly RI

NC Number	Process or Department	Finding Category	Number of Requirement/ Clause (Requirement / SR)	CoP/CFR Number(s):
NC-1-2	Staffing Management	☐ NC-1 Condition Level ☒ NC-1 ☐ NC-2	**SM.7; (SR.5 / SR.6)** ISO 9001:2008; 6.2.2	

Requirement (Description):

SM.7 STAFF EVALUATIONS

SR.5 The organization shall define a timeframe, not to exceed one calendar year, and a policy and practice for sharing the indicators measurement of individual staff members with those staff members that allows for staff feedback.

SR.6 The organization shall require each staff member, including contract staff, to participate in continuing education as required by individual licensure/certification, professional association, law or regulation, or organization policy. Compliance with this standard shall be reported to Quality Management Oversight.

ISO 9001:2008
6.2.2 Competence, training and awareness
The organization shall
a) determine the necessary competence for personnel performing work affecting conformity to product requirements,
b) where applicable, provide training or take other actions to achieve the necessary competence,
c) evaluate the effectiveness of the actions taken,
d) ensure that its personnel are aware of the relevance and importance of their activities and how they contribute to the achievement of the quality objectives, and
e) maintain appropriate records of education, training, skills and experience (see 4.2.4).

The requirement was NOT MET as evidenced by the following:
During the human resources record review, and in interviews with the director of human resources, accreditation coordinator, and managers of other HR functions, it was noted that employee performance evaluations have not been completed and reviewed with employees annually as required by the standard and by organization policy. Of four files reviewed (2 central supply, 1 RN, 1 PT) none included evidence of evaluation and review with employee in at least the past 14 months.

Further discussion regarding staff training indicates that compliance with staff training requirements is the responsibility of department managers. Organization policy requires that training activity be reported HR, however the training records reviewed indicate that staff training has not been completed as required. Review of education status reports and interview with the person responsible for maintaining these reports indicates that departmental reports have accumulated pending implementation of new HR software. Report of compliance with this standard is not reported to quality management oversight.

Corrective Action Due Date: 10/09/2011

ORGANIZATION RESPONSE

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Cause that led to the nonconformity:
Multiple conflicting priorities and time management were significant issues. The Hospital was building and implementing two new systems (HR and IS) from March 2010 and through April 2011, and continues presently

Organization Corrective Plan:

SM.7 / SR.5 Performance Evaluations:

Organization-wide goal/directive issued for all outstanding performance reviews to be completed and submitted to HR by December 1, 2011. A streamlined automated process and redesign of assessment tools will be implemented utilizing the new HR system by January 1, 2012. Compliance steps include:

1) assessment for meeting standard to be incorporated in Leadership performance review;
2) regular reporting of compliance/non-compliance via HR dashboard on monthly basis;
3) management education/training on system use and expectations.

12/22/11 TWH Response:

Date	*2010 complete*	*2011conmplete*
December 1, 2011	*94%*	*88%*
December 9, 2011	*97%*	*94%*
December 19, 2011	*98 %*	*98%*

The Automated Process has been suspended due to The Westerly Hospital's recent approved petition of Receivership. The Human Resources Department will maintain the current process of Performance Evaluation during this time. We will continue to email competency based evaluations, 30 days prior to the due date, to both the employee and the Manager for completion/verification.

Upon receipt in HR, the evaluation will be entered into the HR system. Compliance will be tracked on the HR dashboard and reported to the Operations Team monthly. Managers will be instructed to utilize the Manager Self Service portal to in the HR system to track status 24/7. A monthly outstanding review report will be issued to the Vice Presidents for follow-up and inclusion on the Manager's evaluation.

Beginning February 2012, an additional Manager Self Service feature will be implemented to notify applicable staff, management and payroll of upcoming license/certification expirations. This will NOT replace the current process and is intended to provide an additional method of tracking compliance through automation.

Attachments for NC1-2:

- *Meeting minutes of the Operations Team 12/12/11 -- NC1-2A.*

SM.7 / SR.6 Training:

Additional resources have been identified for completion of entry backlog by November 30, 2011. A revised documented process for verification of required staff training and reporting will be presented to Operations Team Committee by January 1, 2012, to review and finalize the compliance steps, that may include:

1) regular reporting of compliance/non-compliance via HR dashboard on monthly basis;
2) staff training requirements to be established under the self service portal utilizing the new HR system;
3) staff training/attendance to be entered by manager utilizing manager self service function.

12/22/11 TWH Response:

As of the November 30th 2011 the backlog of verified Training and Competencies was performed and completed.

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All training backlog has been entered into the HR system. Starting January 1, 2012, we will be resuming our manual method of collection to ensure we are capturing all hospital-wide in-services. All Managers will be expected to submit attendance sheets and evaluation forms to HR (or Clinical Education department). Upon receipt, training summary reports will be developed and reported to the Operations Team quarterly in addition to the monthly HR dashboard. The HR system will be updated to reflect trainings weekly. Note: External CEU classes will NOT be reflected in the HR system unless voluntarily submitted to HR by the employee as the "licensure renewal" is validation of the competency.		
Person/Function Responsible for Implementation of Corrective Action Plan:		Jodie Tate, Director of Human Resources
Date for implementation of Plan*:	9/26/11	
Hospital Method for Follow-Up **:	Reporting of compliance/non-compliance via HR dashboard on monthly basis to Operations and Quality Management Oversight Committee (QMOC)	
DNVHC USE ONLY		
Date C/A Plan Accepted: 10/26/11	***DNV Rep: J. Smith***	
Date C/A Plan Rejected:	***DNV Rep:***	***Reason for rejection:***
Date C/A Plan Verified and Closed:		
DNV Follow-Up and Closure of NC: DNV Healthcare requests the following objective evidence and supporting documentation be provided to attest to the above listed Organization Corrective Plan: - ***Summary report of the most recent audit as reported to Operations and QMOC to reflect the effectiveness of the actions taken.*** ***This information is to be submitted to DNV Healthcare by December 28, 2011. This will also be reviewed for continued effectiveness at the next annual survey.***		

* Implementation of corrective action plan will generally be within 60 days
** Measurable evidence of sustained compliance and frequency of monitoring

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Nonconformity Notes / Corrective Action Plan Submittal

Organization: The Westerly Hospital, Westerly RI

NC Number	Process or Department	Finding Category	Number of Requirement/ Clause (Requirement / SR)	CoP/CFR Number(s):
NC-1-3	Anesthesia Services	☐ NC-1 Condition Level ☒ NC-1 ☐ NC-2	**AS.3; (SR.2(a)(c)(1)** ISO 9001:2008; 7.2.1	482.52(b)(1) 482.52(b)(3)

Requirement (Description):

AS.3 POLICIES AND PROCEDURES

SR.2 The policies must ensure that the following are provided for each patient:

SR.2c for inpatient surgery, a post-anesthesia evaluation for proper anesthesia recovery is completed and documented within 48 hours after surgery by the individual who administers the anesthesia or, if approved by the medical staff, by any individual qualified and credentialed to administer anesthesia;

SR.2c(1) A post-anesthesia evaluation for anesthesia recovery is required and must be completed In accordance with State law and hospital policies and procedures approved by the medical staff and reflect current standards of care anytime general, regional, or monitored (this would include deep sedation/analgesia has been administered to the patient.

NOTE: Per CMS 482.52(b)(3), the elements of an adequate post-anesthesia evaluation should be clearly documented and conform to current standards of anesthesia care, including:

- Respiratory function, including respiratory rate, airway patency, and oxygen saturation;
- Cardiovascular function, including pulse rate and blood pressure;
- Mental status;
- Temperature;
- Pain;
- Nausea and vomiting; and
- Postoperative hydration.

Depending on the specific surgery or procedure performed, additional types of monitoring and assessment may be necessary.

ISO 9001:2008
7.2.1 Determination of requirements related to the product
The organization shall determine
a) requirements specified by the customer, including the requirements for delivery and post-delivery activities,
b) requirements not stated by the customer but necessary for specified or intended use, where known,
c) statutory and regulatory requirements applicable to the product, and
d) any additional requirements considered necessary by the organization.

The requirement was NOT MET as evidenced by the following:

3 surgical medical records were reviewed (2 open and 1 closed).

- 0/3 records contained all of the required post-anesthesia recovery elements. The elements that were specifically missing were n/v, postoperative hydration, pain and mental status.

Corrective Action Due Date: 10/09/2011

ORGANIZATION RESPONSE

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Cause that led to the nonconformity:

The Anesthesia Providers felt that their post-operative evaluation documentation was sufficient.

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Organization Corrective Plan:

TWH is questioning the level decision on one of the NC1s that was issued to us.

It is for the AS.3 Policies and Procedures NC1.

Medical records for this NC were not identified by legion number. DNV was contacted to find out what charts were incorporated into this NC, it was reported that MR #4, 5, 6 were identified in the surveyors notes. A re-review of charts identified during the Survey was performed and it was noted that only (2) of the charts had the opportunity to have a post-operative evaluation to be examined for compliance to the AA standards (legion # 5, # 6), not three as outlined in the "evidence was not met" section of the report. However, those two charts did show lack of some required recovery documentation for the post-operative evaluation.

There is no dispute that some required elements were missing and the finding should be an NC2. But why is this an NC1?

Based upon only (2) charts reviewed, and having most the elements within the standard:

- *qualified provider performing the evaluation,*
- *every case has an evaluation and,*
- *documenting most of the required recovery elements,*
- *all performed in the required timeframe.*

I thank you for looking into this matter,
Kat

Corrective Action Plan:

1. Revision of the Anesthesia Record to further standardize the post-operative evaluation section to reflect current required recovery documentation for compliance to the standard, consistency and to aid in legibility of note.

12/22/11 TWH Response:
The evaluation form utilized by the Anesthesia Service was revised to include the standard elements in AS.3 post anesthesia evaluation and implementation began on December 6th, 2011.

2. Education(re) to all Anesthesiologist and qualified providers to give anesthesia on use of enhanced documentation on evaluation form.

12/22/11 TWH Response:
On December 6, 2012 the old anesthesia form was removed and replaced with the newly revised form in the areas of, Operating Room, Ambulatory Care/Endo, Women's Health Unit, PACU, Clinical Units, and Admitting and any OR packets assembled.

Planned sweeps of these areas will take place to ensure the unintended use of the obsolete document. In unique areas where qualified providers give anesthesia, such as the Emergency Room, the sedation monitoring sheet that is currently being used, will be re-evaluated for compliance to post anesthesia evaluation elements.

3. Post-implementation chart auditing will take place on a regular schedule with reported results to all affected parties.

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12/22/11 TWH Response:
An immediate compliance audit of the new form was performed please see attached audit findings specific to post anesthesia evaluation. These audit findings were shared with the Director of Surgical Services and the Anesthesia Service Providers. The status of this corrective action along with audit findings will be presented to the Quality Management Oversight Committee in January 2012

Attachments for NC1-3:

- *Old Anesthesia Record NC1--3A*
- *New Anesthesia Record NC1-3B*
- *Audit Report NC1-3C*

Person/Function Responsible for Implementation of Corrective Action Plan:	Ed James, Director of Surgical Services and Dr. DeSantis, Chief, Department of Anesthesiology
Date for Implementation of Plan*:	10/6/11
Hospital Method for Follow-Up **:	Chart Auditing with report of effective corrective action completion to appropriate committees.

DNVHC USE ONLY		
Date C/A Plan Accepted: 10/26/11	***DNV Rep: J. Smith / P. Horine***	
Date C/A Plan Rejected:	***DNV Rep:***	***Date C/A Plan Rejected:***
Date C/A Plan Verified and Closed:		

DNV Follow-Up and Closure of NC:

***** The accreditation committee has reviewed your request. NC-1 categories are assigned when nonconformance is over 50% of our review. However, giving the reduced sampling at this annual survey and the elements that were missing we can reduce this to a NC-2 provided that you submit objective evidence showing improvements in the documentation of the post-anesthesia recovery elements. Please submit your latest chart audits at your convenience to attest to the improvements and this NC will be reduced to a NC-2.***

DNV Healthcare requests the following objective evidence and supporting documentation be provided to attest to the above listed Organization Corrective Plan:

- ***Summary report of the most recent audit as reporting to appropriate committees to reflect the effectiveness of the actions taken.***

This information is to be submitted to DNV Healthcare by December 28, 2011 (** or sooner based on above notes). This will also be reviewed for continued effectiveness at the next annual survey.

* Implementation of corrective action plan will generally be within 60 days
** Measurable evidence of sustained compliance and frequency of monitoring

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Nonconformity Notes / Corrective Action Plan Submittal

Organization: The Westerly Hospital, Westerly RI

NC Number	Process or Department	Finding Category	Number of Requirement/ Clause (Requirement / SR)	CoP/CFR Number(s):
NC-2-1	Medical Records Record Content	❑ NC-1 Condition Level ❑ NC-1 ☒ NC-2	**MR.5; (SR.2a) / (SR.2b)** ISO 9001:2008; 4.2.4 / 7.5.3	482.24(c)(1)

Requirement (Description):

MR.5 [MEDICAL RECORDS] RECORD CONTENT

SR.2 All entries shall be:

SR.2a legible, complete, dated and timed; and,

SR.2b authenticated by the person responsible for providing or evaluating the services provided consistent with hospital policy

ISO 9001:2008

4.2.4 Control of records

Records established to provide evidence of conformity to requirements and of the effective operation of the quality management system shall be controlled.

Records shall remain legible, readily identifiable and retrievable.

7.5.3 Identification and traceability

Where appropriate, the organization shall identify the product by suitable means throughout product realization.

The organization shall identify the product status with respect to monitoring and measurement requirements throughout product realization.

Where traceability is a requirement, the organization shall control the unique identification of the product and maintain records (see 4.2.4).

The requirement was NOT MET as evidenced by the following:

Six patient records were reviewed (3 open and 3 closed).

1. 4/6 records had issues with legibility (MR# 1, 4, 5, 6).
2. MR# 1: The ICU admission order dated 9/14 was missing the time it had been signed by the MD; 2 additional orders written on 9/11 were missing the time they had been signed by the MD; enteral nutrition orders were missing the date and time they had been signed by the MD; 2 orders dated 9/14 were missing the time they had been signed by the MD; the restraint order dated 9/11 looks as if the time is in a different handwriting than the date and signature; the restraint order dated 12 looks as if the date and time is in a different handwriting than the signature.
3. MR# 2: The blood transfusion orders and the ER order sheet were missing the date and time they had been signed by the physician.
4. MR# 3: Medication orders from ER were missing the date and time they had been signed by the MD.
5. MR# 5: The discharge note is missing the time it was written; the post anesthesia care report has no signature.
6. MR# 6: One order is missing the date and time that it was written; the post anesthesia orders are missing the time they were written by the MD.

This NC finding remains open from the 2010 survey report and remains an NC-2 due to the decrease in the number of unauthenticated entries in the records.

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Nonconformity Notes / Corrective Action Plan Submittal

Corrective Action Due Date: 10/09/2011			
ORGANIZATION RESPONSE			
Cause that led to the nonconformity: TWH Clinical Information staff has not been proactive as a team in following up with the Medical Staff and other disciplines to assure that all entries in the Medical Record get signed/dated//timed and authenticated.			
Organization Corrective Plan: The Westerly Hospital plans to do the following: 1. Meet with the CEO who is responsible for the employed Providers of the Hospital and the President of the Medical Staff to develop a mechanism in identifying barriers and processes that impede the Medical Staff in performing what is required in Hospital Policies and Medical Staff Rules and Regulations and Bylaws, during and after the McKesson Electronic Medical Record implementation. 2. Meet with the Leaders of Departments who have a requirement to document in the Medical Record, in congruence with Medical Staff, to evaluate consistency, compliance with clinical documentation and policies and procedures surrounding documentation. To further develop initiatives to support compliance with documentation standards 3. Resurrect the Medical Records Audit Committee (MRAC) of the Hospital. a. Discuss and outline further recommendations for indicators in the Audit process b. Report data findings to appropriate committees and stakeholders along with the Quality Management Oversight Committee and The Board of Trustees. 4. Help facilitate education opportunities based upon the results of the MRAC activities and Mission. 5. Will re-evaluate after several audit cycles to measure effectiveness of any interventions.			
Person/Function Responsible for Implementation of Corrective Action Plan:			Donna Duarte, Director of Revenue Cycle
Date for Implementation of Plan*	December 1, 2011		
Hospital Method for Follow-Up **:	Monitoring plan will be based upon outcomes of the initiatives to be developed from Medical Staff and MRAC meetings.		
DNVHC USE ONLY			
Date C/A Plan Accepted: 10/26/11	***DNV Rep: J. Smith***		
Date C/A Plan Rejected:	***DNV Rep:***	***Reason for rejection:***	
Date C/A Plan Verified and Closed:			
DNV Follow-Up and Closure of NC:			

* Implementation of corrective action plan will generally be within 60 days
** Measurable evidence of sustained compliance and frequency of monitoring

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Nonconformity Notes / Corrective Action Plan Submittal

Organization: The Westerly Hospital, Westerly RI

NC Number	Process or Department	Finding Category	Number of Requirement/ Clause (Requirement / SR)	CoP/CFR Number(s):
NC-2-2	Medication Management	☐ NC-1 Condition Level ☐ NC-1 ☒ NC-2	**MM.1; (SR.5) / MM.4 (SR.1 / SR. 2)** ISO 9001:2008; 7.2.1 / 7.5.3	482.24(b)(3) 482.23(c)(2)(i)

Requirement (Description):

MEDICATION MANAGEMENT (MM)

MM.1 MANAGEMENT PRACTICES

SR.5 Outdated, mislabeled, or otherwise unusable medications shall not be available for patient use.

MM.4 MEDICATION ORDERS

All medication orders shall:

SR.1 Include the name of the drug, the dosage and frequency of administration and the route of administration.

ISO 9001:2008
7.2.1 Determination of requirements related to the product
The organization shall determine
a) requirements specified by the customer, including the requirements for delivery and post-delivery activities,
b) requirements not stated by the customer but necessary for specified or intended use, where known,
c) statutory and regulatory requirements applicable to the product, and
d) any additional requirements considered necessary by the organization.

7.5.3 Identification and traceability
Where appropriate, the organization shall identify the product by suitable means throughout product realization

The requirement was NOT MET as evidenced by the following:
Six medical records were reviewed (3 open and 3 closed).

1. MR# 1: Incomplete medication orders were noted on the chart dated 9/11:
   - Morphine 8 mg IV
   - Ativan 6 mg IV
   - Sedation Analgesia and Paralytics (not for conscious sedation) Propofol liquid emulsion: start 10 mg/mL premixed infusion at ___ mcg/kg/min, and titrate to Ramsey Scale 3 or 4, or to a max dose of ___ mcg/kg/min. (In an attempt to trace this medication to see if the physician had written an additional order to fill in the blanks, it was noted there were none. However, there were additional orders to stop and start the medication. In review of the MAR, the medication had been started on 9/11 at 0330 and was infusing at 20 mcg/kg/min).
2. MR# 3: Incomplete medication orders were noted on the chart (this order was undated and untimed).
   - Ativan 1 mg IV
   - Benadryl 50 mg IM
   - Haldol 5 mg IM
   - Ativan 1 mg po bid prn

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Nonconformity Notes / Corrective Action Plan Submittal

3. An undated open vial of tuberculin skin test was found in ICU.
4. The following single patient containers were found available for use in ER
   - 500cc sterile water dated 9/12
   - 100 cc sterile water
   - 500 cc sodium chloride

Corrective Action Due Date: 10/09/2011

ORGANIZATION RESPONSE

Cause that led to the nonconformity:

MM.1: Multi-dose Vial policy was not followed in emergency department or on MCU, leading to discovery of opened saline irrigation bottles and an undated multi-dose vial of PPD.

MM.4: Multiple physician orders found without date/time, several incomplete orders found including a propofol order without initial or maximum dose specified, even though this was a pre-printed standing order.

Organization Corrective Plan:

MM.1 Management Practices:

1). Revisit and revise, as necessary policies, procedures and forms.
2) Re-education of all clinical areas regarding procedures for using single dose vials, multi-dose vials and other sterile products. All staff on all units will be required to sign a sheet indicating they have read the policy and understand its contents.
3). Pharmacy Director or Clinical Pharmacist Supervisor will offer to attend staff meetings in each area, and if requested.
4). The pharmacy can purchase and distribute labels containing both date opened/expiration date fields to be filled in by end users to facilitate the appropriate dating of multi-dose vials.

MM.4 Medication Orders

1). Revise order form WH 301 (Physician Orders) to contain a separate space for time.
2). Re-education of Nursing, Pharmacy, and Medical Staff on the required elements of a complete order.
3). Education of all employees in patient care areas to clarify any incomplete order.
4). Pharmacists will revisit the Pharmacy Intervention activity and will increase documentation and stream line data reporting at the appropriate committees.

Person/Function Responsible for Implementation of Corrective Action Plan:	Brian Musiak, Director of Pharmacy
Date for Implementation of Plan*:	December 1, 2011
Hospital Method for Follow-Up **:	MM.1 Monthly unit inspection by Pharmacy with ongoing unit involvement. MM.4. Monthly reporting Pharmacy Interventions to appropriate committees.

DNVHC USE ONLY

Date C/A Plan Accepted: 10/26/11	***DNV Rep: J. Smith***	
Date C/A Plan Rejected:	***DNV Rep:***	***Reason for rejection:***
Date C/A Plan Verified and Closed:		
DNV Follow-Up and Closure of NC:		

* Implementation of corrective action plan will generally be within 60 days
** Measurable evidence of sustained compliance and frequency of monitoring

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Nonconformity Notes / Corrective Action Plan Submittal

Organization: The Westerly Hospital, Westerly RI

NC Number	Process or Department	Finding Category	Number of Requirement/ Clause (Requirement / SR)	CoP/CFR Number(s):
NC-2-3	Patient Rights Restraints	❑ NC-1 Condition Level ❑ NC-1 ☒ NC-2	**PR.6; (SR.2(e) / SR.6(a)(2)(7)** ISO 9001:2008; 7.2.1	482.13(e)(4) 482.13(e)(4)(ii)

Requirement (Description):

PR.6 RESTRAINT OR SECLUSION

SR.2 The hospital will keep the patient safe and protect their rights when restraint or seclusion are applied.

SR.2e. The use of restraint or seclusion must be in accordance with a written modification to the patient's plan of care, and implemented in accordance with safe and appropriate restraint and seclusion techniques as determined by hospital policy in accordance with State law.

SR.6 Documentation in the Medical Record

SR.6a When restraint or seclusion is used, there must be documentation in the patient's medical record of the following:

SR.6a(2) Alternatives or other less restrictive interventions attempted (as applicable);

SR.6a(7) Written modification to the patient's plan of care or treatment plan based on an assessment and evaluation of the patient

ISO 9001:2008
7.2.1 Determination of requirements related to the product
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b) requirements not stated by the customer but necessary for specified or intended use, where known,
c) statutory and regulatory requirements applicable to the product, and
d) any additional requirements considered necessary by the organization.

The requirement was NOT MET as evidenced by the following:
Three restraint records were reviewed (1 open and 2 closed). MR# 3 was a behavioral restraint.

1. 0/3 restraint records had restraint use incorporated into the plan of care (MR# 1, 2, 3).
2. MR# 2 did not provide documentation of less restrictive interventions attempted.

Corrective Action Due Date: 10/09/2011

ORGANIZATION RESPONSE

Cause that led to the nonconformity:

Incomplete documentation by the nursing staff in caring for a patient in restraints. Lack of adequate auditing being kept up and reported out.

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Nonconformity Notes / Corrective Action Plan Submittal

Organization Corrective Plan: 1. Re-education of all nursing staff on use and documentation of patients in restraints. 2. Changes in EMR documentation to alert and remind nursing staff putting addition to nursing care plan. 3. Daily follow up by Nurse Manager or designee with staff caring for patients in restraints 4. Audit to be completed on all restrained patients by Nurse manager or designee 5. Audit results to be placed on Nursing Dashboard and presented at staff meetings, Patient Safety- OPS –and QMOC		
Person/Function Responsible for implementation of Corrective Action Plan:		Paula Miller, Assistant Vice President of Clinical Operations
Date for Implementation of Plan*:	December 1, 2011	
Hospital Method for Follow-Up **:	Patients with restraints to be discussed at supervisors shift to shift report. Audits to be presented at Nursing Leadership monthly.	
DNVHC USE ONLY		
Date C/A Plan Accepted: 10/26/11	***DNV Rep: J. Smith***	
Date C/A Plan Rejected:	***DNV Rep:***	***Reason for rejection:***
Date C/A Plan Verified and Closed:		
DNV Follow-Up and Closure of NC:		

* Implementation of corrective action plan will generally be within 60 days
** Measurable evidence of sustained compliance and frequency of monitoring

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Nonconformity Notes / Corrective Action Plan Submittal

Organization: The Westerly Hospital, Westerly RI

NC Number	Process or Department	Finding Category	Number of Requirement/ Clause (Requirement / SR)	CoP/CFR Number(s):
NC-2-4	Patient Rights Advance Directives	☐ NC-1 Condition Level ☐ NC-1 ☒ NC-2	**PR.2; (SR.1 / SR.3 / SR.5)** ISO 9001:2008; 7.2.1	482.13(b)(3)

Requirement (Description):

PR.2 ADVANCE DIRECTIVE

The organization must allow the patient to formulate advance directives and to have organization staff and practitioners comply with the advance directives in accordance with Federal and State law, rules and regulations.

SR.1 The organization shall document in the patient's medical record whether or not the patient has executed an advance directive.

SR.3 The organization shall ensure compliance with State law regarding the provision of an advance directive.

SR.5 When the advance directive exists and is not in the patient's medical record, a written policy for follow-up and compliance shall exist.

ISO 9001:2008
7.2.1 Determination of requirements related to the product
The organization shall determine
a) requirements specified by the customer, including the requirements for delivery and post-delivery activities,
b) requirements not stated by the customer but necessary for specified or intended use, where known,
c) statutory and regulatory requirements applicable to the product, and
d) any additional requirements considered necessary by the organization.

The requirement was NOT MET as evidenced by the following:
Six medical records were reviewed (3 open and 3 closed).

1. MR# 1: It was unknown if the patient had an advance directive. This patient on a vent in ICU and the next of kin was also an inpatient. However, this family member had been allowed to visit the patient and there was no documentation in the record regarding questions about an advance directive.
2. MR# 3: The patient had been asked if they had an advance directive, however there was no documentation provided to indicate if the patient wanted additional information.
3. MR# 4: The patient was admitted on 12/30 and discharged on 1/7. On admission the patient indicated they had an advance directive but did not bring it with him/her. There was no documentation in the record to indicate follow-up with the patient or family to obtain this document.

Corrective Action Due Date: 10/09/2011

ORGANIZATION RESPONSE

Cause that led to the nonconformity:
New EMR and follow up education to both registration and nursing did not meet CMS standards.

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Organization Corrective Plan: 1. Re-education of all registration, care management and nursing staff on use and documentation of advance directives. 2. Changes in EMR documentation for both registration and nursing staff to complete in order to meet CMS standards. 3. Audit charts quarterly according to set standards. 4. Revisit and revise the policy and Procedure for Advanced Directives.		
Person/Function Responsible for Implementation of Corrective Action Plan:		Paula Miller, Assistant Vice President of Clinical Operations
Date for Implementation of Plan*:	December 1, 2011	
Hospital Method for Follow-Up **:	All audit outcomes will be presented to appropriate committees for review and analysis.	
DNVHC USE ONLY		
Date C/A Plan Accepted: 10/26/11	***DNV Rep: J. Smith***	
Date C/A Plan Rejected:	***DNV Rep:***	***Reason for rejection:***
Date C/A Plan Verified and Closed:		
DNV Follow-Up and Closure of NC:		

* Implementation of corrective action plan will generally be within 60 days
** Measurable evidence of sustained compliance and frequency of monitoring

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Nonconformity Notes / Corrective Action Plan Submittal

Organization: The Westerly Hospital, Westerly RI

NC Number	Process or Department	Finding Category	Number of Requirement/ Clause (Requirement / SR)	CoP/CFR Number(s):
NC-2-5	Staffing Management	☐ NC-1 Condition Level ☐ NC-1 ☒ NC-2	**SM.4; (SR.1 / SR.2)** ISO 9001:2008; 7.1(c)(d)	482.21(a)(2)

Requirement (Description):

SM.4 DETERMINING AND MODIFYING STAFFING

SR.1 The method for determining and modifying staffing shall be validated through periodic reporting of variance from core staffing, outlining justification and linking that justification with patient and process outcomes, including any untoward patient events or process failures.

SR.2 This validation shall be done at least monthly and reported to Quality Management Oversight.

ISO 9001:2008
7.1 Planning of product realization
The organization shall plan and develop the processes needed for product realization. Planning of product realization shall be consistent with the requirements of the other processes of the quality management system (see 4.1).

In planning product realization, the organization shall determine the following, as appropriate:

c) required verification, validation, monitoring, measurement, inspection and test activities specific to the product and the criteria for product acceptance;
d) Records needed to provide evidence that the realization processes and resulting product meet requirements (see 4.2.4).

The requirement was NOT MET as evidenced by the following:
During the human resources record review, and in interviews with the director of human resources and the accreditation coordinator, it was noted that a mechanism has been established to monitor and adjust staffing based on acuity, outcomes, safety, and other criteria established by the organization. After further discussion, it was determined that the validation of this process is not reported to quality management oversight.

Corrective Action Due Date: 10/09/2011

ORGANIZATION RESPONSE

Cause that led to the nonconformity:
Having the Executive team review information during position control meetings and on dashboards was believed to be an adequate report structure.

Organization Corrective Plan:

Monthly data will be reported to Quality Management Oversight Committee (QMOC) per standard.

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Person/Function Responsible for Implementation of Corrective Action Plan:		Jodi Tate, Director Of Human Resources
Date for Implementation of Plan:	December 1, 2011	
Hospital Method for Follow-Up **:	Will be reflected at QMOC meeting minutes.	
DNVHC USE ONLY		
Date C/A Plan Accepted: 10/26/11	***DNV Rep: J. Smith***	
Date C/A Plan Rejected:	***DNV Rep:***	***Reason for rejection:***
Date C/A Plan Verified and Closed:		
DNV Follow-Up and Closure of NC:		

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Organization: The Westerly Hospital, Westerly RI

NC Number	Process or Department	Finding Category	Number of Requirement/ Clause (Requirement / SR)	CoP/CFR Number(s):
NC-2-6	Physical Environment Life Safety Management	☐ NC-1 Condition Level ☐ NC-1 ☒ NC-2	**PE.5; SR.5(k)** ISO 9001:2008; 6.3	482.41(b)(9)(iv)

Requirement (Description):

PE.5 HAZARDOUS MATERIAL (HAZMAT) MANAGEMENT SYSTEM

SR.5 Notwithstanding any provisions of the 2000 edition of the Life Safety Code to the contrary, a hospital may install alcohol-based hand rub dispensers in its facility if:

SR.5k. In locations with carpeted floor coverings, dispensers installed directly over carpeted surfaces shall be permitted only in sprinkled smoke compartments.

ISO 9001:2008
6.3 Infrastructure
The organization shall determine, provide and maintain the infrastructure needed to achieve conformity to product requirements. Infrastructure includes, as applicable,
a) buildings, workspace and associated utilities,
b) process equipment (both hardware and software), and
c) Supporting services (such as transport, communication or information systems).

The requirement was NOT MET as evidenced by the following:

During ordinary survey activity, alcohol based hand rub dispensers were observed installed over carpet in the following non-sprinkled areas:

-Beach Street Rehab - near the check-in desk -Imaging Center - x-ray corridor

Corrective Action Due Date: 10/09/2011

ORGANIZATION RESPONSE

Cause that led to the nonconformity:
Applications to Life Safety Code Standards were not applied to these off-site facilities.

Organization Corrective Plan:
Relocation of dispensers was accomplished by Hospital Maintenance Staff.

Person/Function Responsible for Implementation of Corrective Action Plan:	Rich Munson, Assistant Vice President of Safety Operations
Date for Implementation of Plan*:	10/6/11

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Nonconformity Notes / Corrective Action Plan Submittal

Hospital Method for Follow-Up **:	Will include inspection of existing dispensers during scheduled Safety tours and will comply with LSC upon the event that new dispensers will need to be installed. This **has been completed 10/1/11**	
DNVHC USE ONLY		
Date C/A Plan Accepted: 10/26/11	***DNV Rep: J. Smith***	
Date C/A Plan Rejected:	***DNV Rep:***	***Reason for rejection:***
Date C/A Plan Verified and Closed:		
DNV Follow-Up and Closure of NC:		

* Implementation of corrective action plan will generally be within 60 days
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Nonconformity Notes / Corrective Action Plan Submittal

Organization: The Westerly Hospital – Westerly, RI

Survey Date: September 18-20, 2012

Report Date: October 3, 2012

❑ **Preliminary**

☒ **Final**

Survey Type: NIAHO Reaccreditation / ISO Stage 2 Compliance Survey

Once marked "Final", this will serve as the Final Report to the Organization. The Organization must complete the Corrective Action Plan and include date for implementation as well as person/function responsible. The DNV Healthcare Inc. Surveyors will follow-up on all corrective action plans during the next survey or as required if prior to next survey

Total Number of Nonconformities: 3 **Category 1** 11 **Category 2**

NC Number	Process or Department	Finding Category	Number of Requirement/ Clause (Requirement / SR)	CoP/CFR Number(s):
NC-1-1	**Nursing Services** Assessment and Plan of Care	❑ NC-1 Condition Level ☒ NC-1 ❑ NC-2	**NS.3; (SR.1) / (SR.2) / (SR.2a)** *ISO 9001:2008; 7.1*	482.23(b)(4)

Requirement (Description):

NS.3 ASSESSMENT AND PLAN OF CARE

SR.1 Nursing staff shall develop and maintain a plan of care for each patient within 24 hours of admission that reflects the findings of a completed nursing assessment and input of other disciplines, as appropriate.

SR.2 Nursing staff shall complete an assessment of a patient's condition within twenty four hours of admission to an inpatient setting.

SR.2a The nursing assessment will include but not be limited to:

- Allergies
- Admitting problem
- History of pain and current status
- Preexisting or other conditions (i.e. Pregnancy, COPD, Diabetes)
- Current medications (what time last dose, including any illicit drugs)
- ADL needs
- Dietary Requirements
- All other requirements per hospital nursing policies

ISO 9001:2008; 7.1 Planning of product realization

The organization shall plan and develop the processes needed for product realization. Planning of product realization shall be consistent with the requirements of the other processes of the quality management system (see 4.1).

In planning product realization, the organization shall determine the following, as appropriate:

a) quality objectives and requirements for the product;
b) the need to establish processes and documents, and to provide resources specific to the product;
c) required verification, validation, monitoring, measurement, inspection and test activities specific to the product and the criteria for product acceptance;

d) records needed to provide evidence that the realization processes and resulting product meet requirements (see 4.2.4).

Interpretive Guidelines:

A nursing assessment will be completed within 24 hours of admission to an inpatient setting and according to hospital policies in other areas of the organization such as clinics, outpatient surgery etc. While the list of requirements to be included in the initial nursing assessment is specific, the complete nursing assessment should reflect the philosophy of the nursing department on patient care. The use of nursing diagnosis, pathways or clinical guidelines are allowed and encouraged if they meet the minimum requirements. All nursing assessments should collect enough data for the nurse to be able to develop a plan of care to keep the patient safe and address the presenting and relevant concomitant conditions.

A plan of care begins within twenty four (24) hours of admission of the patient. The plan of care includes planning the patient's care from admission through discharge and the respective care processes involved. If interdisciplinary findings are indicated, these shall also be a part of the plan of care and documented in the medical record. The plan of care is based on assessing the patient's nursing care needs (not solely those needs related to the admitting diagnosis) and developing appropriate goals, nursing interventions in response to those needs, and evaluate the patient's progress toward those goals.
The plan of care is maintained and updated based upon ongoing assessments of the patient's needs and the patient's response to interventions, in response to assessments.
The plan of care is included as a part of the patient's medical record.

The requirement was NOT MET as evidenced by the following:

While assessing the Plan of Care for patients relating to the "Preexisting Conditions" it was noted that the following patients had one or more preexisting conditions that were not included in the patient's Care Plan. Also there were applicable current and on-going concerns related to the patient's current diagnosis that had not been addressed in the Plan of Care.

Examples of 7/8 medical records with nonconformities are as follows:

- Patient 1: (Right Hip Fracture Arthroplasty)
  - The following preexisting conditions were absent from the Care Plan:
    - Diabetes
    - Depression/Anxiety (Psycho-Social applications were not addressed).

- Patient 2: (Colostomy Closure)
  - The following concern related to the patient's current procedure was not added to the Care Plan:
    - Risk for infection

- Patient 4: (Urinary Tract Infection)
  - The following preexisting condition was absent from the Care Plan:
    - Diabetes

- Patient 5: (Abdominal pain – Febrile)
  - The following concerns related to the patient and her current diagnosis were absent from the Care Plan:
    - Pscyho-Social elements were not addressed – Patient is a 16 year old teen.
    - There was no Gastrointestinal concerns added for the current admitting diagnosis

- Patients 9, 10: (Cataract removal)

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Nonconformity Notes / Corrective Action Plan Submittal

- The following preexisting condition was absent from the Care Plan.
  - Diabetes

- Patient 13: (Pneumonia)
  - The following preexisting condition was absent from the Care Plan.
    - Celiac Disease (Patient requires Gluten Free diet).

- Patient 14: Fever – Narcotic/ETOH Abuse
  - Psycho-Social Concerns/Issues not addressed for addictions.

Corrective Action Due Date: 10/13/2012		
ORGANIZATION RESPONSE		
Cause that led to the nonconformity:		
Organization Corrective Plan:		
Person/Function Responsible for Implementation of Corrective Action Plan:		
Date for Implementation of Plan*:		
Hospital Method for Follow-Up **:		
DNVHC USE ONLY		
Date C/A Plan Accepted:	***DNV Rep:***	
Date C/A Plan Rejected:	***DNV Rep:***	***Reason for rejection:***
Date C/A Plan Verified and Closed:		
DNV Follow-Up and Closure of NC:		

* Implementation of corrective action plan will generally be within 60 days
** Measurable evidence of sustained compliance and frequency of monitoring

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Nonconformity Notes / Corrective Action Plan Submittal

Organization: The Westerly Hospital - Westerly, RI

NC Number	Process or Department	Finding Category	Number of Requirement/ Clause (Requirement / SR)	CoP/CFR Number(s):
NC-1-2	**Surgical Services** Operative Report	☐ NC-1 Condition Level ☒ NC-1 ☐ NC-2	**SS.8;(SR.1) / (SR.2) / (SR.3) / (SR.3a-h)) / (SR.4)** *ISO 9001:2008; 7.2.1*	482.51(b)(6)

Requirement (Description):

SS.8 OPERATIVE REPORT

SR.1 An operative report describing techniques, findings, and tissues removed or altered shall be written or dictated and signed by the surgeon immediately following surgery.

SR.2 The operative report shall be dictated or written in its entirety before the patient is transferred to the next level of care (e.g. before the patient leaves the post anesthesia care area).

SR.3 In the event that an operative report cannot be dictated and placed on the patients chart before transfer to the next level of care, an immediate postoperative/post procedure note is required to be written... This shall include identification or description of:

SR.3a the surgeon and assistants;
SR.3b pre-op and post-op diagnosis;
SR.3c procedures performed;
SR.3d specimens removed;
SR.3e estimated blood loss (blood administered as needed - may indicate where in chart for detail)
SR.3f any complications.(if any encountered)
SR.3g type of anesthesia administered
SR.3h grafts or implants (type i.e. stating screws, pins, types of grafts: (may indicate where in chart for detail)

SR.4 If information identified in the immediate post-operative/post procedure note is available in nursing documentation; it is acceptable if authenticated as accurate by the attending surgeon.

ISO 9001:2008; 7.2.1 Determination of requirements related to the product

The organization shall determine

a) requirements specified by the customer, including the requirements for delivery and post-delivery activities,
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Interpretive Guidelines:
An operative report must be written or dictated and signed by the surgeon immediately following surgery and before the patient is transferred to the next level of care. The operative report will contain at least the following:

- *Name and hospital identification number of the patient;*
- *Date and times of the surgery;*
- *Name(s) of the surgeon(s) and assistants or other practitioners who performed surgical tasks (even when performing those tasks under supervision);*
- *Pre-operative and post-operative diagnosis;*
- *Name of the specific surgical procedure(s) performed;*
- *Type of anesthesia administered;*
- *Complications;*
- *A description of techniques, findings, and tissues removed or altered;*
- *Surgeons or practitioners name(s) and a description of the specific significant surgical tasks that were conducted by practitioners other than the primary surgeon/practitioner (significant surgical procedures include: opening and closing, harvesting grafts, dissecting tissue, removing tissue, implanting devices, altering tissues); and,*
- *Prosthetic devices, grafts, tissues, transplants, or devices implanted.*

The requirement was NOT MET as evidenced by the following:

In the review of 6/6 medical records (5 open and 1 closed record) it was noted that a number of the required components had not been addressed or that the Immediate Post-Operative note was absent in the medical record.

Examples are as follows:

- Patient 1, 2, 3, Missing 2 of the elements required:
  - Specimens Removed
  - Grafts or Implants
- Patient 8: Missing the Post-Operative Note in the Medical Record
- Patient 9, 10: Missing 2 of the elements required:
  - Assistant Surgeon (not addressed)
  - Specimens Removed

Corrective Action Due Date: 10/13/2012

ORGANIZATION RESPONSE

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Cause that led to the nonconformity:		
Organization Corrective Plan:		
Person/Function Responsible for Implementation of Corrective Action Plan:		
Date for Implementation of Plan*:		
Hospital Method for Follow-Up **:		
DNVHC USE ONLY		
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DNV Follow-Up and Closure of NC:		

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Nonconformity Notes / Corrective Action Plan Submittal

Organization: The Westerly Hospital - Westerly, RI

NC Number	Process or Department	Finding Category	Number of Requirement/ Clause (Requirement / SR)	CoP/CFR Number(s):
NC-1-3	**Medical Records Services** Record Content	☐ NC-1 Condition Level ☒NC-1 ☐NC-2	**MR.5;(SR.2) / (SR.2a)** *ISO 9001:2008 4.2.4*	482.24(c)(1) 482.24(c)(1)(i)

Requirement (Description):

MR.5 RECORD CONTENT

SR.2 All entries shall be:

SR.2a legible, complete, dated and timed

SR.5 Verbal orders must be in accordance with Federal and State law and authenticated as required by State law.

SR.5(2) Verbal orders must be authenticated in accordance with Federal and State law by the ordering practitioner or a practitioner responsible for the care of the patient. If there is not State law that designates a specific timeframe for the authentication of verbal orders, the orders must be authenticated within timeframe within accordance with hospital policy.

ISO 9001: 2008; 4.2.4 Control of records

Records established to provide evidence of conformity to requirements and of the effective operation of the quality management system shall be controlled.
The organization shall establish a documented procedure to define the controls needed for the identification, storage, protection, retrieval, retention and disposition of records.
Records shall remain legible, readily identifiable and retrievable.

Interpretive Guidelines:
All entries in the patient's medical record (information/documentation regarding evaluations, interventions, care provided, services, care plans, discharge plans, and the patient's response to those activities, laboratory reports, test results, consults, assessments, radiology reports, dictated notes, etc. must be promptly filed in the patient's medical record in order to be available to the physician and other care providers.
These entries must be legible, complete, dated, timed and authenticated by the person responsible for prescribing the services or by another practitioner who is responsible for the patient's care. This individual must be authorized to write orders in accordance with hospital policy and State law.

Although verbal and telephone orders should be minimized when possible, for such orders, these must be in accordance with Federal and State law and authenticated as required by State law. Verify the process for authentication of verbal orders to ensure these are within the timeframes as stated according to Federal or State law. If there is not a State law in place, verify that these orders are authenticated per hospital policy.
However, a State law that substitutes for authentication of the verbal order another mechanism, such as a read-back and verify requirement, where the receiver of the order reads the order back to the ordering practitioner to verify its accuracy, does not qualify for the State law exception. The expectation is that hospital policies and procedures for verbal orders will include a read-back and verify process, in addition to specifying a timeframe for authentication of the orders. For example, in a State with a law that requires verification of a verbal order within a specified timeframe only when the read-back and verify process is not used, hospitals in that State would still be required to authenticate all verbal orders within 48 hours. It does not matter whether the State law also has a separate requirement for completion of the medical record within a specified timeframe, e.g., 30 days. On the other hand, a State law that establishes a 48 hour authentication period for verbal orders where no read-back and verify process was used, but 30 days for verbal orders using read-back and verify does qualify for the State law exception. (See 71 FR 68684)

The requirement was NOT MET as evidenced by the following:

1. During the review of 39 Medical Records, there were 18 of 39 Records that were missing a date, time and/or signature.

   The missing elements were as follows:

   - Patient #1 L: No date or time on Physician exam or orders.
   - Patient # 2L: No date or time on the Physician exam or orders.
   - Patient #3L: no date or time on Physician exam or orders.
   - Patient #4L: No date or time on the Physician exam.
   - Patient #7L: No time on the Physician progress notes.
   - Patient # 9L: No time on some Physician orders and /or progress notes.
   - Patient # 12L: Missing time on procedural consent, Physician orders and progress notes
   - Patient #16L: missing times on the Surgical and anesthesia consent and the post anesthesia assessment.
   - Patient 1: Absent time and date on the Admission Orders.
   - Patient 5: Absent time on Discharge Order.
   - Patient 7: Absent time on Medication Administration Record (MAR)
   - Patient 8: Telephone Orders for 08/24/12 at 0445 and 08/31/12 at 0759 are lacking complete authentication.
   - Patient 10: Absent date and time on Post-Anesthesia Record.
   - Patient 11: Absent time on Post-Endoscopy Orders.
   - Patient 13:
     - On 09/15/12 and 09/18/12 Telephone Orders were absent authentication.
     - On 09/15 the Progress Note was absent time.
   - Patient 14:
     - The following telephone orders were absent authentications: 09/11/12; 09/12/12 x2; 09/13/12; and 09/15/12.

2. During the review of 24 Medical Records, the following was noted:

   In 12 of 24 Medical Records reviewed there are illegible entries on the Emergency Room Physician exams, Physician orders and Progress notes. There were also illegible entries on the nursing assessment notes and discharge instruction notes. (Records #1L, #2L, #3L, #4L, #6L, #7L, #8L, #9L, #10L, #11L, #12L & #18L)

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Nonconformity Notes / Corrective Action Plan Submittal

Corrective Action Due Date: 10/13/2012		
ORGANIZATION RESPONSE		
Cause that led to the nonconformity:		
Organization Corrective Plan:		
Person/Function Responsible for Implementation of Corrective Action Plan:		
Date for Implementation of Plan*:		
Hospital Method for Follow-Up **:		
DNVHC USE ONLY		
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Organization: The Westerly Hospital - Westerly, RI

NC Number	Process or Department	Finding Category	Number of Requirement/ Clause (Requirement / SR)	CoP/CFR Number(s):
NC-2-1	**Medication Management** Medication Practices	☐ NC-1 Condition Level ☐ NC-1 ☒ NC-2	**MM.1; (SR.4)** *ISO 9001:2008; 7.5.5* *ISO 9001:2008; 7.2.1*	482.25(b)(2)(i)

Requirement (Description):

MM.1 MEDICATION PRACTICES

SR.4 All drugs and biologicals must be controlled, secured and distributed in accordance with applicable standards of practice and consistent with Federal and State law at all times.

SR.4b. Only personnel authorized by the pharmacy service shall have access to locked areas.

ISO 9001:2008 7.5.5 Preservation of product

The organization shall preserve the product during internal processing and delivery to the intended destination in order to maintain conformity to requirements. As applicable, preservation shall include identification, handling, packaging, storage and protection. Preservation shall also apply to the constituent parts of a product

ISO 9001:2008; 7.2.1 Determination of requirements related to the product

The organization shall determine
a) requirements specified by the customer, including the requirements for delivery and post-delivery activities,
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c) statutory and regulatory requirements applicable to the product, and
d) any additional requirements considered necessary by the organization

The requirement was NOT MET as evidenced by the following:

1. There is a need to incorporate in the Medication Security Policy all the titles of the personnel, as approved by the Director of Pharmacy, who may have access to areas where medications are stored.

2. Within the Medication and Anesthesia Supply Room in the Surgery Department it was noted that a high risk anesthesia drug was being stored in open cupboards on shelves. Specifically Sevoflourane – an anesthetic agent used in General Anesthesia.

3. In the operating room in the Surgery Department there was evidence that high risk medications used in anesthesia were being disposed of in the large-mouth red biohazard plastic containers instead of the black containers designated for pharmaceutical waste disposal per the hospital *Pharmaceutical Wastage Policy*. The large-mouth on the red biohazard containers allows for ease of unintended possible retrieval of these high risk pharmaceuticals, thereby leaving these high risk medications unsecured and vulnerable. Some of the examples noted in the red biohazard container in the operating room were both syringes and vials of Propofol – an agent used in sedation and/or anesthesia, and also paralytics, used in the process of anesthesia. In the Endoscopy suite, syringes still containing the pharmaceutical waste were placed in the black containers and the medication had not been discharged into the absorbent material contained in the bottom of the black container to absorb the medication wastage. The presence of the syringes – containing the high risk medication- leaves these medication(s) vulnerable and unsecured for possible unintended

retrieval. 4. While touring the Emergency Department, ICU and Dialysis it was noted that vials containing liquid medication were being discarded in large needle boxes. These boxes have large openings and are easily accessible. These boxes are discarded in the dirty utility room which is accessible to hospital employees and visitors.
Corrective Action Due Date: 10/13/2012
ORGANIZATION RESPONSE
Cause that led to the nonconformity:
Organization Corrective Plan:

Person/Function Responsible for Implementation of Corrective Action Plan:	
Date for Implementation of Plan*:	
Hospital Method for Follow-Up **:	

DNVHC USE ONLY		
Date C/A Plan Accepted:	***DNV Rep:***	
Date C/A Plan Rejected:	***DNV Rep:***	***Reason for rejection:***
Date C/A Plan Verified and Closed:		
DNV Follow-Up and Closure of NC:		

* Implementation of corrective action plan will generally be within 60 days
** Measurable evidence of sustained compliance and frequency of monitoring

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Nonconformity Notes / Corrective Action Plan Submittal

Organization: The Westerly Hospital - Westerly, RI

NC Number	Process or Department	Finding Category	Number of Requirement/ Clause (Requirement / SR)	CoP/CFR Number(s):
NC-2-2	**Medication Management** Medication Orders	❑ NC-1 Condition Level ❑ NC-1 ☒NC-2	**MM.4;(SR.1) / (SR.2)** *ISO 9001:2008;7.5.1*	482.23(c)(2)

Requirement (Description):

MM.4 MEDICATION ORDERS

All medication orders shall:

SR.1 Include the name of the drug, the dosage and frequency of administration and the route of administration.

SR.2 Be in writing and signed, including date and time, by the practitioner or practitioners responsible for the care of the patient as specified under 42 CFR§482.12(c) and authorized to write such orders by hospital policy and in accordance with State law.

Interpretive Guidelines:

Elements that are to be included in any medication order (including all written, and verbal/telephone orders):
- *Name of patient;*
- *Age and weight of patient, or other dose calculation requirements, when appropriate;*
- *Date and time of the order;*
- *Drug name;*
- *Dosage form (e.g., tablets, capsules, inhalants);*
- *Exact strength or concentration;*
- *Dose, frequency, and route;*
- *Quantity and/or duration; when applicable*
- *Indication for use when appropriate (including orders for prn administration and/or multiple uses of medication);*
- *Specific instructions for use (i.e. more than one medication for same use such as a pain, nausea);*
- *Name of prescriber.*

ISO 9001: 2008; 7.5.1 Control of production and service provision

The organization shall plan and carry out production and service provision under controlled conditions.
Controlled conditions shall include, as applicable.
a) the availability of information that describes the characteristics of the product,
b) the availability of work instructions, as necessary,
c) the use of suitable equipment,
d) the availability and use of monitoring and measuring equipment,
e) the implementation of monitoring and measurement, and
f) the implementation of product release, delivery and post-delivery activities.

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The requirement was NOT MET as evidenced by the following:

During Review of 6/6 (#1L, #2L, #3L, #4L, #9L, & #12L) Records with Emergency Room documentation there were incomplete Medication orders as follows:

- #1L. Zofran 4mg IV, Ativan with illegible dose and no frequency or indication for use.
- #2L Metroniazole 500mg PO-no frequency, Donnatol 5 ml with no frequency or indication for use
- #3L Prednisone 60 mg PO, again, no frequency or indication for use.
- #4L Illegible orders with dose but no frequency or route.
- #9L Haldol 5 mg IM with no frequency or indication for use
- #12 Emergency Room orders with drug and dose but no route, frequency or indication for use.

Corrective Action Due Date: 10/13/2012

ORGANIZATION RESPONSE

Cause that led to the nonconformity:

Organization Corrective Plan:

Person/Function Responsible for Implementation of Corrective Action Plan:	
Date for Implementation of Plan*:	
Hospital Method for Follow-Up **:	

DNVHC USE ONLY

Date C/A Plan Accepted:	***DNV Rep:***	
Date C/A Plan Rejected:	***DNV Rep:***	***Reason for rejection:***
Date C/A Plan Verified and Closed:		
DNV Follow-Up and Closure of NC:		

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Nonconformity Notes / Corrective Action Plan Submittal

Organization: The Westerly Hospital - Westerly, RI

NC Number	Process or Department	Finding Category	Number of Requirement/ Clause (Requirement / SR)	CoP/CFR Number(s):
NC-2-3	**Anesthesia Services** Policies and Procedures	☐ NC-1 Condition Level ☐ NC-1 ☒ NC-2	**AS.3;(SR.1) / (SR.2) / (SR.b) / (SR.2b(1-6))** *ISO 9001:2008; 7.2.1*	482.52(b)(1)

Requirement (Description):

AS.3 POLICIES AND PROCEDURES

SR.1 Anesthesia services must be consistent with the needs and resources of the organization. Policies on anesthesia/sedation procedures must include the delineation of pre-anesthesia and post-anesthesia responsibilities.

SR.2 The policies must ensure that the following are provided for each patient:

SR.2a a pre-anesthesia evaluation must be performed for each patient who will receive general, regional or monitored anesthesia. Patients who will be receiving moderate sedation must be monitored and evaluated before, during and after a procedure by a trained practitioner, however a pre anesthesia evaluation is not required because moderate sedation is not considered to be "anesthesia" and is not subject to this requirement.

SR.2b a pre- anesthesia evaluation shall include;
SR.2b(1) a review of the medical history ,
SR.2b(2) an interview and examination of the patient,
SR.2b(3) a documented airway assessment,
SR.2b(4) an anesthesia risk assessment, and
SR.2b(5) an anesthesia, drug and allergy history,
SR.2b(6) performed by an individual, qualified and privileged to administer anesthesia/sedation, and will be performed within 48 hours prior to inpatient or outpatient surgery or procedure requiring anesthesia services. (The delivery of the first dose of medications for the purpose of inducing anesthesia marks the end of the 48 hour time frame.

ISO 9001:2008; 7.2.1 Determination of requirements related to the product

The organization shall determine
a) requirements specified by the customer, including the requirements for delivery and post-delivery activities,
b) requirements not stated by the customer but necessary for specified or intended use, where known,
c) statutory and regulatory requirements applicable to the product, and d) any additional requirements considered necessary by the organization

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The requirement was NOT MET as evidenced by the following: In the review of the *Pre-Anesthesia Evaluation* in the medical record, the following component were not able to be verified in the patient Pre-Anesthesia Assessment by the anesthesiologist in 7 of 13 (10 open and 3 closed) medical records: • Patients: 1, 6, 8, 12, (15 LM, 16 LM, 17 LM Obstetrical Patients). o Airway Assessment
Corrective Action Due Date: 10/13/2012
ORGANIZATION RESPONSE
Cause that led to the nonconformity:
Organization Corrective Plan:

Person/Function Responsible for Implementation of Corrective Action Plan:	
Date for Implementation of Plan*:	
Hospital Method for Follow-Up **:	

DNVHC USE ONLY		
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Date C/A Plan Verified and Closed:		
DNV Follow-Up and Closure of NC:		

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** Measurable evidence of sustained compliance and frequency of monitoring

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Organization: The Westerly Hospital - Westerly, RI

NC Number	Process or Department	Finding Category	Number of Requirement/ Clause (Requirement / SR)	CoP/CFR Number(s):
NC-2-4	**Emergency Department** Staffing	☐ NC-1 Condition Level ☐ NC-1 ☒ NC-2	**ED.2;(SR.2)** *ISO 9001:2008; 6.2.2*	482.55(b)(2)

Requirement (Description):

ED.2 STAFFING

SR.2 A qualified registered nurse shall perform patient triage upon presentation to the emergency department.

Interpretive Guidelines:
The hospital must staff the emergency department with the appropriate numbers and types of professionals and other staff who possess the skills, education, certifications, specialized training and experience in emergency care when emergency services are provided.

ISO 9001:2008; 6.2.2 Competence, training and awareness

The organization shall
a) determine the necessary competence for personnel performing work affecting conformity to product requirements,
b) where applicable, provide training or take other actions to achieve the necessary competence,
c) evaluate the effectiveness of the actions taken,
d) ensure that its personnel are aware of the relevance and importance of their activities and how they contribute to the achievement of the quality objectives, and
e) maintain appropriate records of education, training, skills and experience (see 4.2.4).

The requirement was NOT MET as evidenced by the following:

During tracer activity and interviews with the Emergency Department volunteer, the admitting clerk, the ED charge nurse and the Nursing Director for the Emergency Department, the following was noted:

- A patient entering the Emergency Department during the day shift is greeted by a volunteer who asks why they are there and has the patient fill out a slip stating why they are there and then the slip is placed in a box on the counter. The volunteer explained that if the patient states they have chest pain or is having difficulty breathing, he calls the nurse immediately. Patients with any other symptoms are directed to the admitting clerk or to sit down and wait for the admitting clerk if she is busy. It is not clear how often the box with the slips the patient fills out is emptied and may vary depending on volume.

- On the night shift, the lobby is empty and the patient is directed to use the telephone to reach the nurse on duty. Staffing is minimal on the night shift and the patient may need to wait if the staff is occupied with another emergency.

Corrective Action Due Date: 10/13/2012

ORGANIZATION RESPONSE

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Cause that led to the nonconformity:			
Organization Corrective Plan:			
Person/Function Responsible for Implementation of Corrective Action Plan:			
Date for Implementation of Plan*:			
Hospital Method for Follow-Up **:			
DNVHC USE ONLY			
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DNV Follow-Up and Closure of NC:			

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** Measurable evidence of sustained compliance and frequency of monitoring

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Organization: The Westerly Hospital - Westerly, RI

NC Number	Process or Department	Finding Category	Number of Requirement/ Clause (Requirement / SR)	CoP/CFR Number(s):
NC-2-5	**Patient Rights** Informed Consent	☐ NC-1 Condition Level ☐ NC-1 ☒ NC-2	**PR.4** *ISO 9001:2008; 7.2.1* *ISO 9001:2008; 7.2.3*	482.51(b)(2)

Requirement (Description):

PR.4 INFORMED CONSENT

The organization shall obtain an informed written consent from each patient or authorized representative for the provision of medical and/or surgical care except in medical emergencies. The consent shall include an explanation of risks, benefits, and alternatives for high-risk procedures, sedation, and participation in research projects, as defined by the medical staff and State law.

ISO 9001:2008; 7.2.1 Determination of requirements related to the product

The organization shall determine
a) requirements specified by the customer, including the requirements for delivery and post-delivery activities,
b) requirements not stated by the customer but necessary for specified or intended use, where known,
c) statutory and regulatory requirements applicable to the product, and
d) any additional requirements considered necessary by the organization.
NOTE Post-delivery activities include, for example, actions under warranty provisions, contractual obligations such as maintenance services and supplementary services such as recycling or final disposal.

ISO 9001:2008; 7.2.3 Customer communication
The organization shall determine and implement effective arrangements for communicating with customers in relation to;
a) product information,
b) enquiries, contracts or order handling, including amendments, and
c) customer feedback, including customer complaints.

Interpretive Guidelines:
A properly executed informed consent form contains at least the following:

- *Name of patient, and when appropriate, patient's legal guardian;*
- *Name of hospital;*

Name of specific procedure(s) or medical treatment);

- *Name of the responsible practitioner who is performing the procedure(s) or administering* the medical treatment;
- *Signature of patient or legal representative;*
- *Date and time consent form is signed by the patient or the patient's legal representative;*

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The requirement was NOT MET as evidenced by the following:
 	
14 of 39 medical records reviewed for properly documented Informed Consents for the Medical/Surgical Consents, and/or the Consent for Treatment, had the following nonconformities noted:
 	
• Patient 1:
  o Absent time on the consent for Anesthesia.
 	
• Patients: 2, 3, 8, 11,12 :
  o Absent time on the consent for Anesthesia and Surgery.
 	
• Patients : 5, 9, 12, 13, 6LM, 12LM, 16LM & 24LM:
  o Absent time on the Consent for Treatment.
 	
• Patients: 8, 6LM, 12LM & 24LM:
  o Relationship of signee to the patient was not identified.
 	
• Patient 6:
  o Patient had an identified Power of Attorney (POA) however; the consent was signed by someone other than the designated POA.

Corrective Action Due Date: 10/13/2012		
ORGANIZATION RESPONSE		
Cause that led to the nonconformity:		
Organization Corrective Plan:		
Person/Function Responsible for Implementation of Corrective Action Plan:		
Date for Implementation of Plan*:		
Hospital Method for Follow-Up **:		
DNVHC USE ONLY		
Date C/A Plan Accepted:	***DNV Rep:***	
Date C/A Plan Rejected:	***DNV Rep:***	***Reason for rejection:***
Date C/A Plan Verified and Closed:		
DNV Follow-Up and Closure of NC:		

* Implementation of corrective action plan will generally be within 60 days
** Measurable evidence of sustained compliance and frequency of monitoring

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Nonconformity Notes / Corrective Action Plan Submittal

Organization: The Westerly Hospital - Westerly, RI

NC Number	Process or Department	Finding Category	Number of Requirement/ Clause (Requirement / SR)	CoP/CFR Number(s):
NC-2-6	**Patient Rights** Grievance Procedure	❑ NC-1 Condition Level ❑ NC-1 ☒ NC-2	**PR.5;(SR.4) / (SR.5) / (SR.5a-d)** *ISO 9001; 2008 4.2.4* *ISO 9001; 2008 7.2.1*	482.13(a)(2)

Requirement (Description):

PR.5 GRIEVANCE PROCEDURE

The organization shall develop and implement a formal grievance procedure that provides for the following:

SR.4 Specification of reasonable timeframes for review and prompt response and resolution to patient grievances.

SR.5 Grievance resolutions must be in writing and directed to the patient. The grievance resolution shall include the following:

SR.5a organization contact person;
SR.5b steps taken to investigate;
SR.5c results of the grievance process; and,
SR.5d date of completion.

ISO 9001:2008; 4.2.4 Control of records

Records established to provide evidence of conformity to requirements and of the effective operation of the quality management system shall be controlled.

The organization shall establish a documented procedure to define the controls needed for the identification, storage, protection, retrieval, retention and disposition of records.

Records shall remain legible, readily identifiable and retrievable.

ISO 9001:2008; 7.2.1 Determination of requirements related to the product

The organization shall determine
a) requirements specified by the customer, including the requirements for delivery and post-delivery activities,
b) requirements not stated by the customer but necessary for specified or intended use, where known,
c) statutory and regulatory requirements applicable to the product, and
d) any additional requirements considered necessary by the organization.

NOTE Post-delivery activities include, for example, actions under warranty provisions, contractual obligations such as maintenance services, and supplementary services such as recycling or final disposal.

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The requirement was NOT MET as evidenced by the following: The facility has a documented formal grievance procedure that clearly defines the difference between a complaint and grievance. However during a review of documented grievances, they were in fact complaints and not grievances. In discussions with facility staff, it was determined that the electronic system used to track complaints and grievances, does not allow for the differentiation between what is a grievance and what is a complaint. While the grievance log did provide dates of grievances received and responses from the facility, due to the tracking system issues, objective evidence could not be obtained to support and validate the meeting of grievance timeframes, or responses in writing.
Corrective Action Due Date: 10/13/2012
ORGANIZATION RESPONSE
Cause that led to the nonconformity:
Organization Corrective Plan:

Person/Function Responsible for Implementation of Corrective Action Plan:	
Date for Implementation of Plan*:	
Hospital Method for Follow-Up **:	

DNVHC USE ONLY		
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Date C/A Plan Rejected:	***DNV Rep:***	***Reason for rejection:***
Date C/A Plan Verified and Closed:		
DNV Follow-Up and Closure of NC:		

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** Measurable evidence of sustained compliance and frequency of monitoring

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Nonconformity Notes / Corrective Action Plan Submittal

Organization: The Westerly Hospital - Westerly, RI

NC Number	Process or Department	Finding Category	Number of Requirement/ Clause (Requirement / SR)	CoP/CFR Number(s):
NC-2-7	**Patient Rights** Restraint or Seclusion	☐ NC-1 Condition Level ☐ NC-1 ☒ NC-2	**PR.6;(SR.2) / (SR.2d) / (SR.7) / (SR.7b)** ISO 9001:2008 7.2.2 ISO 9001:2008 7.5.1	482.13(e)(4)(ii)

Requirement (Description):

PR.6 RESTRAINT OR SECLUSION

All patients have the right to be free from physical or mental abuse, and corporal punishment. All patients have the right to be free from restraint or seclusion, of any form, that is not medically necessary, or that is imposed by staff as a means of coercion, discipline, convenience, or retaliation. Each patient should be treated with respect and dignity.

SR.2 The hospital will keep the patient safe and protect their rights when restraints or seclusion are applied.

SR.2d. The type or technique of restraint or seclusion used must be the least restrictive intervention that will be effective to protect the patient or others from harm.

SR.7 Quality Monitoring

SR.7b Evidence of prolonged restraint, as defined by the organization, and, if possible, actions taken to reduce or eliminate the use of restraints must be analyzed by the treatment team.

Interpretative Guidelines:

The data collected will be aggregated and analyzed to ensure that only clinically necessary restraints are used with a focus on patient safety.

Twenty-four hours of restraint or seclusion for the management of violent or self-destructive behavior that jeopardizes the immediate physical safety of the patient, a staff member, or others is an extreme measure which could potentially seriously harm the patient. When there is evidence of prolonged restraint, as defined by the organization, and, if possible, actions taken to reduce or eliminate the use of restraints must be analyzed and presented for management review.

ISO 9002:2008; 7.2.2 Review of requirements related to the product

The organization shall review the requirements related to the product. This review shall be conducted prior to the organization's commitment to supply a product to the customer (e.g. submission of tenders, acceptance of contracts or orders, acceptance of changes to contracts or orders) and shall ensure that
a) product requirements are defined,
b) contract or order requirements differing from those previously expressed are resolved, and
c) the organization has the ability to meet the defined requirements.
Records of the results of the review and actions arising from the review shall be maintained (see 4.2.4).
Where the customer provides no documented statement of requirement, the customer requirements shall be confirmed by the organization before acceptance.

ISO 9001:2008; 7.5.1 Control of production and service provision

The organization shall plan and carry out production and service provision under controlled conditions.

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Controlled conditions shall include, as applicable,
a) the availability of information that describes the characteristics of the product,
b) the availability of work instructions, as necessary,
c) the use of suitable equipment,
d) the availability and use of monitoring and measuring equipment,
e) the implementation of monitoring and measurement, and
f) the implementation of product release, delivery and post-delivery activities.

Interpretive Guidelines:

When assessing and planning the care for the patient, the hospital should consider whether he/she has a medical condition or symptom that indicates a current need for a protective intervention to prevent the patient from walking or getting out of bed. A restraint must not serve as a substitute for adequate staffing to monitor patients. Comprehensive assessment of the patient and the environment, in conjunction with Individualized patient care planning, should be used to determine those interventions that will best ensure the patient's safety and well-being with the least risk
The most appropriate intervention that will ensure the safety of the patient is to be selected following a comprehensive assessment of the patient, the environment. and the patient's individualized treatment plan.

The requirement was NOT MET as evidenced by the following:

In 6 of 8 medical records reviewed for the use of restraints, the physicians order for restraint did not include instructions for which limbs were to be restrained. There is no place on the order to indicate (wrists, right/left or ankle, right left). (#5L, #9L, #10L, #11L, #24L & #8)

In addition it was noted in the Hospital Restraint Policy that evidence of prolonged restraint, as defined by the organization, has not been defined as of yet per the Quality Monitoring requirement.

Corrective Action Due Date: 10/13/2012

ORGANIZATION RESPONSE

Cause that led to the nonconformity:

Organization Corrective Plan:

Person/Function Responsible for Implementation of Corrective Action Plan:	
Date for Implementation of Plan*:	
Hospital Method for Follow-Up **:	

DNVHC USE ONLY

Date C/A Plan Accepted:	***DNV Rep:***	
Date C/A Plan Rejected:	***DNV Rep:***	***Reason for rejection:***
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DNV Follow-Up and Closure of NC:		

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Organization: The Westerly Hospital - Westerly, RI

NC Number	Process or Department	Finding Category	Number of Requirement/ Clause (Requirement / SR)	CoP/CFR Number(s):
NC-2-8	**Patient Rights** Restraints or Seclusion: Staff Training Requirements	☐ NC-1 Condition Level ☐ NC-1 ☒ NC-2	**PR.7(SR.3a)** *ISO 9001:2008 6.2.2*	482.13(f)(3)

Requirement (Description):

PR.7 Restraint or Seclusion: Staff Training Requirements

The patient has the right to safe implementation of restraint or seclusion by trained staff.

SR.3a. Physician and other LIP training requirements must be specified in hospital policy

Interpretive Guidelines
Staff who have direct contact with patients must be trained and able to demonstrate competency before applying restraints, implementing seclusion, providing care for a patient in restraint or seclusion, or with assessing and monitoring the condition of the restrained or secluded patient.

- *The facility identifies the appropriate clinical staff that must be trained in the application, monitoring, patient care, and discontinuation of restraint or seclusion.*
- *Non-nursing staff must be included to the extent that they are involved with restraint use.*
- *Application of restraint or seclusion by an untrained staff member, including contract staff, would constitute a violation of this requirement.*

Training must be comprehensive and must involve demonstration and return demonstration

ISO 9001:2008; 6.2.2 Competence, training and awareness
The organization shall
a) determine the necessary competence for personnel performing work affecting conformity to product requirements,
b) where applicable, provide training or take other actions to achieve the necessary competence,
c) evaluate the effectiveness of the actions taken,
d) ensure that its personnel are aware of the relevance and importance of their activities and how they contribute to the achievement of the quality objectives, and
e) maintain appropriate records of education, training, skills and experience (see 4.2.4).

The requirement was NOT MET as evidenced by the following:

There is a need to address, in the Hospital Restraint Policy, the training requirements for Physicians and other Licensed Independent Practitioners (LIP) as required per standard.

Corrective Action Due Date: 10/13/2012

ORGANIZATION RESPONSE

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Nonconformity Notes / Corrective Action Plan Submittal

Cause that led to the nonconformity:		
Organization Corrective Plan:		
Person/Function Responsible for Implementation of Corrective Action Plan:		
Date for Implementation of Plan*:		
Hospital Method for Follow-Up **:		
DNVHC USE ONLY		
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DNV Follow-Up and Closure of NC:		

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Organization: The Westerly Hospital - Westerly, RI

NC Number	Process or Department	Finding Category	Number of Requirement/ Clause (Requirement / SR)	CoP/CFR Number(s):
NC-2-9	**Physical Environment** Facility	❑ NC-1 Condition Level ❑ NC-1 ☒ NC-2	**PE.1 ;(SR.5)** ISO 9001:2008, 5.6.2	482.41(a)

Requirement (Description):

PE.1 FACILITY

The facility shall be constructed, arranged, and maintained to ensure patient safety, and to provide areas for diagnosis and treatment and for special organization services appropriate to the needs of the community.

SR.5 The organization shall evaluate the facility's physical environment management systems at least annually. This evaluation shall be forwarded to Quality Management oversight.

ISO 9001:2008;5.6.2 Review input

The input to management review shall include information on
a) results of audits,
b) customer feedback,
c) process performance and product conformity,
d) status of preventive and corrective actions,
e) follow-up actions from previous management reviews,
f) changes that could affect the quality management system, and
g) recommendations for improvement.

The requirement was NOT MET as evidenced by the following:

During review of documentation of the Physical Environment Systems management plans and their annual reviews the management plans stated that the annual review was to include the effectiveness of the plan's scopes, objectives and goals. The annual reviews only reported selected indicators and measures and did not indicate the effectiveness of the management systems as defined in the management plans.

Corrective Action Due Date: 10/13/2012

ORGANIZATION RESPONSE

Cause that led to the nonconformity:

Organization Corrective Plan:

Person/Function Responsible for Implementation of Corrective Action Plan:	
Date for Implementation of Plan*:	
Hospital Method for Follow-Up **:	

DNVHC USE ONLY

DNV HEALTHCARE INC
1400 Ravello Drive
Katy, Texas 77449
281-396-1000

400 Techne Center Drive
Suite 100,
Milford, Ohio 45150
513-947-8343

Nonconformity Notes / Corrective Action Plan Submittal

Date C/A Plan Accepted:	***DNV Rep:***	
Date C/A Plan Rejected:	***DNV Rep:***	***Reason for rejection:***
Date C/A Plan Verified and Closed:		
DNV Follow-Up and Closure of NC:		

* Implementation of corrective action plan will generally be within 60 days
** Measurable evidence of sustained compliance and frequency of monitoring

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Nonconformity Notes / Corrective Action Plan Submittal

Organization: The Westerly Hospital - Westerly, RI

NC Number	Process or Department	Finding Category	Number of Requirement/ Clause (Requirement / SR)	CoP/CFR Number(s):
NC-2-10	**Physical Environment** Life Safety Management System	❑ NC-1 Condition Level ❑ NC-1 ☒ NC-2	**PE.2; (SR.1) / (SR.4) / (SR.8)** ISO 9001:2008; 6.3 NFPA 101-2000; 8.2.3.2.4.2, 8.3.6.1 NFPA 25-1998; 3-3.1.1, 5-3.3.4	482.41(b)(1)(i)

Requirement (Description):

PE.2 LIFE SAFETY MANAGEMENT SYSTEM

SR.1 The organization shall meet the applicable provisions of the 2000 edition of the Life Safety Code® of the National Fire Protection Association.

SR.4 The organization must have written fire control plans that contain provisions for prompt reporting of fires; extinguishing fires; protection of patients, personnel and guests; evacuation; and cooperation with firefighting authorities.

The fire control plan shall provide for the following (NFPA 101-2000, 18.7.2.2 & 19.7.2.2):
SR.4d. Isolation of fire

SR.8 The Life Safety Management System shall require that Life Safety systems (e.g., fire suppression, notification, and detection equipment) shall be tested and inspected (including portable systems).

Interpretive Guidelines:
The hospital, regardless of size or number of beds, shall meet the applicable provisions of the 2000 edition of the Life Safety Code® of the National Fire Protection Association for all inpatient care locations, emergency departments, and outpatient care locations.
Additionally, the hospital must be in compliance with all applicable codes referenced in the Life Safety Code®, such as, NFPA-99: Health Care Facilities.

The Life Safety Management System shall:
• include in the elements of SR.4d a written plan for the protection of the integrity of hospital smoke and fire barriers. The plan should include:

• Name(s) of Responsible hospital staff for barrier protection program

• Requirement for written permission for anyone (including all hospital staff, contractors and vendors) to penetrate a smoke or fire barrier wall, ceiling or floor

• Input from Infection Control and Prevention Practitioner on critical clinical areas prior to issuance of written permit for performing work on barriers

• Establishment of monitoring process to ensure all work is completed correctly

ISO 9001:2008;6.3 Infrastructure

The organization shall determine, provide and maintain the infrastructure needed to achieve conformity to product requirements. Infrastructure includes, as applicable.
a) buildings, workspace and associated utilities,

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Nonconformity Notes / Corrective Action Plan Submittal

FINDING 1

NFPA 101, Life Safety Code, 2000 Edition

8.2.3.2.4.2* *Pipes, conduits, bus ducts, cables, wires, air ducts, pneumatic tubes and ducts, and similar building service equipment that pass through fire barriers shall be protected as follows:*

(1) The space between the penetrating item and the fire barrier shall meet one of the following conditions:
- *a. It shall be filled with a material that is capable of maintaining the fire resistance of the fire barrier.*
- *b. It shall be protected by an approved device that is designed for the specific purpose.*

(2) Where the penetrating item uses a sleeve to penetrate the fire barrier, the sleeve shall be solidly set in the fire barrier, and the space between the item and the sleeve shall meet one of the following conditions:
- *a. It shall be filled with a material that is capable of maintaining the fire resistance of the fire barrier.*
- *b. It shall be protected by an approved device that is designed for the specific purpose.*

*(3) *Insulation and coverings for pipes and ducts shall not pass through the fire barrier unless one of the following conditions is met:*
- *a. The material shall be capable of maintaining the fire resistance of the fire barrier.*
- *b. The material shall be protected by an approved device that is designed for the specific purpose.*

(4) Where designs take transmission of vibration into consideration, any vibration isolation shall meet one of the following conditions:
- *a. It shall be made on either side of the fire barrier.*
- *b. It shall be made by an approved device that is designed for the specific purpose.*

8.3.6.1 *Pipes, conduits, bus ducts, cables, wires, air ducts, pneumatic tubes and ducts, and similar building service equipment that pass through floors and smoke barriers shall be protected as follows:*

(1) The space between the penetrating item and the smoke barrier shall meet one of the following conditions:
- *a. It shall be filled with a material that is capable of maintaining the smoke resistance of the smoke barrier.*
- *b. It shall be protected by an approved device that is designed for the specific purpose.*

(2) Where the penetrating item uses a sleeve to penetrate the smoke barrier, the sleeve shall be solidly set in the smoke barrier, and the space between the item and the sleeve shall meet one of the following conditions:
- *a. It shall be filled with a material that is capable of maintaining the smoke resistance of the smoke barrier.*
- *b. It shall be protected by an approved device that is designed for the specific purpose.*

(3) Where designs take transmission of vibration into consideration, any vibration isolation shall meet one of the following conditions:
- *a. It shall be made on either side of the smoke barrier.*
- *b. It shall be made by an approved device that is designed for the specific purpose.*

FINDING 2

NFPA 25, Standard for the Inspection, Testing, and Maintenance of Water-Based Fire Protection Systems, 1998 Edition

3-3.1.1* *A flow test shall be conducted at the hydraulically most remote hose connection of each zone of a standpipe system to verify the water supply still adequately provides the design pressure at the required flow. Where a flow test of the hydraulically most remote outlet(s) is not practical, the authority having jurisdiction shall be consulted for the appropriate location for the test. A flow test shall be conducted every 5 years.*

5-3.3.4 *For installations having an automatic transfer switch, the following test shall be performed to ensure that the overcurrent protective devices (i.e., fuses or circuit breakers) do not open. Normal power failure shall be simulated while the pump is delivering peak power output to cause connection of the pump motor to the alternate power source. The pump's peak power output shall be restored (if necessary). The simulated normal power failure condition then shall be removed, which, after a time delay, shall cause the reconnection of the pump motor to the normal power source.*

The requirement was NOT MET as evidenced by the following:

FINDING 1

1. During the physical environment tour of the facility, penetrations of fire and/or smoke barriers were found not to be protected in accordance with the requirements of NFPA 101. Locations included:
   - 3rd floor CASS Building IT closet; floor penetration - interior of cable sleeve not sealed
   - 3rd floor CASS Building Motor Control Center; wall penetration - cable in corrugated tube not sealed
   - 3rd floor separation between SCU and "B" Building; wall penetration – interior of cable sleeve not sealed

- 3rd floor SCU Utility Room; wall penetration above ceiling (across from room 3-328) – conduit not sealed
- 3rd floor separation between "A" and "B" Buildings; wall penetrations – 2 penetrations of flex conduit not sealed, cable sleeve filled with improper material
- 2nd floor CASS Building Emergency Electric Room; wall penetrations – (4) ¾" holes above door not sealed
- 2nd floor separation between MCU and "B" Building; wall penetrations – interior of cable sleeve not sealed properly and (2) conduit penetrations not fully sealed
- 2nd floor MCU Telephone Closet; floor penetration – fire alarm conduit not sealed
- 2nd Floor MCU smoke barrier by 2-205; part of top of wall seal is missing
- 2nd floor MCU smoke barrier by 2-226; wall penetrations – (2) cable sleeves not sealed

Surveyor Note: all observed penetrations were corrected prior to end of survey

2. The hospital does maintain a building maintenance program to proactively identify wall penetration issues. However the hospital does not have a written plan for the protection of the integrity of hospital smoke and fire barriers as outlined in PE.2 (SR.4d) and the associated interpretive guidelines.

FINDING 2

During review of fire protection testing documentation the facility was found to not to be in compliance with the requirements of NFPA 25-1999 as evidenced by:

1. There was no documented evidence that the standpipes have been flow tested in the past five years in accordance with the requirements of NFPA 25-1998 3-3.1.1.
2. There was no documented evidence that the fire pump testing included the transfer from normal to alternate power source in accordance with the requirements of NFPA 25-1998 5-3.3.4

Corrective Action Due Date: 10/13/2012		
ORGANIZATION RESPONSE		
Cause that led to the nonconformity:		
Organization Corrective Plan:		
Person/Function Responsible for Implementation of Corrective Action Plan:		
Date for Implementation of Plan*:		
Hospital Method for Follow-Up **:		
DNVHC USE ONLY		
Date C/A Plan Accepted:	***DNV Rep:***	
Date C/A Plan Rejected:	***DNV Rep:***	***Reason for rejection:***
Date C/A Plan Verified and Closed:		
DNV Follow-Up and Closure of NC:		

* Implementation of corrective action plan will generally be within 60 days
** Measurable evidence of sustained compliance and frequency of monitoring

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281-396-1000

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513-947-8343

Nonconformity Notes / Corrective Action Plan Submittal

Organization: The Westerly Hospital - Westerly, RI

NC Number	Process or Department	Finding Category	Number of Requirement/ Clause (Requirement / SR)	CoP/CFR Number(s):
NC-2-11	**Physical Environment** Medical Equipment Management	❑ NC-1 Condition Level ❑ NC-1 ☒ NC-2	**PE.7; (SR.6)** *ISO 9001:2008; 6.3, 7.6*	482.41(c)(2)

Requirement (Description):

PE.7 MEDICAL EQUIPMENT MANAGEMENT SYSTEM

SR.6 The Medical Equipment Management System shall address a process for determining timing and complexity of medical equipment maintenance.

Interpretive Guidelines

Hospitals are expected to maintain an inventory of all medical equipment required to meet its patients' needs, which includes, at a minimum:

- *Identification of critical or non-critical equipment, including associated risk criteria;*
- *Required maintenance activities (maintenance, inspection, and/or testing);*
- *The frequency of each required activity, including whether the frequency is based on or exceeds the manufacturer's recommendations or is based on an alternative, evidence-based maintenance schedule;*
- *Equipment incoming date (i.e., date new or repaired equipment is inspected and put into service);*
- *Dates of most recent maintenance activities; and*
- *Equipment incident history.*

Inventories that include maintenance strategies and maintenance activity frequencies other than those recommended by the manufacturer must also reference a documented determination that explains how the alternate maintenance frequency was determined.

This shall apply to all locations of the hospital, all campuses, and all off-site facilities.

ISO 9001:2008;6.3 Infrastructure

The organization shall determine, provide and maintain the infrastructure needed to achieve conformity to product requirements. Infrastructure includes, as applicable,
a) buildings, workspace and associated utilities,
b) process equipment (both hardware and software),

ISO 9001:2008;7.6 Control of monitoring and measuring equipment

The organization shall determine the monitoring and measurement to be undertaken and the monitoring and measuring equipment needed to provide evidence of conformity of product to determined requirements. The organization shall establish processes to ensure that monitoring and measurement can be carried out and are carried out in a manner that is consistent with the monitoring and measurement requirements.

Where necessary to ensure valid results, measuring equipment shall
a) be calibrated or verified, or both, at specified intervals, or prior to use, against measurement standards traceable to international or national measurement standards; where no such standards exist, the basis used for calibration or verification shall be recorded (see 4.2.4);
b) be adjusted or re-adjusted as necessary;
c) have identification in order to determine its calibration status;
d) be safeguarded from adjustments that would invalidate the measurement result;
e) be protected from damage and deterioration during handling, maintenance and storage.

In addition, the organization shall assess and record the validity of the previous measuring results when the equipment is found not to conform to requirements. The organization shall take appropriate action on the equipment and any product affected.

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Nonconformity Notes / Corrective Action Plan Submittal

Records of the results of calibration and verification shall be maintained
The requirement was NOT MET as evidenced by the following: During the medical equipment interview and review it was observed that the facility was not in complete compliance with PE.7 (SR.6) as evidenced by: 1. The hospital is not documenting the test equipment used for maintaining its medical equipment; without this documentation there is no traceability as to what test equipment was used on an individual piece of medical equipment. 2. The hospital does not have a process to re-assess medical equipment when the test equipment used on it is found to be out of calibration.
Corrective Action Due Date: 10/13/2012
ORGANIZATION RESPONSE
Cause that led to the nonconformity:
Organization Corrective Plan:

Person/Function Responsible for Implementation of Corrective Action Plan:	
Date for Implementation of Plan*:	
Hospital Method for Follow-Up **:	

DNVHC USE ONLY		
Date C/A Plan Accepted:	***DNV Rep:***	
Date C/A Plan Rejected:	***DNV Rep:***	***Reason for rejection:***
Date C/A Plan Verified and Closed:		
DNV Follow-Up and Closure of NC:		

* Implementation of corrective action plan will generally be within 60 days
** Measurable evidence of sustained compliance and frequency of monitoring

Supplemental Exhibit 23(c)

LAWRENCE & MEMORIAL HOSPITAL

Title: Community BenefitCommunity BenefitCommunity Benefit	Reference Number:
File Location: Administration	Issuing Department: Administration
Latest Review/Revision Date: 7/11	Original Date: 6/08
Endorsing Departments/Committees/Dates: Board of Directors	
Authorizing Signature/Title/Date: Ulysses B. Hammond Chair, Board of Directors	

PURPOSE

To establish community benefit standards for Lawrence & Memorial Hospital consistent with our mission and with nationally accepted guidelines for community benefit activities.

POLICY

Lawrence & Memorial is committed to community benefit activities that respond to identified community health needs and improve the health of the region. Further, our community benefits activities will, to the extent possible, align with the following principles:

1. Emphasis on programs to meet a significant unmet health need including efforts to identify and include vulnerable populations or those most at-risk as determined by risk factors which predispose those populations toward a higher incidence of disease and/or barriers to obtaining appropriate healthcare.
2. Emphasis on primary prevention and including at least one of three primary prevention strategies: health promotion, disease prevention, and health protection. Health promotion entails encouraging healthy lifestyles; disease prevention focuses on individuals identified as at-risk for health problems; health protection activities influence the environment to support healthy behaviors.
3. Programs should develop evidence-based links between clinical services and health improvement activities delivered both inside and outside the hospital. For example, targeting populations with higher rates of ambulatory care sensitive hospitalizations with prevention programs and improved access to primary care services will reduce avoidable hospitalizations and result in more appropriate utilization of health care resources.
4. Programs should focus on targeting charitable resources that mobilize and build capacity within existing community assets while minimizing duplication of effort.
5. Programs should emphasis collaboration with community stakeholders.

Definitions:

A community benefit is a clinical or non-clinical program or activity that provides treatment and/or promotes health and healing that is:

- Responsive to identified health priorities determined in collaboration with community stakeholders;
- Focused on persons who are poor, disenfranchised or located in an area with disproportionate unmet health-related needs;
- Integrated into the facility's strategic planning and budgeting process; and
- Planned and implemented with program objectives and measurable outcomes that are beneficial to community stakeholders.

Community benefits also include charity care and the unreimbursed costs of government-funded insurance programs, as well as health professions education, research, efforts to build upon the community's capacity and the costs associated with community benefit operations.
The Hospital's definition of community especially includes areas and populations with disproportionate unmet health-related needs.

Health is defined as a state of physical, mental and social well-being, not merely the absence of disease or infirmity.

L&M procedure and infrastructure supporting community benefits:

1. Staff
   L&M shall establish and maintain a Community Health, Outreach, and Partnership Office with the competencies needed to fulfill work requirements in collaboration with the planning, community relations, and finance departments and with community stakeholders. The lead person accountable for community benefits shall report to the Vice President of Development and Community Relations .

2. Community-based Partnerships
   From planning the community health assessment to establishing priorities, implementing, monitoring and evaluating programs, L&M will work with other private and public organizations in our service area. Collaborators include, but are not limited to, public health agencies, school systems, faith-based organizations, local employers and other nonprofit health and social service agencies.

3. Community Health Assessment
   Alone or in collaboration with community partners, L&M will participate in regular assessments of community health assets and needs with special attention to geographical areas and population sectors with disproportionate unmet health-related needs.

4. Resource Allocation
   The L&M operating budget shall include adequate financial resources to hire competent and effective staff to assess, plan, develop, implement, manage and report on community benefit initiatives.

5. Program Development

L&M community benefit programs are developed in response to the health issues identified in the community health assessments and prioritized by a representative group of hospital/service area and community stakeholders. The hospital's planning, finance, community relations departments collaborate to ensure successful outcomes of community benefit programs.

6. Performance Measurement
Recognizing that impact on health status is usually realized in the long term, L&M will develop clinical and administrative objectives for community benefit initiatives that are measurable and that can serve as indicators of progress toward the achievement of desired health outcomes.

7. Uniform Reporting
L&M staff will use the Community Benefit Inventory for Social Accountability (CBISA) or comparable instrument endorsed by the Connecticut Hospital Association for systematic collection and reporting of data and for analysis of activities.

8. Dissemination of Community Benefit Reporting
L&M shall develop an annual community benefit report, and shall assure that diverse community stakeholders are aware of the report. The report may also be posted on the website for the general public.

PROCEDURE

PROTOCOL

Reference:

Archive Dates
Reviewed Date: 7/11
Revised:
Supersedes:

Exhibit 24

Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

▶ The organization may have to use a copy of this return to satisfy state reporting requirements.

OMB No. 1545-0047

2010

Open to Public Inspection

A For the 2010 calendar year, or tax year beginning OCT 1, 2010 and ending SEP 30, 2011

B Check if applicable:
- [ ] Address change
- [X] Name change
- [ ] Initial return
- [ ] Terminated
- [ ] Amended return
- [ ] Application pending

C Name of organization
WESTERLY HOSPITAL HEALTHCARE, INC.

Doing Business As

Number and street (or P.O. box if mail is not delivered to street address) Room/suite
25 WELLS STREET

City or town, state or country, and ZIP + 4
WESTERLY, RI 02891-2934

F Name and address of principal officer: CHARLES KINNEY
SAME AS C. ABOVE

D Employer identification number
22-2490227

E Telephone number
401-596-6000

G Gross receipts $ 2,287,057.

H(a) Is this a group return for affiliates? [ ] Yes [X] No

H(b) Are all affiliates included? [ ] Yes [ ] No
If "No," attach a list. (see instructions)

H(c) Group exemption number ▶

I Tax-exempt status: [X] 501(c)(3) [ ] 501(c) ( ) ◀ (insert no.) [ ] 4947(a)(1) or [ ] 527

J Website: ▶ N/A

K Form of organization: [X] Corporation [ ] Trust [ ] Association [ ] Other ▶

L Year of formation: 1983 M State of legal domicile: RI

Part I Summary

Activities & Governance

1 Briefly describe the organization's mission or most significant activities: TO SUPPORT WESTERLY HOSPITAL AND ITS AFFILIATED ORGANIZATIONS, INCLUDING MEDICAL CENTERS, HEALTH CARE

2 Check this box ▶ [ ] if the organization discontinued its operations or disposed of more than 25% of its net assets.

3	Number of voting members of the governing body (Part VI, line 1a)	3	16
4	Number of independent voting members of the governing body (Part VI, line 1b)	4	14
5	Total number of individuals employed in calendar year 2010 (Part V, line 2a)	5	35
6	Total number of volunteers (estimate if necessary)	6	0
7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	0.
b	Net unrelated business taxable income from Form 990-T, line 34	7b	0.

		Prior Year	Current Year
Revenue	8 Contributions and grants (Part VIII, line 1h)	0.	0.
	9 Program service revenue (Part VIII, line 2g)	1,046,314.	2,203,153.
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	5.	0.
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	10,675.	83,904.
	12 Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12)	1,056,994.	2,287,057.
Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1-3)	0.	0.
	14 Benefits paid to or for members (Part IX, column (A), line 4)	0.	0.
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	1,686,667.	2,800,429.
	16a Professional fundraising fees (Part IX, column (A), line 11e)	0.	0.
	b Total fundraising expenses (Part IX, column (D), line 25) ▶ 0.		
	17 Other expenses (Part IX, column (A), lines 11a-11d, 11f-24f)	772,654.	1,276,122.
	18 Total expenses. Add lines 13-17 (must equal Part IX, column (A), line 25)	2,459,321.	4,076,551.
	19 Revenue less expenses. Subtract line 18 from line 12	<1,402,327.>	<1,789,494.>

		Beginning of Current Year	End of Year
Net Assets or Fund Balances	20 Total assets (Part X, line 16)	209,697.	475,118.
	21 Total liabilities (Part X, line 26)	394,539.	896,497.
	22 Net assets or fund balances. Subtract line 21 from line 20	<184,842.>	<421,379.>

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

▶ Signature of officer Date

▶ W. MARK RUSSO, SPECIAL MASTER
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name: ELIZABETH SOLECKI
Preparer's signature:
Date: 8/15/12
Check [ ] if self-employed
PTIN

Firm's name ▶ BLUM, SHAPIRO & COMPANY, P.C., CPA'S
Firm's EIN ▶

Firm's address ▶ 29 S. MAIN STREET, P.O. BOX 272000
WEST HARTFORD, CT 06127-2000
Phone no. 860 561-4000

May the IRS discuss this return with the preparer shown above? (see instructions) [X] Yes [ ] No

SEE SCHEDULE O FOR ORGANIZATION MISSION STATEMENT CONTINUATION

Part III Statement of Program Service Accomplishments

Check if Schedule O contains a response to any question in this Part III ☐

1 Briefly describe the organization's mission:
TO SUPPORT WESTERLY HOSPITAL AND ITS AFFILIATED ORGANIZATIONS, INCLUDING MEDICAL CENTERS, HEALTH CARE CENTERS, LABORATORIES, CLINICS, AND OTHER MEDICAL, SURGICAL, OR DENTAL FACILITIES, IN THE CONDUCT OF THEIR CHARITABLE, EDUCATIONAL, AND SCIENTIFIC FUNCTION.

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? ☐ Yes ☒ No
If "Yes," describe these new services on Schedule O.

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? ☐ Yes ☒ No
If "Yes," describe these changes on Schedule O.

4 Describe the exempt purpose achievements for each of the organization's three largest program services by expenses. Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported.

4a (Code:) (Expenses $ 3,261,241. including grants of $) (Revenue $ 2,287,057.)
THE PURPOSE OF THE CORPORATION SHALL BE TO SUPPORT THE ADVANCEMENT OF THE KNOWLEDGE AND PRACTICE OF, AND EDUCATION AND RESEARCH IN, MEDICINE, SURGERY, NURSING AND ALL OTHER SUBJECTS RELATING TO THE CARE, TREATMENT AND HEALING OF HUMANS, TO IMPROVE THE HEALTH AND WELFARE OF ALL PERSONS, AND TO SPONSOR, DEVELOP AND PROMOTE SERVICES AND PROGRAMS WHICH ARE CHARITABLE, SCIENTIFIC OR EDUCATIONAL AND WHICH ADDRESS THE PHYSICAL AND MENTAL NEEDS OF THE COMMUNITY AT LARGE.

4b (Code:) (Expenses $ including grants of $) (Revenue $)

4c (Code:) (Expenses $ including grants of $) (Revenue $)

4d Other program services. (Describe in Schedule O.)
(Expenses $ including grants of $) (Revenue $)

4e Total program service expenses ▶ 3,261,241.

RIDOH 1346

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	X	
2	Is the organization required to complete Schedule B, Schedule of Contributors?	2		X
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		X
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4		X
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		
6	Did the organization maintain any donor advised funds or any similar funds or accounts where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		X
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? *If "Yes," complete Schedule D, Part II*	7		X
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		X
9	Did the organization report an amount in Part X, line 21; serve as a custodian for amounts not listed in Part X; or provide credit counseling, debt management, credit repair, or debt negotiation services? *If "Yes," complete Schedule D, Part IV*	9		X
10	Did the organization, directly or through a related organization, hold assets in term, permanent, or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10		X
11	If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable.			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? *If "Yes," complete Schedule D, Part VI*	11a	X	
b	Did the organization report an amount for investments - other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII*	11b		X
c	Did the organization report an amount for investments - program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII*	11c		X
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX*	11d		X
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X*	11e	X	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X*	11f		X
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, XII, and XIII*	12a		X
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional*	12b		X
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		X
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		X
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, and program service activities outside the United States? *If "Yes," complete Schedule F, Parts I and IV*	14b		X
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or assistance to any organization or entity located outside the United States? *If "Yes," complete Schedule F, Parts II and IV*	15		X
16	Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or assistance to individuals located outside the United States? *If "Yes," complete Schedule F, Parts III and IV*	16		X
17	Did the organization report a total of more than $15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? *If "Yes," complete Schedule G, Part I*	17		X
18	Did the organization report more than $15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? *If "Yes," complete Schedule G, Part II*	18		X
19	Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III*	19		X
20a	Did the organization operate one or more hospitals? *If "Yes," complete Schedule H*	20a		X
b	If "Yes" to line 20a, did the organization attach its audited financial statements to this return? Note. Some Form 990 filers that operate one or more hospitals must attach audited financial statements (see instructions)	20b		

Part IV Checklist of Required Schedules *(continued)*

			Yes	No
21	Did the organization report more than $5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II*	21		X
22	Did the organization report more than $5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	22		X
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If "Yes," complete Schedule J*	23	X	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer lines 24b through 24d and complete Schedule K. If "No", go to line 25*	24a		X
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	25a		X
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	25b		X
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? *If "Yes," complete Schedule L, Part II*	26		X
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? *If "Yes," complete Schedule L, Part III*	27		X
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions):			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	28a		X
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	28b		X
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? *If "Yes," complete Schedule L, Part IV*	28c		X
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	29		X
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	30		X
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	31		X
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	32		X
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? *If "Yes," complete Schedule R, Part I*	33	X	
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1*	34	X	
35	Is any related organization a controlled entity within the meaning of section 512(b)(13)?	35	X	
a	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? *If "Yes," complete Schedule R, Part V, line 2* [X] Yes [ ] No			
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	36		X
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	37		X
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? **Note.** All Form 990 filers are required to complete Schedule O	38	X	

Part V **Statements Regarding Other IRS Filings and Tax Compliance**

Check if Schedule O contains a response to any question in this Part V ☐

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable	1a	11		
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?		1c	X	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return	2a	35		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?		2b	X	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to *e-file*. (see instructions)				
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?		3a		X
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*		3b		
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?		4a		X
b	If "Yes," enter the name of the foreign country: ▶ _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.				
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		5a		X
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		5b		X
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?		5c		
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible?		6a		X
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		6b		
7	**Organizations that may receive deductible contributions under section 170(c).**				
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?		7a		X
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?		7b		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		7c		X
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		7e		X
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		7f		X
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?		7g		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?		7h		
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		8		X
9	**Sponsoring organizations maintaining donor advised funds.**				
a	Did the organization make any taxable distributions under section 4966?		9a		
b	Did the organization make a distribution to a donor, donor advisor, or related person?		9b		
10	**Section 501(c)(7) organizations.** Enter:				
a	Initiation fees and capital contributions included on Part VIII, line 12	10a			
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b			
11	**Section 501(c)(12) organizations.** Enter:				
a	Gross income from members or shareholders	11a			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them.)	11b			
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?		12a		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b			
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**				
a	Is the organization licensed to issue qualified health plans in more than one state?		13a		
	Note. See the instructions for additional information the organization must report on Schedule O.				
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b			
c	Enter the amount of reserves on hand	13c			
14a	Did the organization receive any payments for indoor tanning services during the tax year?		14a		X
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O*		14b		

Part VI Governance, Management, and Disclosure *For each "Yes" response to lines 2 through 7b below, and for a "No" response to line 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.*

Check if Schedule O contains a response to any question in this Part VI ... X

Section A. Governing Body and Management

				Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	1a	16		
b	Enter the number of voting members included in line 1a, above, who are independent	1b	14		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2			X
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3			X
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4		X	
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5			X
6	Does the organization have members or stockholders?	6			X
7a	Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body?	7a			X
b	Are any decisions of the governing body subject to approval by members, stockholders, or other persons?	7b			X
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:				
a	The governing body?	8a		X	
b	Each committee with authority to act on behalf of the governing body?	8b		X	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? *If "Yes," provide the names and addresses in Schedule O*	9			X

Section B. Policies *(This Section B requests information about policies not required by the Internal Revenue Code.)*

			Yes	No
10a	Does the organization have local chapters, branches, or affiliates?	10a		X
b	If "Yes," does the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with those of the organization?	10b		
11a	Has the organization provided a copy of this Form 990 to all members of its governing body before filing the form?	11a		X
b	Describe in Schedule O the process, if any, used by the organization to review this Form 990.			
12a	Does the organization have a written conflict of interest policy? *If "No," go to line 13*	12a	X	
b	Are officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	X	
c	Does the organization regularly and consistently monitor and enforce compliance with the policy? *If "Yes," describe in Schedule O how this is done*	12c	X	
13	Does the organization have a written whistleblower policy?	13	X	
14	Does the organization have a written document retention and destruction policy?	14	X	
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?			
a	The organization's CEO, Executive Director, or top management official	15a	X	
b	Other officers or key employees of the organization	15b	X	
	If "Yes" to line 15a or 15b, describe the process in Schedule O. (See instructions.)			
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a		X
b	If "Yes," has the organization adopted a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and taken steps to safeguard the organization's exempt status with respect to such arrangements?	16b		

Section C. Disclosure

17 List the states with which a copy of this Form 990 is required to be filed ▶ NONE

18 Section 6104 requires an organization to make its Forms 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you make these available. Check all that apply.

☐ Own website ☐ Another's website ☒ Upon request

19 Describe in Schedule O whether (and if so, how), the organization makes its governing documents, conflict of interest policy, and financial statements available to the public.

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization: ▶
THE ORGANIZATION - 401-348-3711
25 WELLS STREET, WESTERLY, RI 02891-2934

Part VII Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

Check if Schedule O contains a response to any question in this Part VII ☐

Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

1a Complete this table for all persons required to be listed. Report compensation for the calendar year ending with or within the organization's tax year.

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation. Enter -0- in columns (D), (E), and (F) if no compensation was paid.
- List all of the organization's **current** key employees, if any. See instructions for definition of "key employee."
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee, or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than $100,000 from the organization and any related organizations.
- List all of the organization's **former** officers, key employees, and highest compensated employees who received more than $100,000 of reportable compensation from the organization and any related organizations.
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than $10,000 of reportable compensation from the organization and any related organizations.

List persons in the following order: individual trustees or directors; institutional trustees; officers; key employees; highest compensated employees; and former such persons.

☐ Check this box if neither the organization nor any related organization compensated any current officer, director, or trustee.

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
CHARLES S. KINNEY PRESIDENT/CEO	1.00	X		X				0.	328,076.	46,603.
FRED A. ALLARDYCE THIRD VICE-CHAIRMAN	1.00	X		X				0.	0.	0.
JOHN P. CASEY DIRECTOR	1.00	X						0.	0.	0.
DAVID D'ERAMO, PH.D. DIRECTOR	1.00	X						0.	0.	0.
JOHN T. GORBY DIRECTOR	1.00	X						0.	0.	0.
MARTHA MCQ. HOSP FIRST VICE-CHAIRMAN	1.00	X		X				0.	0.	0.
ALLEN W. LEADBETTER, M.D. SECOND VICE-CHAIRMAN	1.00	X		X				0.	0.	0.
LEONARD C. EDWARDS DIRECTOR	1.00	X						0.	0.	0.
WILLIAM G. MCKENDREE CHAIRMAN	1.00	X		X				0.	0.	0.
DAVID V. DEVAULT DIRECTOR	1.00	X						0.	0.	0.
MARY JO ORSINGER DIRECTOR	1.00	X						0.	0.	0.
MAUREEN N. FITZGERALD DIRECTOR	1.00	X						0.	0.	0.
RICHARD C. HOLLIDAY DIRECTOR	1.00	X						0.	0.	0.
CHRISTOPHER LEHRACH, M.D. DIRECTOR	1.00	X			X			0.	404,077.	32,418.
BARBARA J. PERINO DIRECTOR	1.00	X						0.	0.	0.
GEORGE BOURGANOS, M.D. DIRECTOR	1.00	X						0.	0.	0.
DAVID R. NELSON DIRECTOR	1.00	X						0.	0.	0.

Part VII Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees *(continued)*

(A) Name and title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
JENNIFER SCHWINDT DIRECTOR	1.00	X						0.	0.	0.
JEANNE M. LACHANCE TREASURER	1.00			X				0.	227,683.	42,211.
MAUREEN L. CARBONI SECRETARY	1.00			X				0.	0.	0.
ROBERT GREENLEE, M.D. PHYSICIAN	40.00					X		315,942.	0.	16,085.
KAREN MCGOLDRICK, M.D. PHYSICIAN	40.00					X		204,875.	0.	16,625.
SUZAN MENIHAN MIDWIFE	40.00					X		113,525.	0.	16,218.
BARBARA MUIR PHYSICIAN ASSISTANT	40.00					X		103,568.	0.	10,156.
MICHAEL DELMONICO ADMINISTRATOR	40.00					X		9,950.	118,978.	15,006.
1b Sub-total ▶								747,860.	1,078,814.	195,322.
c Total from continuation sheets to Part VII, Section A ▶								0.	0.	0.
d Total (add lines 1b and 1c) ▶								747,860.	1,078,814.	195,322.

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 in reportable compensation from the organization ▶ 4

		Yes	No
3	Did the organization list any **former** officer, director or trustee, key employee, or highest compensated employee on line 1a? *If "Yes," complete Schedule J for such individual*		X
4	For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than $150,000? *If "Yes," complete Schedule J for such individual*	X	
5	Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? *If "Yes," complete Schedule J for such person*		X

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than $100,000 of compensation from the organization. NONE

(A) Name and business address	(B) Description of services	(C) Compensation

2 Total number of independent contractors (including but not limited to those listed above) who received more than $100,000 in compensation from the organization ▶ 0

Form **990** (2010)

032008 12-21-10

Part VIII Statement of Revenue

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a Federated campaigns	1a				
	b Membership dues	1b				
	c Fundraising events	1c				
	d Related organizations	1d				
	e Government grants (contributions)	1e				
	f All other contributions, gifts, grants, and similar amounts not included above	1f				
	g Noncash contributions included in lines 1a-1f: $					
	h Total. Add lines 1a-1f	▶				
Program Service Revenue		Business Code				
	2a WOMEN'S HEALTH OF WEST	621110	1364074.	1364074.		
	b OCEAN MYST	621110	839,079.	839,079.		
	c					
	d					
	e					
	f All other program service revenue					
	g Total. Add lines 2a-2f	▶	2203153.			
Other Revenue	3 Investment income (including dividends, interest, and other similar amounts)	▶				
	4 Income from investment of tax-exempt bond proceeds	▶				
	5 Royalties	▶				
		(i) Real	(ii) Personal			
	6a Gross Rents					
	b Less: rental expenses					
	c Rental income or (loss)					
	d Net rental income or (loss)	▶				
		(i) Securities	(ii) Other			
	7a Gross amount from sales of assets other than inventory					
	b Less: cost or other basis and sales expenses					
	c Gain or (loss)					
	d Net gain or (loss)	▶				
	8a Gross income from fundraising events (not including $ ____ of contributions reported on line 1c). See Part IV, line 18	a				
	b Less: direct expenses	b				
	c Net income or (loss) from fundraising events	▶				
	9a Gross income from gaming activities. See Part IV, line 19	a				
	b Less: direct expenses	b				
	c Net income or (loss) from gaming activities	▶				
	10a Gross sales of inventory, less returns and allowances	a				
	b Less: cost of goods sold	b				
	c Net income or (loss) from sales of inventory	▶				
	Miscellaneous Revenue	Business Code				
	11a MISCELLANEOUS REVENUE	900099	83,904.	83,904.		
	b					
	c					
	d All other revenue					
	e Total. Add lines 11a-11d	▶	83,904.			
	12 Total revenue. See instructions	▶	2287057.	2287057.	0.	0.

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns.
All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D).

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to governments and organizations in the U.S. See Part IV, line 21				
2 Grants and other assistance to individuals in the U.S. See Part IV, line 22				
3 Grants and other assistance to governments, organizations, and individuals outside the U.S. See Part IV, lines 15 and 16				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees				
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7 Other salaries and wages	2,245,115.	1,796,092.	449,023.	
8 Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	73,196.	58,557.	14,639.	
9 Other employee benefits	331,715.	265,372.	66,343.	
10 Payroll taxes	150,403.	120,322.	30,081.	
11 Fees for services (non-employees):				
a Management	600.	480.	120.	
b Legal	9,481.	7,585.	1,896.	
c Accounting				
d Lobbying				
e Professional fundraising services. See Part IV, line 17				
f Investment management fees				
g Other	102,999.	82,399.	20,600.	
12 Advertising and promotion	28,931.	23,145.	5,786.	
13 Office expenses	29,036.	23,229.	5,807.	
14 Information technology				
15 Royalties				
16 Occupancy	119,115.	95,292.	23,823.	
17 Travel	13,345.	10,676.	2,669.	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings				
20 Interest				
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	2,328.	1,862.	466.	
23 Insurance	486,841.	389,473.	97,368.	
24 Other expenses. Itemize expenses not covered above. (List miscellaneous expenses in line 24f. If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O.)				
a PURCHASED SERVICES	172,063.	137,650.	34,413.	
b MEDICAL SUPPLIES	84,657.	67,726.	16,931.	
c BAD DEBTS	74,000.	59,200.	14,800.	
d DRUGS	60,658.	48,526.	12,132.	
e UTILITIES	28,343.	22,674.	5,669.	
f All other expenses	63,725.	50,981.	12,744.	
25 Total functional expenses. Add lines 1 through 24f	4,076,551.	3,261,241.	815,310.	0.
26 Joint costs. Check here ▶ ☐ if following SOP 98-2 (ASC 958-720). Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

RIDOH 1354

Part X Balance Sheet

				(A) Beginning of year		(B) End of year
Assets	1	Cash - non-interest-bearing		20,419.	1	14,313.
	2	Savings and temporary cash investments		7,074.	2	13,596.
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		171,594.	4	438,927.
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L			5	
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions)			6	
	7	Notes and loans receivable, net			7	
	8	Inventories for sale or use			8	
	9	Prepaid expenses and deferred charges			9	
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a 86,991.			
	b	Less: accumulated depreciation	10b 78,709.	10,610.	10c	8,282.
	11	Investments - publicly traded securities			11	
	12	Investments - other securities. See Part IV, line 11			12	
	13	Investments - program-related. See Part IV, line 11			13	
	14	Intangible assets			14	
	15	Other assets. See Part IV, line 11			15	
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		209,697.	16	475,118.
Liabilities	17	Accounts payable and accrued expenses		173,311.	17	429,682.
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities			20	
	21	Escrow or custodial account liability. Complete Part IV of Schedule D			21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L			22	
	23	Secured mortgages and notes payable to unrelated third parties			23	
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities. Complete Part X of Schedule D		221,228.	25	466,815.
	26	**Total liabilities.** Add lines 17 through 25		394,539.	26	896,497.
Net Assets or Fund Balances		**Organizations that follow SFAS 117, check here ▶ ☐ and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets			27	
	28	Temporarily restricted net assets			28	
	29	Permanently restricted net assets			29	
		Organizations that do not follow SFAS 117, check here ▶ ☒ and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds		0.	30	0.
	31	Paid-in or capital surplus, or land, building, or equipment fund		0.	31	0.
	32	Retained earnings, endowment, accumulated income, or other funds		<184,842.>	32	<421,379.>
	33	Total net assets or fund balances		<184,842.>	33	<421,379.>
	34	Total liabilities and net assets/fund balances		209,697.	34	475,118.

Part XI Reconciliation of Net Assets

Check if Schedule O contains a response to any question in this Part XI [X]

1	Total revenue (must equal Part VIII, column (A), line 12)	1	2,287,057.
2	Total expenses (must equal Part IX, column (A), line 25)	2	4,076,551.
3	Revenue less expenses. Subtract line 2 from line 1	3	<1,789,494.>
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	<184,842.>
5	Other changes in net assets or fund balances (explain in Schedule O)	5	1,552,957.
6	Net assets or fund balances at end of year. Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	6	<421,379.>

Part XII Financial Statements and Reporting

Check if Schedule O contains a response to any question in this Part XII [ ]

			Yes	No
1	Accounting method used to prepare the Form 990: [ ] Cash [X] Accrual [ ] Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O.			
2a	Were the organization's financial statements compiled or reviewed by an independent accountant?	2a		X
b	Were the organization's financial statements audited by an independent accountant?	2b		X
c	If "Yes" to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O.	2c		
d	If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued on a separate basis, consolidated basis, or both: [ ] Separate basis [ ] Consolidated basis [ ] Both consolidated and separate basis			
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	3a		X
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits.	3b		

Form 990 (2010)

SCHEDULE A (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

Complete if the organization is a section 501(c)(3) organization or a section 4947(a)(1) nonexempt charitable trust.

▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No. 1545-0047

2010

Open to Public Inspection

Name of the organization	Employer identification number
WESTERLY HOSPITAL HEALTHCARE, INC.	22-2490227

Part I **Reason for Public Charity Status** (All organizations must complete this part.) See instructions.

The organization is not a private foundation because it is: (For lines 1 through 11, check only one box.)

1 ☐ A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**

2 ☐ A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E.)

3 ☐ A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**

4 ☐ A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state: _____

5 ☐ An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II.)

6 ☐ A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**

7 ☐ An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi).** (Complete Part II.)

8 ☐ A community trust described in **section 170(b)(1)(A)(vi).** (Complete Part II.)

9 ☐ An organization that normally receives: (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions - subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See **section 509(a)(2).** (Complete Part III.)

10 ☐ An organization organized and operated exclusively to test for public safety. See **section 509(a)(4).**

11 ☒ An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2). See **section 509(a)(3).** Check the box that describes the type of supporting organization and complete lines 11e through 11h.

a ☐ Type I b ☒ Type II c ☐ Type III - Functionally integrated d ☐ Type III - Other

e ☒ By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2).

f If the organization received a written determination from the IRS that it is a Type I, Type II, or Type III supporting organization, check this box ☐

g Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?

		Yes	No
(i)	A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization?		X
(ii)	A family member of a person described in (i) above?		X
(iii)	A 35% controlled entity of a person described in (i) or (ii) above?		X

h Provide the following information about the supported organization(s).

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1-9 above or IRC section (see instructions))	(iv) Is the organization in col. (i) listed in your governing document? Yes	(iv) No	(v) Did you notify the organization in col. (i) of your support? Yes	(v) No	(vi) Is the organization in col. (i) organized in the U.S.? Yes	(vi) No	(vii) Amount of support
THE WESTERLY HOSPITAL	05-0259100	3	X		X		X		0.
Total									0.

Part II Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)

(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
1 Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 **Total.** Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 **Public support.** Subtract line 5 from line 4.						

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
11 **Total support.** Add lines 7 through 10						

12 Gross receipts from related activities, etc. (see instructions) 12

13 **First five years.** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and **stop here** ▶ ☐

Section C. Computation of Public Support Percentage

14 Public support percentage for 2010 (line 6, column (f) divided by line 11, column (f)) 14 %

15 Public support percentage from 2009 Schedule A, Part II, line 14 15 %

16a **33 1/3% support test - 2010.** If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶ ☐

b **33 1/3% support test - 2009.** If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶ ☐

17a **10% -facts-and-circumstances test - 2010.** If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization ▶ ☐

b **10% -facts-and-circumstances test - 2009.** If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization ▶ ☐

18 **Private foundation.** If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions ▶ ☐

Part III Support Schedule for Organizations Described in Section 509(a)(2)

(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
1 Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 **Total.** Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of $5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 **Public support** (Subtract line 7c from line 6)						

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 **Total support** (Add lines 9, 10c, 11, and 12.)						

14 **First five years.** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and **stop here** ▶ ☐

Section C. Computation of Public Support Percentage

15 Public support percentage for 2010 (line 8, column (f) divided by line 13, column (f))	15	%
16 Public support percentage from 2009 Schedule A, Part III, line 15	16	%

Section D. Computation of Investment Income Percentage

17 Investment income percentage for **2010** (line 10c, column (f) divided by line 13, column (f))	17	%
18 Investment income percentage from **2009** Schedule A, Part III, line 17	18	%

19a **33 1/3% support tests - 2010.** If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶ ☐

b **33 1/3% support tests - 2009.** If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3%, and line 18 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶ ☐

20 **Private foundation.** If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions ▶ ☐

SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11, or 12.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No. 1545-0047

2010

Open to Public Inspection

Name of the organization

WESTERLY HOSPITAL HEALTHCARE, INC.

Employer identification number

22-2490227

Part I Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts. Complete if the organization answered "Yes" to Form 990, Part IV, line 6.

		(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year		
2	Aggregate contributions to (during year)		
3	Aggregate grants from (during year)		
4	Aggregate value at end of year		

5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? ☐ Yes ☐ No

6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit? ☐ Yes ☐ No

Part II Conservation Easements. Complete if the organization answered "Yes" to Form 990, Part IV, line 7.

1 Purpose(s) of conservation easements held by the organization (check all that apply).

☐ Preservation of land for public use (e.g., recreation or education)
☐ Protection of natural habitat
☐ Preservation of open space
☐ Preservation of an historically important land area
☐ Preservation of a certified historic structure

2 Complete lines 2a through 2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year.

		Held at the End of the Tax Year
a	Total number of conservation easements	2a
b	Total acreage restricted by conservation easements	2b
c	Number of conservation easements on a certified historic structure included in (a)	2c
d	Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register	2d

3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax year ▶ _____

4 Number of states where property subject to conservation easement is located ▶ _____

5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds? ☐ Yes ☐ No

6 Staff and volunteer hours devoted to monitoring, inspecting, and enforcing conservation easements during the year ▶ _____

7 Amount of expenses incurred in monitoring, inspecting, and enforcing conservation easements during the year ▶ $ _____

8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and section 170(h)(4)(B)(ii)? ☐ Yes ☐ No

9 In Part XIV, describe how the organization reports conservation easements in its revenue and expense statement, and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements.

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets.

Complete if the organization answered "Yes" to Form 990, Part IV, line 8.

1a If the organization elected, as permitted under SFAS 116 (ASC 958), not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide, in Part XIV, the text of the footnote to its financial statements that describes these items.

b If the organization elected, as permitted under SFAS 116 (ASC 958), to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items:

(i) Revenues included in Form 990, Part VII, line 1 ▶ $ _____

(ii) Assets included in Form 990, Part X ▶ $ _____

2 If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 (ASC 958) relating to these items:

a Revenues included in Form 990, Part VIII, line 1 ▶ $ _____

b Assets included in Form 990, Part X ▶ $ _____

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets *(continued)*

3 Using the organization's acquisition, accession, and other records, check any of the following that are a significant use of its collection items (check all that apply):

a ☐ Public exhibition
b ☐ Scholarly research
c ☐ Preservation for future generations
d ☐ Loan or exchange programs
e ☐ Other _____

4 Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIV.

5 During the year, did the organization solicit or receive donations of art, historical treasures, or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? ☐ Yes ☐ No

Part IV Escrow and Custodial Arrangements. Complete if the organization answered "Yes" to Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? ☐ Yes ☐ No

b If "Yes," explain the arrangement in Part XIV and complete the following table:

		Amount
c Beginning balance	1c	
d Additions during the year	1d	
e Distributions during the year	1e	
f Ending balance	1f	

2a Did the organization include an amount on Form 990, Part X, line 21? ☐ Yes ☐ No

b If "Yes," explain the arrangement in Part XIV.

Part V Endowment Funds. Complete if the organization answered "Yes" to Form 990, Part IV, line 10.

	(a) Current year	(b) Prior year	(c) Two years back	(d) Three years back	(e) Four years back
1a Beginning of year balance					
b Contributions					
c Net investment earnings, gains, and losses					
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance					

2 Provide the estimated percentage of the year end balance held as:

a Board designated or quasi-endowment ▶ _____ %
b Permanent endowment ▶ _____ %
c Term endowment ▶ _____ %

3a Are there endowment funds not in the possession of the organization that are held and administered for the organization by:

		Yes	No
(i) unrelated organizations	3a(i)		
(ii) related organizations	3a(ii)		
b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?	3b		

4 Describe in Part XIV the intended uses of the organization's endowment funds.

Part VI Land, Buildings, and Equipment. See Form 990, Part X, line 10.

Description of investment	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land				
b Buildings				
c Leasehold improvements				
d Equipment		86,991.	78,709.	8,282.
e Other				
Total. Add lines 1a through 1e. *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶				8,282.

Part VII Investments - Other Securities. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
(3) Other		
(A)		
(B)		
(C)		
(D)		
(E)		
(F)		
(G)		
(H)		
(I)		
Total. (Col (b) must equal Form 990, Part X, col (B) line 12.) ▶		

Part VIII Investments - Program Related. See Form 990, Part X, line 13.

(a) Description of investment type	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
(1)		
(2)		
(3)		
(4)		
(5)		
(6)		
(7)		
(8)		
(9)		
(10)		
Total. (Col (b) must equal Form 990, Part X, col (B) line 13.) ▶		

Part IX Other Assets. See Form 990, Part X, line 15.

	(a) Description	(b) Book value
(1)		
(2)		
(3)		
(4)		
(5)		
(6)		
(7)		
(8)		
(9)		
(10)		
Total. *(Column (b) must equal Form 990, Part X, col (B) line 15.)* ▶		

Part X Other Liabilities. See Form 990, Part X, line 25.

1.	(a) Description of liability	(b) Amount
(1)	Federal income taxes	
(2)	DUE TO RELATED PARTIES	466,815.
(3)		
(4)		
(5)		
(6)		
(7)		
(8)		
(9)		
(10)		
(11)		
Total. *(Column (b) must equal Form 990, Part X, col (B) line 25.)* ▶		466,815.

2. FIN 48 (ASC 740) Footnote. In Part XIV, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC 740).

RIDOH 1362

Part XI Reconciliation of Change in Net Assets from Form 990 to Audited Financial Statements.

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	2,287,057.
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	4,076,551.
3	Excess or (deficit) for the year. Subtract line 2 from line 1	3	<1,789,494.>
4	Net unrealized gains (losses) on investments	4	
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV.)	8	1,552,957.
9	Total adjustments (net). Add lines 4 through 8	9	1,552,957.
10	Excess or (deficit) for the year per audited financial statements. Combine lines 3 and 9	10	<236,537.>

Part XII Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

1	Total revenue, gains, and other support per audited financial statements			1	
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12:				
a	Net unrealized gains on investments	2a			
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIV.)	2d			
e	Add lines 2a through 2d			2e	
3	Subtract line 2e from line 1			3	
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1:				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIV.)	4b			
c	Add lines 4a and 4b			4c	
5	Total revenue. Add lines 3 and 4c. *(This must equal Form 990, Part I, line 12.)*			5	

Part XIII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

1	Total expenses and losses per audited financial statements			1	
2	Amounts included on line 1 but not on Form 990, Part IX, line 25:				
a	Donated services and use of facilities	2a			
b	Prior year adjustments	2b			
c	Other losses	2c			
d	Other (Describe in Part XIV.)	2d			
e	Add lines 2a through 2d			2e	
3	Subtract line 2e from line 1			3	
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIV.)	4b			
c	Add lines 4a and 4b			4c	
5	Total expenses. Add lines 3 and 4c. *(This must equal Form 990, Part I, line 18.)*			5	

Part XIV Supplemental Information

Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9; Part III, lines 1a and 4; Part IV, lines 1b and 2b; Part V, line 4; Part X, line 2; Part XI, line 8; Part XII, lines 2d and 4b; and Part XIII, lines 2d and 4b. Also complete this part to provide any additional information.

PART XI, LINE 8 - OTHER ADJUSTMENTS:

CAPITAL CONTRIBUTION 1,552,957.

SCHEDULE J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 23.

▶ Attach to Form 990. ▶ See separate instructions.

OMB No. 1545-0047

2010

Open to Public Inspection

Name of the organization

WESTERLY HOSPITAL HEALTHCARE, INC.

Employer identification number

22-2490227

Part I Questions Regarding Compensation

			Yes	No
1a	Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items.			
	☐ First-class or charter travel	☐ Housing allowance or residence for personal use		
	☐ Travel for companions	☐ Payments for business use of personal residence		
	☐ Tax indemnification and gross-up payments	☐ Health or social club dues or initiation fees		
	☐ Discretionary spending account	☐ Personal services (e.g., maid, chauffeur, chef)		
b	If any of the boxes on line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain	1b		
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	2		
3	Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director. Check all that apply.			
	☒ Compensation committee	☒ Written employment contract		
	☐ Independent compensation consultant	☒ Compensation survey or study		
	☒ Form 990 of other organizations	☒ Approval by the board or compensation committee		
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a, with respect to the filing organization or a related organization:			
a	Receive a severance payment or change-of-control payment from the organization or a related organization?	4a		X
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	4b		X
c	Participate in, or receive payment from, an equity-based compensation arrangement?	4c		X
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III.			
	Only section 501(c)(3) and 501(c)(4) organizations must complete lines 5-9.			
5	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of:			
a	The organization?	5a		X
b	Any related organization?	5b		X
	If "Yes" to line 5a or 5b, describe in Part III.			
6	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of:			
a	The organization?	6a		X
b	Any related organization?	6b		X
	If "Yes" to line 6a or 6b, describe in Part III.			
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	7		X
8	Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53.4958-4(a)(3)? If "Yes," describe in Part III	8		X
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?	9		

Part II **Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees.** Use duplicate copies if additional space is needed.

For each individual whose compensation must be reported in Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions, on row (ii). Do not list any individuals that are not listed on Form 990, Part VII.

Note. The sum of columns (B)(i)-(iii) must equal the applicable column (D) or column (E) amounts on Form 990, Part VII, line 1a.

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
1 CHARLES S. KINNEY	(i)	0.	0.	0.	0.	0.	0.	0.
	(ii)	328,076.	0.	0.	29,506.	17,097.	374,679.	0.
2 CHRISTOPHER LEHRACH, M.D.	(i)	0.	0.	0.	0.	0.	0.	0.
	(ii)	404,077.	0.	0.	10,798.	21,620.	436,495.	0.
3 JEANNE M. LACHANCE	(i)	0.	0.	0.	0.	0.	0.	0.
	(ii)	227,683.	0.	0.	20,296.	21,915.	269,894.	0.
4 ROBERT GREENLEE, M.D.	(i)	315,942.	0.	0.	0.	16,085.	332,027.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
5 KAREN MCGOLDRICK, M.D.	(i)	204,875.	0.	0.	0.	16,625.	221,500.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
6	(i)							
	(ii)							
7	(i)							
	(ii)							
8	(i)							
	(ii)							
9	(i)							
	(ii)							
10	(i)							
	(ii)							
11	(i)							
	(ii)							
12	(i)							
	(ii)							
13	(i)							
	(ii)							
14	(i)							
	(ii)							
15	(i)							
	(ii)							
16	(i)							
	(ii)							

RIDOH 1365

SCHEDULE O (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on Form 990 or 990-EZ or to provide any additional information.
▶ Attach to Form 990 or 990-EZ.

OMB No. 1545-0047

2010

Open to Public Inspection

Name of the organization: WESTERLY HOSPITAL HEALTHCARE, INC.

Employer identification number: 22-2490227

FORM 990, PART I, LINE 1, DESCRIPTION OF ORGANIZATION MISSION:
CENTERS, LABORATORIES, CLINICS, AND OTHER MEDICAL, SURGICAL, OR DENTAL FACILITIES, IN THE CONDUCT OF THEIR CHARITABLE, EDUCATIONAL, AND SCIENTIFIC FUNCTION.

FORM 990, PART VI, SECTION A, LINE 4: THE ORGANIZATION CHANGED ITS NAME FROM COMMUNITY HEALTH OF WESTERLY TO WESTERLY HOSPITAL HEALTHCARE, INC.

FORM 990, PART VI, SECTION B, LINE 11: THE ORGANIZATION IS CURRENTLY IN RECEIVERSHIP, AND THEREFORE, DOES NOT HAVE A BOARD OF DIRECTORS. THE FORM 990 WAS REVIEWED BY THE INTERIM CFO BEFORE FILING WITH THE IRS.

FORM 990, PART VI, SECTION B, LINE 12C: EACH BOARD MEMBER SIGNS A CONFLICT OF INTEREST STATEMENT ANNUALLY. THEY ARE REQUIRED TO DISCLOSE ANY RELATIONSHIP THEY, THEIR BUSINESSES, OR THEIR FAMILY MEMBERS MAY HAVE WITH THE ORGANIZATION. IF A DISCUSSION OR VOTE OCCURS ON A TRANSACTION WITH A POTENTIAL CONFLICT, THE BOARD MEMBER EXCUSES THEMSELVES FROM THE DISCUSSION AND VOTE.

FORM 990, PART VI, SECTION B, LINE 15: SUBCOMMITTEE OF THE GOVERNING BOARD MET TO DETERMINE ALL COMPENSATION ARRANGEMENTS OF THE TOP EXECUTIVE, OFFICERS AND KEY EMPLOYEES.

FORM 990, PART VI, SECTION C, LINE 19: THE CONFLICT OF INTEREST POLICY AND FINANCIAL STATEMENTS ARE PROVIDED UPON REQUEST.

SCHEDULE R (Form 990)
Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 33, 34, 35, 36, or 37.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No. 1545-0047
2010
Open to Public Inspection

Name of the organization
WESTERLY HOSPITAL HEALTHCARE, INC.

Employer identification number
22-2490227

Part I Identification of Disregarded Entities (Complete if the organization answered "Yes" to Form 990, Part IV, line 33.)

(a) Name, address, and EIN of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity
WOMEN'S HEALTH SERVICES OF WESTERLY, LLC - 22-2490227, 25 WELLS STREET, WESTERLY, RI 02891	HEALTHCARE	RHODE ISLAND	1,370,093.	293,958.	
ELDEREVAL LLC - 26-3463167 25 WELLS STREET WESTERLY, RI 02891	ELDER SERVICES	RHODE ISLAND	0.	1,000.	
WESTERLY HOSPITAL ENERGY CO., LLC 25 WELLS STREET WESTERLY, RI 02891	INACTIVE	RHODE ISLAND	0.	0.	
OCEAN MYST MSO - 27-3543964 25 WELLS STREET WESTERLY, RI 02891	MANAGEMENT SERVICES	RHODE ISLAND	916,959.	161,530.	

Part II Identification of Related Tax-Exempt Organizations (Complete if the organization answered "Yes" to Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity? Yes	(g) No
THE WESTERLY HOSPITAL - 05-0259100 25 WELLS STREET WESTERLY, RI 02891	HOSPITAL	RHODE ISLAND	501(C)(3)	LINE 3	N/A	X	
THE WESTERLY HOSPITAL FOUNDATION, INC. - 05-0508064, 25 WELLS STREET, WESTERLY, RI 02891	SUPPORT THE WESTERLY HOSPITAL	RHODE ISLAND	501(C)(3)	509(A)(3) - TYPE I	THE WESTERLY HOSPITAL	X	
ATLANTIC MEDICAL GROUP, INC. - 32-0250865 25 WELLS STREET WESTERLY, RI 02891	SUPPORT THE WESTERLY HOSPITAL	RHODE ISLAND	501(C)(3)	509(A)(3) - TYPE II	N/A	X	
THE WESTERLY HOSPITAL AUXILIARY, INC. - 22-2507181, 25 WELLS STREET, WESTERLY, RI 02891	SUPPORT THE WESTERLY HOSPITAL	RHODE ISLAND	501(C)(3)		N/A		X

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule R (Form 990) 2010

032161
12-21-10 LHA

RIDOH 1367

Schedule R (Form 990) WESTERLY HOSPITAL HEALTHCARE, INC. 22-2490227

Part II Continuation of Identification of Related Tax-Exempt Organizations

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization? Yes	(g) Section 512(b)(13) controlled organization? No
NORTH STONINGTON HEALTH CENTER, INC. - 27-1833030, 183 PROVIDENCE NEW LONDON TPKE, NORTH STONINGTON, CT 06359	OPERATE A HEALTH CENTER	CONNECTICUT	501(C)(3)		N/A	X	

Part III **Identification of Related Organizations Taxable as a Partnership** (Complete if the organization answered "Yes" to Form 990, Part IV, line 34 because it had one or more related organizations treated as a partnership during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations? Yes	(h) No	(i) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership

Part IV **Identification of Related Organizations Taxable as a Corporation or Trust** (Complete if the organization answered "Yes" to Form 990, Part IV, line 34 because it had one or more related organizations treated as a corporation or trust during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
MASTUXET REALTY -- 22-2501886 25 WELLS STREET WESTERLY, RI 02891	INACTIVE	RI		C CORP	0.	0.	100.00%

RIDOH 1369

Part V Transactions With Related Organizations (Complete if the organization answered "Yes" to Form 990, Part IV, line 34, 35, 35a, or 36.)

Note. Complete line 1 if any entity is listed in Parts II, III, or IV of this schedule.

		Yes	No
1	During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?		
a	Receipt of (i) interest (ii) annuities (iii) royalties or (iv) rent from a controlled entity		X
b	Gift, grant, or capital contribution to other organization(s)		X
c	Gift, grant, or capital contribution from other organization(s)	X	
d	Loans or loan guarantees to or for other organization(s)		X
e	Loans or loan guarantees by other organization(s)	X	
f	Sale of assets to other organization(s)		X
g	Purchase of assets from other organization(s)		X
h	Exchange of assets		X
i	Lease of facilities, equipment, or other assets to other organization(s)		X
j	Lease of facilities, equipment, or other assets from other organization(s)		X
k	Performance of services or membership or fundraising solicitations for other organization(s)	X	
l	Performance of services or membership or fundraising solicitations by other organization(s)	X	
m	Sharing of facilities, equipment, mailing lists, or other assets		X
n	Sharing of paid employees		X
o	Reimbursement paid to other organization for expenses		X
p	Reimbursement paid by other organization for expenses		X
q	Other transfer of cash or property to other organization(s)		X
r	Other transfer of cash or property from other organization(s)		X

2 If the answer to any of the above is "Yes," see the instructions for information on who must complete this line, including covered relationships and transaction thresholds.

	(a) Name of other organization	(b) Transaction type (a-r)	(c) Amount involved	(d) Method of determining amount involved
(1)	THE WESTERLY HOSPITAL	C	1,552,957.	CASH TRANSFERRED
(2)	THE WESTERLY HOSPITAL	E	148,304.	AMOUNT OWED
(3)	ATLANTIC MEDICAL GROUP, INC.	E	257,776.	AMOUNT OWED
(4)				
(5)				
(6)				

RIDOH 1370

Part VI **Unrelated Organizations Taxable as a Partnership** (Complete if the organization answered "Yes" to Form 990, Part IV, line 37.)

Provide the following information for each entity taxed as a partnership through which the organization conducted more than five percent of its activities (measured by total assets or gross revenue) that was not a related organization. See instructions regarding exclusion for certain investment partnerships.

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Are all partners section 501(c)(3) organizations? Yes	(d) No	(e) Share of end-of-year assets	(f) Disproportionate allocations? Yes	(f) No	(g) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(h) General or managing partner? Yes	(h) No

Part VII Supplemental Information

Complete this part to provide additional information for responses to questions on Schedule R (see instructions).

RIDOH 1372

Form **8868**
(Rev January 2011)
Department of the Treasury
Internal Revenue Service

Application for Extension of Time To File an Exempt Organization Return

▶ File a separate application for each return

OMB No 1545-1709

- If you are filing for an **Automatic 3-Month Extension, complete only Part I** and check this box ▶ [X]
- If you are filing for an **Additional (Not Automatic) 3-Month Extension, complete only Part II** (on page 2 of this form)

Do not complete Part II unless you have already been granted an automatic 3-month extension on a previously filed Form 8868

Electronic filing (e-file) You can electronically file Form 8868 if you need a 3-month automatic extension of time to file (6 months for a corporation required to file Form 990-T), or an additional (not automatic) 3-month extension of time You can electronically file Form 8868 to request an extension of time to file any of the forms listed in Part I or Part II with the exception of Form 8870, Information Return for Transfers Associated With Certain Personal Benefit Contracts, which must be sent to the IRS in paper format (see instructions) For more details on the electronic filing of this form, visit *www irs gov/efile* and click on *e-file for Charities & Nonprofits*

Part I Automatic 3-Month Extension of Time. Only submit original (no copies needed)

A corporation required to file Form 990-T and requesting an automatic 6-month extension - check this box and complete Part I only ▶ [ ]

All other corporations (including 1120-C filers), partnerships, REMICs, and trusts must use Form 7004 to request an extension of time to file income tax returns

Type or print	Name of exempt organization	Employer identification number
File by the due date for filing your return See instructions	COMMUNITY HEALTH OF WESTERLY, INC.	22-2490227
	Number, street, and room or suite no If a P O box, see instructions 25 WELLS STREET	
	City, town or post office, state, and ZIP code For a foreign address, see instructions WESTERLY, RI 02891-2934	

Enter the Return code for the return that this application is for (file a separate application for each return) [0 1]

Application Is For	Return Code	Application Is For	Return Code
Form 990	01	Form 990-T (corporation)	07
Form 990-BL	02	Form 1041-A	08
Form 990-EZ	01	Form 4720	09
Form 990-PF	04	Form 5227	10
Form 990-T (sec 401(a) or 408(a) trust)	05	Form 6069	11
Form 990-T (trust other than above)	06	Form 8870	12

THE ORGANIZATION

- The books are in the care of ▶ 25 WELLS STREET - WESTERLY, RI 02891-2934
  Telephone No ▶ 401-348-3711 FAX No ▶
- If the organization does not have an office or place of business in the United States, check this box ▶ [ ]
- If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) _____ If this is for the whole group, check this box ▶ [ ] If it is for part of the group, check this box ▶ [ ] and attach a list with the names and EINs of all members the extension is for

1 I request an automatic 3-month (6 months for a corporation required to file Form 990-T) extension of time until MAY 15, 2012, to file the exempt organization return for the organization named above The extension is for the organization's return for
▶ [ ] calendar year _____ or
▶ [X] tax year beginning OCT 1, 2010, and ending SEP 30, 2011

2 If the tax year entered in line 1 is for less than 12 months, check reason [ ] Initial return [ ] Final return
[ ] Change in accounting period

3a	If this application is for Form 990-BL, 990 PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits See instructions	3a	$ 0.
b	If this application is for Form 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made Include any prior year overpayment allowed as a credit	3b	$ 0.
c	**Balance due** Subtract line 3b from line 3a Include your payment with this form, if required, by using EFTPS (Electronic Federal Tax Payment System) See instructions	3c	$ 0.

Caution If you are going to make an electronic fund withdrawal with this Form 8868, see Form 8453-EO and Form 8879-EO for payment instructions

LHA For Paperwork Reduction Act Notice, see Instructions

Form 8868 (Rev 1-2011)

020841
01-16-12

FEB 13 2012

14580213 755449 COM001 2010.05050 COMMUNITY HEALTH OF WESTERL COM001_1

RIDOH 1373

- If you are filing for an Additional (Not Automatic) 3-Month Extension, complete only Part II and check this box ▶ [X]

Note. Only complete Part II if you have already been granted an automatic 3-month extension on a previously filed Form 8868.

- If you are filing for an Automatic 3-Month Extension, complete only Part I (on page 1).

Part II Additional (Not Automatic) 3-Month Extension of Time. Only file the original (no copies needed).

Type or print. File by the extended due date for filing your return. See instructions.

Name of exempt organization	Employer identification number
COMMUNITY HEALTH OF WESTERLY, INC.	22-2490227

Number, street, and room or suite no. If a P.O. box, see instructions.
25 WELLS STREET

City, town or post office, state, and ZIP code. For a foreign address, see instructions.
WESTERLY, RI 02891-2934

Enter the Return code for the return that this application is for (file a separate application for each return) 0 1

Application Is For	Return Code	Application Is For	Return Code
Form 990	01		
Form 990-BL	02	Form 1041-A	08
Form 990-EZ	01	Form 4720	09
Form 990-PF	04	Form 5227	10
Form 990-T (sec. 401(a) or 408(a) trust)	05	Form 6069	11
Form 990-T (trust other than above)	06	Form 8870	12

STOP! Do not complete Part II if you were not already granted an automatic 3-month extension on a previously filed Form 8868.

THE ORGANIZATION

- The books are in the care of ▶ 25 WELLS STREET - WESTERLY, RI 02891-2934
  Telephone No. ▶ 401-348-3711 FAX No. ▶
- If the organization does not have an office or place of business in the United States, check this box ▶ [ ]
- If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) _____. If this is for the whole group, check this box ▶ [ ]. If it is for part of the group, check this box ▶ [ ] and attach a list with the names and EINs of all members the extension is for.

4 I request an additional 3-month extension of time until AUGUST 15, 2012.

5 For calendar year _____, or other tax year beginning OCT 1, 2010, and ending SEP 30, 2011

6 If the tax year entered in line 5 is for less than 12 months, check reason: [ ] Initial return [ ] Final return
[ ] Change in accounting period

7 State in detail why you need the extension
THE NECESSARY INFORMATION TO FILE A COMPLETE AND ACCURATE RETURN IS NOT YET AVAILABLE.

8a	If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions.	8a	$ 0.
b	If this application is for Form 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit and any amount paid previously with Form 8868.	8b	$ 0.
c	Balance due. Subtract line 8b from line 8a. Include your payment with this form, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions.	8c	$ 0.

Signature and Verification

Under penalties of perjury, I declare that I have examined this form, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete, and that I am authorized to prepare this form.

Signature ▶ _____ Title ▶ CFA Date ▶ 10/1/12

LAW AND CONSULTING OFFICES
BEAUTYMAN ALVSTAD, LLP
1201 BETHLEHEM PIKE
FLOURTOWN, PA 19031
Telephone: (215) 836-7000 Fax: (215) 836-6886
Email: mbeauty@beautyman.com
http://www.beautyman.com

Michael J. Beautyman
Extension 101

September 17, 2010

Office of the Secretary of State
Rhode Island Corporations Division
148 West River St.
Providence, RI 02904-2615

Re: Articles of Amendment – Name Change

Dear Sir or Madam:

Enclosed for filing please find an original and one copy of Articles of Amendment for Community Health of Westerly, Inc., which has changed its name to Westerly Hospital Healthcare, Inc.

Also enclosed is a check in the amount of $10.00 made payable to the Rhode Island Secretary of State.

Please file the original Articles of Amendment with your office.

Please return the copy of the Articles of Amendment to me in the enclosed self-addressed stamped envelope, indicating thereon that the Articles of Amendment have been filed.

Thank you.

Sincerely yours,

Michael J. Beautyman

MJB: sla

Enclosure

cc: Charles S. Kinney, FACHE (VIA E-MAIL) (w/encl.)
Maureen Carboni (VIA E-MAIL) (w/encl.)
Jeanne LaChance (VIA E-MAIL) (w/encl.)
Mike Delmonico (VIA E-MAIL) (w/encl.)

Filing Fee: $10.00

ID Number: _____

2019 SEP 24 AM 10:53

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
Office of the Secretary of State
Corporations Division
148 W. River Street
Providence, Rhode Island 02904-2615

NON-PROFIT CORPORATION

ARTICLES OF AMENDMENT TO ARTICLES OF INCORPORATION

Pursuant to the provisions of Section 7-6-40 of the General Laws of Rhode Island, 1956, as amended, the undersigned corporation adopts the following Articles of Amendment to its Articles of Incorporation:

1. The name of the corporation is Community Health of Westerly, Inc.

2. The following amendment to the Articles of Incorporation was adopted by the corporation:

[Insert Amendment]

The name of the corporation is changed to Westerly Hospital Healthcare, Inc.

Form No. 201
Revised: 12/05

3. The amendment was adopted in the following manner:

(check one box only)

☒ The amendment was adopted at a meeting of the members held on August 2, 2010, at which meeting a quorum was present, and the amendment received at least a majority of the votes which members present or represented by proxy at such meeting were entitled to cast.

☐ The amendment was adopted by a consent in writing on _____, signed by all members entitled to vote with respect thereto.

☐ The amendment was adopted at a meeting of the Board of Directors held on _____ and received the vote of a majority of the directors in office, there being no members entitled to vote with respect thereto.

4. Date when amendment is to become effective upon filing
(not prior to, nor more than 30 days after, the filing of these Articles of Amendment)

Under penalty of perjury, we declare and affirm that we have examined these Articles of Amendment to the Articles of Incorporation, including any accompanying attachments, and that all statements contained herein are true and correct.

Date: 09/14/2010

(Community Health of Westerly, Inc.)
Westerly Hospital Healthcare, Inc.
Print Corporate Name

By _____

☒ President or ☐ Vice President (check one)

AND

By _____

☒ Secretary or ☐ Assistant Secretary (check one)

Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

▶ The organization may have to use a copy of this return to satisfy state reporting requirements.

OMB No. 1545-0047

2009

Open to Public Inspection

A For the 2009 calendar year, or tax year beginning OCT 1, 2009 and ending SEP 30, 2010

B Check if applicable:
- ☐ Address change
- ☐ Name change
- ☐ Initial return
- ☐ Terminated
- ☐ Amended return
- ☐ Application pending

Please use IRS label or print or type. See Specific Instructions.

C Name of organization
COMMUNITY HEALTH OF WESTERLY, INC.

Doing Business As

Number and street (or P.O. box if mail is not delivered to street address) Room/suite
25 WELLS STREET

City or town, state or country, and ZIP + 4
WESTERLY, RI 02891-2934

D Employer identification number
22-2490227

E Telephone number
401-596-6000

G Gross receipts $ 1,056,994.

F Name and address of principal officer: CHARLES KINNEY
SAME AS C ABOVE

H(a) Is this a group return for affiliates? ☐ Yes ☒ No

H(b) Are all affiliates included? ☐ Yes ☐ No
If "No," attach a list. (see instructions)

H(c) Group exemption number ▶

I Tax-exempt status: ☒ 501(c)(3) ◀ (insert no.) ☐ 4947(a)(1) or ☐ 527

J Website: ▶ N/A

K Form of organization: ☒ Corporation ☐ Trust ☐ Association ☐ Other ▶

L Year of formation: 1983 M State of legal domicile: RI

Part I Summary

Activities & Governance

1 Briefly describe the organization's mission or most significant activities: TO SUPPORT WESTERLY HOSPITAL AND ITS AFFILIATED ORGANIZATIONS, INCLUDING MEDICAL CENTERS, HEALTH CARE

2 Check this box ▶ ☐ if the organization discontinued its operations or disposed of more than 25% of its net assets.

3	Number of voting members of the governing body (Part VI, line 1a)	3	17
4	Number of independent voting members of the governing body (Part VI, line 1b)	4	15
5	Total number of employees (Part V, line 2a)	5	20
6	Total number of volunteers (estimate if necessary)	6	0
7a	Total gross unrelated business revenue from Part VIII, column (C), line 12	7a	0.
b	Net unrelated business taxable income from Form 990-T, line 34	7b	0.

		Prior Year	Current Year
Revenue	8 Contributions and grants (Part VIII, line 1h)		
	9 Program service revenue (Part VIII, line 2g)	1,058,855.	1,046,314.
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	137.	5.
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)		10,675.
	12 Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12)	1,058,992.	1,056,994.
Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1-3)		
	14 Benefits paid to or for members (Part IX, column (A), line 4)		
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	1,141,851.	1,686,667.
	16a Professional fundraising fees (Part IX, column (A), line 11e)		
	b Total fundraising expenses (Part IX, column (D), line 25) ▶		
	17 Other expenses (Part IX, column (A), lines 11a-11d, 11f-24f)	1,015,481.	772,654.
	18 Total expenses. Add lines 13-17 (must equal Part IX, column (A), line 25)	2,157,332.	2,459,321.
	19 Revenue less expenses. Subtract line 18 from line 12	-1,098,340.	-1,402,327.

		Beginning of Current Year	End of Year
Net Assets or Fund Balances	20 Total assets (Part X, line 16)	165,987.	209,697.
	21 Total liabilities (Part X, line 26)	190,209.	394,539.
	22 Net assets or fund balances. Subtract line 21 from line 20	-24,222.	-184,842.

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

COPY

Signature of officer Date

JEANNE LACHANCE, TREASURER
Type or print name and title

Paid Preparer's Use Only

Preparer's signature Date 8/15/11 Check if self-employed ▶ ☐ Preparer's identifying number (see instructions)

Firm's name (or yours if self-employed), address, and ZIP + 4
BLUM, SHAPIRO & COMPANY, P.C., CPA'S
29 S. MAIN STREET, P.O. BOX 272000
WEST HARTFORD, CT 06127-2000

EIN ▶

Phone no. ▶ 860 561-4000

May the IRS discuss this return with the preparer shown above? (see instructions) ☒ Yes ☐ No

SEE SCHEDULE O FOR ORGANIZATION MISSION STATEMENT CONTINUATION

Part III Statement of Program Service Accomplishments

1 Briefly describe the organization's mission:
TO SUPPORT WESTERLY HOSPITAL AND ITS AFFILIATED ORGANIZATIONS, INCLUDING MEDICAL CENTERS, HEALTH CARE CENTERS, LABORATORIES, CLINICS, AND OTHER MEDICAL, SURGICAL, OR DENTAL FACILITIES, IN THE CONDUCT OF THEIR CHARITABLE, EDUCATIONAL, AND SCIENTIFIC FUNCTION.

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? ☐ Yes ☒ No
If "Yes," describe these new services on Schedule O.

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? ☐ Yes ☒ No
If "Yes," describe these changes on Schedule O.

4 Describe the exempt purpose achievements for each of the organization's three largest program services by expenses. Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported.

4a (Code:) (Expenses $ 1,967,455. including grants of $) (Revenue $ 1,056,989.)
THE PURPOSE OF THE CORPORATION SHALL BE TO SUPPORT THE ADVANCEMENT OF THE KNOWLEDGE AND PRACTICE OF, AND EDUCATION AND RESEARCH IN, MEDICINE, SURGERY, NURSING AND ALL OTHER SUBJECTS RELATING TO THE CARE, TREATMENT AND HEALING OF HUMANS, TO IMPROVE THE HEALTH AND WELFARE OF ALL PERSONS, AND TO SPONSOR, DEVELOP AND PROMOTE SERVICES AND PROGRAMS WHICH ARE CHARITABLE, SCIENTIFIC OR EDUCATIONAL AND WHICH ADDRESS THE PHYSICAL AND MENTAL NEEDS OF THE COMMUNITY AT LARGE.

4b (Code:) (Expenses $ Including grants of $) (Revenue $)

4c (Code:) (Expenses $ Including grants of $) (Revenue $)

4d Other program services. (Describe in Schedule O.)
(Expenses $ Including grants of $) (Revenue $)

4e Total program service expenses ▶ $ 1,967,455.

RIDOH 1379

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	X	
2	Is the organization required to complete Schedule B, Schedule of Contributors?	2		X
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		X
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities? *If "Yes," complete Schedule C, Part II*	4		X
5	**Section 501(c)(4), 501(c)(5), and 501(c)(6) organizations.** Is the organization subject to the section 6033(e) notice and reporting requirement and proxy tax? *If "Yes," complete Schedule C, Part III*	5		
6	Did the organization maintain any donor advised funds or any similar funds or accounts where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		X
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? *If "Yes," complete Schedule D, Part II*	7		X
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		X
9	Did the organization report an amount in Part X, line 21; serve as a custodian for amounts not listed in Part X; or provide credit counseling, debt management, credit repair, or debt negotiation services? *If "Yes," complete Schedule D, Part IV*	9		X
10	Did the organization, directly or through a related organization, hold assets in term, permanent, or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10		X
11	Is the organization's answer to any of the following questions "Yes"? *If so, complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable*	11	X	
	• Did the organization report an amount for land, buildings, and equipment in Part X, line 10? *If "Yes," complete Schedule D, Part VI.*			
	• Did the organization report an amount for investments - other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII.*			
	• Did the organization report an amount for investments - program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII.*			
	• Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX.*			
	• Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X.*			
	• Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48? *If "Yes," complete Schedule D, Part X.*			
12	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, XII, and XIII.*	12		X
12A	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," completing Schedule D, Parts XI, XII, and XIII is optional* (Yes: , No: X)	12A		
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		X
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		X
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, and program service activities outside the United States? *If "Yes," complete Schedule F, Part I*	14b		X
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or assistance to any organization or entity located outside the United States? *If "Yes," complete Schedule F, Part II*	15		X
16	Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or assistance to individuals located outside the United States? *If "Yes," complete Schedule F, Part III*	16		X
17	Did the organization report a total of more than $15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? *If "Yes," complete Schedule G, Part I*	17		X
18	Did the organization report more than $15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? *If "Yes," complete Schedule G, Part II*	18		X
19	Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III*	19		X
20	Did the organization operate one or more hospitals? *If "Yes," complete Schedule H*	20		X

Part IV Checklist of Required Schedules *(continued)*

			Yes	No
21	Did the organization report more than $5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II*	21		X
22	Did the organization report more than $5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	22		X
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If "Yes," complete Schedule J*	23	X	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer lines 24b through 24d and complete Schedule K. If "No", go to line 25*	24a		X
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	25a		X
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	25b		X
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? *If "Yes," complete Schedule L, Part II*	26		X
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? *If "Yes," complete Schedule L, Part III*	27		X
28	Was the organization a party to a business transaction with one of the following parties, (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions):			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	28a		X
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	28b		X
c	An entity of which a current or former officer, director, trustee, or key employee of the organization (or a family member) was an officer, director, trustee, or direct or indirect owner? *If "Yes," complete Schedule L, Part IV*	28c		X
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	29		X
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	30		X
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	31		X
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	32		X
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? *If "Yes," complete Schedule R, Part I*	33	X	
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1*	34	X	
35	Is any related organization a controlled entity within the meaning of section 512(b)(13)? *If "Yes," complete Schedule R, Part V, line 2*	35		X
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	36		X
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	37		X
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? **Note.** All Form 990 filers are required to complete Schedule O.	38	X	

Part V Statements Regarding Other IRS Filings and Tax Compliance

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096, Annual Summary and Transmittal of U.S. Information Returns. Enter -0- if not applicable	1a	8		
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?		1c	X	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return	2a	20		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?		2b	X	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to *e-file* this return. (see instructions)				
3a	Did the organization have unrelated business gross income of $1,000 or more during the year covered by this return?		3a		X
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*		3b		
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?		4a		X
b	If "Yes," enter the name of the foreign country: ▶ See the instructions for exceptions and filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.				
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		5a		X
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		5b		X
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T, Disclosure by Tax Exempt Entity Regarding Prohibited Tax Shelter Transaction?		5c		
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible?		6a		X
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		6b		
7	**Organizations that may receive deductible contributions under section 170(c).**				
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?		7a		X
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?		7b		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		7c		X
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d			
e	Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		7e		X
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		7f		X
g	For all contributions of qualified intellectual property, did the organization file Form 8899 as required?		7g		
h	For contributions of cars, boats, airplanes, and other vehicles, did the organization file a Form 1098-C as required?		7h		
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		8		X
9	**Sponsoring organizations maintaining donor advised funds.**				
a	Did the organization make any taxable distributions under section 4966?		9a		
b	Did the organization make a distribution to a donor, donor advisor, or related person?		9b		
10	**Section 501(c)(7) organizations.** Enter:				
a	Initiation fees and capital contributions included on Part VIII, line 12	10a			
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b			
11	**Section 501(c)(12) organizations.** Enter:				
a	Gross income from members or shareholders	11a			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them.)	11b			
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?		12a		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b			

Part VI Governance, Management, and Disclosure *For each "Yes" response to lines 2 through 7b below, and for a "No" response to line 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.*

Section A. Governing Body and Management

				Yes	No
1a	Enter the number of voting members of the governing body	1a	17		
b	Enter the number of voting members that are independent	1b	15		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?		2		X
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?		3		X
4	Did the organization make any significant changes to its organizational documents since the prior Form 990 was filed?		4		X
5	Did the organization become aware during the year of a material diversion of the organization's assets?		5		X
6	Does the organization have members or stockholders?		6		X
7a	Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body?		7a		X
b	Are any decisions of the governing body subject to approval by members, stockholders, or other persons?		7b		X
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:				
a	The governing body?		8a	X	
b	Each committee with authority to act on behalf of the governing body?		8b	X	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? *If "Yes," provide the names and addresses in Schedule O*		9		X

Section B. Policies *(This Section B requests information about policies not required by the Internal Revenue Code.)*

			Yes	No
10a	Does the organization have local chapters, branches, or affiliates?	10a		X
b	If "Yes," does the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with those of the organization?	10b		
11	Has the organization provided a copy of this Form 990 to all members of its governing body before filing the form?	11	X	
11A	Describe in Schedule O the process, if any, used by the organization to review this Form 990.			
12a	Does the organization have a written conflict of interest policy? *If "No," go to line 13*	12a	X	
b	Are officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	X	
c	Does the organization regularly and consistently monitor and enforce compliance with the policy? *If "Yes," describe in Schedule O how this is done*	12c	X	
13	Does the organization have a written whistleblower policy?	13	X	
14	Does the organization have a written document retention and destruction policy?	14	X	
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?			
a	The organization's CEO, Executive Director, or top management official	15a	X	
b	Other officers or key employees of the organization	15b	X	
	If "Yes" to line 15a or 15b, describe the process in Schedule O. (See instructions.)			
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a		X
b	If "Yes," has the organization adopted a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and taken steps to safeguard the organization's exempt status with respect to such arrangements?	16b		

Section C. Disclosure

17 List the states with which a copy of this Form 990 is required to be filed ▶ NONE

18 Section 6104 requires an organization to make its Forms 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you make these available. Check all that apply.

☐ Own website ☐ Another's website ☒ Upon request

19 Describe in Schedule O whether (and if so, how), the organization makes its governing documents, conflict of interest policy, and financial statements available to the public.

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization: ▶

JEANNE LACHANCE, CFO - 401-348-3711

25 WELLS STREET, WESTERLY, RI 02891-2934

Part VII Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

1a Complete this table for all persons required to be listed. Report compensation for the calendar year ending with or within the organization's tax year. Use Schedule J-2 if additional space is needed.

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation. Enter -0- in columns (D), (E), and (F) if no compensation was paid.
- List all of the organization's **current** key employees. See instructions for definition of "key employee."
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee, or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than $100,000 from the organization and any related organizations.
- List all of the organization's **former** officers, key employees, and highest compensated employees who received more than $100,000 of reportable compensation from the organization and any related organizations.
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than $10,000 of reportable compensation from the organization and any related organizations.

List persons in the following order: individual trustees or directors; institutional trustees; officers; key employees; highest compensated employees; and former such persons.

[X] Check this box if the organization did not compensate any current officer, director, or trustee.

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
CHARLES S. KINNEY PRESIDENT/CEO	1.00	X		X				0.	284,615.	40,334.
FRED A. ALLARDYCE SECOND VICE-CHAIRMAN	1.00	X		X				0.	0.	0.
DAVID R. BAILEY DIRECTOR	1.00	X						0.	0.	0.
JOHN P. CASEY DIRECTOR	1.00	X						0.	0.	0.
DAVID D'ERAMO, PH.D. DIRECTOR	1.00	X						0.	0.	0.
JOHN T. GORBY DIRECTOR	1.00	X						0.	0.	0.
MARTHA MCQ. HOSP FIRST VICE-CHAIRMAN	1.00	X		X				0.	0.	0.
ALLEN W. LEADBETTER, M.D. ASSISTANT SECRETARY	1.00	X		X				0.	0.	0.
LEONARD C. EDWARDS DIRECTOR	1.00	X						0.	0.	0.
WILLIAM G. MCKENDREE CHAIRMAN	1.00	X		X				0.	0.	0.
DAVID V. DEVAULT DIRECTOR	1.00	X						0.	0.	0.
MARY JO ORSINGER DIRECTOR	1.00	X						0.	0.	0.
MAUREEN N. FITZGERALD DIRECTOR	1.00	X						0.	0.	0.
RICHARD C. HOLLIDAY DIRECTOR	1.00	X						0.	0.	0.
CHRISTOPHER LEHRACH, M.D. DIRECTOR	1.00	X			X			0.	304,532.	48,852.
DAVID R. RIVERA DIRECTOR	1.00	X						0.	0.	0.
BARBARA J. PERINO DIRECTOR	1.00	X						0.	0.	0.

Part VII Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees *(continued)*

(A) Name and title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
JEANNE M. LACHANCE TREASURER	1.00			X				0.	193,730.	35,842.
MAUREEN L. CARBONI SECRETARY	1.00			X				0.	65,565.	7,008.
ROBERT GREENLEE PHYSICIAN	40.00					X		288,769.	0.	20,554.
SUZAN MENIHAN MIDWIFE	40.00					X		136,073.	0.	21,656.
LORI KELLEY NURSE MIDWIFE	40.00					X		114,164.	0.	20,436.
1b Total ▶								539,006.	848,442.	194,682.

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 in reportable compensation from the organization ▶ 3

		Yes	No
3	Did the organization list any **former** officer, director or trustee, key employee, or highest compensated employee on line 1a? *If "Yes," complete Schedule J for such individual*		X
4	For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than $150,000? *If "Yes," complete Schedule J for such individual*	X	
5	Did any person listed on line 1a receive or accrue compensation from any unrelated organization for services rendered to the organization? *If "Yes," complete Schedule J for such person*		X

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than $100,000 of compensation from the organization. NONE

(A) Name and business address	(B) Description of services	(C) Compensation

2 Total number of independent contractors (including but not limited to those listed above) who received more than $100,000 in compensation from the organization ▶ 0

Part VIII Statement of Revenue

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a Federated campaigns	1a				
	b Membership dues	1b				
	c Fundraising events	1c				
	d Related organizations	1d				
	e Government grants (contributions)	1e				
	f All other contributions, gifts, grants, and similar amounts not included above	1f				
	g Noncash contributions included in lines 1a-1f: $					
	h Total. Add lines 1a-1f					
Program Service Revenue		Business Code				
	2a WOMEN'S HEALTH OF WEST	621110	1023447.	1023447.		
	b ELDEREVAL	900099	22,867.	22,867.		
	c					
	d					
	e					
	f All other program service revenue					
	g Total. Add lines 2a-2f		1046314.			
Other Revenue	3 Investment income (including dividends, interest, and other similar amounts)		5.			5.
	4 Income from investment of tax-exempt bond proceeds					
	5 Royalties					
		(i) Real	(ii) Personal			
	6a Gross Rents					
	b Less: rental expenses					
	c Rental income or (loss)					
	d Net rental income or (loss)					
		(i) Securities	(ii) Other			
	7a Gross amount from sales of assets other than inventory					
	b Less: cost or other basis and sales expenses					
	c Gain or (loss)					
	d Net gain or (loss)					
	8a Gross income from fundraising events (not including $ _____ of contributions reported on line 1c). See Part IV, line 18	a				
	b Less: direct expenses	b				
	c Net income or (loss) from fundraising events					
	9a Gross income from gaming activities. See Part IV, line 19	a				
	b Less: direct expenses	b				
	c Net income or (loss) from gaming activities					
	10a Gross sales of inventory, less returns and allowances	a				
	b Less: cost of goods sold	b				
	c Net income or (loss) from sales of inventory					
	Miscellaneous Revenue	Business Code				
	11a MISCELLANEOUS REVENUE	900099	10,675.	10,675.		
	b					
	c					
	d All other revenue					
	e Total. Add lines 11a-11d		10,675.			
	12 Total revenue. See instructions		1056994.	1056989.	0.	5.

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Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns.
All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D).

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to governments and organizations in the U.S. See Part IV, line 21				
2 Grants and other assistance to individuals in the U.S. See Part IV, line 22				
3 Grants and other assistance to governments, organizations, and individuals outside the U.S. See Part IV, lines 15 and 16				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees				
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7 Other salaries and wages	1,399,656.	1,119,725.	279,931.	
8 Pension plan contributions (include section 401(k) and section 403(b) employer contributions)				
9 Other employee benefits	199,212.	159,370.	39,842.	
10 Payroll taxes	87,799.	70,239.	17,560.	
11 Fees for services (non-employees):				
a Management	98,789.	79,031.	19,758.	
b Legal	633.	506.	127.	
c Accounting	1,688.	1,350.	338.	
d Lobbying				
e Professional fundraising services. See Part IV, line 17				
f Investment management fees				
g Other	84,931.	67,945.	16,986.	
12 Advertising and promotion	19,393.	15,514.	3,879.	
13 Office expenses	90,868.	72,694.	18,174.	
14 Information technology				
15 Royalties				
16 Occupancy	110,717.	88,574.	22,143.	
17 Travel				
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings				
20 Interest				
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	78.	62.	16.	
23 Insurance	218,879.	175,103.	43,776.	
24 Other expenses. Itemize expenses not covered above. (Expenses grouped together and labeled miscellaneous may not exceed 5% of total expenses shown on line 25 below.)				
a DUES AND LICENSES	31,003.	24,802.	6,201.	
b UTILITIES	18,224.	14,579.	3,645.	
c REPAIRS AND MAINTENANCE	10,505.	8,404.	2,101.	
d JANITORIAL EXPENSE	10,255.	7,691.	2,564.	
e BANK FEES	1,486.	1,189.	297.	
f All other expenses	75,205.	60,677.	14,528.	
25 Total functional expenses. Add lines 1 through 24f	2,459,321.	1,967,455.	491,866.	0.
26 Joint costs. Check here ▶ ☐ if following SOP 98-2. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

RIDOH 1387

Part X Balance Sheet

				(A) Beginning of year		(B) End of year
Assets	1	Cash - non-interest-bearing		41,875.	1	20,419.
	2	Savings and temporary cash investments		12,645.	2	7,074.
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		111,467.	4	171,594.
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L			5	
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B). Complete Part II of Schedule L			6	
	7	Notes and loans receivable, net			7	
	8	Inventories for sale or use			8	
	9	Prepaid expenses and deferred charges			9	
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a 86,991.			
	b	Less: accumulated depreciation	10b 76,381.	0.	10c	10,610.
	11	Investments - publicly traded securities			11	
	12	Investments - other securities. See Part IV, line 11			12	
	13	Investments - program-related. See Part IV, line 11			13	
	14	Intangible assets			14	
	15	Other assets. See Part IV, line 11			15	
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		165,987.	16	209,697.
Liabilities	17	Accounts payable and accrued expenses		24,514.	17	173,311.
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities			20	
	21	Escrow or custodial account liability. Complete Part IV of Schedule D			21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L			22	
	23	Secured mortgages and notes payable to unrelated third parties			23	
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities. Complete Part X of Schedule D		165,695.	25	221,228.
	26	**Total liabilities.** Add lines 17 through 25		190,209.	26	394,539.
Net Assets or Fund Balances		**Organizations that follow SFAS 117, check here ▶ ☐ and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets			27	
	28	Temporarily restricted net assets			28	
	29	Permanently restricted net assets			29	
		Organizations that do not follow SFAS 117, check here ▶ ☒ and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds		0.	30	0.
	31	Paid-in or capital surplus, or land, building, or equipment fund		0.	31	0.
	32	Retained earnings, endowment, accumulated income, or other funds		-24,222.	32	-184,842.
	33	Total net assets or fund balances		-24,222.	33	-184,842.
	34	Total liabilities and net assets/fund balances		165,987.	34	209,697.

Part XI Financial Statements and Reporting

			Yes	No
1	Accounting method used to prepare the Form 990: ☐ Cash ☒ Accrual ☐ Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O.			
2a	Were the organization's financial statements compiled or reviewed by an independent accountant?	2a		X
b	Were the organization's financial statements audited by an independent accountant?	2b		X
c	If "Yes" to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O.	2c		
d	If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued on a consolidated basis, separate basis, or both: ☐ Separate basis ☐ Consolidated basis ☐ Both consolidated and separate basis			
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	3a		X
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits.	3b		

SCHEDULE A (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

Complete if the organization is a section 501(c)(3) organization or a section 4947(a)(1) nonexempt charitable trust.

▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No. 1545-0047

2009

Open to Public Inspection

Name of the organization

COMMUNITY HEALTH OF WESTERLY, INC.

Employer identification number

22-2490227

Part I Reason for Public Charity Status (All organizations must complete this part.) See instructions.

The organization is not a private foundation because it is: (For lines 1 through 11, check only one box.)

1 ☐ A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**

2 ☐ A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E.)

3 ☐ A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**

4 ☐ A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state:

5 ☐ An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II.)

6 ☐ A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**

7 ☐ An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi).** (Complete Part II.)

8 ☐ A community trust described in **section 170(b)(1)(A)(vi).** (Complete Part II.)

9 ☐ An organization that normally receives: (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions - subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See **section 509(a)(2).** (Complete Part III.)

10 ☐ An organization organized and operated exclusively to test for public safety. See **section 509(a)(4).**

11 ☒ An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2). See **section 509(a)(3).** Check the box that describes the type of supporting organization and complete lines 11e through 11h.

a ☐ Type I b ☒ Type II c ☐ Type III - Functionally integrated d ☐ Type III - Other

e ☒ By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2).

f If the organization received a written determination from the IRS that it is a Type I, Type II, or Type III supporting organization, check this box ☐

g Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?

		Yes	No
(i)	A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization?	11g(i)	X
(ii)	A family member of a person described in (i) above?	11g(ii)	X
(iii)	A 35% controlled entity of a person described in (i) or (ii) above?	11g(iii)	X

h Provide the following information about the supported organization(s).

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1-9 above or IRC section (see instructions))	(iv) Is the organization in col. (i) listed in your governing document? Yes	(iv) No	(v) Did you notify the organization in col. (i) of your support? Yes	(v) No	(vi) Is the organization in col. (i) organized in the U.S.? Yes	(vi) No	(vii) Amount of support
THE WESTERLY HOSPITAL	05-0259100 3		X		X		X		0.
Total									0.

Part II **Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)**
(Complete only if you checked the box on line 5, 7, or 8 of Part I.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2005	(b) 2006	(c) 2007	(d) 2008	(e) 2009	(f) Total
1 Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 Total. Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 **Public support.** Subtract line 5 from line 4						

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2005	(b) 2006	(c) 2007	(d) 2008	(e) 2009	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
11 **Total support.** Add lines 7 through 10						

12 Gross receipts from related activities, etc. (see instructions) 12

13 **First five years.** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and **stop here** ▶ ☐

Section C. Computation of Public Support Percentage

14 Public support percentage for 2009 (line 6, column (f) divided by line 11, column (f)) 14 %

15 Public support percentage from 2008 Schedule A, Part II, line 14 15 %

16a **33 1/3% support test - 2009.** If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶ ☐

b **33 1/3% support test - 2008.** If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶ ☐

17a **10% -facts-and-circumstances test - 2009.** If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization ▶ ☐

b **10% -facts-and-circumstances test - 2008.** If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization ▶ ☐

18 **Private foundation.** If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions ▶ ☐

Part III Support Schedule for Organizations Described in Section 509(a)(2) (Complete only if you checked the box on line 9 of Part I.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2005	(b) 2006	(c) 2007	(d) 2008	(e) 2009	(f) Total
1 Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 **Total.** Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of $5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 **Public support** (Subtract line 7c from line 6.)						

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2005	(b) 2006	(c) 2007	(d) 2008	(e) 2009	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 **Total support** (Add lines 9, 10c, 11, and 12.)						

14 **First five years.** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and stop here ▶ ☐

Section C. Computation of Public Support Percentage

15 Public support percentage for 2009 (line 8, column (f) divided by line 13, column (f))	15	%
16 Public support percentage from 2008 Schedule A, Part III, line 15	16	%

Section D. Computation of Investment Income Percentage

17 Investment income percentage for 2009 (line 10c, column (f) divided by line 13, column (f))	17	%
18 Investment income percentage from 2008 Schedule A, Part III, line 17	18	%

19a **33 1/3% support tests - 2009.** If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶ ☐

b **33 1/3% support tests - 2008.** If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3%, and line 18 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶ ☐

20 **Private foundation.** If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions ▶ ☐

Schedule D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11, or 12.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No. 1545-0047

2009

Open to Public Inspection

Name of the organization: COMMUNITY HEALTH OF WESTERLY, INC.

Employer identification number: 22-2490227

Part I Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts. Complete if the organization answered "Yes" to Form 990, Part IV, line 6.

		(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year		
2	Aggregate contributions to (during year)		
3	Aggregate grants from (during year)		
4	Aggregate value at end of year		

5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? ☐ Yes ☐ No

6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit? ☐ Yes ☐ No

Part II Conservation Easements. Complete if the organization answered "Yes" to Form 990, Part IV, line 7.

1 Purpose(s) of conservation easements held by the organization (check all that apply).
- ☐ Preservation of land for public use (e.g., recreation or pleasure)
- ☐ Protection of natural habitat
- ☐ Preservation of open space
- ☐ Preservation of an historically important land area
- ☐ Preservation of a certified historic structure

2 Complete lines 2a through 2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year.

		Held at the End of the Tax Year
a	Total number of conservation easements	2a
b	Total acreage restricted by conservation easements	2b
c	Number of conservation easements on a certified historic structure included in (a)	2c
d	Number of conservation easements included in (c) acquired after 8/17/06	2d

3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax year ▶ _____

4 Number of states where property subject to conservation easement is located ▶ _____

5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds? ☐ Yes ☐ No

6 Staff and volunteer hours devoted to monitoring, inspecting, and enforcing conservation easements during the year ▶ _____

7 Amount of expenses incurred in monitoring, inspecting, and enforcing conservation easements during the year ▶ $ _____

8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and section 170(h)(4)(B)(ii)? ☐ Yes ☐ No

9 In Part XIV, describe how the organization reports conservation easements in its revenue and expense statement, and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements.

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets. Complete if the organization answered "Yes" to Form 990, Part IV, line 8.

1a If the organization elected, as permitted under SFAS 116, not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide, in Part XIV, the text of the footnote to its financial statements that describes these items.

b If the organization elected, as permitted under SFAS 116, to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items:

(i) Revenues included in Form 990, Part VIII, line 1 ▶ $ _____

(ii) Assets included in Form 990, Part X ▶ $ _____

2 If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 relating to these items:

a Revenues included in Form 990, Part VIII, line 1 ▶ $ _____

b Assets included in Form 990, Part X ▶ $ _____

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets *(continued)*

3 Using the organization's acquisition, accession, and other records, check any of the following that are a significant use of its collection items (check all that apply):

a ☐ Public exhibition
b ☐ Scholarly research
c ☐ Preservation for future generations
d ☐ Loan or exchange programs
e ☐ Other _____

4 Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIV.

5 During the year, did the organization solicit or receive donations of art, historical treasures, or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? ☐ Yes ☐ No

Part IV Escrow and Custodial Arrangements. Complete if organization answered "Yes" to Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? ☐ Yes ☐ No

b If "Yes," explain the arrangement in Part XIV and complete the following table:

		Amount
c Beginning balance	1c	
d Additions during the year	1d	
e Distributions during the year	1e	
f Ending balance	1f	

2a Did the organization include an amount on Form 990, Part X, line 21? ☐ Yes ☐ No

b If "Yes," explain the arrangement in Part XIV.

Part V Endowment Funds. Complete if the organization answered "Yes" to Form 990, Part IV, line 10.

	(a) Current year	(b) Prior year	(c) Two years back	(d) Three years back	(e) Four years back
1a Beginning of year balance					
b Contributions					
c Net investment earnings, gains, and losses					
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance					

2 Provide the estimated percentage of the year end balance held as:

a Board designated or quasi-endowment ▶ _____ %
b Permanent endowment ▶ _____ %
c Term endowment ▶ _____ %

3a Are there endowment funds not in the possession of the organization that are held and administered for the organization by:

		Yes	No
(i) unrelated organizations	3a(i)		
(ii) related organizations	3a(ii)		
b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?	3b		

4 Describe in Part XIV the intended uses of the organization's endowment funds.

Part VI Investments - Land, Buildings, and Equipment. See Form 990, Part X, line 10.

Description of investment	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land				
b Buildings				
c Leasehold improvements				
d Equipment		86,991.	76,381.	10,610.
e Other				
Total. Add lines 1a through 1e. *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶				10,610.

Part VII Investments - Other Securities. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
Financial derivatives		
Closely-held equity interests		
Other		
Total. (Col (b) must equal Form 990, Part X, col (B) line 12.) ▶		

Part VIII Investments - Program Related. See Form 990, Part X, line 13.

(a) Description of investment type	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
Total. (Col (b) must equal Form 990, Part X, col (B) line 13.) ▶		

Part IX Other Assets. See Form 990, Part X, line 15.

(a) Description	(b) Book value
Total. *(Column (b) must equal Form 990, Part X, col (B) line 15.)* ▶	

Part X Other Liabilities. See Form 990, Part X, line 25.

1. (a) Description of liability	(b) Amount
Federal income taxes	
DUE TO RELATED PARTIES	221,228.
Total. *(Column (b) must equal Form 990, Part X, col (B) line 25.)* ▶	221,228.

2. FIN 48 Footnote. In Part XIV, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48.

Part XI Reconciliation of Change in Net Assets from Form 990 to Audited Financial Statements

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	1,056,994.
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	2,459,321.
3	Excess or (deficit) for the year. Subtract line 2 from line 1	3	-1,402,327.
4	Net unrealized gains (losses) on investments	4	
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV.)	8	1,241,707.
9	Total adjustments (net). Add lines 4 through 8	9	1,241,707.
10	Excess or (deficit) for the year per audited financial statements. Combine lines 3 and 9	10	-160,620.

Part XII Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

1	Total revenue, gains, and other support per audited financial statements		1	
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12:			
a	Net unrealized gains on investments	2a		
b	Donated services and use of facilities	2b		
c	Recoveries of prior year grants	2c		
d	Other (Describe in Part XIV.)	2d		
e	Add lines 2a through 2d		2e	
3	Subtract line 2e from line 1		3	
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1:			
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a		
b	Other (Describe in Part XIV.)	4b		
c	Add lines 4a and 4b		4c	
5	Total revenue. Add lines 3 and 4c. *(This must equal Form 990, Part I, line 12.)*		5	

Part XIII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

1	Total expenses and losses per audited financial statements		1	
2	Amounts included on line 1 but not on Form 990, Part IX, line 25:			
a	Donated services and use of facilities	2a		
b	Prior year adjustments	2b		
c	Other losses	2c		
d	Other (Describe in Part XIV.)	2d		
e	Add lines 2a through 2d		2e	
3	Subtract line 2e from line 1		3	
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:			
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a		
b	Other (Describe in Part XIV.)	4b		
c	Add lines 4a and 4b		4c	
5	Total expenses. Add lines 3 and 4c. *(This must equal Form 990, Part I, line 18.)*		5	

Part XIV Supplemental Information

Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9; Part III, lines 1a and 4; Part IV, lines 1b and 2b; Part V, line 4; Part X, line 2; Part XI, line 8; Part XII, lines 2d and 4b; and Part XIII, lines 2d and 4b. Also complete this part to provide any additional information.

PART XI, LINE 8 - OTHER ADJUSTMENTS:

CAPITAL CONTRIBUTIONS: 1241707.

SCHEDULE J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 23.

▶ Attach to Form 990. ▶ See separate instructions.

OMB No. 1545-0047

2009

Open to Public Inspection

Name of the organization: COMMUNITY HEALTH OF WESTERLY, INC.

Employer identification number: 22-2490227

Part I Questions Regarding Compensation

		Yes	No
1a	Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items.		
	[ ] First-class or charter travel		
	[ ] Travel for companions		
	[ ] Tax indemnification and gross-up payments		
	[ ] Discretionary spending account		
	[ ] Housing allowance or residence for personal use		
	[ ] Payments for business use of personal residence		
	[ ] Health or social club dues or initiation fees		
	[ ] Personal services (e.g., maid, chauffeur, chef)		
b	If any of the boxes on line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain		
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?		
3	Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director. Check all that apply.		
	[X] Compensation committee		
	[ ] Independent compensation consultant		
	[X] Form 990 of other organizations		
	[X] Written employment contract		
	[X] Compensation survey or study		
	[X] Approval by the board or compensation committee		
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a, with respect to the filing organization or a related organization:		
a	Receive a severance payment or change-of-control payment?		X
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?		X
c	Participate in, or receive payment from, an equity-based compensation arrangement?		X
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III.		
	Only section 501(c)(3) and 501(c)(4) organizations must complete lines 5-9.		
5	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of:		
a	The organization?		X
b	Any related organization?		X
	If "Yes" to line 5a or 5b, describe in Part III.		
6	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of:		
a	The organization?		X
b	Any related organization?		X
	If "Yes" to line 6a or 6b, describe in Part III.		
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III		X
8	Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regs. section 53.4958-4(a)(3)? If "Yes," describe in Part III		X
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?		

Part II **Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees.** Use Schedule J-1 if additional space is needed.

For each individual whose compensation must be reported in Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions, on row (ii). Do not list any individuals that are not listed on Form 990, Part VII.

Note. The sum of columns (B)(i)-(iii) must equal the applicable column (D) or column (E) amounts on Form 990, Part VII, line 1a.

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
	(i)	0.	0.	0.	0.	0.	0.	0.
CHARLES S. KINNEY	(ii)	284,615.	0.	0.	26,686.	13,648.	324,949.	0.
	(i)	0.	0.	0.	0.	0.	0.	0.
CHRISTOPHER LEHRACH, M.D.	(ii)	304,532.	0.	0.	30,963.	17,889.	353,384.	0.
	(i)	0.	0.	0.	0.	0.	0.	0.
JEANNE M. LACHANCE	(ii)	193,730.	0.	0.	18,455.	17,387.	229,572.	0.
	(i)	288,769.	0.	0.	7,350.	13,204.	309,323.	0.
ROBERT GREENLEE	(ii)	0.	0.	0.	0.	0.	0.	0.
	(i)	136,073.	0.	0.	4,082.	17,574.	157,729.	0.
SUZAN MENIHAN	(ii)	0.	0.	0.	0.	0.	0.	0.
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
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	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							

SCHEDULE O (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990

Complete to provide information for responses to specific questions on Form 990 or to provide any additional information.
▶ Attach to Form 990.

OMB No. 1545-0047

2009

Open to Public Inspection

Name of the organization

COMMUNITY HEALTH OF WESTERLY, INC.

Employer identification number

22-2490227

FORM 990, PART I, LINE 1, DESCRIPTION OF ORGANIZATION MISSION:
CENTERS, LABORATORIES, CLINICS, AND OTHER MEDICAL, SURGICAL, OR DENTAL FACILITIES, IN THE CONDUCT OF THEIR CHARITABLE, EDUCATIONAL, AND SCIENTIFIC FUNCTION.

FORM 990, PART VI, SECTION B, LINE 11: THE FORM 990 WAS REVIEWED BY THE PRESIDENT AND TREASURER OF THE ORGANIZATION, AND A COPY OF THE FORM 990 WAS PROVIDED TO ALL VOTING MEMBERS OF THE BOARD FOR REVIEW BEFORE FILING.

FORM 990, PART VI, SECTION B, LINE 12C: EACH BOARD MEMBER SIGNS A CONFLICT OF INTEREST STATEMENT ANNUALLY. THEY ARE REQUIRED TO DISCLOSE ANY RELATIONSHIP THEY, THEIR BUSINESSES, OR THEIR FAMILY MEMBERS MAY HAVE WITH THE ORGANIZATION. IF A DISCUSSION OR VOTE OCCURS ON A TRANSACTION WITH A POTENTIAL CONFLICT, THE BOARD MEMBER EXCUSES THEMSELVES FROM THE DISCUSSION AND VOTE.

FORM 990, PART VI, SECTION B, LINE 15: SUBCOMMITTEE OF THE GOVERNING BOARD MEETS TO DETERMINE ALL COMPENSATION ARRANGEMENTS OF THE TOP EXECUTIVE, OFFICERS AND KEY EMPLOYEES.

FORM 990, PART VI, SECTION C, LINE 19: THE CONFLICT OF INTEREST POLICY AND FINANCIAL STATEMENTS ARE PROVIDED UPON REQUEST.

RIDOH 1399

SCHEDULE R (Form 990)
Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 33, 34, 35, 36, or 37.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No. 1545-0047
2009
Open to Public Inspection

Name of the organization
COMMUNITY HEALTH OF WESTERLY, INC.

Employer identification number
22-2490227

Part I **Identification of Disregarded Entities** (Complete if the organization answered "Yes" to Form 990, Part IV, line 33.)

(a) Name, address, and EIN of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity
WOMEN'S HEALTH SERVICES OF WESTERLY, LLC - 22-2490227 25 WELLS STREET WESTERLY, RI 02891	HEALTHCARE	RHODE ISLAND	1023447.	183,867.	
ELDEREVAL LLC - 26-3463167 25 WELLS STREET WESTERLY, RI 02891	ELDER SERVICES	RHODE ISLAND	22,867.	1,000.	
WESTERLY HOSPITAL ENERGY CO., LLC 25 WELLS STREET WESTERLY, RI 02891	INACTIVE	RHODE ISLAND	0.	0.	

Part II **Identification of Related Tax-Exempt Organizations** (Complete if the organization answered "Yes" to Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity
THE WESTERLY HOSPITAL - 05-0259100 25 WELLS STREET WESTERLY, RI 02891	HOSPITAL	RHODE ISLAND	501(C)(3)	LINE 3	N/A
THE WESTERLY HOSPITAL FOUNDATION, INC. - 05-0508064, 25 WELLS STREET, WESTERLY, RI 02891	SUPPORT THE WESTERLY HOSPITAL	RHODE ISLAND	501(C)(3)	509(A)(3) - TYPE I	THE WESTERLY HOSPITAL
ATLANTIC MEDICAL GROUP, INC. - 32-0250865 25 WELLS STREET WESTERLY, RI 02891	SUPPORT THE WESTERLY HOSPITAL	RHODE ISLAND	501(C)(3)	509(A)(3) - TYPE II	N/A
THE WESTERLY HOSPITAL AUXILIARY, INC. - 22-2507181 25 WELLS STREET, WESTERLY, RI 02891	SUPPORT THE WESTERLY HOSPITAL	RHODE ISLAND	501(C)(3)		N/A

LHA For Privacy Act and Paperwork Reduction Act Notice, see the instructions for Form 990. Schedule R (Form 990) 2009

932161
02-04-10

RIDOH 1400

Part III **Identification of Related Organizations Taxable as a Partnership** (Complete if the organization answered "Yes" to Form 990, Part IV, line 34 because it had one or more related organizations treated as a partnership during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations? Yes	(h) No	(i) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No

Part IV **Identification of Related Organizations Taxable as a Corporation or Trust** (Complete if the organization answered "Yes" to Form 990, Part IV, line 34 because it had one or more related organizations treated as a corporation or trust during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
MASTUXET REALTY - 22-2501886 25 WELLS STREET WESTERLY, RI 02891	INACTIVE	RI		C CORP	0.	0.	100.00%

RIDOH 1401

Part V Transactions With Related Organizations (Complete if the organization answered "Yes" to Form 990, Part IV, line 34, 35, or 36.)

Note. Complete line 1 if any entity is listed in Parts II, III, or IV of this schedule.

			Yes	No
1	During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?			
a	Receipt of (i) interest (ii) annuities (iii) royalties or (iv) rent from a controlled entity	1a		X
b	Gift, grant, or capital contribution to other organization(s)	1b		X
c	Gift, grant, or capital contribution from other organization(s)	1c	X	
d	Loans or loan guarantees to or for other organization(s)	1d		X
e	Loans or loan guarantees by other organization(s)	1e	X	
f	Sale of assets to other organization(s)	1f		X
g	Purchase of assets from other organization(s)	1g		X
h	Exchange of assets	1h		X
i	Lease of facilities, equipment, or other assets to other organization(s)	1i		X
j	Lease of facilities, equipment, or other assets from other organization(s)	1j		X
k	Performance of services or membership or fundraising solicitations for other organization(s)	1k		X
l	Performance of services or membership or fundraising solicitations by other organization(s)	1l	X	
m	Sharing of facilities, equipment, mailing lists, or other assets	1m		X
n	Sharing of paid employees	1n		X
o	Reimbursement paid to other organization for expenses	1o		X
p	Reimbursement paid by other organization for expenses	1p		X
q	Other transfer of cash or property to other organization(s)	1q		X
r	Other transfer of cash or property from other organization(s)	1r		X

2 If the answer to any of the above is "Yes," see the instructions for information on who must complete this line, including covered relationships and transaction thresholds.

	(a) Name of other organization(s)	(b) Transaction type (a-r)	(c) Amount involved
(1)	THE WESTERLY HOSPITAL	C	1,241,706.
(2)	THE WESTERLY HOSPITAL	E	154,509.
(3)	ATLANTIC MEDICAL GROUP, INC.	E	119,076.
(4)	MASTUXET REALTY	E	40.
(5)	ATLANTIC MEDICAL GROUP, INC.	L	110,000.
(6)			

RIDOH 1402

Part VI **Unrelated Organizations Taxable as a Partnership** (Complete if the organization answered "Yes" to Form 990, Part IV, line 37.)

Provide the following information for each entity taxed as a partnership through which the organization conducted more than five percent of its activities (measured by total assets or gross revenue) that was not a related organization. See instructions regarding exclusion for certain investment partnerships.

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Are all partners section 501(c)(3) organizations? Yes	(d) No	(e) Share of end-of-year assets	(f) Disproportionate allocations? Yes	(f) No	(g) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(h) General or managing partner? Yes	(h) No

Part II Continuation of Identification of Related Tax-Exempt Organizations

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity
NORTH STONINGTON HEALTH CENTER, INC. 27-1833030, 183 PROVIDENCE NEW LONDON TPKE, NORTH STONINGTON, CT 06359	OPERATE A HEALTH CENTER	CONNECTICUT	501(C)(3)		N/A

• If you are filing for an **Additional (Not Automatic) 3-Month Extension, complete only Part II** and check this box ▶ [X]

Note. Only complete Part II if you have already been granted an automatic 3-month extension on a previously filed Form 8868.

• If you are filing for an **Automatic 3-Month Extension, complete only Part I** (on page 1)

Part II **Additional (Not Automatic) 3-Month Extension of Time.** Only file the original (no copies needed).

Type or print. File by the extended due date for filing your return. See instructions	Name of exempt organization	Employer identification number
	COMMUNITY HEALTH OF WESTERLY, INC.	22-2490227
	Number, street, and room or suite no. If a P.O. box, see instructions 25 WELLS STREET	
	City, town or post office, state, and ZIP code. For a foreign address, see instructions. WESTERLY, RI 02891-2934	

Enter the Return code for the return that this application is for (file a separate application for each return) [0 1]

Application Is For	Return Code	Application Is For	Return Code
Form 990	01		
Form 990-BL	02	Form 1041-A	08
Form 990-EZ	03	Form 4720	09
Form 990-PF	04	Form 5227	10
Form 990-T (sec. 401(a) or 408(a) trust)	05	Form 6069	11
Form 990-T (trust other than above)	06	Form 8870	12

STOP! Do not complete Part II if you were not already granted an automatic 3-month extension on a previously filed Form 8868.

• The books are in the care of ▶ JEANNE LACHANCE, CFO - 25 WELLS STREET - WESTERLY, RI 02891-2934
Telephone No. ▶ 401-348-3711 FAX No. ▶

• If the organization does not have an office or place of business in the United States, check this box ▶ ☐

• If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) _____. If this is for the whole group, check this box ▶ ☐. If it is for part of the group, check this box ▶ ☐ and attach a list with the names and EINs of all members the extension is for.

4 I request an additional 3-month extension of time until AUGUST 15, 2011

5 For calendar year _____, or other tax year beginning OCT 1, 2009, and ending SEP 30, 2010

6 If the tax year entered in line 5 is for less than 12 months, check reason. ☐ Initial return ☐ Final return
☐ Change in accounting period

7 State in detail why you need the extension
THE INFORMATION NECESSARY TO FILE A COMPLETE AND ACCURATE TAX RETURN IS NOT YET AVAILABLE.

8a	If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions.	8a	$ 0.
b	If this application is for Form 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit and any amount paid previously with Form 8868.	8b	$ 0.
c	**Balance due.** Subtract line 8b from line 8a. Include your payment with this form, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions.	8c	$ 0.

Signature and Verification

Under penalties of perjury, I declare that I have examined this form, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete, and that I am authorized to prepare this form.

Signature ▶ _____ Title ▶ CFO Date ▶ 8/12/11

Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

▶ The organization may have to use a copy of this return to satisfy state reporting requirements.

OMB No. 1545-0047

2008

Open to Public Inspection

A For the 2008 calendar year, or tax year beginning OCT 1, 2008 and ending SEP 30, 2009

B Check if applicable:
- ☐ Address change
- ☐ Name change
- ☐ Initial return
- ☐ Termination
- ☐ Amended return
- ☐ Application pending

Please use IRS label or print or type. See Specific Instructions.

C Name of organization
COMMUNITY HEALTH OF WESTERLY, INC.

Doing Business As

Number and street (or P.O. box if mail is not delivered to street address) Room/suite
25 WELLS STREET

City or town, state or country, and ZIP + 4
WESTERLY, RI 02891-2934

D Employer identification number
22-2490227

E Telephone number
401-596-6000

G Gross receipts $ 1,058,992.

F Name and address of principal officer: CHARLES KINNEY
SAME AS C ABOVE

H(a) Is this a group return for affiliates? ☐ Yes ☒ No

H(b) Are all affiliates included? ☐ Yes ☐ No
If "No," attach a list. (see instructions)

H(c) Group exemption number ▶

I Tax-exempt status: ☒ 501(c)(3) ◀ (insert no.) ☐ 4947(a)(1) or ☐ 527

J Website: ▶ N/A

K Type of organization: ☒ Corporation ☐ Trust ☐ Association ☐ Other ▶

L Year of formation: 1983 M State of legal domicile: RI

Part I Summary

Activities & Governance

1 Briefly describe the organization's mission or most significant activities: TO SUPPORT WESTERLY HOSPITAL AND ITS AFFILIATED ORGANIZATIONS; INCLUDING MEDICAL CENTERS, HEALTH CARE

2 Check this box ▶ ☐ if the organization discontinued its operations or disposed of more than 25% of its assets.

3	Number of voting members of the governing body (Part VI, line 1a)	3	14
4	Number of independent voting members of the governing body (Part VI, line 1b)	4	14
5	Total number of employees (Part V, line 2a)	5	25
6	Total number of volunteers (estimate if necessary)	6	0
7a	Total gross unrelated business revenue from Part VIII, line 12, column (C)	7a	0.
b	Net unrelated business taxable income from Form 990-T, line 34	7b	0.

		Prior Year	Current Year
Revenue	8 Contributions and grants (Part VIII, line 1h)		
	9 Program service revenue (Part VIII, line 2g)	1,491,804.	1,058,855.
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	524.	137.
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)		
	12 Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12)	1,492,328.	1,058,992.
Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1-3)		
	14 Benefits paid to or for members (Part IX, column (A), line 4)		
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	1,367,191.	1,141,851.
	16a Professional fundraising fees (Part IX, column (A), line 11e)		
	b Total fundraising expenses (Part IX, column (D), line 25) ▶		
	17 Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e)	795,185.	1,015,481.
	18 Total expenses. Add lines 13-17 (must equal Part IX, column (A), line 25)	2,162,376.	2,157,332.
	19 Revenue less expenses. Subtract line 18 from line 12	-670,048.	-1,098,340.

		Beginning of Year	End of Year
Net Assets or Fund Balances	20 Total assets (Part X, line 16)	275,780.	165,987.
	21 Total liabilities (Part X, line 26)	423,947.	190,209.
	22 Net assets or fund balances. Subtract line 21 from line 20	-148,167.	-24,222.

CLIENT COPY

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

▶ Signature of officer Date

▶ JEANNE LACHANCE, TREASURER
Type or print name and title

Paid Preparer's Use Only

Preparer's signature Date 8/16/10 Check if self-employed ▶ ☐ Preparer's identifying number (see instructions)

Firm's name (or yours if self-employed), address, and ZIP + 4
BLUM, SHAPIRO & COMPANY, P.C., CPA'S
29 S. MAIN STREET, P.O. BOX 272000
WEST HARTFORD, CT 06127-2000

EIN ▶

Phone no. ▶ 860 561-4000

May the IRS discuss this return with the preparer shown above? (see instructions) ☒ Yes ☐ No

SEE SCHEDULE O FOR ORGANIZATION MISSION STATEMENT CONTINUATION

Part III Statement of Program Service Accomplishments (see instructions)

1 Briefly describe the organization's mission:
TO SUPPORT WESTERLY HOSPITAL AND ITS AFFILIATED ORGANIZATIONS, INCLUDING MEDICAL CENTERS, HEALTH CARE CENTERS, LABORATORIES, CLINICS, AND OTHER MEDICAL, SURGICAL, OR DENTAL FACILITIES, IN THE CONDUCT OF THEIR CHARITABLE, EDUCATIONAL, AND SCIENTIFIC FUNCTION.

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? ☐ Yes ☒ No
If "Yes", describe these new services on Schedule O.

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? ☐ Yes ☒ No
If "Yes", describe these changes on Schedule O.

4 Describe the exempt purpose achievements for each of the organization's three largest program services by expenses. Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported.

4a (Code:) (Expenses $ 1,725,866. including grants of $) (Revenue $ 1,058,855.)
THE PURPOSE OF THE CORPORATION SHALL BE TO SUPPORT THE ADVANCEMENT OF THE KNOWLEDGE AND PRACTICE OF, AND EDUCATION AND RESEARCH IN, MEDICINE, SURGERY, NURSING AND ALL OTHER SUBJECTS RELATING TO THE CARE, TREATMENT AND HEALING OF HUMANS, TO IMPROVE THE HEALTH AND WELFARE OF ALL PERSONS, AND TO SPONSOR, DEVELOP AND PROMOTE SERVICES AND PROGRAMS WHICH ARE CHARITABLE, SCIENTIFIC OR EDUCATIONAL AND WHICH ADDRESS THE PHYSICAL AND MENTAL NEEDS OF THE COMMUNITY AT LARGE.

4b (Code:) (Expenses $ including grants of $) (Revenue $)

4c (Code:) (Expenses $ including grants of $) (Revenue $)

4d Other program services. (Describe in Schedule O.)
(Expenses $ including grants of $) (Revenue $)

4e Total program service expenses ▶ $ 1,725,866. *(Must equal Part IX, Line 25, column (B).)*

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Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	X	
2	Is the organization required to complete Schedule B, Schedule of Contributors?	2		X
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		X
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities? *If "Yes," complete Schedule C, Part II*	4		X
5	**Section 501(c)(4), 501(c)(5), and 501(c)(6) organizations.** Is the organization subject to the section 6033(e) notice and reporting requirement and proxy tax? *If "Yes," complete Schedule C, Part III*	5		
6	Did the organization maintain any donor advised funds or any accounts where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		X
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? *If "Yes," complete Schedule D, Part II*	7		X
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		X
9	Did the organization report an amount in Part X, line 21; serve as a custodian for amounts not listed in Part X; or provide credit counseling, debt management, credit repair, or debt negotiation services? *If "Yes," complete Schedule D, Part IV*	9		X
10	Did the organization hold assets in term, permanent, or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10		X
11	Did the organization report an amount in Part X, lines 10, 12, 13, 15, or 25? *If "Yes," complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable*	11	X	
12	Did the organization receive an audited financial statement for the year for which it is completing this return that was prepared in accordance with GAAP? *If "Yes," complete Schedule D, Parts XI, XII, and XIII*	12		X
13	Is the organization a school as described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		X
14a	Did the organization maintain an office, employees, or agents outside of the U.S.?	14a		X
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, and program service activities outside the U.S.? *If "Yes," complete Schedule F, Part I*	14b		X
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or assistance to any organization or entity located outside the United States? *If "Yes," complete Schedule F, Part II*	15		X
16	Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or assistance to individuals located outside the United States? *If "Yes," complete Schedule F, Part III*	16		X
17	Did the organization report more than $15,000 on Part IX, column (A), line 11e? *If "Yes," complete Schedule G, Part I*	17		X
18	Did the organization report more than $15,000 total on Part VIII, lines 1c and 8a? *If "Yes," complete Schedule G, Part II*	18		X
19	Did the organization report more than $15,000 on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III*	19		X
20	Did the organization operate one or more hospitals? *If "Yes," complete Schedule H*	20		X
21	Did the organization report more than $5,000 on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II*	21		X
22	Did the organization report more than $5,000 on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	22		X
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5? *If "Yes," complete Schedule J*	23	X	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer questions 24b-24d and complete Schedule K. If "No", go to question 25*	24a		X
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	25a		X
b	Did the organization become aware that it had engaged in an excess benefit transaction with a disqualified person from a prior year? *If "Yes," complete Schedule L, Part I*	25b		X
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? *If "Yes," complete Schedule L, Part II*	26		X
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, or substantial contributor, or to a person related to such an individual? *If "Yes," complete Schedule L, Part III*	27		X

Part IV Checklist of Required Schedules *(continued)*

			Yes	No
28	During the tax year, did any person who is a current or former officer, director, trustee, or key employee:			
a	Have a direct business relationship with the organization (other than as an officer, director, trustee, or employee), or an indirect business relationship through ownership of more than 35% in another entity (individually or collectively with other person(s) listed in Part VII, Section A)? *If "Yes," complete Schedule L, Part IV*	28a		X
b	Have a family member who had a direct or indirect business relationship with the organization? *If "Yes," complete Schedule L, Part IV*	28b		X
c	Serve as an officer, director, trustee, key employee, partner, or member of an entity (or a shareholder of a professional corporation) doing business with the organization? *If "Yes," complete Schedule L, Part IV*	28c		X
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	29		X
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	30		X
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	31		X
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	32		X
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? *If "Yes," complete Schedule R, Part I*	33	X	
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1*	34	X	
35	Is any related organization a controlled entity within the meaning of section 512(b)(13)? *If "Yes," complete Schedule R, Part V, line 2*	35		X
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	36		X
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	37		X

Part V Statements Regarding Other IRS Filings and Tax Compliance

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096, Annual Summary and Transmittal of U.S. Information Returns. Enter -0- if not applicable	1a	0		
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?			1c	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return	2a	25		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?			2b	X
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to *e-file* this return. (see instructions)				
3a	Did the organization have unrelated business gross income of $1,000 or more during the year covered by this return?			3a	X
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*			3b	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?			4a	X
b	If "Yes," enter the name of the foreign country: ▶ See the instructions for exceptions and filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.				
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?			5a	X
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			5b	X
c	If "Yes," to question 5a or 5b, did the organization file Form 8886-T, Disclosure by Tax-Exempt Entity Regarding Prohibited Tax Shelter Transaction?			5c	
6a	Did the organization solicit any contributions that were not tax deductible?			6a	X
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?			6b	
7	**Organizations that may receive deductible contributions under section 170(c).**				
a	Did the organization provide goods or services in exchange for any quid pro quo contribution of more than $75?			7a	X
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?			7b	
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?			7c	X
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d			
e	Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?			7e	X
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?			7f	X
g	For all contributions of qualified intellectual property, did the organization file Form 8899 as required?			7g	
h	For contributions of cars, boats, airplanes, and other vehicles, did the organization file a Form 1098-C as required?			7h	
8	**Section 501(c)(3) and other sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a fund maintained by a sponsoring organization, have excess business holdings at any time during the year?			8	X
9	**Section 501(c)(3) and other sponsoring organizations maintaining donor advised funds.**				
a	Did the organization make any taxable distributions under section 4966?			9a	
b	Did the organization make a distribution to a donor, donor advisor, or related person?			9b	
10	**Section 501(c)(7) organizations.** Enter: N/A				
a	Initiation fees and capital contributions included on Part VIII, line 12	10a			
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b			
11	**Section 501(c)(12) organizations.** Enter: N/A				
a	Gross income from members or shareholders	11a			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them.)	11b			
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?			12a	
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year N/A	12b			

Part VI Governance, Management, and Disclosure *(Sections A, B, and C request information about policies not required by the Internal Revenue Code.)*

Section A. Governing Body and Management

			Yes	No
	For each "Yes" response to lines 2-7b below, and for a "No" response to lines 8 or 9b below, describe the circumstances, processes, or changes in Schedule O. See instructions.			
1a	Enter the number of voting members of the governing body	1a 14		
b	Enter the number of voting members that are independent	1b 12		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2		X
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3		X
4	Did the organization make any significant changes to its organizational documents since the prior Form 990 was filed?	4		X
5	Did the organization become aware during the year of a material diversion of the organization's assets?	5		X
6	Does the organization have members or stockholders?	6		X
7a	Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body?	7a		X
b	Are any decisions of the governing body subject to approval by members, stockholders, or other persons?	7b		X
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:			
a	The governing body?	8a	X	
b	Each committee with authority to act on behalf of the governing body?	8b	X	
9a	Does the organization have local chapters, branches, or affiliates?	9a		X
b	If 'Yes,' does the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with those of the organization?	9b		
10	Was a copy of the Form 990 provided to the organization's governing body before it was filed? All organizations must describe in Schedule O the process, if any, the organization uses to review the Form 990	10	X	
11	Is there any officer, director or trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? *If "Yes," provide the names and addresses in Schedule O*	11		X

Section B. Policies

			Yes	No
12a	Does the organization have a written conflict of interest policy? *If "No," go to line 13*	12a	X	
b	Are officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	X	
c	Does the organization regularly and consistently monitor and enforce compliance with the policy? *If "Yes," describe in Schedule O how this is done*	12c	X	
13	Does the organization have a written whistleblower policy?	13	X	
14	Does the organization have a written document retention and destruction policy?	14	X	
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision:			
a	The organization's CEO, Executive Director, or top management official?	15a	X	
b	Other officers or key employees of the organization? Describe the process in Schedule O. (see instructions)	15b	X	
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a		X
b	If "Yes," has the organization adopted a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and taken steps to safeguard the organization's exempt status with respect to such arrangements?	16b		

Section C. Disclosure

17 List the states with which a copy of this Form 990 is required to be filed ▶ NONE

18 Section 6104 requires an organization to make its Forms 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you make these available. Check all that apply.

☐ Own website ☐ Another's website ☒ Upon request

19 Describe in Schedule O whether (and if so, how), the organization makes its governing documents, conflict of interest policy, and financial statements available to the public.

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization: ▶

JEANNE LACHANCE, CFO - 401-348-3711
25 WELLS STREET, WESTERLY, RI 02891-2934

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Part VII Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

1a Complete this table for all persons required to be listed. Use Schedule J-2 if additional space is needed.

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation, and **current** key employees. Enter -0- in columns (D), (E), and (F) if no compensation was paid.
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee, or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than $100,000 from the organization and any related organizations.
- List all of the organization's **former** officers, key employees, and highest compensated employees who received more than $100,000 of reportable compensation from the organization and any related organizations.
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than $10,000 of reportable compensation from the organization and any related organizations.

List persons in the following order: individual trustees or directors; institutional trustees; officers; key employees; highest compensated employees; and former such persons.

☐ Check this box if the organization did not compensate any officer, director, trustee, or key employee.

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
CHARLES S. KINNEY PRESIDENT/CEO	1.00	X		X				0.	285,501.	32,543.
FRED A. ALLARDYCE CHAIRMAN	1.00	X		X				0.	0.	0.
DAVID R. BAILEY DIRECTOR	1.00	X						0.	0.	0.
JOHN P. CASEY DIRECTOR	1.00	X						0.	0.	0.
DAVID D'ERAMO, PH.D. DIRECTOR	1.00	X						0.	0.	0.
JOHN T. GORBY DIRECTOR	1.00	X						0.	0.	0.
MARTHA MCQ. HOSP VICE CHAIRMAN	1.00	X		X				0.	0.	0.
ALLEN W. LEADBETTER, M.D DIRECTOR	1.00	X						0.	0.	0.
LEONARD C. EDWARDS DIRECTOR	1.00	X						0.	0.	0.
WILLIAM G. MCKENDREE VICE CHAIRMAN	1.00	X		X				0.	0.	0.
WILLIAM A. NARDONE VICE CHAIRMAN	1.00	X		X				0.	0.	0.
MARY JO ORSINGER DIRECTOR	1.00	X						0.	0.	0.
JOHN C. WARREN ASSISTANT SECRETARY	1.00	X		X				0.	0.	0.
RICHARD C. HOLLIDAY DIRECTOR	1.00	X						0.	0.	0.
CHRISTOPHER LEHRACH, M.D DIRECTOR	1.00	X			X			0.	327,557.	37,417.
DAVID R. RIVERA DIRECTOR	1.00	X						0.	0.	0.
JEANNE M. LACHANCE TREASURER	1.00			X				0.	195,769.	29,948.

Part VII Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees *(continued)*

(A) Name and title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
MAUREEN L. CARBONI SECRETARY	1.00			X				0.	63,939.	5,762.
ROBERT GREENLEE PHYSICIAN	40.00					X		161,538.	0.	9,102.
SUZAN MENIHAN MIDWIFE	40.00					X		158,034.	0.	3,254.
RACHEL CIACCIO PHYSICIAN	40.00					X		292,977.	0.	14,171.
1b Total ▶								612,549.	872,766.	132,197.

2 Total number of individuals (including those in 1a) who received more than $100,000 in reportable compensation from the organization ▶ 3

		Yes	No
3	Did the organization list any **former** officer, director or trustee, key employee, or highest compensated employee on line 1a? *If "Yes," complete Schedule J for such individual*	3		X
4	For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than $150,000? *If "Yes," complete Schedule J for such individual*	4	X	
5	Did any person listed on line 1a receive or accrue compensation from any unrelated organization for services rendered to the organization? *If "Yes," complete Schedule J for such person*	5		X

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than $100,000 of compensation from the organization. NONE

(A) Name and business address	(B) Description of services	(C) Compensation

2 Total number of independent contractors (including those in 1) who received more than $100,000 in compensation from the organization ▶ 0

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Part VIII Statement of Revenue

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a Federated campaigns	1a				
	b Membership dues	1b				
	c Fundraising events	1c				
	d Related organizations	1d				
	e Government grants (contributions)	1e				
	f All other contributions, gifts, grants, and similar amounts not included above	1f				
	g Noncash contributions included in lines 1a-1f: $					
	h Total. Add lines 1a-1f	▶				
Program Service Revenue		Business Code				
	2a WOMEN'S HEALTH OF WEST	621110	1038326.	1038326.		
	b ELDEREVAL	900099	20,529.	20,529.		
	c					
	d					
	e					
	f All other program service revenue					
	g Total. Add lines 2a-2f	▶	1058855.			
Other Revenue	3 Investment income (including dividends, interest, and other similar amounts)	▶	137.			137.
	4 Income from investment of tax-exempt bond proceeds	▶				
	5 Royalties	▶				
		(i) Real	(ii) Personal			
	6a Gross Rents					
	b Less: rental expenses					
	c Rental Income or (loss)					
	d Net rental income or (loss)	▶				
		(i) Securities	(ii) Other			
	7a Gross amount from sales of assets other than inventory					
	b Less: cost or other basis and sales expenses					
	c Gain or (loss)					
	d Net gain or (loss)	▶				
	8a Gross income from fundraising events (not including $ _____ of contributions reported on line 1c). See Part IV, line 18	a				
	b Less: direct expenses	b				
	c Net income or (loss) from fundraising events	▶				
	9a Gross income from gaming activities. See Part IV, line 19	a				
	b Less: direct expenses	b				
	c Net income or (loss) from gaming activities	▶				
	10a Gross sales of inventory, less returns and allowances	a				
	b Less: cost of goods sold	b				
	c Net income or (loss) from sales of inventory	▶				
	Miscellaneous Revenue	Business Code				
	11a					
	b					
	c					
	d All other revenue					
	e Total. Add lines 11a-11d	▶				
	12 Total Revenue. Add lines 1h, 2g, 3, 4, 5, 6d, 7d, 8c, 9c, 10c, and 11e	▶	1058992.	1058855.	0.	137.

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Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns.
All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D).

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to governments and organizations in the U.S. See Part IV, line 21				
2 Grants and other assistance to individuals in the U.S. See Part IV, line 22				
3 Grants and other assistance to governments, organizations, and individuals outside the U.S. See Part IV, lines 15 and 16				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees				
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7 Other salaries and wages	925,141.	740,113.	185,028.	
8 Pension plan contributions (include section 401(k) and section 403(b) employer contributions)				
9 Other employee benefits	138,927.	111,142.	27,785.	
10 Payroll taxes	77,783.	62,226.	15,557.	
11 Fees for services (non-employees):				
a Management	64,013.	51,210.	12,803.	
b Legal				
c Accounting				
d Lobbying				
e Professional fundraising services. See Part IV, line 17				
f Investment management fees				
g Other	258,663.	206,930.	51,733.	
12 Advertising and promotion	7,585.	6,068.	1,517.	
13 Office expenses	162,445.	129,956.	32,489.	
14 Information technology				
15 Royalties				
16 Occupancy	111,936.	89,549.	22,387.	
17 Travel				
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings				
20 Interest	927.	742.	185.	
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	7,042.	5,634.	1,408.	
23 Insurance	402,870.	322,296.	80,574.	
24 Other expenses. Itemize expenses not covered above. (Expenses grouped together and labeled miscellaneous may not exceed 5% of total expenses shown on line 25 below.)				
a				
b				
c				
d				
e				
f All other expenses				
25 Total functional expenses. Add lines 1 through 24f	2,157,332.	1,725,866.	431,466.	0.
26 Joint Costs. Check here ▶ ☐ if following SOP 98-2. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

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Part X Balance Sheet

			(A) Beginning of year		(B) End of year
Assets	1	Cash - non-interest-bearing	13,577.	1	41,875.
	2	Savings and temporary cash investments	24,777.	2	12,645.
	3	Pledges and grants receivable, net		3	
	4	Accounts receivable, net	2231,699.	4	111,467.
	5	Receivables from current and former officers, directors, trustees, key employees, or other related parties. Complete Part II of Schedule L		5	
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B). Complete Part II of Schedule L		6	
	7	Notes and loans receivable, net		7	
	8	Inventories for sale or use		8	
	9	Prepaid expenses and deferred charges		9	
	10a	Land, buildings, and equipment: cost basis 10a 76,303.			
	b	Less: accumulated depreciation. Complete Part VI of Schedule D 10b 76,303.	5,677.	10c	0.
	11	Investments - publicly traded securities		11	
	12	Investments - other securities. See Part IV, line 11		12	
	13	Investments - program-related. See Part IV, line 11		13	
	14	Intangible assets		14	
	15	Other assets. See Part IV, line 11	50.	15	0.
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)	275,780.	16	165,987.
Liabilities	17	Accounts payable and accrued expenses	360,906.	17	24,514.
	18	Grants payable		18	
	19	Deferred revenue		19	
	20	Tax-exempt bond liabilities		20	
	21	Escrow account liability. Complete Part IV of Schedule D		21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L		22	
	23	Secured mortgages and notes payable to unrelated third parties		23	
	24	Unsecured notes and loans payable		24	
	25	Other liabilities. Complete Part X of Schedule D	63,041.	25	165,695.
	26	**Total liabilities.** Add lines 17 through 25	423,947.	26	190,209.
Net Assets or Fund Balances		**Organizations that follow SFAS 117, check here ▶ ☐ and complete lines 27 through 29, and lines 33 and 34.**			
	27	Unrestricted net assets		27	
	28	Temporarily restricted net assets		28	
	29	Permanently restricted net assets		29	
		Organizations that do not follow SFAS 117, check here ▶ ☒ and complete lines 30 through 34.			
	30	Capital stock or trust principal, or current funds	0.	30	0.
	31	Paid-in or capital surplus, or land, building, or equipment fund	0.	31	0.
	32	Retained earnings, endowment, accumulated income, or other funds	-148,167.	32	-24,222.
	33	Total net assets or fund balances	-148,167.	33	-24,222.
	34	Total liabilities and net assets/fund balances	275,780.	34	165,987.

Part XI Financial Statements and Reporting

			Yes	No
1		Accounting method used to prepare the Form 990: ☐ Cash ☒ Accrual ☐ Other		
2a		Were the organization's financial statements compiled or reviewed by an independent accountant?		X
	b	Were the organization's financial statements audited by an independent accountant?		X
	c	If "Yes" to lines 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant?		
3a		As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?		X
	b	If "Yes," did the organization undergo the required audit or audits?		

SCHEDULE A (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

To be completed by all section 501(c)(3) organizations and section 4947(a)(1) nonexempt charitable trusts.

▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No. 1545-0047

2008

Open to Public Inspection

Name of the organization	Employer identification number
COMMUNITY HEALTH OF WESTERLY, INC.	22-2490227

Part I Reason for Public Charity Status (All organizations must complete this part.) (see instructions)

The organization is not a private foundation because it is: (Please check only **one** organization.)

1 ☐ A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**

2 ☐ A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E.)

3 ☐ A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).** (Attach Schedule H.)

4 ☐ A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state:

5 ☐ An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II.)

6 ☐ A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**

7 ☐ An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi).** (Complete Part II.)

8 ☐ A community trust described in **section 170(b)(1)(A)(vi).** (Complete Part II.)

9 ☐ An organization that normally receives: (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions - subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See **section 509(a)(2).** (Complete the Part III.)

10 ☐ An organization organized and operated exclusively to test for public safety. See **section 509(a)(4).** (see instructions)

11 ☒ An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2). See **section 509(a)(3).** Check the box that describes the type of supporting organization and complete lines 11e through 11h.

a ☐ Type I b ☒ Type II c ☐ Type III - Functionally integrated d ☐ Type III - Other

e ☒ By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2).

f If the organization received a written determination from the IRS that it is a Type I, Type II, or Type III supporting organization, check this box ☐

g Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?

		Yes	No
(i)	A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization?	11g(i)	X
(ii)	A family member of a person described in (i) above?	11g(ii)	X
(iii)	A 35% controlled entity of a person described in (i) or (ii) above?	11g(iii)	X

h Provide the following information about the organizations the organization supports.

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1-9 above or IRC section (see instructions))	(iv) Is the organization in col. (i) listed in your governing document? Yes	(iv) No	(v) Did you notify the organization in col. (i) of your support? Yes	(v) No	(vi) Is the organization in col. (i) organized in the U.S.? Yes	(vi) No	(vii) Amount of support
THE WESTERLY HOSPITAL	05-0259100 3		X		X		X		
Total									

Part II **Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)**

(Complete only if you checked the box on line 5, 7, or 8 of Part I.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2004	(b) 2005	(c) 2006	(d) 2007	(e) 2008	(f) Total
1 Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 Total. Add lines 1 - 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 Public Support. Subtract line 5 from line 4						

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2004	(b) 2005	(c) 2006	(d) 2007	(e) 2008	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
11 Total support. Add lines 7 through 10						

12 Gross receipts from related activities, etc. (see instructions) 12

13 **First five years.** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and **stop here** ▶ ☐

Section C. Computation of Public Support Percentage

14 Public support percentage for 2008 (line 6, column (f) divided by line 11, column (f)) ..... 14 %

15 Public support percentage from 2007 Schedule A, Part IV-A, line 26f ..... 15 %

16a **33 1/3% support test - 2008.** If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶ ☐

b **33 1/3% support test - 2007.** If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶ ☐

17a **10% -facts-and-circumstances test - 2008.** If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization ▶ ☐

b **10% -facts-and-circumstances test - 2007.** If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization ▶ ☐

18 **Private foundation.** If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions ▶ ☐

Part III Support Schedule for Organizations Described In Section 509(a)(2) (Complete only if you checked the box on line 9 of Part I.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2004	(b) 2005	(c) 2006	(d) 2007	(e) 2008	(f) Total
1 Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 **Total.** Add lines 1 - 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of 1% of the total of lines 9, 10c, 11, and 12 for the year or $5,000						
c Add lines 7a and 7b						
8 **Public support** (Subtract line 7c from line 6)						

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2004	(b) 2005	(c) 2006	(d) 2007	(e) 2008	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 **Total support** (Add lines 9, 10c, 11, and 12.)						

14 **First five years.** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and **stop here** ▶ ☐

Section C. Computation of Public Support Percentage

15 Public support percentage for 2008 (line 8, column (f) divided by line 13, column (f))	15	%
16 Public support percentage from 2007 Schedule A, Part IV-A, line 27g	16	%

Section D. Computation of Investment Income Percentage

17 Investment income percentage for **2008** (line 10c, column (f) divided by line 13, column (f))	17	%
18 Investment income percentage from **2007** Schedule A, Part IV-A, line 27b	18	%

19a 33 1/3% support tests - 2008. If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶ ☐

b 33 1/3% support tests - 2007. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3%, and line 18 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶ ☐

20 **Private foundation.** If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions ▶ ☐

Schedule D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ Attach to Form 990. To be completed by organizations that answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11, or 12.

OMB No. 1545-0047

2008

Open to Public Inspection

Name of the organization
COMMUNITY HEALTH OF WESTERLY, INC.

Employer identification number
22-2490227

Part I Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts. Complete if the organization answered "Yes" to Form 990, Part IV, line 6.

		(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year		
2	Aggregate contributions to (during year)		
3	Aggregate grants from (during year)		
4	Aggregate value at end of year		

5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? ☐ Yes ☐ No

6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds may be used only for charitable purposes and not for the benefit of the donor or donor advisor or other impermissible private benefit? ☐ Yes ☐ No

Part II Conservation Easements. Complete if the organization answered "Yes" to Form 990, Part IV, line 7.

1 Purpose(s) of conservation easements held by the organization (check all that apply).

- ☐ Preservation of land for public use (e.g., recreation or pleasure)
- ☐ Protection of natural habitat
- ☐ Preservation of open space
- ☐ Preservation of an historically important land area
- ☑ Preservation of certified historic structure

2 Complete lines 2a-2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year.

		Held at the End of the Year
a	Total number of conservation easements	2a
b	Total acreage restricted by conservation easements	2b
c	Number of conservation easements on a certified historic structure included in (a)	2c
d	Number of conservation easements included in (c) acquired after 8/17/06	2d

3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the taxable year ▶ _____

4 Number of states where property subject to conservation easement is located ▶ _____

5 Does the organization have a written policy regarding the periodic monitoring, inspection, violations, and enforcement of the conservation easements it holds? ☐ Yes ☐ No

6 Staff or volunteer hours devoted to monitoring, inspecting, and enforcing easements during the year ▶ _____

7 Amount of expenses incurred in monitoring, inspecting, and enforcing easements during the year ▶ $ _____

8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and section 170(h)(4)(B)(ii)? ☐ Yes ☐ No

9 In Part XIV, describe how the organization reports conservation easements in its revenue and expense statement, and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements.

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets. Complete if the organization answered "Yes" to Form 990, Part IV, line 8.

1a If the organization elected, as permitted under SFAS 116, not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide, in Part XIV, the text of the footnote to its financial statements that describes these items.

b If the organization elected, as permitted under SFAS 116, to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items:

(i) Revenues included in Form 990, Part VIII, line 1 ▶ $ _____

(ii) Assets included in Form 990, Part X ▶ $ _____

2 If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 relating to these items:

a Revenues included in Form 990, Part VIII, line 1 ▶ $ _____

b Assets included in Form 990, Part X ▶ $ _____

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets *(continued)*

3 Using the organization's accession and other records, check any of the following that are a significant use of its collection items (check all that apply):

a ☐ Public exhibition
b ☐ Scholarly research
c ☐ Preservation for future generations
d ☐ Loan or exchange programs
e ☐ Other

4 Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIV.

5 During the year, did the organization solicit or receive donations of art, historical treasures, or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? ☐ Yes ☐ No

Part IV Trust, Escrow and Custodial Arrangements. Complete if organization answered "Yes" to Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? ☐ Yes ☐ No

b If "Yes," explain the arrangement in Part XIV and complete the following table:

		Amount
c Beginning balance	1c	
d Additions during the year	1d	
e Distributions during the year	1e	
f Ending balance	1f	

2a Did the organization include an amount on Form 990, Part X, line 21? ☐ Yes ☐ No

b If "Yes," explain the arrangement in Part XIV.

Part V Endowment Funds. Complete if organization answered "Yes" to Form 990, Part IV, line 10.

	(a) Current year	(b) Prior year	(c) Two years back	(d) Three years back	(e) Four years back
1a Beginning of year balance					
b Contributions					
c Investment earnings or losses					
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance					

2 Provide the estimated percentage of the year end balance held as:

a Board designated or quasi-endowment ▶ _____ %
b Permanent endowment ▶ _____ %
c Term endowment ▶ _____ %

3a Are there endowment funds not in the possession of the organization that are held and administered for the organization by:

		Yes	No
(i) unrelated organizations	3a(i)		
(ii) related organizations	3a(ii)		
b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?	3b		

4 Describe in Part XIV the intended uses of the organization's endowment funds.

Part VI Investments - Land, Buildings, and Equipment. See Form 990, Part X, line 10.

Description of investment	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Depreciation	(d) Book value
1a Land				
b Buildings				
c Leasehold improvements				
d Equipment				
e Other		76,303.	76,303.	0.
Total. Add lines 1a-1e. *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				0.

Part VII Investments - Other Securities. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
Financial derivatives and other financial products		
Closely-held equity interests		
Other		
Total. (Col (b) should equal Form 990, Part X, col (B) line 12.) ▶		

Part VIII Investments - Program Related. See Form 990, Part X, line 13.

(a) Description of investment type	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
Total. (Col (b) should equal Form 990, Part X, col (B) line 13.) ▶		

Part IX Other Assets. See Form 990, Part X, line 15.

(a) Description	(b) Book value
Total. *(Column (b) should equal Form 990, Part X, col (B) line 15.)* ▶	

Part X Other Liabilities. See Form 990, Part X, line 25.

(a) Description of liability	(b) Amount	
Federal income taxes		
DUE TO RELATED PARTIES	165,695.	
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25.)* ▶	165,695.	

In Part XIV, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48.

RIDOH 1422

Part XI Reconciliation of Change in Net Assets from Form 990 to Financial Statements

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	1,058,992.
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	2,157,332.
3	Excess or (deficit) for the year. Subtract line 2 from line 1	3	-1,098,340.
4	Net unrealized gains (losses) on investments	4	
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	1,222,285.
9	Total adjustments (net). Add lines 4-8	9	1,222,285.
10	Excess or (deficit) for the year per financial statements. Combine lines 3 and 9	10	123,945.

Part XII Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

1	Total revenue, gains, and other support per audited financial statements			1
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12:			
a	Net unrealized gains on investments	2a		
b	Donated services and use of facilities	2b		
c	Recoveries of prior year grants	2c		
d	Other (Describe in Part XIV)	2d		
e	Add lines 2a through 2d			2e
3	Subtract line 2e from line 1			3
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1:			
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a		
b	Other (Describe in Part XIV)	4b		
c	Add lines 4a and 4b			4c
5	Total revenue. Add lines 3 and 4c. (This should equal Form 990, Part I, line 12.)			5

Part XIII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

1	Total expenses and losses per audited financial statements			1
2	Amounts included on line 1 but not on Form 990, Part IX, line 25:			
a	Donated services and use of facilities	2a		
b	Prior year adjustments	2b		
c	Losses reported on Form 990, Part IX, line 25	2c		
d	Other (Describe in Part XIV)	2d		
e	Add lines 2a through 2d			2e
3	Subtract line 2e from line 1			3
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:			
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a		
b	Other (Describe in Part XIV)	4b		
c	Add lines 4a and 4b			4c
5	Total expenses. Add lines 3 and 4c. (This should equal Form 990, Part I, line 18.)			5

Part XIV Supplemental Information

Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9; Part III, lines 1a and 4; Part IV, lines 1b and 2b; Part V, line 4; Part X; Part XI, line 8; Part XII, lines 2d and 4b; and Part XIII, lines 2d and 4b.

PART XI, LINE 8 - OTHER ADJUSTMENTS:

CAPITAL CONTRIBUTIONS: 1222285.

RIDOH 1423

SCHEDULE J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

▶ Attach to Form 990. To be completed by organizations that answered "Yes" to Form 990, Part IV, line 23.

OMB No. 1545-0047

2008

Open to Public Inspection

Name of the organization: COMMUNITY HEALTH OF WESTERLY, INC.

Employer identification number: 22-2490227

Part I Questions Regarding Compensation

		Yes	No
1a	Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items.		
	[ ] First-class or charter travel		
	[ ] Travel for companions		
	[ ] Tax indemnification and gross-up payments		
	[ ] Discretionary spending account		
	[ ] Housing allowance or residence for personal use		
	[ ] Payments for business use of personal residence		
	[ ] Health or social club dues or initiation fees		
	[ ] Personal services (e.g., maid, chauffeur, chef)		
b	If line 1a is checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain 1b		
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a? 2		
3	Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director. Check all that apply.		
	[X] Compensation committee		
	[ ] Independent compensation consultant		
	[X] Form 990 of other organizations		
	[X] Written employment contract		
	[X] Compensation survey or study		
	[X] Approval by the board or compensation committee		
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a:		
a	Receive a severance payment or change of control payment? 4a		X
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan? 4b		X
c	Participate in, or receive payment from, an equity-based compensation arrangement? 4c		X
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III.		
	Only 501(c)(3) and 501(c)(4) organizations must complete lines 5-8.		
5	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of:		
a	The organization? 5a		X
b	Any related organization? 5b		X
	If "Yes," to line 5a or 5b, describe in Part III.		
6	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of:		
a	The organization? 6a		X
b	Any related organization? 6b		X
	If "Yes" to line 6a or 6b, describe in Part III.		
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III 7		X
8	Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regs. section 53.4958-4(a)(3)? If "Yes," describe in Part III 8		X

Part II **Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees.** Use Schedule J-1 if additional space is needed.

For each individual whose compensation must be reported in Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions, on row (ii). Do not list any individuals that are not listed on Form 990, Part VII.

Note. The sum of columns (B)(i)-(iii) must equal the applicable column (D) or column (E) amounts on Form 990, Part VII, line 1a.

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
	(i)	0.	0.	0.	0.	0.	0.	0.
CHARLES S. KINNEY	(ii)	270,501.	15,000.	0.	19,694.	12,849.	318,044.	0.
	(i)	0.	0.	0.	0.	0.	0.	0.
CHRISTOPHER LEHRACH, M.D	(ii)	327,557.	0.	0.	20,642.	16,775.	364,974.	0.
	(i)	0.	0.	0.	0.	0.	0.	0.
JEANNE M. LACHANCE	(ii)	183,769.	12,000.	0.	13,520.	16,428.	225,717.	0.
	(i)	161,538.	0.	0.	0.	9,102.	170,640.	0.
ROBERT GREENLEE	(ii)	0.	0.	0.	0.	0.	0.	0.
	(i)	158,034.	0.	0.	0.	3,254.	161,288.	0.
SUZAN MENIHAN	(ii)	0.	0.	0.	0.	0.	0.	0.
	(i)	292,977.	0.	0.	0.	14,171.	307,148.	0.
RACHEL CIACCIO	(ii)	0.	0.	0.	0.	0.	0.	0.
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							

RIDOH 1425

SCHEDULE O (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990

▶ Attach to Form 990. To be completed by organizations to provide additional information for responses to specific questions for the Form 990 or to provide any additional information.

OMB No. 1545-0047

2008

Open to Public Inspection

Name of the organization: COMMUNITY HEALTH OF WESTERLY, INC.

Employer identification number: 22-2490227

FORM 990, PART I, LINE 1, DESCRIPTION OF ORGANIZATION MISSION:

CENTERS, LABORATORIES, CLINICS, AND OTHER MEDICAL, SURGICAL, OR DENTAL FACILITIES, IN THE CONDUCT OF THEIR CHARITABLE, EDUCATIONAL, AND SCIENTIFIC FUNCTION.

FORM 990, PART VI, SECTION A, LINE 10: THE FORM 990 WAS REVIEWED BY THE PRESIDENT AND TREASURER OF THE ORGANIZATION, AND A COPY OF THE FORM 990 WAS PROVIDED TO ALL VOTING MEMBERS OF THE BOARD FOR REVIEW BEFORE FILING.

FORM 990, PART VI, SECTION B, LINE 12C: EACH BOARD MEMBER SIGNS A CONFLICT OF INTEREST STATEMENT ANNUALLY. THEY ARE REQUIRED TO DISCLOSE ANY RELATIONSHIP THEY, THEIR BUSINESSES, OR THEIR FAMILY MEMBERS MAY HAVE WITH THE ORGANIZATION. IF A DISCUSSION OR VOTE OCCURS ON A TRANSACTION WITH A POTENTIAL CONFLICT, THE BOARD MEMBER EXCUSES THEMSELVES FROM THE DISCUSSION AND VOTE.

FORM 990, PART VI, SECTION B, LINE 15: SUBCOMMITTEE OF THE GOVERNING BOARD MEETS TO DETERMINE ALL COMPENSATION ARRANGEMENTS OF THE TOP EXECUTIVE, OFFICERS AND KEY EMPLOYEES.

FORM 990, PART VI, SECTION C, LINE 19: THE CONFLICT OF INTEREST POLICY AND FINANCIAL STATEMENTS ARE PROVIDED UPON REQUEST.

SCHEDULE R (Form 990)
Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

▶ Attach to Form 990. To be completed by organizations that answered "Yes" to Form 990, Part IV, lines 33, 34, 35, 36, or 37.
▶ See separate instructions.

OMB No. 1545-0047
2008
Open to Public Inspection

Name of the organization COMMUNITY HEALTH OF WESTERLY, INC.

Employer identification number 22-2490227

Part I Identification of Disregarded Entities

(A) Name, address, and EIN of disregarded entity	(B) Primary activity	(C) Legal domicile (state or foreign country)	(D) Total income	(E) End-of-year assets	(F) Direct controlling entity
WOMEN'S HEALTH SERVICES OF WESTERLY, LLC - 22-2490227, 25 WELLS STREET, WESTERLY, RI 02891	HEALTHCARE	RHODE ISLAND	1038455.	135,833.	
ELDEREVAL LLC 26-3463167 25 WELLS STREET WESTERLY, RI 02891	ELDER SERVICES	RHODE ISLAND	20,529.	5,318.	
WESTERLY HOSPITAL ENERGY CO., LLC 25 WELLS STREET WESTERLY, RI 02891	INACTIVE	RHODE ISLAND	0.	0.	

Part II Identification of Related Tax-Exempt Organizations

(A) Name, address, and EIN of related organization	(B) Primary activity	(C) Legal domicile (state or foreign country)	(D) Exempt Code section	(E) Public charity status (if section 501(c)(3))	(F) Direct controlling entity
THE WESTERLY HOSPITAL - 05-0259100, 25 WELLS STREET WESTERLY, RI 02891	HOSPITAL	RHODE ISLAND	501(C)(3)	170(B)(1)(A)(II	N/A
THE WESTERLY HOSPITAL FOUNDATION, INC. - 05-0508064, 25 WELLS STREET, WESTERLY, RI 02891	SUPPORT THE WESTERLY HOSPITAL	RHODE ISLAND	501(C)(3)	509(A)(3) TYPE I	THE WESTERLY HOSPITAL
CHOW NEWCO, INC. - 32-0250865 25 WELLS STREET WESTERLY, RI 02891	SUPPORT THE WESTERLY HOSPITAL	RHODE ISLAND	501(C)(3)	509(A)(3) TYPE II	N/A
THE WESTERLY HOSPITAL AUXILIARY, INC. - 22-2507181, 25 WELLS STREET, WESTERLY, RI 02891	SUPPORT THE WESTERLY HOSPITAL	RHODE ISLAND	501(C)(3)		N/A

Part III Identification of Related Organizations Taxable as a Partnership

(A) Name, address, and EIN of related organization	(B) Primary activity	(C) Legal domicile (state or foreign country)	(D) Direct controlling entity	(E) Predominant income (related, investment, unrelated)	(F) Share of total income	(G) Share of end-of-year assets	(H) Disproportionate allocations? Yes	(H) No	(I) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(J) General or managing partner? Yes	(J) No

Part IV Identification of Related Organizations Taxable as a Corporation or Trust

(A) Name, address and EIN of related organization	(B) Primary activity	(C) Legal domicile (state or foreign country)	(D) Direct controlling entity	(E) Type of entity (C corp, S corp, or trust)	(F) Share of total income	(G) Share of end-of-year assets	(H) Percentage ownership
MASTUXET REALTY - 22-2501886 25 WELLS STREET WESTERLY, RI 02891	INACTIVE	RI		C CORP	0.	0.	100.00%

RIDOH 1428

Part V Transactions With Related Organizations

Note. Complete line 1 if any entity is listed in Parts II, III, or IV.

		Yes	No
1	During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?		
a	Receipt of (i) interest (ii) annuities (iii) royalties (iv) rent from a controlled entity		X
b	Gift, grant, or capital contribution to other organization(s)		X
c	Gift, grant, or capital contribution from other organization(s)	X	
d	Loans or loan guarantees to or for other organization(s)		X
e	Loans or loan guarantees by other organization(s)	X	
f	Sale of assets to other organization(s)		X
g	Purchase of assets from other organization(s)		X
h	Exchange of assets		X
i	Lease of facilities, equipment, or other assets to other organization(s)		X
j	Lease of facilities, equipment, or other assets from other organization(s)		X
k	Performance of services or membership or fundraising solicitations for other organization(s)		X
l	Performance of services or membership or fundraising solicitations by other organization(s)		X
m	Sharing of facilities, equipment, mailing lists, or other assets		X
n	Sharing of paid employees		X
o	Reimbursement paid to other organization for expenses		X
p	Reimbursement paid by other organization for expenses		X
q	Other transfer of cash or property to other organization(s)		X
r	Other transfer of cash or property from other organization(s)		X

2 If the answer to any of the above is "Yes," see the instructions for information on who must complete this line, including covered relationships and transaction thresholds.

	(A) Name of other organization(s)	(B) Transaction type (a-r)	(C) Amount involved
(1)	THE WESTERLY HOSPITAL	C	1,222,287.
(2)	THE WESTERLY HOSPITAL	E	153,259.
(3)			
(4)			
(5)			
(6)			

RIDOH 1429

Part VI **Unrelated Organizations Taxable as a Partnership**

Provide the following information for each entity taxed as a partnership through which the organization conducted more than five percent of its activities (measured by total assets or gross revenue) that was not a related organization. See instructions regarding exclusion for certain investment partnerships.

(A) Name, address, and EIN of entity	(B) Primary activity	(C) Legal domicile (state or foreign country)	(D) Are all partners section 501(c)(3) organizations? Yes	(D) No	(E) Share of end-of-year assets	(F) Disproportionate allocations? Yes	(F) No	(G) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(H) General or managing partner? Yes	(H) No

Form **8868** (Rev. April 2009)
Department of the Treasury
Internal Revenue Service

Application for Extension of Time To File an Exempt Organization Return

▶ File a separate application for each return.

OMB No. 1545-1709

- If you are filing for an **Automatic 3-Month Extension, complete only Part I** and check this box ▶ [X]
- If you are filing for an **Additional (Not Automatic) 3-Month Extension, complete only Part II** (on page 2 of this form).

Do not complete Part II unless you have already been granted an automatic 3-month extension on a previously filed Form 8868.

Part I **Automatic 3-Month Extension of Time.** Only submit original (no copies needed).

A corporation required to file Form 990-T and requesting an automatic 6-month extension - check this box and complete Part I only ▶ [ ]

All other corporations (including 1120-C filers), partnerships, REMICs, and trusts must use Form 7004 to request an extension of time to file income tax returns.

Electronic Filing (e-file). Generally, you can electronically file Form 8868 if you want a 3-month automatic extension of time to file one of the returns noted below (6 months for a corporation required to file Form 990-T). However, you cannot file Form 8868 electronically if (1) you want the additional (not automatic) 3-month extension or (2) you file Forms 990-BL, 6069, or 8870, group returns, or a composite or consolidated Form 990-T. Instead, you must submit the fully completed and signed page 2 (Part II) of Form 8868. For more details on the electronic filing of this form, visit *www.irs.gov/efile* and click on *e-file for Charities & Nonprofits.*

Type or print	Name of Exempt Organization	Employer identification number
File by the due date for filing your return. See instructions.	COMMUNITY HEALTH OF WESTERLY, INC.	22-2490227
	Number, street, and room or suite no. If a P.O. box, see instructions. 25 WELLS STREET	
	City, town or post office, state, and ZIP code. For a foreign address, see instructions. WESTERLY, RI 02891-2934	

Check type of return to be filed (file a separate application for each return):

[X] Form 990	[ ] Form 990-T (corporation)	[ ] Form 4720
[ ] Form 990-BL	[ ] Form 990-T (sec. 401(a) or 408(a) trust)	[ ] Form 5227
[ ] Form 990-EZ	[ ] Form 990-T (trust other than above)	[ ] Form 6069
[ ] Form 990-PF	[ ] Form 1041-A	[ ] Form 8870

- The books are in the care of ▶ JEANNE LACHANCE, CFO 25 WELLS STREET - WESTERLY, RI 02891-2934
  Telephone No. ▶ 401-348-3711 FAX No. ▶
- If the organization does not have an office or place of business in the United States, check this box ▶ [ ]
- If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) _____. If this is for the whole group, check this box ▶ [ ]. If it is for part of the group, check this box ▶ [ ] and attach a list with the names and EINs of all members the extension will cover.

1 I request an automatic 3-month (6 months for a corporation required to file Form 990-T) extension of time until MAY 15, 2010, to file the exempt organization return for the organization named above. The extension is for the organization's return for:
▶ [ ] calendar year ____ or
▶ [X] tax year beginning OCT 1, 2008, and ending SEP 30, 2009

2 If this tax year is for less than 12 months, check reason: [ ] Initial return [ ] Final return [ ] Change in accounting period

3a	If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions.	3a	$
b	If this application is for Form 990-PF or 990-T, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit.	3b	$
c	**Balance Due.** Subtract line 3b from line 3a. Include your payment with this form, or, if required, deposit with FTD coupon or, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions.	3c	$ N/A

Caution. If you are going to make an electronic fund withdrawal with this Form 8868, see Form 8453-EO and Form 8879-EO for payment instructions.

LHA **For Privacy Act and Paperwork Reduction Act Notice, see Instructions.** Form **8868** (Rev. 4-2009)

823841
05-26-09

17350202 755449 COM001 2008.05040 COMMUNITY HEALTH OF WESTERL COM001_1

- If you are filing for an **Additional (Not Automatic) 3-Month Extension, complete only Part II** and check this box ▶ [X]

Note. Only complete Part II if you have already been granted an automatic 3-month extension on a previously filed Form 8868.

- If you are filing for an **Automatic 3-Month Extension, complete only Part I** (on page 1).

Part II **Additional (Not Automatic) 3-Month Extension of Time.** Only file the original (no copies needed).

Type or print	Name of Exempt Organization	Employer identification number
File by the extended due date for filing the return. See instructions.	COMMUNITY HEALTH OF WESTERLY, INC.	22-2490227
	Number, street, and room or suite no. If a P.O. box, see instructions. 25 WELLS STREET	For IRS use only
	City, town or post office, state, and ZIP code. For a foreign address, see instructions. WESTERLY, RI 02891-2934	

Check type of return to be filed (File a separate application for each return):

[X] Form 990 [ ] Form 990-EZ [ ] Form 990-T (sec. 401(a) or 408(a) trust) [ ] Form 1041-A [ ] Form 5227 [ ] Form 8870
[ ] Form 990-BL [ ] Form 990-PF [ ] Form 990-T (trust other than above) [ ] Form 4720 [ ] Form 6069

STOP! Do not complete Part II if you were not already granted an automatic 3-month extension on a previously filed Form 8868.

- The books are in the care of ▶ JEANNE LACHANCE, CFO
  25 WELLS STREET - WESTERLY, RI 02891-2934
  Telephone No. ▶ 401-348-3711 FAX No. ▶
- If the organization does not have an office or place of business in the United States, check this box ▶ [ ]
- If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) _____. If this is for the whole group, check this box ▶ [ ]. If it is for part of the group, check this box ▶ [ ] and attach a list with the names and EINs of all members the extension is for.

4 I request an additional 3-month extension of time until AUGUST 15, 2010.

5 For calendar year _____, or other tax year beginning OCT 1, 2008, and ending SEP 30, 2009.

6 If this tax year is for less than 12 months, check reason: [ ] Initial return [ ] Final return [ ] Change in accounting period

7 State in detail why you need the extension
THE NECESSARY INFORMATION TO FILE A COMPLETE AND ACCURATE RETURN IS NOT YET AVAILABLE.

8a	If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions.	8a	$
b	If this application is for Form 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit and any amount paid previously with Form 8868.	8b	$
c	**Balance Due.** Subtract line 8b from line 8a. Include your payment with this form, or, if required, deposit with FTD coupon or, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions.	8c	$ N/A

Signature and Verification

Under penalties of perjury, I declare that I have examined this form, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete, and that I am authorized to prepare this form.

Signature ▶ _____ Title ▶ CFO Date ▶ 5/4/10

823832
05-26-09

Form **990**
Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

▶ The organization may have to use a copy of this return to satisfy state reporting requirements.

OMB No. 1545-0047

2010

Open to Public Inspection

A For the 2010 calendar year, or tax year beginning OCT 1, 2010 and ending SEP 30, 2011

B Check if applicable:
- [ ] Address change
- [ ] Name change
- [X] Initial return
- [ ] Terminated
- [ ] Amended return
- [ ] Application pending

C Name of organization
THE WESTERLY HOSPITAL

Doing Business As

Number and street (or P.O. box if mail is not delivered to street address) | Room/suite
25 WELLS STREET

City or town, state or country, and ZIP + 4
WESTERLY, RI 02891-2934

F Name and address of principal officer: CHARLES KINNEY.
SAME AS C ABOVE

D Employer identification number
05-0259100

E Telephone number
(401)596-6000

G Gross receipts $ 96,842,128.

H(a) Is this a group return for affiliates? [ ] Yes [X] No

H(b) Are all affiliates included? [ ] Yes [ ] No
If "No," attach a list. (see instructions)

H(c) Group exemption number ▶

I Tax-exempt status: [X] 501(c)(3) [ ] 501(c)( ) ◀ (insert no.) [ ] 4947(a)(1) or [ ] 527

J Website: ▶ WWW.WESTERLYHOSPITAL.ORG.

K Form of organization: [X] Corporation [ ] Trust [ ] Association [ ] Other ▶

L Year of formation: 1921 M State of legal domicile: RI

Part I Summary

1 Briefly describe the organization's mission or most significant activities: THE WESTERLY HOSPITAL PROVIDES INPATIENT AND OUTPATIENT MEDICAL CARE TO ADULTS, CHILDREN, AND

2 Check this box ▶ [ ] if the organization discontinued its operations or disposed of more than 25% of its net assets.

Activities & Governance	3 Number of voting members of the governing body (Part VI, line 1a)	3	16
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	12
	5 Total number of individuals employed in calendar year 2010 (Part V, line 2a)	5	922
	6 Total number of volunteers (estimate if necessary)	6	265
	7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	9,865.
	b Net unrelated business taxable income from Form 990-T, line 34	7b	0.

		Prior Year	Current Year
Revenue	8 Contributions and grants (Part VIII, line 1h)	1,212,000.	2,406,556.
	9 Program service revenue (Part VIII, line 2g)	90,848,994.	91,484,564.
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	893,619.	1,574,658.
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	1,332,824.	1,300,436.
	12 Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12)	94,287,437.	96,766,214.
Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1-3)	0.	0.
	14 Benefits paid to or for members (Part IX, column (A), line 4)	0.	0.
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	51,358,840.	52,154,387.
	16a Professional fundraising fees (Part IX, column (A), line 11e)	0.	0.
	b Total fundraising expenses (Part IX, column (D), line 25) ▶ 0.		
	17 Other expenses (Part IX, column (A), lines 11a-11d, 11f-24f)	41,362,146.	45,491,498.
	18 Total expenses. Add lines 13-17 (must equal Part IX, column (A), line 25)	92,720,986.	97,645,885.
	19 Revenue less expenses. Subtract line 18 from line 12	1,566,451.	-879,671.

		Beginning of Current Year	End of Year
Net Assets or Fund Balances	20 Total assets (Part X, line 16)	80,297,074.	76,275,007.
	21 Total liabilities (Part X, line 26)	55,944,823.	67,564,057.
	22 Net assets or fund balances. Subtract line 21 from line 20	24,352,251.	8,710,950.

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

▶ Signature of officer — Date

W. MARK RUSSO, SPECIAL MASTER
Type or print name and title

CLIENT COPY

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check if self-employed	PTIN
ELIZABETH SOLECKI		8/15/12	[ ]	

Firm's name ▶ BLUM, SHAPIRO & COMPANY, P.C., CPA'S — Firm's EIN ▶

Firm's address ▶ 29 S. MAIN STREET, P.O. BOX 272000
WEST HARTFORD, CT 06127-2000 — Phone no. 860 561-4000

May the IRS discuss this return with the preparer shown above? (see instructions) [X] Yes [ ] No

032C01 02-22-11 LHA For Paperwork Reduction Act Notice, see the separate instructions. Form **990** (2010)

SEE SCHEDULE O FOR ORGANIZATION MISSION STATEMENT CONTINUATION

RIDOH 1433

Part III Statement of Program Service Accomplishments

Check if Schedule O contains a response to any question in this Part III [X]

1 Briefly describe the organization's mission:
THE WESTERLY HOSPITAL PROVIDES INPATIENT AND OUTPATIENT MEDICAL CARE TO ADULTS, CHILDREN AND NEWBORNS IN THE WESTERLY, RHODE ISLAND COMMUNITY AND IN SURROUNDING TOWNS.

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? [ ] Yes [X] No
If "Yes," describe these new services on Schedule O.

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? [ ] Yes [X] No
If "Yes," describe these changes on Schedule O.

4 Describe the exempt purpose achievements for each of the organization's three largest program services by expenses. Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported.

4a (Code:) (Expenses $ 77110204. including grants of $) (Revenue $ 91484564.)
THE WESTERLY HOSPITAL IS A NOT-FOR-PROFIT ACUTE CARE HOSPITAL PROVIDING MEDICAL CARE TO ADULTS, CHILDREN, AND NEWBORNS IN THE WESTERLY, RHODE ISLAND COMMUNITY AND SURROUNDING TOWNS. DURING THE FISCAL YEAR ENDED 09/30/2011 THE HOSPITAL ADMITTED 4,301 PATIENTS AND HAD 23,510 VISITS TO THE EMERGENCY ROOM.

THERE WERE 546,123 AMBULATORY/OUTPATIENT VISITS, 514,057 LABORATORY PROCEDURES, 40,951 PATHOLOGY PROCEDURES, 599 DIAGNOSTIC CARDIAC CATHETERIZATIONS, 68,911 PHYSICAL THERAPY PROCEDURES, 21,101 OR AND AMBULATORY VISITS FOR TOTAL DAYS OF PATIENT CARE OF 16,716, THE AVERAGE DAILY CENSUS WAS 45.8.

4b (Code:) (Expenses $ including grants of $) (Revenue $)

4c (Code:) (Expenses $ including grants of $) (Revenue $)

4d Other program services. (Describe in Schedule O.)
(Expenses $ including grants of $) (Revenue $)

4e Total program service expenses ▶ 77,110,204.

RIDOH 1434

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	X	
2	Is the organization required to complete Schedule B, Schedule of Contributors?	2	X	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		X
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4	X	
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		
6	Did the organization maintain any donor advised funds or any similar funds or accounts where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		X
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? *If "Yes," complete Schedule D, Part II*	7		X
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		X
9	Did the organization report an amount in Part X, line 21; serve as a custodian for amounts not listed in Part X; or provide credit counseling, debt management, credit repair, or debt negotiation services? *If "Yes," complete Schedule D, Part IV*	9		X
10	Did the organization, directly or through a related organization, hold assets in term, permanent, or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10	X	
11	If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable.			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line 10? *If "Yes," complete Schedule D, Part VI*	11a	X	
b	Did the organization report an amount for investments - other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII*	11b	X	
c	Did the organization report an amount for investments - program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII*	11c		X
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX*	11d	X	
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X*	11e	X	
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X*	11f		X
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, XII, and XIII*	12a		X
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional*	12b		X
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		X
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		X
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, and program service activities outside the United States? *If "Yes," complete Schedule F, Parts I and IV*	14b		X
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or assistance to any organization or entity located outside the United States? *If "Yes," complete Schedule F, Parts II and IV*	15		X
16	Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or assistance to individuals located outside the United States? *If "Yes," complete Schedule F, Parts III and IV*	16		X
17	Did the organization report a total of more than $15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? *If "Yes," complete Schedule G, Part I*	17		X
18	Did the organization report more than $15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? *If "Yes," complete Schedule G, Part II*	18		X
19	Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III*	19		X
20a	Did the organization operate one or more hospitals? *If "Yes," complete Schedule H*	20a	X	
b	If "Yes" to line 20a, did the organization attach its audited financial statements to this return? **Note.** Some Form 990 filers that operate one or more hospitals must attach audited financial statements (see instructions)	20b	X	

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Part IV Checklist of Required Schedules *(continued)*

			Yes	No
21	Did the organization report more than $5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II*	21		X
22	Did the organization report more than $5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	22		X
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If "Yes," complete Schedule J*	23	X	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer lines 24b through 24d and complete Schedule K. If "No", go to line 25*	24a		X
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	25a		X
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	25b		X
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? *If "Yes," complete Schedule L, Part II*	26		X
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? *If "Yes," complete Schedule L, Part III*	27		X
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions):			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	28a		X
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	28b		X
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? *If "Yes," complete Schedule L, Part IV*	28c	X	
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	29		X
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	30		X
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	31		X
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	32		X
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? *If "Yes," complete Schedule R, Part I*	33		X
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1*	34	X	
35	Is any related organization a controlled entity within the meaning of section 512(b)(13)?	35	X	
a	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? *If "Yes," complete Schedule R, Part V, line 2* [X] Yes [ ] No			
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	36		X
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	37		X
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? **Note.** All Form 990 filers are required to complete Schedule O	38	X	

Part V Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response to any question in this Part V ☐

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable	1a	67		
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?			1c	X	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return	2a	922			
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?			2b	X	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to *e-file.* (see instructions)					
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?			3a	X	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*			3b	X	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?			4a		X
b	If "Yes," enter the name of the foreign country: ▶					
	See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.					
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?			5a		X
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			5b		X
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?			5c		
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible?			6a		X
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?			6b		
7	**Organizations that may receive deductible contributions under section 170(c).**					
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?			7a		X
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?			7b		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?			7c		X
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d				
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?			7e		X
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?			7f		X
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?			7g		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?			7h		
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?			8		
9	**Sponsoring organizations maintaining donor advised funds.**					
a	Did the organization make any taxable distributions under section 4966?			9a		
b	Did the organization make a distribution to a donor, donor advisor, or related person?			9b		
10	**Section 501(c)(7) organizations.** Enter:					
a	Initiation fees and capital contributions included on Part VIII, line 12	10a				
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b				
11	**Section 501(c)(12) organizations.** Enter:					
a	Gross income from members or shareholders	11a				
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them.)	11b				
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?			12a		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b				
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**					
a	Is the organization licensed to issue qualified health plans in more than one state?			13a		
	Note. See the instructions for additional information the organization must report on Schedule O.					
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b				
c	Enter the amount of reserves on hand	13c				
14a	Did the organization receive any payments for indoor tanning services during the tax year?			14a		X
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O*			14b		

Part VI Governance, Management, and Disclosure *For each "Yes" response to lines 2 through 7b below, and for a "No" response to line 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.*

Check if Schedule O contains a response to any question in this Part VI ☒

Section A. Governing Body and Management

			Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year 1a	16		
b	Enter the number of voting members included in line 1a, above, who are independent 1b	12		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2		X
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3		X
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4		X
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5		X
6	Does the organization have members or stockholders?	6		X
7a	Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body?	7a		X
b	Are any decisions of the governing body subject to approval by members, stockholders, or other persons?	7b		X
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:			
a	The governing body?	8a	X	
b	Each committee with authority to act on behalf of the governing body?	8b	X	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? *If "Yes," provide the names and addresses in Schedule O*	9		X

Section B. Policies *(This Section B requests information about policies not required by the Internal Revenue Code.)*

			Yes	No
10a	Does the organization have local chapters, branches, or affiliates?	10a		X
b	If "Yes," does the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with those of the organization?	10b		
11a	Has the organization provided a copy of this Form 990 to all members of its governing body before filing the form?	11a		X
b	Describe in Schedule O the process, if any, used by the organization to review this Form 990.			
12a	Does the organization have a written conflict of interest policy? *If "No," go to line 13*	12a	X	
b	Are officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	X	
c	Does the organization regularly and consistently monitor and enforce compliance with the policy? *If "Yes," describe in Schedule O how this is done*	12c	X	
13	Does the organization have a written whistleblower policy?	13	X	
14	Does the organization have a written document retention and destruction policy?	14	X	
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?			
a	The organization's CEO, Executive Director, or top management official	15a	X	
b	Other officers or key employees of the organization	15b	X	
	If "Yes" to line 15a or 15b, describe the process in Schedule O. (See instructions.)			
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a		X
b	If "Yes," has the organization adopted a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and taken steps to safeguard the organization's exempt status with respect to such arrangements?	16b		

Section C. Disclosure

17 List the states with which a copy of this Form 990 is required to be filed ▶ NONE

18 Section 6104 requires an organization to make its Forms 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you make these available. Check all that apply.

☐ Own website ☐ Another's website ☒ Upon request

19 Describe in Schedule O whether (and if so, how), the organization makes its governing documents, conflict of interest policy, and financial statements available to the public.

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization: ▶

THE ORGANIZATION - 401-348-3711
25 WELLS STREET, WESTERLY, RI 02891-2934

Part VII Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

Check if Schedule O contains a response to any question in this Part VII ☐

Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

1a Complete this table for all persons required to be listed. Report compensation for the calendar year ending with or within the organization's tax year.

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation. Enter -0- in columns (D), (E), and (F) if no compensation was paid.
- List all of the organization's **current** key employees, if any. See instructions for definition of "key employee."
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee, or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than $100,000 from the organization and any related organizations.
- List all of the organization's **former** officers, key employees, and highest compensated employees who received more than $100,000 of reportable compensation from the organization and any related organizations.
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than $10,000 of reportable compensation from the organization and any related organizations.

List persons in the following order: individual trustees or directors; institutional trustees; officers; key employees; highest compensated employees; and former such persons.

☐ Check this box if neither the organization nor any related organization compensated any current officer, director, or trustee.

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
FRED A. ALLARDYCE THIRD VICE CHAIRMAN	1.00	X		X				0.	0.	0.
GEORGE BOURGANOS, M.D. DIRECTOR	1.00	X						0.	0.	0.
JOHN P. CASEY DIRECTOR	1.00	X						0.	0.	0.
DAVID D'ERAMO, PH.D. DIRECTOR	1.00	X						0.	0.	0.
JOHN T. GORBY DIRECTOR	1.00	X						0.	0.	0.
MARTHA MCQ. HOSP FIRST VICE CHAIRMAN	1.00	X		X				0.	0.	0.
ALLEN W. LEADBETTER, M.D. SECOND VICE CHAIRMAN	1.00	X		X				0.	0.	0.
LEONARD C. EDWARDS DIRECTOR	1.00	X						0.	0.	0.
WILLIAM G. MCKENDREE CHAIRMAN	1.00	X		X				0.	0.	0.
DAVID V. DEVAULT DIRECTOR	1.00	X						0.	0.	0.
MARY JO ORSINGER DIRECTOR	1.00	X						0.	0.	0.
MAUREEN N. FITZGERALD DIRECTOR	1.00	X						0.	0.	0.
RICHARD C. HOLLIDAY DIRECTOR	1.00	X						0.	0.	0.
DAVID J. NELSON DIRECTOR	1.00	X						0.	0.	0.
CHRISTOPHER LEHRACH, M.D. DIRECTOR/ER PHYSICIAN	40.00	X			X			404,077.	0.	32,418.
CHARLES KINNEY PRESIDENT/CEO	40.00	X		X				328,076.	0.	46,603.
BARBARA J. PERINO DIRECTOR	1.00	X						0.	0.	0.

Part VII Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees *(continued)*

(A) Name and title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
JENNIFER SCHWINDT DIRECTOR	1.00	X						0.	0.	0.
JEANNE M. LACHANCE TREASURER	40.00			X				227,683.	0.	42,211.
MAUREEN L. CARBONI SECRETARY	1.00			X				0.	0.	0.
MARGARET AUSTIN NURSING/CNO	40.00				X			185,143.	0.	33,242.
WILLIAM CONLIN E/R PHYSICIAN	40.00					X		263,140.	0.	21,285.
FRED JACCARINO E/R PHYSICIAN	40.00					X		255,178.	0.	21,285.
WHITNEY FISHER E/R PHYSICIAN	40.00					X		150,010.	0.	16,181.
KEVIN TORRES E/R PHYSICIAN	40.00					X		290,495.	0.	21,285.
NANCY BARISANO IT DIRECTOR	40.00					X		145,488.	0.	638.
1b Sub-total ▶								2,249,290.	0.	235,148.
c Total from continuation sheets to Part VII, Section A ▶								0.	0.	0.
d Total (add lines 1b and 1c) ▶								2,249,290.	0.	235,148.

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 in reportable compensation from the organization ▶ 17

		Yes	No
3	Did the organization list any **former** officer, director or trustee, key employee, or highest compensated employee on line 1a? *If "Yes," complete Schedule J for such individual*		X
4	For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than $150,000? *If "Yes," complete Schedule J for such individual*	X	
5	Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? *If "Yes," complete Schedule J for such person*		X

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than $100,000 of compensation from the organization.

(A) Name and business address	(B) Description of services	(C) Compensation
CARDINAL HEALTH PHARMACY MANAGEMENT 21377 NETWORK PLACE, CHICAGO, IL 60673	PHARMACY SERVICES	2,047,326.
ARAMARK HEALTHCARE 40 ACCORD PARK DRIVE, NORWELL, MA 02601	BIOMED SERVICES	1,408,666.
CARPEDIA 75 NAVY STREET, OAKVILLE, ONTARIO, CANADA	CONSULTING SERVICE	1,181,400.
NURSEFINDERS PO BOX 910738, DALLAS, TX 75391-0738	NURSING SERVICE	771,066.
QUEST DIAGNOSTICS, 12436 COLLECTIONS CENTER DRIVE, CHICAGO, IL 60693	LAB SERVICES	651,225.

2 Total number of independent contractors (including but not limited to those listed above) who received more than $100,000 in compensation from the organization ▶ 23

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Part VIII Statement of Revenue

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a Federated campaigns	1a				
	b Membership dues	1b				
	c Fundraising events	1c				
	d Related organizations	1d	1715000.			
	e Government grants (contributions)	1e				
	f All other contributions, gifts, grants, and similar amounts not included above	1f	691,556.			
	g Noncash contributions included in lines 1a-1f: $					
	h Total. Add lines 1a-1f		2406556.			
Program Service Revenue		Business Code				
	2a PATIENT SERVICE REV.	900099	87,590,990.	87,590,990.		
	b FREE BED INCOME	900099	3796659.	3796659.		
	c LIFELINE	900099	96,915.	96,915.		
	d					
	e					
	f All other program service revenue					
	g Total. Add lines 2a-2f		91,484,564.			
Other Revenue	3 Investment income (including dividends, interest, and other similar amounts)		1378865.			1,378,865.
	4 Income from investment of tax-exempt bond proceeds					
	5 Royalties					
		(i) Real	(ii) Personal			
	6a Gross Rents	494204.				
	b Less: rental expenses	75,914.				
	c Rental income or (loss)	418290.				
	d Net rental income or (loss)		418,290.		9,865.	408,425.
		(i) Securities	(ii) Other			
	7a Gross amount from sales of assets other than inventory	195793.				
	b Less: cost or other basis and sales expenses					
	c Gain or (loss)	195793.				
	d Net gain or (loss)		195,793.			195,793.
	8a Gross income from fundraising events (not including $ ____ of contributions reported on line 1c). See Part IV, line 18	a				
	b Less: direct expenses	b				
	c Net income or (loss) from fundraising events					
	9a Gross income from gaming activities. See Part IV, line 19	a				
	b Less: direct expenses	b				
	c Net income or (loss) from gaming activities					
	10a Gross sales of inventory, less returns and allowances	a				
	b Less: cost of goods sold	b				
	c Net income or (loss) from sales of inventory					
	Miscellaneous Revenue	Business Code				
	11a SETTLEMENT INCOME	900099	325,000.			325,000.
	b OTHER INCOME	900099	314,784.			314,784.
	c CAFETERIA SALES	900099	211,345.			211,345.
	d All other revenue	900099	31,017.			31,017.
	e Total. Add lines 11a-11d		882,146.			
	12 Total revenue. See instructions		95,766,214.	91,484,564.	9,865.	2,865,229.

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Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns.
All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D).

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to governments and organizations in the U.S. See Part IV, line 21				
2 Grants and other assistance to individuals in the U.S. See Part IV, line 22				
3 Grants and other assistance to governments, organizations, and individuals outside the U.S. See Part IV, lines 15 and 16				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees	969,601.	736,898.	232,703.	
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7 Other salaries and wages	37,126,680.	28,216,276.	8,910,404.	
8 Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	3,469,191.	2,636,585.	832,606.	
9 Other employee benefits	7,887,147.	5,994,231.	1,892,916.	
10 Payroll taxes	2,701,768.	2,053,344.	648,424.	
11 Fees for services (non-employees):				
a Management				
b Legal	1,227,712.	933,061.	294,651.	
c Accounting	210,673.	160,111.	50,562.	
d Lobbying				
e Professional fundraising services. See Part IV, line 17				
f Investment management fees				
g Other	398,572.	302,915.	95,657.	
12 Advertising and promotion	64,601.	49,097.	15,504.	
13 Office expenses	89,108.	67,722.	21,386.	
14 Information technology				
15 Royalties				
16 Occupancy	2,103,896.	1,598,961.	504,935.	
17 Travel	5,081.	3,862.	1,219.	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings				
20 Interest	1,383,295.	1,051,303.	331,992.	
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	4,685,286.	3,560,817.	1,124,469.	
23 Insurance	1,365,030.	1,291,318.	73,712.	
24 Other expenses. Itemize expenses not covered above. (List miscellaneous expenses in line 24f. If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O.)				
a SUPPLIES	11,104,442.	8,439,376.	2,665,066.	
b PURCHASED SERVICES	8,275,855.	6,289,650.	1,986,205.	
c BAD DEBTS	6,782,130.	6,782,130.		
d LICENSING FEE	4,240,522.	4,240,522.		
e DRUGS	2,511,756.	1,908,935.	602,821.	
f All other expenses	1,043,539.	793,090.	250,449.	
25 Total functional expenses. Add lines 1 through 24f	97,645,885.	77,110,204.	20,535,681.	0.
26 Joint costs. Check here ▶ ☐ if following SOP 98-2 (ASC 958-720). Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

RIDOH 1442

Part X Balance Sheet

			(A) Beginning of year		(B) End of year
Assets	1	Cash - non-interest-bearing		1	
	2	Savings and temporary cash investments	2,274,270.	2	3,083,667.
	3	Pledges and grants receivable, net		3	
	4	Accounts receivable, net	7,336,470.	4	8,914,587.
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L		5	
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions)		6	
	7	Notes and loans receivable, net	16,356.	7	
	8	Inventories for sale or use	1,611,752.	8	1,556,917.
	9	Prepaid expenses and deferred charges	1,568,252.	9	1,550,853.
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D — 10a: 116,567,219.			
	b	Less: accumulated depreciation — 10b: 80,205,711.	36,501,015.	10c	36,361,508.
	11	Investments - publicly traded securities	21,855,856.	11	15,827,019.
	12	Investments - other securities. See Part V, line 11	7,556,551.	12	3,874,529.
	13	Investments - program-related. See Part IV, line 11		13	
	14	Intangible assets		14	
	15	Other assets. See Part IV, line 11	1,576,552.	15	5,105,927.
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)	80,297,074.	16	76,275,007.
Liabilities	17	Accounts payable and accrued expenses	9,660,439.	17	16,957,031.
	18	Grants payable		18	
	19	Deferred revenue	1,469,601.	19	1,344,327.
	20	Tax-exempt bond liabilities	8,610,000.	20	7,860,000.
	21	Escrow or custodial account liability. Complete Part IV of Schedule D		21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L		22	
	23	Secured mortgages and notes payable to unrelated third parties	5,163,197.	23	4,734,858.
	24	Unsecured notes and loans payable to unrelated third parties		24	
	25	Other liabilities. Complete Part X of Schedule D	31,041,586.	25	36,667,841.
	26	**Total liabilities.** Add lines 17 through 25	55,944,823.	26	67,564,057.
Net Assets or Fund Balances		**Organizations that follow SFAS 117, check here ▶ [X] and complete lines 27 through 29, and lines 33 and 34.**			
	27	Unrestricted net assets	8,468,193.	27	-2,318,909.
	28	Temporarily restricted net assets	3,583,415.	28	2,343,893.
	29	Permanently restricted net assets	12,300,643.	29	8,685,966.
		Organizations that do not follow SFAS 117, check here ▶ [ ] and complete lines 30 through 34.			
	30	Capital stock or trust principal, or current funds		30	
	31	Paid-in or capital surplus, or land, building, or equipment fund		31	
	32	Retained earnings, endowment, accumulated income, or other funds		32	
	33	Total net assets or fund balances	24,352,251.	33	8,710,950.
	34	Total liabilities and net assets/fund balances	80,297,074.	34	76,275,007.

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Part XI Reconciliation of Net Assets

Check if Schedule O contains a response to any question in this Part XI [X]

1	Total revenue (must equal Part VIII, column (A), line 12)	1	96,766,214.
2	Total expenses (must equal Part IX, column (A), line 25)	2	97,645,885.
3	Revenue less expenses. Subtract line 2 from line 1	3	-879,671.
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	24,352,251.
5	Other changes in net assets or fund balances (explain in Schedule O)	5	-14,761,630.
6	Net assets or fund balances at end of year. Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	6	8,710,950.

Part XII Financial Statements and Reporting

Check if Schedule O contains a response to any question in this Part XII [ ]

			Yes	No
1	Accounting method used to prepare the Form 990: [ ] Cash [X] Accrual [ ] Other			
	If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O.			
2a	Were the organization's financial statements compiled or reviewed by an independent accountant?	2a		X
b	Were the organization's financial statements audited by an independent accountant?	2b		X
c	If "Yes" to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant?	2c		
	If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O.			
d	If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued on a separate basis, consolidated basis, or both:			
	[ ] Separate basis [ ] Consolidated basis [ ] Both consolidated and separate basis			
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	3a		X
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits.	3b		

RIDOH 1444

SCHEDULE A (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

Complete if the organization is a section 501(c)(3) organization or a section 4947(a)(1) nonexempt charitable trust.

▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No. 1545-0047

2010

Open to Public Inspection

Name of the organization	Employer identification number
THE WESTERLY HOSPITAL	05-0259100

Part I Reason for Public Charity Status (All organizations must complete this part.) See instructions.

The organization is not a private foundation because it is: (For lines 1 through 11, check only one box.)

1 ☐ A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**

2 ☐ A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E.)

3 ☒ A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**

4 ☐ A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state:

5 ☐ An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II.)

6 ☐ A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**

7 ☐ An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi).** (Complete Part II.)

8 ☐ A community trust described in **section 170(b)(1)(A)(vi).** (Complete Part II.)

9 ☐ An organization that normally receives: (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions - subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See **section 509(a)(2).** (Complete Part III.)

10 ☐ An organization organized and operated exclusively to test for public safety. See **section 509(a)(4).**

11 ☐ An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2). See **section 509(a)(3).** Check the box that describes the type of supporting organization and complete lines 11e through 11h.

a ☐ Type I b ☐ Type II c ☐ Type III - Functionally integrated d ☐ Type III - Other

e ☐ By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2).

f If the organization received a written determination from the IRS that it is a Type I, Type II, or Type III supporting organization, check this box ☐

g Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?

		Yes	No
(i)	A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization? 11g(i)		
(ii)	A family member of a person described in (i) above? 11g(ii)		
(iii)	A 35% controlled entity of a person described in (i) or (ii) above? 11g(iii)		

h Provide the following information about the supported organization(s).

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1-9 above or IRC section (see instructions))	(iv) Is the organization in col. (i) listed in your governing document? Yes	(iv) No	(v) Did you notify the organization in col. (i) of your support? Yes	(v) No	(vi) Is the organization in col. (i) organized in the U.S.? Yes	(vi) No	(vii) Amount of support
Total									

LHA For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990-EZ.

Schedule A (Form 990 or 990-EZ) 2010

032021 12-21-10

Part II Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)

(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
1 Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 **Total.** Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 **Public support.** Subtract line 5 from line 4						

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
11 **Total support.** Add lines 7 through 10						

12 Gross receipts from related activities, etc. (see instructions) 12

13 **First five years.** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and **stop here** ▶ ☐

Section C. Computation of Public Support Percentage

14 Public support percentage for 2010 (line 6, column (f) divided by line 11, column (f)) 14 %

15 Public support percentage from 2009 Schedule A, Part II, line 14 15 %

16a **33 1/3% support test - 2010.** If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶ ☐

b **33 1/3% support test - 2009.** If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶ ☐

17a **10% -facts-and-circumstances test - 2010.** If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization ▶ ☐

b **10% -facts-and-circumstances test - 2009.** If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization ▶ ☐

18 **Private foundation.** If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions ▶ ☐

Part III Support Schedule for Organizations Described in Section 509(a)(2)

(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
1 Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 **Total.** Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of $5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 **Public support** (Subtract line 7c from line 6.)						

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
9 Amounts from line 8						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 **Total support** (Add lines 9, 10c, 11, and 12.)						

14 **First five years.** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and **stop here** ▶ ☐

Section C. Computation of Public Support Percentage

15 Public support percentage for 2010 (line 8, column (f) divided by line 13, column (f))	15	%
16 Public support percentage from 2009 Schedule A, Part III, line 15	16	%

Section D. Computation of Investment Income Percentage

17 Investment income percentage for **2010** (line 10c, column (f) divided by line 13, column (f))	17	%
18 Investment income percentage from **2009** Schedule A, Part III, line 17	18	%

19a 33 1/3% support tests - 2010. If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶ ☐

b 33 1/3% support tests - 2009. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3%, and line 18 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶ ☐

20 **Private foundation.** If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions ▶ ☐

Schedule B (Form 990, 990-EZ, or 990-PF)
Department of the Treasury
Internal Revenue Service

Schedule of Contributors

▶ Attach to Form 990, 990-EZ, or 990-PF.

OMB No. 1545-0047

2010

Name of the organization	Employer identification number
THE WESTERLY HOSPITAL	05-0259100

Organization type (check one):

Filers of:	Section:
Form 990 or 990-EZ	[X] 501(c)(3) (enter number) organization
	[ ] 4947(a)(1) nonexempt charitable trust not treated as a private foundation
	[ ] 527 political organization
Form 990-PF	[ ] 501(c)(3) exempt private foundation
	[ ] 4947(a)(1) nonexempt charitable trust treated as a private foundation
	[ ] 501(c)(3) taxable private foundation

Check if your organization is covered by the **General Rule** or a **Special Rule.**
Note. Only a section 501(c)(7), (8), or (10) organization can check boxes for both the General Rule and a Special Rule. See instructions.

General Rule

[X] For an organization filing Form 990, 990-EZ, or 990-PF that received, during the year, $5,000 or more (in money or property) from any one contributor. Complete Parts I and II.

Special Rules

[ ] For a section 501(c)(3) organization filing Form 990 or 990-EZ that met the 33 1/3% support test of the regulations under sections 509(a)(1) and 170(b)(1)(A)(vi), and received from any one contributor, during the year, a contribution of the greater of (1) $5,000 or (2) 2% of the amount on (i) Form 990, Part VIII, line 1h or (ii) Form 990-EZ, line 1. Complete Parts I and II.

[ ] For a section 501(c)(7), (8), or (10) organization filing Form 990 or 990-EZ that received from any one contributor, during the year, aggregate contributions of more than $1,000 for use *exclusively* for religious, charitable, scientific, literary, or educational purposes, or the prevention of cruelty to children or animals. Complete Parts I, II, and III.

[ ] For a section 501(c)(7), (8), or (10) organization filing Form 990 or 990-EZ that received from any one contributor, during the year, contributions for use *exclusively* for religious, charitable, etc., purposes, but these contributions did not aggregate to more than $1,000. If this box is checked, enter here the total contributions that were received during the year for an *exclusively* religious, charitable, etc., purpose. Do not complete any of the parts unless the **General Rule** applies to this organization because it received nonexclusively religious, charitable, etc., contributions of $5,000 or more during the year. ▶ $ _____

Caution. An organization that is not covered by the General Rule and/or the Special Rules does not file Schedule B (Form 990, 990-EZ, or 990-PF), but it **must** answer "No" on Part IV, line 2 of its Form 990, or check the box on line H of its Form 990-EZ, or on line 2 of its Form 990-PF, to certify that it does not meet the filing requirements of Schedule B (Form 990, 990-EZ, or 990-PF).

Name of organization: THE WESTERLY HOSPITAL

Employer identification number: 05-0259100

Part I Contributors (see instructions)

(a) No.	(b) Name, address, and ZIP + 4	(c) Aggregate contributions	(d) Type of contribution
1	THE WESTERLY HOSPITAL FOUNDATION 25 WELLS STREET WESTERLY, RI 02891	$ 1,715,000.	Person [X] Payroll [ ] Noncash [ ] (Complete Part II if there is a noncash contribution.)
2	DOROTHY M. DAVIS TRUST 355 BLACKSTONE BLVD, APT #401 PROVIDENCE, RI 02906	$ 500,000.	Person [X] Payroll [ ] Noncash [ ] (Complete Part II if there is a noncash contribution.)
		$	Person [ ] Payroll [ ] Noncash [ ] (Complete Part II if there is a noncash contribution.)
		$	Person [ ] Payroll [ ] Noncash [ ] (Complete Part II if there is a noncash contribution.)
		$	Person [ ] Payroll [ ] Noncash [ ] (Complete Part II if there is a noncash contribution.)
		$	Person [ ] Payroll [ ] Noncash [ ] (Complete Part II if there is a noncash contribution.)

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Name of organization: THE WESTERLY HOSPITAL

Employer identification number: 05-0259100

Part II Noncash Property (see instructions)

(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (see instructions)	(d) Date received
		$	

(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (see instructions)	(d) Date received
		$	

(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (see instructions)	(d) Date received
		$	

(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (see instructions)	(d) Date received
		$	

(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (see instructions)	(d) Date received
		$	

(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (see instructions)	(d) Date received
		$	

RIDOH 1450

Name of organization: THE WESTERLY HOSPITAL

Employer identification number: 05-0259100

Part III Exclusively religious, charitable, etc., individual contributions to section 501(c)(7), (8), or (10) organizations aggregating more than $1,000 for the year. Complete columns (a) through (e) and the following line entry. For organizations completing Part III, enter the total of *exclusively* religious, charitable, etc., contributions of $1,000 or less for the year. (Enter this information once. See instructions.) ▶ $

(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held

(e) Transfer of gift

Transferee's name, address, and ZIP + 4	Relationship of transferor to transferee

(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held

(e) Transfer of gift

Transferee's name, address, and ZIP + 4	Relationship of transferor to transferee

(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held

(e) Transfer of gift

Transferee's name, address, and ZIP + 4	Relationship of transferor to transferee

(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held

(e) Transfer of gift

Transferee's name, address, and ZIP + 4	Relationship of transferor to transferee

SCHEDULE C (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

For Organizations Exempt From Income Tax Under section 501(c) and section 527

▶ Complete if the organization is described below. ▶ Attach to Form 990 or Form 990-EZ.
▶ See separate instructions.

OMB No. 1545-0047

2010

Open to Public Inspection

If the organization answered "Yes," to Form 990, Part IV, line 3, or Form 990-EZ, Part V, line 46 (Political Campaign Activities), then

- Section 501(c)(3) organizations: Complete Parts I-A and B. Do not complete Part I-C.
- Section 501(c) (other than section 501(c)(3)) organizations: Complete Parts I-A and C below. Do not complete Part I-B.
- Section 527 organizations: Complete Part I-A only.

If the organization answered "Yes," to Form 990, Part IV, line 4, or Form 990-EZ, Part VI, line 47 (Lobbying Activities), then

- Section 501(c)(3) organizations that have filed Form 5768 (election under section 501(h)): Complete Part II-A. Do not complete Part II-B.
- Section 501(c)(3) organizations that have NOT filed Form 5768 (election under section 501(h)): Complete Part II-B. Do not complete Part II-A.

If the organization answered "Yes," to Form 990, Part IV, line 5 (Proxy Tax), or Form 990-EZ, Part V, line 35a (Proxy Tax), then

- Section 501(c)(4), (5), or (6) organizations: Complete Part III.

Name of organization	Employer identification number
THE WESTERLY HOSPITAL	05-0259100

Part I-A Complete if the organization is exempt under section 501(c) or is a section 527 organization.

1 Provide a description of the organization's direct and indirect political campaign activities in Part IV.
2 Political expenditures ▶ $
3 Volunteer hours

Part I-B Complete if the organization is exempt under section 501(c)(3).

1 Enter the amount of any excise tax incurred by the organization under section 4955 ▶ $
2 Enter the amount of any excise tax incurred by organization managers under section 4955 ▶ $
3 If the organization incurred a section 4955 tax, did it file Form 4720 for this year? ☐ Yes ☐ No
4a Was a correction made? ☐ Yes ☐ No
b If "Yes," describe in Part IV.

Part I-C Complete if the organization is exempt under section 501(c), except section 501(c)(3).

1 Enter the amount directly expended by the filing organization for section 527 exempt function activities ▶ $
2 Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt function activities ▶ $
3 Total exempt function expenditures. Add lines 1 and 2. Enter here and on Form 1120-POL, line 17b ▶ $
4 Did the filing organization file **Form 1120-POL** for this year? ☐ Yes ☐ No
5 Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments. For each organization listed, enter the amount paid from the filing organization's funds. Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC). If additional space is needed, provide information in Part IV.

(a) Name	(b) Address	(c) EIN	(d) Amount paid from filing organization's funds. If none, enter -0-.	(e) Amount of political contributions received and promptly and directly delivered to a separate political organization. If none, enter -0-.

Part II-A **Complete if the organization is exempt under section 501(c)(3) and filed Form 5768 (election under section 501(h)).**

A Check ▶ ☐ if the filing organization belongs to an affiliated group.

B Check ▶ ☐ if the filing organization checked box A and "limited control" provisions apply.

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)	(a) Filing organization's totals	(b) Affiliated group totals
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)		
b Total lobbying expenditures to influence a legislative body (direct lobbying)		
c Total lobbying expenditures (add lines 1a and 1b)		
d Other exempt purpose expenditures		
e Total exempt purpose expenditures (add lines 1c and 1d)		
f Lobbying nontaxable amount. Enter the amount from the following table in both columns.		
g Grassroots nontaxable amount (enter 25% of line 1f)		
h Subtract line 1g from line 1a. If zero or less, enter -0-		
i Subtract line 1f from line 1c. If zero or less, enter -0-		

If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:
Not over $500,000	20% of the amount on line 1e.
Over $500,000 but not over $1,000,000	$100,000 plus 15% of the excess over $500,000.
Over $1,000,000 but not over $1,500,000	$175,000 plus 10% of the excess over $1,000,000.
Over $1,500,000 but not over $17,000,000	$225,000 plus 5% of the excess over $1,500,000.
Over $17,000,000	$1,000,000.

j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year? ☐ Yes ☐ No

4-Year Averaging Period Under Section 501(h)

(Some organizations that made a section 501(h) election do not have to complete all of the five columns below. See the instructions for lines 2a through 2f on page 4.)

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) Total
2a Lobbying nontaxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots nontaxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

Part II-B **Complete if the organization is exempt under section 501(c)(3) and has NOT filed Form 5768 (election under section 501(h)).**

	(a) Yes	(a) No	(b) Amount
1 During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of:			
a Volunteers?		X	
b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		X	
c Media advertisements?		X	
d Mailings to members, legislators, or the public?		X	
e Publications, or published or broadcast statements?		X	
f Grants to other organizations for lobbying purposes?	X		2,847.
g Direct contact with legislators, their staffs, government officials, or a legislative body?		X	
h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		X	
i Other activities? If "Yes," describe in Part IV		X	
j Total. Add lines 1c through 1i			2,847.
2a Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		X	
b If "Yes," enter the amount of any tax incurred under section 4912			
c If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A **Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6).**

		Yes	No
1 Were substantially all (90% or more) dues received nondeductible by members?	1		
2 Did the organization make only in-house lobbying expenditures of $2,000 or less?	2		
3 Did the organization agree to carryover lobbying and political expenditures from the prior year?	3		

Part III-B **Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6) if BOTH Part III-A, lines 1 and 2 are answered "No" OR if Part III-A, line 3 is answered "Yes."**

1 Dues, assessments and similar amounts from members	1	
2 Section 162(e) nondeductible lobbying and political expenditures (**do not include amounts of political expenses for which the section 527(f) tax was paid**).		
a Current year	2a	
b Carryover from last year	2b	
c Total	2c	
3 Aggregate amount reported in section 6033(e)(1)(A) notices of nondeductible section 162(e) dues	3	
4 If notices were sent and the amount on line 2c exceeds the amount on line 3, what portion of the excess does the organization agree to carryover to the reasonable estimate of nondeductible lobbying and political expenditure next year?	4	
5 Taxable amount of lobbying and political expenditures (see instructions)	5	

Part IV **Supplemental Information**

Complete this part to provide the descriptions required for Part I-A, line 1; Part I-B, line 4; Part I-C, line 5; and Part II-B, line 1l. Also, complete this part for any additional information.

SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11, or 12.

▶ Attach to Form 990. ▶ See separate instructions.

OMB No. 1545-0047

2010

Open to Public Inspection

Name of the organization: THE WESTERLY HOSPITAL

Employer identification number: 05-0259100

Part I Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts. Complete if the organization answered "Yes" to Form 990, Part IV, line 6.

		(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year		
2	Aggregate contributions to (during year)		
3	Aggregate grants from (during year)		
4	Aggregate value at end of year		

5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? ☐ Yes ☐ No

6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit? ☐ Yes ☐ No

Part II Conservation Easements. Complete if the organization answered "Yes" to Form 990, Part IV, line 7.

1 Purpose(s) of conservation easements held by the organization (check all that apply).

☐ Preservation of land for public use (e.g., recreation or education) ☐ Preservation of an historically important land area

☐ Protection of natural habitat ☐ Preservation of a certified historic structure

☐ Preservation of open space

2 Complete lines 2a through 2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year.

		Held at the End of the Tax Year
a	Total number of conservation easements	2a
b	Total acreage restricted by conservation easements	2b
c	Number of conservation easements on a certified historic structure included in (a)	2c
d	Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register	2d

3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax year ▶ _____

4 Number of states where property subject to conservation easement is located ▶ _____

5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds? ☐ Yes ☐ No

6 Staff and volunteer hours devoted to monitoring, inspecting, and enforcing conservation easements during the year ▶ _____

7 Amount of expenses incurred in monitoring, inspecting, and enforcing conservation easements during the year ▶ $ _____

8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and section 170(h)(4)(B)(ii)? ☐ Yes ☐ No

9 In Part XIV, describe how the organization reports conservation easements in its revenue and expense statement, and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements.

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets. Complete if the organization answered "Yes" to Form 990, Part IV, line 8.

1a If the organization elected, as permitted under SFAS 116 (ASC 958), not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide, in Part XIV, the text of the footnote to its financial statements that describes these items.

b If the organization elected, as permitted under SFAS 116 (ASC 958), to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items:

(i) Revenues included in Form 990, Part VIII, line 1 ▶ $ _____

(ii) Assets included in Form 990, Part X ▶ $ _____

2 If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 (ASC 958) relating to these items:

a Revenues included in Form 990, Part VIII, line 1 ▶ $ _____

b Assets included in Form 990, Part X ▶ $ _____

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets *(continued)*

3 Using the organization's acquisition, accession, and other records, check any of the following that are a significant use of its collection items (check all that apply):

a ☐ Public exhibition
b ☐ Scholarly research
c ☐ Preservation for future generations
d ☐ Loan or exchange programs
e ☐ Other

4 Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIV.

5 During the year, did the organization solicit or receive donations of art, historical treasures, or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? ☐ Yes ☐ No

Part IV Escrow and Custodial Arrangements. Complete if the organization answered "Yes" to Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? ☐ Yes ☐ No

b If "Yes," explain the arrangement in Part XIV and complete the following table:

		Amount
c Beginning balance	1c	
d Additions during the year	1d	
e Distributions during the year	1e	
f Ending balance	1f	

2a Did the organization include an amount on Form 990, Part X, line 21? ☐ Yes ☐ No

b If "Yes," explain the arrangement in Part XIV.

Part V Endowment Funds. Complete if the organization answered "Yes" to Form 990, Part IV, line 10.

	(a) Current year	(b) Prior year	(c) Two years back	(d) Three years back	(e) Four years back
1a Beginning of year balance	20,625,747.	19,347,393.	20,261,776.		
b Contributions					
c Net investment earnings, gains, and losses	816,000.	1,278,354.	-4,771.		
d Grants or scholarships					
e Other expenditures for facilities and programs	6,900,000.		909,612.		
f Administrative expenses					
g End of year balance	14,541,747.	20,625,747.	19,347,393.		

2 Provide the estimated percentage of the year end balance held as:

a Board designated or quasi-endowment ▶ 51.27 %
b Permanent endowment ▶ 33.09 %
c Term endowment ▶ 15.64 %

3a Are there endowment funds not in the possession of the organization that are held and administered for the organization by:

	Yes	No
3a(i) (i) unrelated organizations		X
3a(ii) (ii) related organizations	X	
3b b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?	X	

4 Describe in Part XIV the intended uses of the organization's endowment funds.

Part VI Land, Buildings, and Equipment. See Form 990, Part X, line 10.

Description of investment	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land				
b Buildings		43,905,405.	30,724,319.	13,181,086.
c Leasehold improvements				
d Equipment		70,184,560.	47,794,426.	22,390,134.
e Other		2,477,254.	1,686,966.	790,288.
Total. Add lines 1a through 1e. *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶				36,361,508.

Part VII Investments - Other Securities. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
(3) Other		
(A) FUNDS HELD IN TRUST	3,874,529.	END-OF-YEAR MARKET VALUE
(B)		
(C)		
(D)		
(E)		
(F)		
(G)		
(H)		
(I)		
Total. (Col (b) must equal Form 990, Part X, col (B) line 12.) ▶	3,874,529.	

Part VIII Investments - Program Related. See Form 990, Part X, line 13.

(a) Description of investment type	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
(1)		
(2)		
(3)		
(4)		
(5)		
(6)		
(7)		
(8)		
(9)		
(10)		
Total. (Col (b) must equal Form 990, Part X, col (B) line 13.) ▶		

Part IX Other Assets. See Form 990, Part X, line 15.

(a) Description	(b) Book value
(1) DEFERRED FINANCING COSTS	186,410.
(2) OTHER LONG TERM ASSETS	4,817,365.
(3) DUE TO RELATED PARTY	102,152.
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
(10)	
Total. (Column (b) must equal Form 990, Part X, col (B) line 15.) ▶	5,105,927.

Part X Other Liabilities. See Form 990, Part X, line 25.

1. (a) Description of liability	(b) Amount
(1) Federal income taxes	
(2) 3RD PARTY PAYOR SETTLEMENTS	724,933.
(3) ACCRUED MINIMUM PENSION LIABILITY	26,310,958.
(4) LINE OF CREDIT	4,966,766.
(5) CAPITAL LEASE OBLIGATIONS	3,039,506.
(6) ASSET RETIREMENT OBLIGATION	1,425,678.
(7) OTHER LIABILITIES	200,000.
(8)	
(9)	
(10)	
(11)	
Total. (Column (b) must equal Form 990, Part X, col (B) line 25.) ▶	36,667,841.

2. FIN 48 (ASC 740) Footnote. In Part XIV, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC 740).

Part XI Reconciliation of Change in Net Assets from Form 990 to Audited Financial Statements

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	96,766,214.
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	97,645,885.
3	Excess or (deficit) for the year. Subtract line 2 from line 1	3	-879,671.
4	Net unrealized gains (losses) on investments	4	-3,560,001.
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV.)	8	-11,201,629.
9	Total adjustments (net). Add lines 4 through 8	9	-14,761,630.
10	Excess or (deficit) for the year per audited financial statements. Combine lines 3 and 9	10	-15,641,301.

Part XII Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

1	Total revenue, gains, and other support per audited financial statements			1	82,080,497.
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12:				
a	Net unrealized gains on investments	2a	-3,560,001.		
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIV.)	2d	-11201630.		
e	Add lines 2a through 2d			2e	-14761631.
3	Subtract line 2e from line 1			3	96,842,128.
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1:				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIV.)	4b	-75,914.		
c	Add lines 4a and 4b			4c	-75,914.
5	Total revenue. Add lines 3 and 4c. *(This must equal Form 990, Part I, line 12.)*			5	96,766,214.

Part XIII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

1	Total expenses and losses per audited financial statements			1	97,721,799.
2	Amounts included on line 1 but not on Form 990, Part IX, line 25:				
a	Donated services and use of facilities	2a			
b	Prior year adjustments	2b			
c	Other losses	2c			
d	Other (Describe in Part XIV.)	2d	75,914.		
e	Add lines 2a through 2d			2e	75,914.
3	Subtract line 2e from line 1			3	97,645,885.
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIV.)	4b			
c	Add lines 4a and 4b			4c	0.
5	Total expenses. Add lines 3 and 4c. *(This must equal Form 990, Part I, line 18.)*			5	97,645,885.

Part XIV Supplemental Information

Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9; Part III, lines 1a and 4; Part IV, lines 1b and 2b; Part V, line 4; Part X, line 2; Part XI, line 8; Part XII, lines 2d and 4b; and Part XIII, lines 2d and 4b. Also complete this part to provide any additional information.

PART V, LINE 4: THE ENDOWMENT FUNDS ARE USED TO SUPPORT THE MISSION OF THE WESTERLY HOSPITAL.

PART XI, LINE 8 - OTHER ADJUSTMENTS:

CAPITAL TRANSACTIONS WITH AFFILIATES	-4,957,194.
CHANGES IN ACCRUED MINIMUM PENSION LIABILITY	-6,244,436.
ROUNDING	1.
TOTAL TO SCHEDULE D, PART XI, LINE 8	-11,201,629.

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Part XIV Supplemental Information *(continued)*

PART XII, LINE 2D - OTHER ADJUSTMENTS:

CAPITAL TRANSACTIONS WITH AFFILIATES	-4,957,194.
CHANGES TO ACCRUED PENSION LIABILITY	-6,244,436.
TOTAL TO SCHEDULE D, PART XII, LINE 2D	-11,201,630.

PART XII, LINE 4B - OTHER ADJUSTMENTS:

RENTAL EXPENSES	-75,914.

PART XIII, LINE 2D - OTHER ADJUSTMENTS:

RENTAL EXPENSES	75,914.

SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 20.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No. 1545-0047

2010

Open to Public Inspection

Name of the organization: THE WESTERLY HOSPITAL

Employer identification number: 05-0259100

Part I Financial Assistance and Certain Other Community Benefits at Cost

		Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	X	
b	If "Yes," was it a written policy?	X	
2	If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year. ☐ Applied uniformly to all hospital facilities ☐ Applied uniformly to most hospital facilities ☐ Generally tailored to individual hospital facilities		
3	Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year.		
a	Did the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing *free* care to low income individuals? If "Yes," indicate which of the following was the FPG family income limit for eligibility for free care: ☐ 100% ☐ 150% ☒ 200% ☐ Other ____ %	X	
b	Did the organization use FPG to determine eligibility for providing *discounted* care to low income individuals? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care: ☐ 200% ☐ 250% ☒ 300% ☐ 350% ☐ 400% ☐ Other ____ %	X	
c	If the organization did not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care. Include in the description whether the organization used an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care.		
4	Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	X	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	X	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	X	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?		X
6a	Did the organization prepare a community benefit report during the tax year?		X
b	If "Yes," did the organization make it available to the public?		

Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H.

7 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheets 1 and 2)			1,157,269.	408,117.	749,152.	.77%
b Unreimbursed Medicaid (from Worksheet 3, column a)			9,319,533.	8,335,972.	983,561.	1.01%
c Unreimbursed costs - other means-tested government programs (from Worksheet 3, column b)						
d **Total** Financial Assistance and Means-Tested Government Programs			10,476,802.	8,744,089.	1,732,713.	1.78%
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			17,961.	6,144.	11,817.	.01%
f Health professions education (from Worksheet 5)			127,430.	8,000.	119,430.	.12%
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions to community groups (from Worksheet 8)			24,083.		24,083.	.02%
j **Total.** Other Benefits			169,474.	14,144.	155,330.	.15%
k **Total.** Add lines 7d and 7j			10,646,276.	8,758,233.	1,888,043.	1.93%

Part II Community Building Activities Complete this table if the organization conducted any community building activities during the tax year, and describe in Part VI how its community building activities promoted the health of the communities it serves.

		(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1	Physical improvements and housing						
2	Economic development						
3	Community support						
4	Environmental improvements						
5	Leadership development and training for community members						
6	Coalition building						
7	Community health improvement advocacy						
8	Workforce development						
9	Other						
10	Total						

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

				Yes	No
1	Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?		1	X	
2	Enter the amount of the organization's bad debt expense (at cost)	2	2,844,713.		
3	Enter the estimated amount of the organization's bad debt expense (at cost) attributable to patients eligible under the organization's financial assistance policy	3			
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense. In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts as community benefit.				

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	20,993,096.		
6	Enter Medicare allowable costs of care relating to payments on line 5	6	22,433,200.		
7	Subtract line 6 from line 5. This is the surplus (or shortfall)	7	-1,440,104.		
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: ☐ Cost accounting system ☐ Cost to charge ratio ☒ Other				

Section C. Collection Practices

9a	Did the organization have a written debt collection policy during the tax year?		9a	X	
b	If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI		9b		X

Part IV Management Companies and Joint Ventures

(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership %	(e) Physicians' profit % or stock ownership %

Part V Facility Information

Section A. Hospital Facilities

(list in order of size, measured by total revenue per facility, from largest to smallest)

How many hospital facilities did the organization operate during the tax year? 1

Name and address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (describe)
1 THE WESTERLY HOSPITAL 25 WELLS STREET WESTERLY, RI 02891	X	X					X		

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices

(Complete a separate Section B for each of the hospital facilities listed in Part V, Section A)

Name of Hospital Facility: THE WESTERLY HOSPITAL

Line Number of Hospital Facility (from Schedule H, Part V, Section A): 1

		Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2010)			
1 During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment (Needs Assessment)? If "No," skip to line 8	1		
If "Yes," indicate what the Needs Assessment describes (check all that apply):			
a ☐ A definition of the community served by the hospital facility			
b ☐ Demographics of the community			
c ☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d ☐ How data was obtained			
e ☐ The health needs of the community			
f ☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g ☐ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h ☐ The process for consulting with persons representing the community's interests			
i ☐ Information gaps that limit the hospital facility's ability to assess all of the community's health needs			
j ☐ Other (describe in Part VI)			
2 Indicate the tax year the hospital facility last conducted a Needs Assessment: 20 ____			
3 In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3		
4 Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4		
5 Did the hospital facility make its Needs Assessment widely available to the public?	5		
If "Yes," indicate how the Needs Assessment was made widely available (check all that apply):			
a ☐ Hospital facility's website			
b ☐ Available upon request from the hospital facility			
c ☐ Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply):			
a ☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b ☐ Execution of the implementation strategy			
c ☐ Participation in the development of a community-wide community benefit plan			
d ☐ Participation in the execution of a community-wide community benefit plan			
e ☐ Inclusion of a community benefit section in operational plans			
f ☐ Adoption of a budget for provision of services that address the needs identified in the Needs Assessment			
g ☐ Prioritization of health needs in its community			
h ☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i ☐ Other (describe in Part VI)			
7 Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7		
Financial Assistance Policy			
Did the hospital facility have in place during the tax year a written financial assistance policy that:			
8 Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8		
9 Used federal poverty guidelines (FPG) to determine eligibility for providing *free* care to low income individuals?	9		
If "Yes," indicate the FPG family income limit for eligibility for free care: _____ %			

Part V Facility Information *(continued)* THE WESTERLY HOSPITAL

		Yes	No
10	Used FPG to determine eligibility for providing *discounted* care to low income individuals? 10		
	If "Yes," indicate the FPG family income limit for eligibility for discounted care: _____ %		
11	Explained the basis for calculating amounts charged to patients? 11		
	If "Yes," indicate the factors used in determining such amounts (check all that apply):		
a	☐ Income level		
b	☐ Asset level		
c	☐ Medical Indigency		
d	☐ Insurance status		
e	☐ Uninsured discount		
f	☐ Medicaid/Medicare		
g	☐ State regulation		
h	☐ Other (describe in Part VI)		
12	Explained the method for applying for financial assistance? 12		
13	Included measures to publicize the policy within the community served by the hospital facility? 13		
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply):		
a	☐ The policy was posted on the hospital facility's website		
b	☐ The policy was attached to billing invoices		
c	☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms		
d	☐ The policy was posted in the hospital facility's admissions offices		
e	☐ The policy was provided, in writing, to patients on admission to the hospital facility		
f	☐ The policy was available on request		
g	☐ Other (describe in Part VI)		

Billing and Collections

14	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy that explained actions the hospital facility may take upon non-payment? 14		
15	Check all of the following collection actions against a patient that were permitted under the hospital facility's policies at any time during the tax year:		
a	☐ Reporting to credit agency		
b	☐ Lawsuits		
c	☐ Liens on residences		
d	☐ Body attachments		
e	☐ Other actions (describe in Part VI)		
16	Did the hospital facility engage in or authorize a third party to perform any of the following collection actions during the tax year? 16		
	If "Yes," check all collection actions in which the hospital facility or a third party engaged (check all that apply):		
a	☐ Reporting to credit agency		
b	☐ Lawsuits		
c	☐ Liens on residences		
d	☐ Body attachments		
e	☐ Other actions (describe in Part VI)		
17	Indicate which actions the hospital facility took before initiating any of the collection actions checked in line 16 (check all that apply):		
a	☐ Notified patients of the financial assistance policy on admission		
b	☐ Notified patients of the financial assistance policy prior to discharge		
c	☐ Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills		
d	☐ Documented its determination of whether a patient who applied for financial assistance under the financial assistance policy qualified for financial assistance		
e	☐ Other (describe in Part VI)		

Part V Facility Information *(continued)* THE WESTERLY HOSPITAL

Policy Relating to Emergency Medical Care

		Yes	No
18	Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?		
	If "No," indicate the reasons why (check all that apply):		
a	☐ The hospital facility did not provide care for any emergency medical conditions		
b	☐ The hospital facility did not have a policy relating to emergency medical care		
c	☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d	☐ Other (describe in Part VI)		

Charges for Medical Care

		Yes	No
19	Indicate how the hospital facility determined the amounts billed to individuals who did not have insurance covering emergency or other medically necessary care (check all that apply):		
a	☐ The hospital facility used the lowest negotiated commercial insurance rate for those services at the hospital facility		
b	☐ The hospital facility used the average of the three lowest negotiated commercial insurance rates for those services at the hospital facility		
c	☐ The hospital facility used the Medicare rate for those services		
d	☐ Other (describe in Part VI)		
20	Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care? If "Yes," explain in Part VI.		
21	Did the hospital facility charge any of its patients an amount equal to the gross charge for any service provided to that patient? If "Yes," explain in Part VI.		

Part V Facility Information *(continued)*

Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

(list in order of size, measured by total revenue per facility, from largest to smallest)

How many non-hospital facilities did the organization operate during the tax year? 0

Name and address	Type of Facility (describe)

Part VI Supplemental Information

Complete this part to provide the following information.

1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II; Part III, lines 4, 8, and 9b; and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21.

2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B.

3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy.

4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.

5 **Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.).

6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.

7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report.

PART III, LINE 8: COSTING METHODOLOGY - (TOTAL ALLOWABLE MEDICAL COST PLUS BAD DEBT COSTS) TIMES RATIO OF MEDICAL REVENUE TO TOTAL PATIENT REVENUE.

PART VI, LINE 2: THE HOSPITAL DID NOT PERFORM A FORMAL COMMUNITY HEALTH NEEDS ASSESSMENT IN FY 2011, BUT PLANS ARE UNDERWAY AND RESOURCES ALLOCATED FOR A FY 2013 COMMUNITY HEALTH NEEDS ASSESSMENT. CURRENTLY, THE HOSPITAL USES A VARIETY OF INFORMATION GATHERING UPON WHICH TO ASSESS COMMUNITY NEED AS WELL AS PAST INFORMATION SUPPLIED THROUGH A VARIETY OF COMMUNITY RESOURCES. THE FOLLOWING DATA WERE USED TO DETERMINE COMMUNITY NEED IN FY 2011: HOSPITAL PATIENT DISCHARGE DATA WERE USED TO LOOK AT RECURRING DIAGNOSES AND REASONS FOR ADMISSIONS; DEPARTMENT OF HEALTH AND HUMAN SERVICES COMMUNITY HEALTH STATUS INDICATORS FOR WASHINGTON COUNTY, RI, WERE EXAMINED TO DETERMINE AREAS IN NEED OF IMPROVEMENT; HEALTHY PEOPLE 2020 WAS USED AS A RESOURCE TO ALIGN ONGOING COMMUNITY EDUCATION AND COMMUNITY BENEFIT PROGRAMS WITH NATIONAL HEALTH GOALS; AND ALL COMMUNITY HEALTH EDUCATION PROGRAM PARTICIPANTS WERE SURVEYED TO DETERMINE PRESENTATION TOPICS DESIRED BY THE COMMUNITY TO DETERMINE HEALTH EDUCATION PROGRAM TOPICS. IN FY 2011, AN ONLINE SURVEY WAS ALSO AVAILABLE

Part VI Supplemental Information

ON HOSPITAL WEBSITE TO SOLICIT INFORMATION REGARDING HEALTH PROMOTION TOPICS TO INCLUDE IN THE HOSPITALS FREE HEALTHY FOR LIFE COMMUNITY EDUCATION PROGRAM.

PART VI, LINE 5: THE HOSPITAL CONTINUES TO PARTICIPATE IN LOCAL GROUPS CONCERNED WITH THE HEALTH AND WELFARE OF THE COMMUNITY IT SERVES AS RESOURCES AND STAFF TIME AFFORDS. WITH LIMITED RESOURCES, THE HOSPITAL CHOSE TO PARTICIPATE IN THE NEW WESTERLY PARENT ACADEMY (WPA) THAT FORMED IN FY 2011 WITH INITIAL MEETING IN THE SUMMER OF 2011. THIS NEW ACADEMY BOASTS BROAD REPRESENTATION WITHIN THE COMMUNITY FROM BANKING TO SCHOOLS TO LOCAL BUSINESSES AND HEALTH AGENCIES. THE ACADEMY IS COMMUNITY-DRIVEN INITIATIVE DESIGNED TO PROVIDE EDUCATIONAL RESOURCES, COURSE WORK AND OTHER OPPORTUNITIES TO BUILD THE SKILLS, KNOWLEDGE AND KNOW-HOW OF PARENTS AND FAMILIES TO BECOME FULL PARTNERS IN THEIR CHILDS EDUCATION. THE HOSPITAL IS A PARTNER IN THIS NEW COMMUNITY INITIATIVE PROVIDING HEALTH EDUCATION OPPORTUNITIES FOR PARENTS IN THE COMMUNITY. COURSES WILL BEGIN AT THE HOSPITAL IN FALL 2012. HOSPITAL COURSES WILL PROMOTE HEALTH-RELATED GOALS DETERMINED TO BE OF NEED AND INTEREST BY THE WPA.

ALTHOUGH THE WESTERLY INFANT AND CHILD HEALTH PARTNERSHIP IS NO LONGER MEETING, THE HOSPITAL CONTINUES TO SUPPORT EFFORTS TO REDUCE TEEN PREGNANCY RATES IN WASHINGTON COUNTY BY ISSUING LETTERS OF SUPPORT FOR SOUTH COUNTY COMMUNITY ACTION WHICH IS SEEKING A GRANT TO INITIATE NEW PROGRAMS. THE HOSPITAL HAS VOWED TO SUPPORT AS IT CAN WITH LIMITED RESOURCES ANY PROGRAMS FOR TEENS AND FOR PARENTS TO HELP REDUCE THE TEEN PREGNANCY RATES IN THE COUNTY AND WILL CONTINUE TO PARTNER WITH ANY OTHER COMMUNITY STAKEHOLDERS INVOLVED WITH THIS INITIATIVE INCLUDING PUBLIC SCHOOLS AND LOCAL HEALTH AGENCIES.

RIDOH 1468

SCHEDULE J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 23.

▶ Attach to Form 990. ▶ See separate instructions.

OMB No. 1545-0047

2010

Open to Public Inspection

Name of the organization: THE WESTERLY HOSPITAL

Employer identification number: 05-0259100

Part I Questions Regarding Compensation

			Yes	No
1a	Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items.			
	☐ First-class or charter travel	☐ Housing allowance or residence for personal use		
	☐ Travel for companions	☐ Payments for business use of personal residence		
	☐ Tax indemnification and gross-up payments	☐ Health or social club dues or initiation fees		
	☐ Discretionary spending account	☐ Personal services (e.g., maid, chauffeur, chef)		
b	If any of the boxes on line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain	1b		
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	2		
3	Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director. Check all that apply.			
	☒ Compensation committee	☒ Written employment contract		
	☐ Independent compensation consultant	☒ Compensation survey or study		
	☒ Form 990 of other organizations	☒ Approval by the board or compensation committee		
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a, with respect to the filing organization or a related organization:			
a	Receive a severance payment or change-of-control payment from the organization or a related organization?	4a		X
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	4b		X
c	Participate in, or receive payment from, an equity-based compensation arrangement?	4c		X
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III.			
	Only section 501(c)(3) and 501(c)(4) organizations must complete lines 5-9.			
5	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of:			
a	The organization?	5a		X
b	Any related organization?	5b		X
	If "Yes" to line 5a or 5b, describe in Part III.			
6	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of:			
a	The organization?	6a		X
b	Any related organization?	6b		X
	If "Yes" to line 6a or 6b, describe in Part III.			
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	7		X
8	Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53.4958-4(a)(3)? If "Yes," describe in Part III	8		X
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?	9		

Part II **Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees.** Use duplicate copies if additional space is needed.

For each individual whose compensation must be reported in Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions, on row (ii). Do not list any individuals that are not listed on Form 990, Part VII.

Note. The sum of columns (B)(i)-(iii) must equal the applicable column (D) or column (E) amounts on Form 990, Part VII, line 1a.

	(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
			(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
1	CHRISTOPHER LEHRACH, M.D.	(i)	404,077.	0.	0.	10,798.	21,620.	436,495.	0.
		(ii)	0.	0.	0.	0.	0.	0.	0.
2	CHARLES KINNEY	(i)	328,076.	0.	0.	29,506.	17,097.	374,679.	0.
		(ii)	0.	0.	0.	0.	0.	0.	0.
3	JEANNE M. LACHANCE	(i)	227,683.	0.	0.	20,296.	21,915.	269,894.	0.
		(ii)	0.	0.	0.	0.	0.	0.	0.
4	MARGARET AUSTIN	(i)	185,143.	0.	0.	16,547.	16,695.	218,385.	0.
		(ii)	0.	0.	0.	0.	0.	0.	0.
5	WILLIAM CONLIN	(i)	263,140.	0.	0.	0.	21,285.	284,425.	0.
		(ii)	0.	0.	0.	0.	0.	0.	0.
6	FRED JACCARINO	(i)	255,178.	0.	0.	0.	21,285.	276,463.	0.
		(ii)	0.	0.	0.	0.	0.	0.	0.
7	WHITNEY FISHER	(i)	150,010.	0.	0.	0.	16,181.	166,191.	0.
		(ii)	0.	0.	0.	0.	0.	0.	0.
8	KEVIN TORRES	(i)	290,495.	0.	0.	0.	21,285.	311,780.	0.
		(ii)	0.	0.	0.	0.	0.	0.	0.
9		(i)							
		(ii)							
10		(i)							
		(ii)							
11		(i)							
		(ii)							
12		(i)							
		(ii)							
13		(i)							
		(ii)							
14		(i)							
		(ii)							
15		(i)							
		(ii)							
16		(i)							
		(ii)							

RIDOH 1470

SCHEDULE L
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions With Interested Persons

▶ Complete if the organization answered "Yes" on Form 990, Part IV, line 25a, 25b, 26, 27, 28a, 28b, or 28c, or Form 990-EZ, Part V, line 38a or 40b.

▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No. 1545-0047

2010

Open To Public Inspection

Name of the organization: THE WESTERLY HOSPITAL

Employer identification number: 05-0259100

Part I Excess Benefit Transactions (section 501(c)(3) and section 501(c)(4) organizations only).

Complete if the organization answered "Yes" on Form 990, Part IV, line 25a or 25b, or Form 990-EZ, Part V, line 40b.

1 (a) Name of disqualified person	(b) Description of transaction	(c) Corrected? Yes	(c) Corrected? No

2 Enter the amount of tax imposed on the organization managers or disqualified persons during the year under section 4958 ▶ $

3 Enter the amount of tax, if any, on line 2, above, reimbursed by the organization ▶ $

Part II Loans to and/or From Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 26, or Form 990-EZ, Part V, line 38a.

(a) Name of interested person and purpose	(b) Loan to or from the organization? To	(b) Loan to or from the organization? From	(c) Original principal amount	(d) Balance due	(e) In default? Yes	(e) In default? No	(f) Approved by board or committee? Yes	(f) Approved by board or committee? No	(g) Written agreement? Yes	(g) Written agreement? No
Total ▶ $										

Part III Grants or Assistance Benefiting Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 27.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount and type of assistance

Schedule L (Form 990 or 990-EZ) 2010 Page 2

Part IV Business Transactions Involving Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 28a, 28b, or 28c.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues? Yes	No
WASHINGTON TRUST	BOARD MEMBERS B. PE	460,251.	THE ORGANIZ		X

Part V Supplemental Information

Complete this part to provide additional information for responses to questions on Schedule L (see instructions).

SCH L, PART IV, BUSINESS TRANSACTIONS INVOLVING INTERESTED PERSONS:

(A) NAME OF PERSON: WASHINGTON TRUST

(B) RELATIONSHIP BETWEEN INTERESTED PERSON AND ORGANIZATION:

BOARD MEMBERS B. PERINO AND D. DEVAULT ARE OFFICERS AT WASHINGTON TRUST

(C) AMOUNT OF TRANSACTION $ 460,251.

(D) DESCRIPTION OF TRANSACTION: THE ORGANIZATION HAS A LOAN OUTSTANDING TO WASHINGTON TRUST. INTEREST INCURRED ON THE LOAN DURING THE FISCAL YEAR WAS $460,251.

(E) SHARING OF ORGANIZATION REVENUES? = NO

SCHEDULE O (Form 990 or 990-EZ)
Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on Form 990 or 990-EZ or to provide any additional information.
▶ Attach to Form 990 or 990-EZ.

OMB No. 1545-0047
2010
Open to Public Inspection

Name of the organization: THE WESTERLY HOSPITAL

Employer identification number: 05-0259100

FORM 990, PART I, LINE 1, DESCRIPTION OF ORGANIZATION MISSION:

NEWBORNS IN THE WESTERLY, RHODE ISLAND COMMUNITY AND IN SURROUNDING TOWNS.

FORM 990, PART III, LINE 4A, PROGRAM SERVICE ACCOMPLISHMENTS:

THE RADIOLOGY DEPARTMENT PERFORMED THE FOLLOWING:

27,483 DIAGNOSTIC PROCEDURES

1,281 NUCLEAR MEDICINE PROCEDURES

10,777 CT SCANS

9,146 ULTRASOUND PROCEDURES

2,704 MAGNETIC RESONANCE IMAGING (MRI)

FORM 990, PART VI, SECTION B, LINE 11: THE ORGANIZATION IS CURRENTLY IN RECEIVERSHIP, AND THEREFORE, THERE IS NO BOARD OF DIRECTORS. THE 990 WAS REVIEWED BY THE INTERIM CFO BEFORE FILING.

FORM 990, PART VI, SECTION B, LINE 12C: EACH BOARD MEMBER SIGNS A CONFLICT OF INTEREST STATEMENT ANNUALLY. THEY ARE REQUIRED TO DISCLOSE ANY RELATIONSHIP THEY, THEIR BUSINESSES, OR THEIR FAMILY MEMBERS MAY HAVE WITH THE HOSPITAL. IF A DISCUSSION OR VOTE OCCURS ON A TRANSACTION WITH A POTENTIAL CONFLICT, THE BOARD MEMBER EXCUSES THEMSELVES FROM THE DISCUSSION AND VOTE.

FORM 990, PART VI, SECTION B, LINE 15: SUBCOMMITTEE OF THE GOVERNING BOARD MEETS TO DETERMINE ALL COMPENSATION ARRANGEMENTS OF THE TOP EXECUTIVE, OFFICERS AND KEY EMPLOYEES.

Name of the organization: THE WESTERLY HOSPITAL

Employer identification number: 05-0259100

FORM 990, PART VI, SECTION C, LINE 19: THE CONFLICT OF INTEREST POLICY AND FINANCIAL STATEMENTS ARE PROVIDED UPON REQUEST.

FORM 990, PART XI, LINE 5, CHANGES IN NET ASSETS:

NET UNREALIZED LOSSES ON INVESTMENTS:	-3,560,001.
CAPITAL TRANSACTIONS WITH AFFILIATES	-4,957,194.
CHANGES IN ACCRUED MINIMUM PENSION LIABILITY	-6,244,436.
ROUNDING	1.
TOTAL TO FORM 990, PART XI, LINE 5	-14,761,630.

FORM 990, PART VII, SECTION A - COMPENSATION OF OFFICERS:

MAUREEN L. CARBONI IS COMPENSATED AS AN EMPLOYEE OF THE WESTERLY HOSPITAL. SHE RECEIVES NO COMPENSATION FOR HER POSITION AS SECRETARY OF THE BOARD.

RIDOH 1474

SCHEDULE R (Form 990)
Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 33, 34, 35, 36, or 37.
▶ Attach to Form 990. ▶ See separate Instructions.

OMB No. 1545-0047
2010
Open to Public Inspection

Name of the organization
THE WESTERLY HOSPITAL

Employer identification number
05-0259100

Part I **Identification of Disregarded Entities** (Complete if the organization answered "Yes" to Form 990, Part IV, line 33.)

(a) Name, address, and EIN of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity

Part II **Identification of Related Tax-Exempt Organizations** (Complete if the organization answered "Yes" to Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity? Yes	(g) No
THE WESTERLY HOSPITAL FOUNDATION, INC. 05-0508064, 25 WELLS STREET, WESTERLY, RI 02891-2934	SUPPORT THE WESTERLY HOSPITAL	RHODE ISLAND	501(C)(3)	509(A)(3) TYPE I	N/A	X	
WESTERLY HOSPITAL HEALTHCARE, INC. 22-2490227, 25 WELLS STREET, WESTERLY, RI 02891-2934	SUPPORT THE WESTERLY HOSPITAL AND AFFILIATES	RHODE ISLAND	501(C)(3)	509(A)(3) TYPE II	N/A		X
ATLANTIC MEDICAL GROUP, INC. - 32-0250855 25 WELLS STREET WESTERLY, RI 02891-2934	SUPPORT THE WESTERLY HOSPITAL	RHODE ISLAND	501(C)(3)	509(A)(3) TYPE II	N/A		X
THE WESTERLY HOSPITAL AUXILIARY, INC. 22-2507181 25 WELLS STREET, WESTERLY, RI 02891-2934	SUPPORT THE WESTERLY HOSPITAL	RHODE ISLAND	501(C)(3)		N/A		X

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule R (Form 990) 2010

032161
12-21-10 LHA

RIDOH 1475

Part II Continuation of Identification of Related Tax-Exempt Organizations

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization? Yes	(g) Section 512(b)(13) controlled organization? No
NORTH STONINGTON HEALTH CENTER, INC. 27-1833030 183 PROVIDENCE NEW LONDON TPKE NORTH STONINGTON CT 06359	OPERATE A HEALTH CENTER	CONNECTICUT	501(C)(3)		N/A		X

032222 12-30-10

RIDOH 1476

Part III **Identification of Related Organizations Taxable as a Partnership** (Complete if the organization answered "Yes" to Form 990, Part IV, line 34 because it had one or more related organizations treated as a partnership during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations? Yes	(h) No	(i) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership

Part IV **Identification of Related Organizations Taxable as a Corporation or Trust** (Complete if the organization answered "Yes" to Form 990, Part IV, line 34 because it had one or more related organizations treated as a corporation or trust during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
MASTUXET REALTY - 22-2501886 25 WELLS STREET WESTERLY, RI 02891	INACTIVE	RI	N/A	C CORP	N/A	N/A	N/A

RIDOH 1477

Part V **Transactions With Related Organizations** (Complete if the organization answered "Yes" to Form 990, Part IV, line 34, 35, 35a, or 36.)

				Yes	No
Note. Complete line 1 if any entity is listed in Parts II, III, or IV of this schedule.					
1	During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?				
a	Receipt of (i) interest (ii) annuities (iii) royalties or (iv) rent from a controlled entity		1a		X
b	Gift, grant, or capital contribution to other organization(s)		1b	X	
c	Gift, grant, or capital contribution from other organization(s)		1c	X	
d	Loans or loan guarantees to or for other organization(s)		1d	X	
e	Loans or loan guarantees by other organization(s)		1e		X
f	Sale of assets to other organization(s)		1f		X
g	Purchase of assets from other organization(s)		1g		X
h	Exchange of assets		1h		X
i	Lease of facilities, equipment, or other assets to other organization(s)		1i		X
j	Lease of facilities, equipment, or other assets from other organization(s)		1j		X
k	Performance of services or membership or fundraising solicitations for other organization(s)		1k		X
l	Performance of services or membership or fundraising solicitations by other organization(s)		1l	X	
m	Sharing of facilities, equipment, mailing lists, or other assets		1m		X
n	Sharing of paid employees		1n		X
o	Reimbursement paid to other organization for expenses		1o		X
p	Reimbursement paid by other organization for expenses		1p		X
q	Other transfer of cash or property to other organization(s)		1q		X
r	Other transfer of cash or property from other organization(s)		1r		X

2 If the answer to any of the above is "Yes," see the instructions for information on who must complete this line, including covered relationships and transaction thresholds.

	(a) Name of other organization	(b) Transaction type (a-r)	(c) Amount involved	(d) Method of determining amount involved
(1)	THE WESTERLY HOSPITAL FOUNDATION	C	1,715,000.	AMOUNT TRANSFERRED
(2)	THE WESTERLY HOSPITAL FOUNDATION	D	679,902.	AMOUNT LOANED
(3)				
(4)				
(5)				
(6)				

RIDOH 1478

Part VI **Unrelated Organizations Taxable as a Partnership** (Complete if the organization answered "Yes" to Form 990, Part IV, line 37.)

Provide the following information for each entity taxed as a partnership through which the organization conducted more than five percent of its activities (measured by total assets or gross revenue) that was not a related organization. See instructions regarding exclusion for certain investment partnerships.

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Are all partners section 501(c)(3) organizations? Yes	(d) No	(e) Share of end-of-year assets	(f) Disproportionate allocations? Yes	(f) No	(g) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(h) General or managing partner? Yes	(h) No

Part VII Supplemental Information

Complete this part to provide additional information for responses to questions on Schedule R (see instructions).

Form **8868**
(Rev January 2011)
Department of the Treasury
Internal Revenue Service

Application for Extension of Time To File an Exempt Organization Return

▶ File a separate application for each return.

OMB No 1545-1709

- If you are filing for an **Automatic 3-Month Extension**, complete only Part I and check this box ▶ [X]
- If you are filing for an **Additional (Not Automatic) 3-Month Extension**, complete only **Part II** (on page 2 of this form)

Do not complete Part II unless you have already been granted an automatic 3-month extension on a previously filed Form 8868

Electronic filing (e-file) You can electronically file Form 8868 if you need a 3-month automatic extension of time to file (6 months for a corporation required to file Form 990-T), or an additional (not automatic) 3-month extension of time You can electronically file Form 8868 to request an extension of time to file any of the forms listed in Part I or Part II with the exception of Form 8870, Information Return for Transfers Associated With Certain Personal Benefit Contracts, which must be sent to the IRS in paper format (see instructions) For more details on the electronic filing of this form, visit *www irs gov/efile* and click on *e-file for Charities & Nonprofits*

Part I Automatic 3-Month Extension of Time. Only submit original (no copies needed)

A corporation required to file Form 990-T and requesting an automatic 6 month extension - check this box and complete Part I only ▶ ☐

All other corporations (including 1120-C filers), partnerships, REMICs, and trusts must use Form 7004 to request an extension of time to file income tax returns

Type or print	Name of exempt organization	Employer identification number
File by the due date for filing your return See instructions	THE WESTERLY HOSPITAL	05-0259100
	Number, street, and room or suite no If a P O box, see instructions 25 WELLS STREET	
	City, town or post office, state, and ZIP code For a foreign address, see instructions WESTERLY, RI 02891-2934	

Enter the Return code for the return that this application is for (file a separate application for each return) 01

Application Is For	Return Code	Application Is For	Return Code
Form 990	01	Form 990-T (corporation)	07
Form 990-BL	02	Form 1041-A	08
Form 990 EZ	01	Form 4720	09
Form 990 PF	04	Form 5227	10
Form 990-T (sec 401(a) or 408(a) trust)	05	Form 6069	11
Form 990-T (trust other than above)	06	Form 8870	12

- The books are in the care of ▶ THE ORGANIZATION 25 WELLS STREET - WESTERLY, RI 02891-2934
  Telephone No ▶ 401-348-3711 FAX No ▶
- If the organization does not have an office or place of business in the United States, check this box ▶ ☐
- If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) _____ If this is for the whole group, check this box ▶ ☐ If it is for part of the group, check this box ▶ ☐ and attach a list with the names and EINs of all members the extension is for

1 I request an automatic 3-month (6 months for a corporation required to file Form 990-T) extension of time until MAY 15, 2012, to file the exempt organization return for the organization named above The extension is for the organization's return for
▶ ☐ calendar year _____ or
▶ [X] tax year beginning OCT 1, 2010, and ending SEP 30, 2011

2 If the tax year entered in line 1 is for less than 12 months, check reason ☐ Initial return ☐ Final return ☐ Change in accounting period

3a	If this application is for Form 990-BL, 990 PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits See instructions	3a	$ 0.
b	If this application is for Form 990 PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made Include any prior year overpayment allowed as a credit	3b	$ 0.
c	Balance due Subtract line 3b from line 3a Include your payment with this form, if required, by using EFTPS (Electronic Federal Tax Payment System) See instructions	3c	$ 0.

Caution If you are going to make an electronic fund withdrawal with this Form 8868, see Form 8453-EO and Form 8879-EO for payment instructions

LHA For Paperwork Reduction Act Notice, see Instructions

Form 8868 (Rev 1-2011)

023841
01-16-12

FEB 13 2012

15010213 755449 43170TAX 2010.05050 THE WESTERLY HOSPITAL 43170TA1

- If you are filing for an Additional (Not Automatic) 3-Month Extension, complete only Part II and check this box ▶ [X]

Note. Only complete Part II if you have already been granted an automatic 3-month extension on a previously filed Form 8868.

- If you are filing for an Automatic 3-Month Extension, complete only Part I (on page 1).

Part II Additional (Not Automatic) 3-Month Extension of Time. Only file the original (no copies needed).

Type or print. File by the extended due date for filing your return. See instructions.	Name of exempt organization	Employer identification number
	THE WESTERLY HOSPITAL	05-0259100
	Number, street, and room or suite no. If a P.O. box, see instructions.	
	25 WELLS STREET	
	City, town or post office, state, and ZIP code. For a foreign address, see instructions.	
	WESTERLY, RI 02891-2934	

Enter the Return code for the return that this application is for (file a separate application for each return) 0 1

Application Is For	Return Code	Application Is For	Return Code
Form 990	01		
Form 990-BL	02	Form 1041-A	08
Form 990-EZ	01	Form 4720	09
Form 990-PF	04	Form 5227	10
Form 990-T (sec. 401(a) or 408(a) trust)	05	Form 6069	11
Form 990-T (trust other than above)	06	Form 8870	12

STOP! Do not complete Part II if you were not already granted an automatic 3-month extension on a previously filed Form 8868.

- The books are in the care of ▶ THE ORGANIZATION 25 WELLS STREET - WESTERLY, RI 02891-2934
  Telephone No. ▶ 401-348-3711 FAX No. ▶
- If the organization does not have an office or place of business in the United States, check this box ▶ [ ]
- If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) _____. If this is for the whole group, check this box ▶ [ ]. If it is for part of the group, check this box ▶ [ ] and attach a list with the names and EINs of all members the extension is for.

4 I request an additional 3-month extension of time until AUGUST 15, 2012

5 For calendar year _____, or other tax year beginning OCT 1, 2010, and ending SEP 30, 2011

6 If the tax year entered in line 5 is for less than 12 months, check reason: [ ] Initial return [ ] Final return [ ] Change in accounting period

7 State in detail why you need the extension
THE NECESSARY INFORMATION TO FILE A COMPLETE AND ACCURATE RETURN IS NOT YET AVAILABLE.

8a	If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions.	8a	$ 0.
b	If this application is for Form 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit and any amount paid previously with Form 8868.	8b	$ 0.
c	**Balance due.** Subtract line 8b from line 8a. Include your payment with this form, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions.	8c	$ 0.

Signature and Verification

Under penalties of perjury, I declare that I have examined this form, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete, and that I am authorized to prepare this form.

Signature ▶ _____ Title ▶ CPA Date ▶ 5/11/12

013842
01-16-12

THE WESTERLY HOSPITAL AND SUBSIDIARY

(A Controlled Affiliate of Westerly Hospital Health Care, Inc.)

COMBINED FINANCIAL STATEMENTS

SEPTEMBER 30, 2010 AND 2009

THE WESTERLY HOSPITAL AND SUBSIDIARY
(A Controlled Affiliate of Westerly Hospital Health Care, Inc.)

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Accounting | Tax | Business Consulting

Independent Auditors' Report

The Board of Trustees
The Westerly Hospital and Subsidiary

We have audited the accompanying combined balance sheets of The Westerly Hospital and Subsidiary (the Hospital) (a controlled affiliate of Westerly Hospital Health Care, Inc.) as of September 30, 2010 and 2009, and the related combined statements of operations and changes in net assets and cash flows for the years then ended. These combined financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of The Westerly Hospital and Subsidiary as of September 30, 2010 and 2009, and the results of their operations and changes in net assets and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Blum, Shapiro & Company, P.C.

March 3, 2011

An Independent Member of Baker Tilly International

THE WESTERLY HOSPITAL AND SUBSIDIARY
(A Controlled Affiliate of Community Health of Westerly, Inc.)
COMBINED BALANCE SHEETS
SEPTEMBER 30, 2010 AND 2009

ASSETS

	2010	2009
Current Assets		
Cash and cash equivalents	$ 2,413,242	$ 2,951,166
Patient accounts receivable, net	7,336,470	7,459,592
Inventories	1,611,752	1,469,759
Other current assets	1,166,569	876,919
Total current assets	12,528,033	12,757,436
Assets Limited as to Use		
Promises to give, net	11,950	108,554
By Board to function as endowment	12,368,211	11,296,158
Under loan agreement, funds invested by trustee	1,963,570	1,896,847
Accumulated earnings on permanent endowment funds	3,513,444	3,379,358
By donors or grantors for specific purposes	301,614	364,595
By donors for permanent endowment funds	4,744,092	4,671,877
Funds held in trust	7,556,551	7,290,244
Total assets limited as to use	30,459,432	29,007,633
Other Assets		
Property, plant and equipment, net	36,501,015	38,296,354
Deferred financing costs, net	209,899	233,389
Due from related party, long-term	869,589	1,119,299
Other long-term assets	513,420	598,371
Total other assets	38,093,923	40,247,413
Total Assets	$ 81,081,388	$ 82,012,482

LIABILITIES AND NET ASSETS

	2010	2009
Current Liabilities		
Lines of credit	$ 4,566,767	$ 2,433,264
Current installments of long-term debt	984,831	925,659
Current installments of capital lease obligations	2,326,753	1,612,283
Accounts payable and accrued expenses	5,739,354	5,149,870
Deferred revenue	1,469,601	118,545
Accrued payroll, benefits and related taxes	3,927,424	5,087,264
Estimated third-party payor settlements	872,367	879,073
Total current liabilities	19,887,097	16,205,958
Long-Term Liabilities		
Long-term debt, net of current portion	12,788,366	13,768,276
Long-term portion of capital lease obligations	1,406,509	2,932,268
Noncurrent accrued pension cost	20,456,320	16,257,162
Asset retirement obligation	1,412,870	1,389,257
Total liabilities	55,951,162	50,552,921
Net Assets		
Unrestricted	9,002,516	15,644,933
Temporarily restricted	3,827,067	3,852,507
Permanently restricted	12,300,643	11,962,121
Total net assets	25,130,226	31,459,561
Total Liabilities and Net Assets	$ 81,081,388	$ 82,012,482

The accompanying notes are an integral part of the combined financial statements

RIDOH 1486

THE WESTERLY HOSPITAL AND SUBSIDIARY
(A Controlled Affiliate of Community Health of Westerly, Inc.)
COMBINED STATEMENTS OF OPERATIONS AND
CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009

	2010	2009
Unrestricted Revenue		
Net patient revenue	$ 90,460,251	$ 87,786,337
Other revenue	1,809,187	1,356,297
Total revenues	92,269,438	89,142,634
Expenses		
Salaries and benefits	51,825,334	48,398,951
Supplies and other expenses	29,384,660	28,549,604
Depreciation	4,592,213	4,450,501
Provision for uncollectible accounts, net	5,962,284	7,249,449
Interest	1,306,259	1,377,482
Total expenses	93,070,750	90,025,987
Loss From Operations	(801,312)	(883,353)
Nonoperating Income		
Interest and investment income	448,102	(400,439)
Unrestricted gifts and bequests	819,506	594,091
Total nonoperating income	1,267,608	193,652
Excess (Deficiency) of Revenues and Gains over Expenses	466,296	(689,701)

(Continued on next page)

RIDOH 1487

THE WESTERLY HOSPITAL AND SUBSIDIARY
(A Controlled Affiliate of Community Health of Westerly, Inc.)
COMBINED STATEMENTS OF OPERATIONS AND
CHANGES IN NET ASSETS (CONTINUED)
FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009

	2010	2009
Other Changes in Unrestricted Net Assets		
Net assets released from restrictions	$ 552,981	$ 642,793
Capital transactions with affiliates	(4,915,318)	(3,121,653)
Change in unrealized gains on investments	443,946	386,985
Changes in additional minimum pension liability	(3,190,322)	(4,854,582)
Cumulative effect of change in accounting principle	-	(1,953,342)
Decrease in unrestricted net assets	(6,642,417)	(9,589,500)
Temporarily Restricted Net Assets		
Investment income	1,015	1,018
Net realized gains on investments	109,469	192,048
Net unrealized gains (losses) on investments	345,450	(168,208)
Gifts and bequests	41,840	95,153
Pledges	29,767	84,452
Net assets released from restrictions	(552,981)	(642,793)
Cumulative effect of change in accounting principle	-	3,765,129
Change in temporarily restricted net assets	(25,440)	3,326,799
Permanently Restricted Net Assets		
Net realized gains on investments	347,236	279,719
Net unrealized losses on investments	(8,714)	(474,329)
Cumulative effect of change in accounting principle	-	(1,811,787)
Change in permanently restricted net assets	338,522	(2,006,397)
Change in Net Assets	(6,329,335)	(8,269,098)
Net Assets - Beginning of Year	31,459,561	39,728,659
Net Assets - End of Year	$ 25,130,226	$ 31,459,561

The accompanying notes are an integral part of the combined financial statements

RIDOH 1488

THE WESTERLY HOSPITAL AND SUBSIDIARY
(A Controlled Affiliate of Community Health of Westerly, Inc.)
COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009

	2010	2009
Cash Flows from Operating Activities		
Change in net assets	$ (6,329,335)	$ (8,269,098)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,592,213	4,450,501
Amortization	23,490	23,489
Contributions restricted for long-term investment	(41,839)	(264,051)
Provision for uncollectible accounts	5,962,284	7,249,449
Increase in additional minimum pension liability	3,190,322	4,854,582
Net realized and unrealized (gains) losses on permanently restricted investments	(338,522)	194,610
Net unrealized gains on unrestricted investments	(443,946)	(386,985)
Investment income and unrealized gains on temporarily restricted net assets	(455,934)	(24,858)
(Increase) decrease in operating assets:		
Patient accounts receivable	(5,839,162)	(5,334,569)
Inventories	(141,993)	(62,155)
Other assets	(289,650)	109,282
Promises to give	96,604	84,446
Due from related party	249,710	(358,047)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(570,356)	974,982
Deferred revenue	1,351,056	1,898
Accrued pension cost	1,008,836	679,787
Estimated third-party payor settlements	(6,706)	(124,890)
Asset retirement obligation	23,613	35,177
Net cash provided by operating activities	2,040,685	3,833,550
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(2,796,874)	(979,002)
Sale (purchase) of investments, net	(268,162)	1,611,017
Decrease in other long-term assets, net	84,951	143,313
Net cash provided by (used in) investing activities	(2,980,085)	775,328
Cash Flows from Financing Activities		
Repayments of long-term debt	(920,738)	(867,319)
Capital lease payments, net	(811,289)	(1,010,624)
Line of credit borrowings (payments), net	2,133,503	(2,010,617)
Net cash provided by (used in) financing activities	401,476	(3,888,560)
Net Increase (Decrease) in Cash and Cash Equivalents	(537,924)	720,318
Cash and Cash Equivalents - Beginning of Year	2,951,166	2,230,848
Cash and Cash Equivalents - End of Year	$ 2,413,242	$ 2,951,166
Cash Paid During the Year for Interest	$ 1,316,834	$ 1,387,457

The accompanying notes are an integral part of the combined financial statements

RIDOH 1489

NOTE 1 - ORGANIZATION

The Westerly Hospital and Subsidiary (the Hospital) is a not-for-profit acute care hospital under corporate governance of Westerly Hospital Health Care, Inc. (C.H.O.W.), a not-for-profit holding company. The Westerly Hospital Foundation (the Foundation) is a not-for-profit corporation formed to promote the charitable, educational and scientific purposes of the Hospital, under corporate governance of the Hospital. The Foundation is a subsidiary of the Hospital. Other affiliated entities under the corporate governance of C.H.O.W. include Mastuxet Realty, Inc., The Westerly Hospital Auxiliary, Inc., Women's Health of Westerly, LLC, Westerly Hospital Energy Co., LLC, Atlantic Medical Group, Inc. (formally C.H.O.W. NewCo, Inc.), North Stonington Health Center, Inc., and Eldereval, LLC.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The combined financial statements reflect the accounts of the Hospital and the Foundation and have been prepared on the accrual basis of accounting, in conformity with accounting principles generally accepted in the United States of America (GAAP). All significant intercompany balances and transactions have been eliminated in combination.

The Hospital reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted Net Assets - Unrestricted net assets represent available resources other than donor-restricted contributions. These resources may be expended at the discretion of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. The Board of Trustees has designated a portion of unrestricted net assets as described in Note 21.

Temporarily Restricted Net Assets - Temporarily restricted net assets represent contributions that are restricted by the donor as to purpose or time of expenditure and also includes accumulated investment income and gains on donor-restricted endowment assets that have not been appropriated for expenditure. Temporarily restricted net assets are available for the following:

	2010	2009
Women's Initiative Campaign	$ 11,950	$ 108,554
Charity care	9,872	8,863
Physician education	53,644	66,733
Capital expenditures	231,643	282,551
Available for appropriation by Board of Trustees	3,513,444	3,379,358
Other	6,514	6,448
	$ 3,827,067	$ 3,852,507

RIDOH 1490

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Permanently Restricted Net Assets - Permanently restricted net assets represent resources that have donor-imposed restrictions that require that the principal be maintained in perpetuity but permit the Hospital to expend the income earned thereon for general operating purposes (except for the Morgan trust, which specifies that income is restricted for charity care). Such assets are included in the Hospital's endowment funds.

Funds Held in Trust by Others - The Hospital is the sole beneficiary of the income from the Louise D. Hoxsey Foundation and the Estate of Charles A. Morgan trusts, which are held in perpetuity by an independent trustee. These trusts are recorded at market value and are included in assets limited as to use and permanently restricted net assets. The income from the Hoxsey trust is unrestricted, and Morgan trust income is restricted for charity care.

Annual distributions from the trusts are reported as other revenue that increases unrestricted net assets.

Income Taxes - The Hospital and the Foundation are organizations as described in Section 501(c)(3) of the Internal Revenue Code and are generally exempt from federal income taxes on related income under the Code.

The tax returns of the Hospital and the Foundation for the years ended September 30, 2007 through 2010 are subject to examination by the Internal Revenue Service (IRS) and various state jurisdictions.

Excess of Revenues and Gains over Expenses - The combined statements of operations and changes in net assets include excess (deficiency) of revenues and gains over expenses. Changes in unrestricted net assets, which are excluded from excess (deficiency) of revenues and gains over expenses, consistent with industry practice, include unrealized gains and losses on investments, capital transactions with C.H.O.W. and affiliated entities, and changes in additional minimum pension liability).

Use of Estimates - The preparation of financial statements in conformity with GAAP 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 revenues and expenses during the reporting period. Significant estimates include third-party payor reserves, contractual allowances on patient revenue, accrued pension costs and the reserve for uncollectible accounts. Actual results could differ from those estimates.

Change in Accounting Principle - In 2009, the Hospital was required to change its accounting for donor-restricted endowments due to the issuance of Financial Accounting Standards Board Staff Position No. 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds (FAS 117-1)*. Previously, accumulated gains and income on donor-restricted endowment assets were classified either as unrestricted or permanently

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

restricted net assets. In accordance with GAAP, accumulated gains and income on donor-restricted endowment assets are classified as temporarily restricted net assets until appropriated for expenditure. This change in accounting principle had no effect on total net assets. The reclassification of net assets from unrestricted and permanently restricted to temporarily restricted is disclosed in Note 3 and Note 21.

Cash and Cash Equivalents - Cash and cash equivalents include investments in certain instruments with an original maturity of three months or less, excluding amounts whose use is limited by donor designation or other arrangements under trust agreements that, at times, may exceed federally insured limits. In addition, cash equivalents may, at times, be invested in instruments not covered by federal insurance. The Hospital's deposits exceeded federal depository insurance limits as of September 30, 2010 and 2009. However, the Hospital has not experienced any losses in such accounts or instruments, and management believes the Hospital is not exposed to any significant credit risk on cash and cash equivalents.

Inventories - Inventories, consisting principally of supplies and pharmaceuticals, are stated at the lower of cost (first-in, first-out) or market.

Promises to Give - Unconditional promises to give cash and other assets to the Foundation are reported at fair value at the date the promise is received. Unconditional promises to give are reported as temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets.

Investments - Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the combined balance sheets. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the excess of revenues and gains over expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from the excess (deficiency) of revenues and gains over expenses unless the investments are trading securities. None of the Hospital's investments are trading securities.

A decline in the market value of an investment security below its cost that is designated to be other than temporary is recognized through an impairment charge. The impairment charge is included in the excess of expenses over revenues and gains in the combined statements of operations and changes in net assets, and a new cost basis is established (see Note 9).

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 possible that changes in the values of investment securities could occur in the near term and that such changes could materially affect the investment balances and activity reflected in the combined financial statements. The Hospital maintains a diversified portfolio of investments and is actively monitoring the financial markets.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets Limited as to Use - Assets limited as to use primarily include assets restricted by donors, assets held by trustees under indenture agreements and designated assets set aside by the Board of Trustees to function as endowment, over which the Board retains control and at its discretion may use for other purposes.

Property, Plant and Equipment - Property, plant and equipment acquisitions that individually exceed $1,500 are recorded at cost. Depreciation is provided over the estimated useful lives of the assets, 3-30 years, on a straight-line basis. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or estimated useful life of the equipment. Such amortization is included in depreciation in the combined financial statements. Maintenance and repairs are charged to expense as incurred, and renovations that extend the original expected life of the related assets are capitalized.

Gifts of long-lived assets such as land, buildings or equipment are reported as unrestricted support and are excluded from the excess of revenues and gains over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Without explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Deferred Financing Costs - Deferred financing costs are amortized over the lives of the related revenue bonds.

Net Patient Service Revenue - The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Restricted and Unrestricted Revenue and Support - Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statements of operations and changes in net assets as net assets released from restrictions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assessments - During 2010 and 2009, the State of Rhode Island assessed a licensing fee to all Rhode Island hospitals based on each hospital's gross patient revenue. The licensing fee expense included in supplies and other expenses in the accompanying combined statements of operations and changes in net assets was $3,807,403 and $3,539,944 for 2010 and 2009, respectively.

Malpractice Insurance Coverage and Estimated Malpractice Costs - The Hospital maintains its malpractice coverage on a claims-made basis and has renewed its policy for fiscal year 2011. The provision for estimated medical malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

Charity Care and Provision for Bad Debts - The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as revenue.

The Hospital grants credit without collateral to patients, most of whom are local residents and are insured under third-party arrangements. Additions to the allowance for uncollectible accounts are made by means of the provision for bad debts. Accounts written off as uncollectible are deducted from the allowance and subsequent recoveries are added. The amount of the provision for bad debts is based upon management's assessment of historical and expected net collections, business and economic conditions, trends in federal and state governmental healthcare coverage and other collection indicators.

Nonoperating Gains and Losses - The Hospital records unrestricted investment income from endowment funds and board-designated assets as nonoperating gains within the combined statements of operations and changes in net assets. All gifts and grants are considered to be available for general use, unless specifically restricted by the donor, and are recorded at fair market value at the date received.

Donated Services - A substantial number of unpaid volunteers have made significant contributions of their time to the Hospital's programs and supporting services. These contributed services are not recorded as contributions in the combined financial statements.

State Unemployment Compensation Method - The Hospital uses the self-insurance method for unemployment insurance under which the Hospital reimburses the State of Rhode Island for actual unemployment benefits paid by the State.

Asset Retirement Obligations - The Hospital has recognized a liability related to certain of the Hospital's pipe coverings and floor tiles that contain asbestos that must be removed upon demolition or upon extensive renovation. An asset retirement obligation of $1,412,870 and $1,389,257 has been included on the accompanying combined balance sheets as of September 30, 2010 and 2009, respectively. Accretion expense of $23,613 was recognized by the Hospital during 2010. The Hospital expects to, and has the ability to, continue to maintain and operate its remaining buildings without undertaking any activities that would require removal of the asbestos.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events - In preparing these combined financial statements, management has evaluated subsequent events through March 3, 2011, which represents the date the combined financial statements were available to be issued.

NOTE 3 - RESTATEMENT OF ENDOWMENT NET ASSETS

In 2009, the Rhode Island Prudent Management of Institutional Funds Act (RIPMIFA) became effective and applies to the Hospital.

Accordingly, the Hospital adopted the principles of FAS 117-1 effective as of the beginning of the fiscal year ended September 30, 2009. This resulted in the reclassification of accumulated unspent investment returns of $1,953,342 from unrestricted net assets to temporarily restricted net assets, as more fully described in Note 21. The adoption of RIPMIFA also resulted in a reclassification of $1,811,787 from permanently restricted net assets to temporarily restricted net assets. The amount of this reclassification represented the amount by which the permanently restricted funds were increased in order to maintain the purchasing power of the fund, as previously required by the Uniform Management of Institutional Funds Act.

These reclassifications are shown as a cumulative effect of change in accounting principle in the accompanying combined financial statements.

NOTE 4 - CHARITY CARE

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy, the estimated cost of those services and supplies, and equivalent service statistics.

The following information summarizes charity care provided during the years ended September 30, 2010 and 2009:

	2010	2009
Charges Foregone, Based on Established Rates	$ 2,204,887	$ 1,091,713

The Hospital also subsidizes the cost of treating patients who are on government assistance where reimbursement is below cost.

NOTE 5 - NET PATIENT SERVICE REVENUE

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare - Inpatient acute care and certain outpatient services rendered to Medicare program beneficiaries are reimbursed at prospectively determined rates. Inpatient rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Payments for outpatient services are based on ambulatory payment classifications.

The Hospital is paid for certain cost reimbursable items at a tentative rate, with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's classification of patients under the Medicare Prospective Payment System and the appropriateness of their admissions are subject to an independent review by a peer review organization under contract with the Medicare program. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 2008. Management does not believe that future settlements will have a material impact on operations.

Blue Cross - The Hospital is reimbursed at prospectively determined rates for inpatient services provided to Blue Cross patients. Outpatient services are reimbursed in accordance with a negotiated fee. Both inpatient and outpatient services are reimbursed on predetermined volumes.

Medicaid - The Hospital is reimbursed for charges to Medicaid patients under the terms of a prospective rating contract. Under the contract, reimbursement rates are determined in advance based on budgeted costs and anticipated patient care statistics for the applicable year, as negotiated and agreed to by the third-party contractual agencies. Adjustments to anticipated patient care statistics are made at year end in accordance with provisions in the contract that recognize actual volume and intensity statistics. Settlements have been reached with Medicaid through September 30, 2004. Management does not believe that future settlements will have a material impact on operations.

United Health Plans of New England, Inc. - The Hospital is reimbursed for inpatient services provided to United Health patients on a negotiated per diem rate. Outpatient services are reimbursed in accordance with a predetermined fee schedule.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Compliance with laws and regulations can be subject to future government review and interpretation as well as significant regulatory action. Failure to comply with such laws and regulations can result in fines, penalties and exclusion from the Medicare and Medicaid programs. The Hospital believes it is in compliance with all applicable laws and regulations.

NOTE 6 - OTHER REVENUE

Other revenue for the years ended September 30, 2010 and 2009, comprises the following:

	2010	2009
Morgan trust income	$ 301,296	$ 307,625
Cafeteria sales	199,382	177,733
Pharmacy sales	1,520	1,142
Rental income, service fees and other	1,306,989	869,797
	$ 1,809,187	$ 1,356,297

NOTE 7 - PATIENT ACCOUNTS RECEIVABLE

Accounts receivable are presented in the combined balance sheets net of an allowance for doubtful accounts of $5,146,027 and $6,635,205 at September 30, 2010 and 2009, respectively. The Hospital provided $5,962,284 and $7,249,449 for uncollectible patient accounts during the years ended September 30, 2010 and 2009, respectively. Accounts are written off when all collection efforts have been exhausted. Recoveries of approximately $1,100,000 and $1,200,000 were netted against the provision for uncollectible accounts for the years ended September 30, 2010 and 2009, respectively.

NOTE 8 - PROMISES TO GIVE

Unconditional promises to give as of September 30, 2010 and 2009, are expected to be collected as follows:

	2010	2009
Within one year	$ 11,950	$ 113,231
Within two to five years	-	7,465
Total contributions receivable	11,950	120,696
Less discounts to net present value and reserve for uncollectible pledges	-	(12,142)
Net Unconditional Promises to Give	$ 11,950	$ 108,554

The discount rate used in calculating the present value of promises to give for the years ended September 30, 2010 and 2009, was 3.4%.

Of the promises to give, $-0- and $74,000 is due from The Westerly Hospital Auxiliary, Inc., a related party, as of September 30, 2010 and 2009, respectively.

NOTE 9 - ASSETS LIMITED AS TO USE

The following information is presented as of September 30, 2010 and 2009, regarding assets whose use is restricted by donors or limited by the board:

	2010	2009
Cash and short-term investments	$ 1,925,462	$ 1,962,780
Marketable equity securities	13,635,129	10,638,635
Other investments, primarily bonds	5,366,770	7,110,573
	$ 20,927,361	$ 19,711,988

The following information is presented as of September 30, 2010 and 2009, regarding assets invested by trustee under loan agreement:

	2010	2009
Cash and short-term investments	$ 1,316,657	$ 1,277,983
Other investments, primarily bonds	646,913	618,864
	$ 1,963,570	$ 1,896,847

The following information is presented as of September 30, 2010 and 2009, regarding assets held in trust:

	2010	2009
Cash and short-term investments	$ 128,888	$ 284,721
Marketable equity securities	4,268,042	3,763,021
Other investments, primarily bonds	3,159,621	3,242,502
	$ 7,556,551	$ 7,290,244

Included in interest and investment income is an investment impairment charge totaling $10,608 and $461,557 for the years ended September 30, 2010 and 2009, respectively, to reflect other than temporary declines in the fair market value of certain equity securities.

Investment income is stated net of management fees and expenses, which were $72,241 and $69,626 for the years ended September 30, 2010 and 2009, respectively.

At September 30, 2010, investments with market value below cost for 12 months or more included certain equity and bond securities with market values of $3,680,683 and $10,194, respectively, and unrealized losses of $1,540,842 and $160, respectively. Investments with market value below cost for less than 12 months at September 30, 2010 included certain equity and bond securities with a market value of $3,408,104 and $175,593, respectively, and an unrealized loss of $425,272 and $4,811, respectively.

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NOTE 10 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at September 30, 2010 and 2009, comprises the following:

	2010	2009
Land and land improvements	$ 2,450,129	$ 2,428,957
Building and building improvements	43,905,405	43,510,583
Equipment	63,691,732	63,178,602
Construction in progress	1,965,142	122,865
	112,012,408	109,241,007
Less accumulated depreciation and amortization	75,511,393	70,944,653
Net Property and Equipment	$ 36,501,015	$ 38,296,354

NOTE 11 - LONG-TERM DEBT AND FUNDS INVESTED BY TRUSTEE

The Hospital has a 6.25% secured promissory note payable in monthly installments of $40,493 until June 15, 2014. After June 15, 2014, the interest rate will be adjusted to either 150 basis points greater than the bank's five- or ten-year cost of funds or the then 30-day LIBOR rate. It is the Hospital's option which rate to choose. The final payment is due June 15, 2024.

In January 1994, the Rhode Island Health and Educational Building Corporation issued $20,485,000 of Hospital Financing Revenue Bonds - The Westerly Hospital Issue - Series 1994 (the Bonds) on behalf of the Hospital pursuant to the Loan and Trust Agreement dated January 15, 1994 (the Bond Agreement). The terms of the Bond Agreement stipulate that interest will be paid at rates between 2.75% and 6% per annum, with semiannual principal installment payments commencing July 1, 1994 and through July 1, 2019.

The terms of the Bond Agreement require that the Hospital make quarterly deposits to the trustee that are sufficient to provide for the payment of principal and interest due on the bonds. Such deposits are included in assets limited as to use. The Bond Agreement also requires the Hospital to maintain a certain debt coverage ratio.

NOTE 11 - LONG-TERM DEBT AND FUNDS INVESTED BY TRUSTEE (Continued)

Long-term debt is comprised of the following at September 30, 2010 and 2009:

	2010	2009
6.25% secured promissory note, principal maturing June 15, 2024, monthly installments are $40,493, interest is 6.25% until June 15, 2014	$ 4,451,767	$ 4,648,709
Series 1994 Tax-Exempt Revenue Bonds, principal maturing in varying annual amounts, due July 1, 2019, collateralized by a lien on certain equipment	8,610,000	9,315,000
7.72% mortgage loan, payable in monthly installments of $6,274, including interest, collateralized by a mortgage on certain property	711,430	730,226
	13,773,197	14,693,935
Less current installments	984,831	925,659
Total Long-Term Debt	$ 12,788,366	$ 13,768,276

The aggregate maturities of long-term debt for the next five years and thereafter are as follows:

Year Ending September 30	
2011	$ 984,831
2012	1,045,266
2013	1,106,721
2014	1,174,262
2015	1,247,963
Thereafter	8,214,154
	$ 13,773,197

The Hospital has a $3,500,000 secured line-of-credit agreement with a bank as of September 30, 2010 and 2009. The Hospital had outstanding borrowings of $3,066,767 and $2,433,264 against the line of credit as of September 30, 2010 and 2009, respectively. This amount is included within lines of credit on the accompanying combined balance sheets. Interest is payable on the outstanding balance at 150 basis points in excess of the 30-day LIBOR rate. Interest was 1.75% and 1.70% at September 30, 2010 and 2009, respectively. This line-of-credit agreement expires on June 1, 2012.

NOTE 11 - LONG-TERM DEBT AND FUNDS INVESTED BY TRUSTEE (Continued)

The Hospital has a $1,500,000 secured line-of-credit agreement with a bank as of September 30, 2010 and 2009. The Hospital had outstanding borrowings of $1,500,000 and $-0- against the line of credit as of September 30, 2010 and 2009, respectively. This amount is included within lines of credit in the accompanying combined balance sheets. Interest is payable on the outstanding balance at 150 basis points in excess of the 30-day LIBOR rate. Interest was 1.75% and 1.70% at September 30, 2010 and 2009, respectively. This line of credit expires March 1, 2012.

Approximately $11,400,000 in investments and cash collateralizes the promissory note and the two lines of credit.

Under Loan Agreement, Funds Invested by Trustee - Funds invested by trustee consisted of the following accounts at September 30, 2010 and 2009, which were established in connection with the long-term debt discussed above:

	2010	2009
Debt service reserve fund	$ 1,621,542	$ 1,555,496
Principal and interest funds	339,470	338,795
Other	2,558	2,556
Total Funds Invested by Trustee	$ 1,963,570	$ 1,896,847

The principal and interest funds are used to make semiannual principal and interest payments. The debt service reserve fund represents additional funds that the Hospital is required to set aside under the Bond Agreement.

NOTE 12 - LEASES - CAPITAL

The Hospital leases various equipment under capital leases. The present value of future minimum capital lease payments is as follows:

Year Ending September 30	
2011	$ 2,551,443
2012	788,480
2013	565,169
2014	120,259
Total minimum lease payments	4,025,351
Less amount representing interest at interest rates ranging from 1.30% to 7.94%	(292,089)
Present value of net minimum capital lease payments	3,733,262
Less current portion of capital lease obligations	(2,326,753)
Long-Term Capital Lease Obligations	$ 1,406,509

The net book value of equipment under capital lease obligations is $6,808,294.

NOTE 13 - PENSION PLAN

The Hospital sponsors a noncontributory defined benefit retirement plan covering substantially all employees called The Westerly Hospital Retirement Plan (the Plan). The Plan provides pension benefits, which are based on years of service and compensation throughout the term of employment, and certain death benefits. It is the Hospital's policy to fund the minimum allowed contribution, taking into effect the IRS full-funding limitation. Contributions are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future.

In November 2006, the Plan was amended such that new employees hired after January 30, 2007 will not be eligible to participate in the Plan. New employees hired after that date will receive a 5% contribution to the Tax Sheltered Annuity Plan (TSA) once qualified under such plan. Existing employees (and those hired before January 30, 2007) will remain in (or eligible for) the Plan and will be eligible for a 1% match under the TSA once qualified under such plan. Existing employees may elect to transfer from the Plan to the TSA and receive an employer contribution of 5% of their salary once qualified under the Plan.

GAAP requires companies to record a liability on the combined balance sheets for the underfunded portion of postretirement plans, defined as the amount by which the projected benefit obligation exceeds the fair value of plan assets.

NOTE 13 - PENSION PLAN (Continued)

The following table sets forth the Plan's funded status and amounts recognized in the Hospital's combined financial statements at September 30, 2010 and 2009:

	2010	2009
Change in benefit obligation:		
Projected benefit obligation at beginning of year	$ 46,630,499	$ 40,592,391
Service cost	1,722,030	1,507,179
Interest cost	2,790,199	2,609,371
Benefits paid	(1,478,491)	(1,387,741)
Actuarial loss	4,339,731	3,309,299
Projected Benefit Obligation at End of Year	54,003,968	46,630,499
Change in plan assets:		
Fair value of plan assets at beginning of year	30,373,337	29,869,598
Actual return on plan assets	2,713,514	396,977
Contributions and transfers	1,939,288	1,494,503
Benefits paid	(1,478,491)	(1,387,741)
Fair Value of Plan Assets at End of Year	33,547,648	30,373,337
Accrued Pension Cost	$ 20,456,320	$ 16,257,162

The following table sets forth the unrecognized items impacting the Plan:

	2010	2009
Unrecognized loss from past experience different from that assumed and effects of changes in assumptions	$ 20,695,927	$ 17,461,924

The accumulated benefit obligation at the end of 2010 and 2009 was $48,350,539 and $41,583,268, respectively. The measurement dates are September 30, 2010 and 2009.

The following weighted average assumptions were used to determine end of year benefit obligations:

	2010	2009
Discount rate	5.50%	6.00%
Rate of compensation increase	3.00	3.00

NOTE 13 - PENSION PLAN (Continued)

Net periodic pension cost for 2010 and 2009 included the following components:

	2010	2009
Service cost - benefits earned during the period	$ 1,722,030	$ 1,507,179
Interest cost on projected benefit obligation	2,790,199	2,609,371
Expected return on assets	(2,578,906)	(2,472,901)
Recognized net actuarial loss	971,120	530,641
Net Periodic Pension Cost	$ 2,904,443	$ 2,174,290

The following weighted average assumptions were used to determine net periodic pension cost:

	2010	2009
Discount rate	6.00%	6.75%
Expected return on plan assets	8.50	8.50
Rate of compensation increase	3.00	4.50

The Hospital expects to contribute approximately $3,700,000 to the Plan during the upcoming year.

Expected benefit payments:

2011	$ 1,731,574
2012	1,862,730
2013	2,121,255
2014	2,373,581
2015	2,472,505
2016-2020	16,144,488

The asset allocation for the Plan at the end of 2010 and 2009, and the target allocation for 2010 by asset category, are as follows:

	Target Allocations	Percentage of Plan Assets at September 30	
Asset Category	2010	2010	2009
Equity	50%	54%	52%
Fixed income	40	42	40
Cash equivalents	10	4	8

NOTE 13 - PENSION PLAN (Continued)

The Plan's investment policy includes a mandate to diversify assets and invest in a variety of asset classes to achieve a goal of three-year average of 10%. The Plan's assets are currently invested in a variety of funds representing most standard equity and debt security classes. While no significant changes in the asset allocation are expected during the upcoming year, the Hospital may make changes at any time.

GAAP has established a fair value hierarchy that prioritizes the inputs to valuation techniques to measure fair value. Highest rank is given to unadjusted quoted prices in active markets for identical assets (Level 1) and lowest rank to unobservable inputs (Level 3). Investments are ranked based on the lowest level of input that is significant to their fair value measurement.

The fair values of all Plan assets of the Hospital are determined using quoted prices in active markets for identical assets (Level 1, as defined in the fair value hierarchy established by GAAP - see Note 20).

The fair values of the Hospital's pension plan assets at September 30, 2010 by asset class are as follows:

Asset classes:	
Equity investments - common stock	$ 17,914,711
Fixed income	13,913,697
Cash and cash equivalents	1,547,224
Convertible securities and other	172,016
Total Pension Plan Assets	$ 33,547,648

The Hospital also provides an employer funded annuity plan covering substantially all employees. Hospital contributions to the annuity plan totaled $189,178 and $256,366 during 2010 and 2009, respectively.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

The Hospital is presently a defendant in several pending medical malpractice and other suits. All of these suits are being defended by counsel of the Hospital's insurance carriers. In the opinion of the Hospital's management, any settlements or judgments of these suits will be covered by insurance and will have no significant adverse effect on the financial position or results of operations of the Hospital.

NOTE 14 - COMMITMENTS AND CONTINGENCIES (Continued)

The Hospital has made a $3,500,000 line of credit available to Atlantic Medical Group, an affiliated organization under common management and control. The line of credit expires on June 30, 2013. Outstanding balances on the line of credit bear interest at Prime minus 1%. There were no balances outstanding as of September 30, 2010.

The Hospital has also guaranteed a building and equipment lease entered into by North Stonington Health Center, Inc., an affiliated organization under common management and control. The lease has a 25- year term and provides for annual base rental payments of $686,400 for the building and equipment, plus reimbursement of certain operating expenses of approximately $180,000 per year. The equipment portion of the lease provided for the purchase of equipment valued at approximately $730,000, and is amortized over a 10-year period, at which time the base rental payments will be reduced accordingly.

NOTE 15 - OPERATING LEASES

Rental expense under all significant operating leases was $735,153 and $750,502 for the years ended September 30, 2010 and 2009, respectively. At September 30, 2010, future minimum lease payments under noncancelable operating leases are as follows:

Year Ending September 30	
2011	$ 380,544
2012	235,000
2013	235,000
2014	235,000
	$ 1,085,544

NOTE 16 - DISPROPORTIONATE SHARE

The Federal government has long recognized the financial burdens that are borne by hospitals that serve an unusually large number or "disproportionate share" of low-income patients. The Hospital received disproportionate share payments of $3,008,630 and $3,556,998 for the years ended September 30, 2010 and 2009, respectively. These amounts are included in net patient revenue on the accompanying combined statements of operations and changes in net assets.

NOTE 17 - CONCENTRATION OF CREDIT RISK

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. Revenues from patients and third-party payors were as follows:

	2010	2009
Medicare	37%	39%
Medicaid	2	2
Blue Cross	23	23
Other third-party payors	34	33
Patients	4	3
	100%	100%

NOTE 18 - RELATED PARTIES

The following amounts were due to the Hospital from related parties at September 30, 2010:

C.H.O.W.	$ 52,357
Women's Health of Westerly, LLC	102,152
Atlantic Medical Group, Inc.	350,000
North Stonington Health Center, Inc.	365,080
	$ 869,589

During 2010, the Hospital incurred $4,915,318 in capital transactions with affiliates, which is reflected on the accompanying combined statement of operations and changes in net assets. These capital transactions occurred with the following affiliates:

Atlantic Medical Group, Inc.	$ 3,676,242
Women's Health of Westerly, LLC	1,228,076
Eldereval, LLC	11,000
	$ 4,915,318

NOTE 19 - FUNCTIONAL EXPENSES

The Hospital provides general healthcare services to residents within its geographic location. Expenses related to providing these services are as follows:

	2010	2009
Healthcare services	$ 60,038,899	$ 56,466,938
Provision for uncollectible accounts	5,962,284	7,249,449
General and administrative	21,171,095	20,481,617
Interest	1,306,259	1,377,482
Depreciation and amortization	4,592,213	4,450,501
	$ 93,070,750	$ 90,025,987

NOTE 20 - FAIR VALUE OF FINANCIAL INSTRUMENTS

GAAP has established a fair value hierarchy that prioritizes the inputs to valuation techniques to measure fair value. Highest rank is given to unadjusted quoted prices in active markets for identical assets (Level 1) and lowest rank to unobservable inputs (Level 3). Investments are ranked based on the lowest level of input that is significant to their fair value measurement. The three levels of the fair value hierarchy are described below:

Level 1 - Quoted market prices (unadjusted) in active markets for identical assets or liabilities to which the Hospital has the ability to access at the measurement date.

Level 2 - Inputs and information other than quoted market indices included in Level 1 that are observable for the asset or liability, either directly or indirectly, and the Hospital has the ability to redeem the asset or liability in the near term subsequent to the measurement date.

Level 3 - Unobservable inputs are used to measure the fair value to the extent that observable inputs are not available, and the Hospital does not have the ability to redeem the asset or liability in the near term subsequent to the measurement date.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value.

Cash and Cash Equivalents - The carrying amount approximates fair value because of the short maturity of these instruments.

Investments - The fair value of certain investments is estimated based on quoted market prices or estimates of fair value for those or similar investments.

NOTE 20 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Bonds and Notes Payable - The estimated fair market value of the Hospital's long-term debt at September 30, 2010 is approximately $13,825,000, estimated using discounted cash flow analysis, based on current incremental borrowing rates for similar types of borrowing arrangements.

Assets Measured at Fair Value on a Recurring Basis - The following is a summary of the source of fair value measurements for assets that are measured at fair value on a recurring basis as of September 30, 2010:

		Fair Value Measurements Using		
Description	September 30, 2010	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 2,413,242	$ 2,413,242	$ -	$ -
Assets whose use is restricted by donors or limited by the Board	20,927,361	20,927,361	-	-
Promises to give, net	11,950	-	-	11,950
Under loan agreement, funds invested by trustee	1,963,570	1,963,570	-	-
Funds held in trust	7,556,551	-	-	7,556,551
Total	$ 32,872,674	$ 25,304,173	$ -	$ 7,568,501

Assets Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3) - The following is a summary of the changes in the balances of investments and promises to give measured at fair value on a recurring basis using significant unobservable inputs:

	Funds Held in Trust	Promises to Give, Net
Balance - beginning of year	$ 7,290,244	108,554
Net realized gains	280,625	-
Net unrealized losses	(14,318)	-
Collections	-	(96,604)
Balance - End of Year	$ 7,556,551	11,950

Funds held in trust represent the right to receive a future stream of payments from the trust. The underlying assets in the trust would be classified as Level 1 if the Hospital held them directly.

NOTE 21 - ENDOWMENT

The Hospital's endowment consists of approximately 10 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - The Hospital has interpreted RIPMIFA 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 Hospital 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 Hospital in a manner consistent with the standard of prudence prescribed by RIPMIFA. In accordance with RIPMIFA, the Hospital considers the following factors in making a determination to appropriate from accumulated donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Hospital and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Hospital
- The investment policies of the Hospital
- The expected tax consequences, if any, of investment decisions or strategies
- The role that each investment or course of action plays within the overall investment portfolio of the fund
- The needs of the Hospital and the fund to make distributions to preserve capital
- An asset's special relationship or special value, if any, to the charitable purposes of the Hospital

NOTE 21 - ENDOWMENT (Continued)

Endowment net asset composition by type of fund is as follows as of September 30, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 3,513,444	$ 4,744,092	$ 8,257,536
Board-designated endowment funds	12,368,211	-	-	12,368,211
Total	$ 12,368,211	$ 3,513,444	$ 4,744,092	$ 20,625,747

Changes in endowment net assets are as follows for the year ended September 30, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - beginning of year	$ 11,296,158	$ 3,379,358	$ 4,671,877	$ 19,347,393
Investment return:				
Investment income	307,274	109,469	66,612	483,355
Unrealized investment gain	443,946	345,450	5,603	794,999
Total investment return	751,220	454,919	72,215	1,278,354
Appropriation of endowment assets for expenditure/transfer	320,833	(320,833)	-	-
Endowment Net Assets - End of Year	$ 12,368,211	$ 3,513,444	$ 4,744,092	$ 20,625,747

NOTE 21 - ENDOWMENT (Continued)

Endowment net asset composition by type of fund is as follows as of September 30, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 3,379,358	$ 4,671,877	$ 8,051,235
Board-designated endowment funds	11,296,158	-	-	11,296,158
Total	$ 11,296,158	$ 3,379,358	$ 4,671,877	$ 19,347,393

Changes in endowment net assets are as follows for the year ended September 30, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - beginning of year	$ 13,831,134	$ -	$ 6,430,642	$ 20,261,776
Net asset reclassifications based on change in law	(1,953,342)	3,765,129	(1,811,787)	-
	11,877,792	3,765,129	4,618,855	20,261,776
Investment return:				
Investment income	272,570	192,049	69,685	534,304
Unrealized investment loss	(354,204)	(168,208)	(16,663)	(539,075)
Total investment return	(81,634)	23,841	53,022	(4,771)
Appropriation of endowment assets for expenditure	(500,000)	(409,612)	-	(909,612)
Endowment Net Assets - End of Year	$ 11,296,158	$ 3,379,358	$ 4,671,877	$ 19,347,393

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 RIPMIFA requires the Hospital to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were approximately $81,100 and $104,500 as of September 30, 2010 and 2009, respectively. These deficiencies resulted from unfavorable market fluctuations and continued appropriation for certain programs that was deemed prudent by the Board of Trustees.

NOTE 21 - ENDOWMENT (Continued)

Return Objectives and Risk Parameters - The Hospital has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Hospital must hold in perpetuity or for a donor-specified period(s), as well as board-designated funds. Under this policy, as approved by the Board of Trustees, fund managers are expected to produce a total return exceeding the median of a universe of managers with similar asset allocation objectives. On an annualized, net-of-fees basis, the total return of the portfolio will be expected to equal or exceed inflation plus 3% over a rolling three-year period. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives - The fund shall be allocated across a number of investment classes to provide diversification and achieve the fund's investment objectives. The following table defines the fund's target asset allocation and range for each asset class:

Asset Class	Min Wt.	Target Wt.	Max Wt.	Representative Index
Equities	40%	50%	65%	70% Standard & Poor's 500 15% Russell 2000 Value 15% Europe Australia Far East
Fixed income	25%	40%	60%	100% Lehman Bros Govt./Corp
Cash and equivalents	0%	10%	20%	100% Salomon 30-day US T-bills

This asset allocation plan provides for diversification of assets in an effort to maximize the investment return and manage the risk of the fund consistent with market conditions. Due to the fluctuation of market values, allocations within a specified range constitute compliance within the policy. An extended period of time may be required to fully implement the asset allocation plan, and periodic revisions will be required.

Spending Policy and How the Investment Objectives Relate to Spending Policy - Distributions from the endowment are specifically approved by the Board of Trustees as deemed fit to meet the operating and capital needs of the Hospital. In implementing this spending policy, and subject to the intent of a donor expressed in a gift instrument, the Hospital may appropriate for expenditure or accumulate so much of its fund as it determines to be prudent for the uses, benefits, purposes and duration for which its fund is established. In making a determination to appropriate or accumulate, the Hospital shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances.

NOTE 21 - ENDOWMENT (Continued)

The investment program shall invest according to an asset allocation plan that is designed to meet the goals of the Fund. The plan will be based on a number of factors, including:

- The projected spending needs;
- The maintenance of sufficient liquidity to meet spending payments; and
- The return objectives and risk tolerances of the fund as defined in the Investment Philosophy

Form **990**

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

▶ The organization may have to use a copy of this return to satisfy state reporting requirements.

OMB No. 1545-0047

2009

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

A For the 2009 calendar year, or tax year beginning OCT 1, 2009 and ending SEP 30, 2010

B Check if applicable:
- ☐ Address change
- ☐ Name change
- ☐ Initial return
- ☐ Terminated
- ☐ Amended return
- ☐ Application pending

Please use IRS label or print or type. See Specific Instructions.

C Name of organization
THE WESTERLY HOSPITAL

Doing Business As

Number and street (or P.O. box if mail is not delivered to street address) Room/suite
25 WELLS STREET

City or town, state or country, and ZIP + 4
WESTERLY, RI 02891-2934

D Employer identification number
05-0259100

E Telephone number
(401)596-6000

G Gross receipts $ 94,373,193.

F Name and address of principal officer: CHARLES KINNEY
SAME AS C ABOVE

H(a) Is this a group return for affiliates? ☐ Yes ☒ No

H(b) Are all affiliates included? ☐ Yes ☐ No
If "No," attach a list. (see instructions)

H(c) Group exemption number ▶

I Tax-exempt status: ☒ 501(c)(3) ◀ (insert no.) ☐ 4947(a)(1) or ☐ 527

J Website: ▶ WWW.WESTERLYHOSPITAL.ORG

K Form of organization: ☒ Corporation ☐ Trust ☐ Association ☐ Other ▶

L Year of formation: 1921 M State of legal domicile: RI

Part I Summary

Activities & Governance	1	Briefly describe the organization's mission or most significant activities: THE WESTERLY HOSPITAL PROVIDES INPATIENT AND OUTPATIENT MEDICAL CARE TO ADULTS, CHILDREN, AND	
	2	Check this box ▶ ☐ if the organization discontinued its operations or disposed of more than 25% of its net assets.	
	3	Number of voting members of the governing body (Part VI, line 1a)	17
	4	Number of independent voting members of the governing body (Part VI, line 1b)	15
	5	Total number of employees (Part V, line 2a)	906
	6	Total number of volunteers (estimate if necessary)	310
	7a	Total gross unrelated business revenue from Part VIII, column (C), line 12	5,064.
	b	Net unrelated business taxable income from Form 990-T, line 34	0.

			Prior Year	Current Year
Revenue	8	Contributions and grants (Part VIII, line 1h)	598,900.	1,212,000.
	9	Program service revenue (Part VIII, line 2g)	88,184,391.	90,848,994.
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	472,785.	893,619.
	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	869,761.	1,332,824.
	12	Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12)	90,125,837.	94,287,437.
Expenses	13	Grants and similar amounts paid (Part IX, column (A), lines 1-3)		
	14	Benefits paid to or for members (Part IX, column (A), line 4)		
	15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	47,966,491.	51,358,840.
	16a	Professional fundraising fees (Part IX, column (A), line 11e)		
	b	Total fundraising expenses (Part IX, column (D), line 25) ▶		
	17	Other expenses (Part IX, column (A), lines 11a-11d, 11f-24f)	41,678,665.	41,362,146.
	18	Total expenses. Add lines 13-17 (must equal Part IX, column (A), line 25)	89,645,156.	92,720,986.
	19	Revenue less expenses. Subtract line 18 from line 12	480,681.	1,566,451.

			Beginning of Current Year	End of Year
Net Assets or Fund Balances	20	Total assets (Part X, line 16)	80,704,506.	80,297,074.
	21	Total liabilities (Part X, line 26)	50,546,582.	55,944,823.
	22	Net assets or fund balances. Subtract line 21 from line 20	30,157,924.	24,352,251.

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

CLIENT COPY

Sign Here

▶ Signature of officer Date

▶ JEANNE LACHANCE, TREASURER
Type or print name and title

Paid Preparer's Use Only

Preparer's signature Date 8/15/11 Check if self-employed ☐ Preparer's identifying number (see instructions)

Firm's name (or yours if self-employed), address, and ZIP + 4
BLUM, SHAPIRO & COMPANY, P.C., CPA'S
29 S. MAIN STREET, P.O. BOX 272000
WEST HARTFORD, CT 06127-2000

EIN ▶

Phone no. ▶ 860 561-4000

May the IRS discuss this return with the preparer shown above? (see instructions) ☒ Yes ☐ No

SEE SCHEDULE O FOR ORGANIZATION MISSION STATEMENT CONTINUATION

Part III Statement of Program Service Accomplishments

1 Briefly describe the organization's mission:
THE WESTERLY HOSPITAL PROVIDES INPATIENT AND OUTPATIENT MEDICAL CARE TO ADULTS, CHILDREN AND NEWBORNS IN THE WESTERLY, RHODE ISLAND COMMUNITY AND IN SURROUNDING TOWNS.

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? [ ] Yes [X] No
If "Yes," describe these new services on Schedule O.

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? [ ] Yes [X] No
If "Yes," describe these changes on Schedule O.

4 Describe the exempt purpose achievements for each of the organization's three largest program services by expenses. Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported.
SEE SCHEDULE O FOR CONTINUATION(S)

4a (Code:) (Expenses $ 73056724. including grants of $) (Revenue $ 90848994.)
THE WESTERLY HOSPITAL IS A NOT-FOR-PROFIT ACUTE CARE HOSPITAL PROVIDING MEDICAL CARE TO ADULTS, CHILDREN, AND NEWBORNS IN THE WESTERLY, RHODE ISLAND COMMUNITY AND SURROUNDING TOWNS. DURING THE FISCAL YEAR ENDED 09/30/2010 THE HOSPITAL ADMITTED 4,543 PATIENTS AND HAD 24,900 VISITS TO THE EMERGENCY ROOM.

THERE WERE 534,225 AMBULATORY/OUTPATIENT VISITS, 486,651 LABORATORY PROCEDURES, 42,001 PATHOLOGY PROCEDURES, 204 DIAGNOSTIC CARDIAC CATHETERIZATIONS, 61,715 PHYSICAL THERAPY PROCEDURES, 15,437 OR AND AMBULATORY VISITS FOR TOTAL DAYS OF PATIENT CARE OF 17,667, THE AVERAGE DAILY CENSUS WAS 46.4.

4b (Code:) (Expenses $ including grants of $) (Revenue $)

4c (Code:) (Expenses $ including grants of $) (Revenue $)

4d Other program services. (Describe in Schedule O.)
(Expenses $ including grants of $) (Revenue $)

4e Total program service expenses ▶ $ 73,056,724.

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Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	X	
2	Is the organization required to complete Schedule B, Schedule of Contributors?	2	X	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		X
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities? *If "Yes," complete Schedule C, Part II*	4	X	
5	**Section 501(c)(4), 501(c)(5), and 501(c)(6) organizations.** Is the organization subject to the section 6033(e) notice and reporting requirement and proxy tax? *If "Yes," complete Schedule C, Part III*	5		
6	Did the organization maintain any donor advised funds or any similar funds or accounts where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		X
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? *If "Yes," complete Schedule D, Part II*	7		X
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		X
9	Did the organization report an amount in Part X, line 21; serve as a custodian for amounts not listed in Part X; or provide credit counseling, debt management, credit repair, or debt negotiation services? *If "Yes," complete Schedule D, Part IV*	9		X
10	Did the organization, directly or through a related organization, hold assets in term, permanent, or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10	X	
11	Is the organization's answer to any of the following questions "Yes"? *If so, complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable*	11	X	
	• Did the organization report an amount for land, buildings, and equipment in Part X, line 10? *If "Yes," complete Schedule D, Part VI.*			
	• Did the organization report an amount for investments - other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII.*			
	• Did the organization report an amount for investments - program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII.*			
	• Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX.*			
	• Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X.*			
	• Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48? *If "Yes," complete Schedule D, Part X.*			
12	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, XII, and XIII.*	12		X
12A	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," completing Schedule D, Parts XI, XII, and XIII is optional* (Yes: X / No:)	12A		
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		X
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		X
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, and program service activities outside the United States? *If "Yes," complete Schedule F, Part I*	14b		X
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or assistance to any organization or entity located outside the United States? *If "Yes," complete Schedule F, Part II*	15		X
16	Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or assistance to individuals located outside the United States? *If "Yes," complete Schedule F, Part III*	16		X
17	Did the organization report a total of more than $15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? *If "Yes," complete Schedule G, Part I*	17		X
18	Did the organization report more than $15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? *If "Yes," complete Schedule G, Part II*	18		X
19	Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III*	19		X
20	Did the organization operate one or more hospitals? *If "Yes," complete Schedule H*	20	X	

Part IV Checklist of Required Schedules *(continued)*

			Yes	No
21	Did the organization report more than $5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II*	21		X
22	Did the organization report more than $5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	22		X
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If "Yes," complete Schedule J*	23	X	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer lines 24b through 24d and complete Schedule K. If "No", go to line 25*	24a		X
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	25a		X
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	25b		X
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? *If "Yes," complete Schedule L, Part II*	26		X
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? *If "Yes," complete Schedule L, Part III*	27		X
28	Was the organization a party to a business transaction with one of the following parties, (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions):			
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	28a		X
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	28b		X
c	An entity of which a current or former officer, director, trustee, or key employee of the organization (or a family member) was an officer, director, trustee, or direct or indirect owner? *If "Yes," complete Schedule L, Part IV*	28c		X
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	29		X
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	30		X
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	31		X
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	32		X
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? *If "Yes," complete Schedule R, Part I*	33		X
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1*	34	X	
35	Is any related organization a controlled entity within the meaning of section 512(b)(13)? *If "Yes," complete Schedule R, Part V, line 2*	35		X
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	36		X
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	37		X
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? **Note.** All Form 990 filers are required to complete Schedule O.	38	X	

Part V Statements Regarding Other IRS Filings and Tax Compliance

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096, Annual Summary and Transmittal of U.S. Information Returns. Enter -0- if not applicable	1a	85		
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?		1c	X	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return	2a	906		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?		2b	X	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to *e-file* this return. (see instructions)				
3a	Did the organization have unrelated business gross income of $1,000 or more during the year covered by this return?		3a	X	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*		3b	X	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?		4a		X
b	If "Yes," enter the name of the foreign country: ▶ See the instructions for exceptions and filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.				
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		5a		X
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		5b		X
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T, Disclosure by Tax-Exempt Entity Regarding Prohibited Tax Shelter Transaction?		5c		
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible?		6a		X
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		6b		
7	**Organizations that may receive deductible contributions under section 170(c).**				
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?		7a		X
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?		7b		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		7c		X
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d			
e	Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		7e		X
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		7f		X
g	For all contributions of qualified intellectual property, did the organization file Form 8899 as required?		7g		
h	For contributions of cars, boats, airplanes, and other vehicles, did the organization file a Form 1098-C as required?		7h		
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		8		
9	**Sponsoring organizations maintaining donor advised funds.**				
a	Did the organization make any taxable distributions under section 4966?		9a		
b	Did the organization make a distribution to a donor, donor advisor, or related person?		9b		
10	**Section 501(c)(7) organizations.** Enter:				
a	Initiation fees and capital contributions included on Part VIII, line 12	10a			
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b			
11	**Section 501(c)(12) organizations.** Enter:				
a	Gross income from members or shareholders	11a			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them.)	11b			
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?		12a		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b			

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Part VI Governance, Management, and Disclosure *For each "Yes" response to lines 2 through 7b below, and for a "No" response to line 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.*

Section A. Governing Body and Management

			Yes	No
1a	Enter the number of voting members of the governing body	1a 17		
b	Enter the number of voting members that are independent	1b 15		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2		X
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3		X
4	Did the organization make any significant changes to its organizational documents since the prior Form 990 was filed?	4		X
5	Did the organization become aware during the year of a material diversion of the organization's assets?	5		X
6	Does the organization have members or stockholders?	6		X
7a	Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body?	7a		X
b	Are any decisions of the governing body subject to approval by members, stockholders, or other persons?	7b		X
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:			
a	The governing body?	8a	X	
b	Each committee with authority to act on behalf of the governing body?	8b	X	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? *If "Yes," provide the names and addresses in Schedule O*	9		X

Section B. Policies *(This Section B requests information about policies not required by the Internal Revenue Code.)*

			Yes	No
10a	Does the organization have local chapters, branches, or affiliates?	10a		X
b	If "Yes," does the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with those of the organization?	10b		
11	Has the organization provided a copy of this Form 990 to all members of its governing body before filing the form?	11	X	
11A	Describe in Schedule O the process, if any, used by the organization to review this Form 990.			
12a	Does the organization have a written conflict of interest policy? *If "No," go to line 13*	12a	X	
b	Are officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	X	
c	Does the organization regularly and consistently monitor and enforce compliance with the policy? *If "Yes," describe in Schedule O how this is done*	12c	X	
13	Does the organization have a written whistleblower policy?	13	X	
14	Does the organization have a written document retention and destruction policy?	14	X	
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?			
a	The organization's CEO, Executive Director, or top management official	15a	X	
b	Other officers or key employees of the organization	15b	X	
	If "Yes" to line 15a or 15b, describe the process in Schedule O. (See instructions.)			
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a		X
b	If "Yes," has the organization adopted a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and taken steps to safeguard the organization's exempt status with respect to such arrangements?	16b		

Section C. Disclosure

17 List the states with which a copy of this Form 990 is required to be filed ▶ NONE

18 Section 6104 requires an organization to make its Forms 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you make these available. Check all that apply.

☐ Own website ☐ Another's website ☒ Upon request

19 Describe in Schedule O whether (and if so, how), the organization makes its governing documents, conflict of interest policy, and financial statements available to the public.

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization: ▶

JEANNE LACHANCE, CFO - 401-348-3711
25 WELLS STREET, WESTERLY, RI 02891-2934

RIDOH 1520

Part VII Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

1a Complete this table for all persons required to be listed. Report compensation for the calendar year ending with or within the organization's tax year. Use Schedule J-2 if additional space is needed.

- List all of the organization's current officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation. Enter -0- in columns (D), (E), and (F) if no compensation was paid.
- List all of the organization's current key employees. See instructions for definition of "key employee."
- List the organization's five current highest compensated employees (other than an officer, director, trustee, or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than $100,000 from the organization and any related organizations.
- List all of the organization's former officers, key employees, and highest compensated employees who received more than $100,000 of reportable compensation from the organization and any related organizations.
- List all of the organization's former directors or trustees that received, in the capacity as a former director or trustee of the organization, more than $10,000 of reportable compensation from the organization and any related organizations.

List persons in the following order: individual trustees or directors; institutional trustees; officers; key employees; highest compensated employees; and former such persons.

☐ Check this box if the organization did not compensate any current officer, director, or trustee.

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
FRED A. ALLARDYCE SECOND VICE CHAIRMAN	1.00	X		X				0.	0.	0.
DAVID R. BAILEY DIRECTOR	1.00	X						0.	0.	0.
JOHN P. CASEY DIRECTOR	1.00	X						0.	0.	0.
DAVID D'ERAMO, PH.D. DIRECTOR	1.00	X						0.	0.	0.
JOHN T. GORBY DIRECTOR	1.00	X						0.	0.	0.
MARTHA MCQ. HOSP FIRST VICE CHAIRMAN	1.00	X		X				0.	0.	0.
ALLEN W. LEADBETTER, M.D. ASSISTANT SECRETARY	1.00	X		X				0.	0.	0.
LEONARD C. EDWARDS DIRECTOR	1.00	X						0.	0.	0.
WILLIAM G. MCKENDREE CHAIRMAN	1.00	X		X				0.	0.	0.
DAVID V. DEVAULT DIRECTOR	1.00	X						0.	0.	0.
MARY JO ORSINGER DIRECTOR	1.00	X						0.	0.	0.
MAUREEN N. FITZGERALD DIRECTOR	1.00	X						0.	0.	0.
RICHARD C. HOLLIDAY DIRECTOR	1.00	X						0.	0.	0.
DAVID R. RIVERA, M.D. DIRECTOR	1.00	X						0.	0.	0.
CHRISTOPHER LEHRACH, M.D. DIRECTOR/ER PHYSICIAN	40.00	X			X			304,532.	0.	48,852.
CHARLES KINNEY PRESIDENT/CEO	40.00	X		X				284,615.	0.	40,334.
BARBARA J. PERINO DIRECTOR	1.00	X						0.	0.	0.

Part VII Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees *(continued)*

(A) Name and title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
JEANE M. LACHANCE TREASURER	40.00			X				193,730.	0.	35,842.
MAUREEN L. CARBONI SECRETARY	1.00			X				0.	0.	0.
MARGARET AUSTIN NURSING/CNO	40.00				X			161,770.	0.	28,284.
WILLIAM CONLIN E/R PHYSICIAN	40.00					X		235,963.	0.	39,312.
FRED JACCARINO E/R PHYSICIAN	40.00					X		215,988.	0.	38,996.
ALEXANDRA THRAN E/R PHYSICIAN	36.00					X		191,965.	0.	29,957.
KEVIN TORRES E/R PHYSICIAN	40.00					X		236,551.	0.	40,303.
NANCY BARISANO IT DIRECTOR	40.00					X		140,717.	0.	13,172.
1b Total ▶								1,965,831.	0.	315,052.

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 in reportable compensation from the organization ▶ 20

		Yes	No
3	Did the organization list any former officer, director or trustee, key employee, or highest compensated employee on line 1a? *If "Yes," complete Schedule J for such individual*		X
4	For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than $150,000? *If "Yes," complete Schedule J for such individual*	X	
5	Did any person listed on line 1a receive or accrue compensation from any unrelated organization for services rendered to the organization? *If "Yes," complete Schedule J for such person*		X

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than $100,000 of compensation from the organization.

(A) Name and business address	(B) Description of services	(C) Compensation
CARDINAL HEALTH PHARMACY MANAGEMENT 21377 NETWORK PLACE, CHICAGO, IL 60673	PHARMACY SERVICES	2,323,980.
ARAMARK HEALTHCARE 40 ACCORD PARK DRIVE, NORWELL, MA 02601	BIOMED SERVICES	1,053,386.
GASTROENTEROLOGY ASSOCIATES, 45 WELLS STREET SUITE 102, WESTERLY, RI 02891	MEDICAL SERVICE	600,000.
RHODE ISLAND BLOOD CENTER PO BOX 9399, PROVIDENCE, RI 02940	LAB SERVICES	491,255.
QUEST DIAGNOSTICS, 12436 COLLECTIONS CENTER DRIVE, CHICAGO, IL 60693	LAB SERVICES	376,783.

2 Total number of independent contractors (including but not limited to those listed above) who received more than $100,000 in compensation from the organization ▶ 25

Part VIII Statement of Revenue

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a Federated campaigns	1a				
	b Membership dues	1b				
	c Fundraising events	1c				
	d Related organizations	1d	1212000.			
	e Government grants (contributions)	1e				
	f All other contributions, gifts, grants, and similar amounts not included above	1f				
	g Noncash contributions included in lines 1a-1f: $					
	h Total. Add lines 1a-1f	▶	1212000.			
Program Service Revenue		Business Code				
	2a PATIENT SERVICE REV.	900099	90,460,251.	90,460,251.		
	b FREE BED INCOME	900099	301,296.	301,296.		
	c LIFELINE	900099	87,447.	87,447.		
	d					
	e					
	f All other program service revenue					
	g Total. Add lines 2a-2f	▶	90,848,994.			
	3 Investment income (including dividends, interest, and other similar amounts)	▶	436,914.			436,914.
	4 Income from investment of tax-exempt bond proceeds	▶				
	5 Royalties	▶				
		(i) Real	(ii) Personal			
	6a Gross Rents	553468.				
	b Less: rental expenses	85,756.				
	c Rental income or (loss)	467712.				
	d Net rental income or (loss)	▶	467,712.		5,064.	462,648.
		(i) Securities	(ii) Other			
	7a Gross amount from sales of assets other than inventory	456705.				
	b Less: cost or other basis and sales expenses					
	c Gain or (loss)	456705.				
	d Net gain or (loss)	▶	456,705.			456,705.
Other Revenue	8a Gross income from fundraising events (not including $ _____ of contributions reported on line 1c). See Part IV, line 18	a				
	b Less: direct expenses	b				
	c Net income or (loss) from fundraising events	▶				
	9a Gross income from gaming activities. See Part IV, line 19	a				
	b Less: direct expenses	b				
	c Net income or (loss) from gaming activities	▶				
	10a Gross sales of inventory, less returns and allowances	a				
	b Less: cost of goods sold	b				
	c Net income or (loss) from sales of inventory	▶				
	Miscellaneous Revenue	Business Code				
	11a SETTLEMENT INCOME	900099	325,000.			325,000.
	b CAFETERIA SALES	900099	199,383.			199,383.
	c OTHER INCOME	900099	175,582.			175,582.
	d All other revenue	900099	165,147.			165,147.
	e Total. Add lines 11a-11d	▶	865,112.			
	12 Total revenue. See instructions.	▶	94,287,437.	90,848,994.	5,064.	2,221,379.

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Form **990** (2009)

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Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns.
All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D).

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to governments and organizations in the U.S. See Part IV, line 21				
2 Grants and other assistance to individuals in the U.S. See Part IV, line 22				
3 Grants and other assistance to governments, organizations, and individuals outside the U.S. See Part IV, lines 15 and 16				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees	1,292,320.	982,163.	310,157.	
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7 Other salaries and wages	38,056,995.	28,923,316.	9,133,679.	
8 Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	3,002,476.	2,281,882.	720,594.	
9 Other employee benefits	6,252,165.	4,751,646.	1,500,519.	
10 Payroll taxes	2,754,884.	2,093,712.	661,172.	
11 Fees for services (non-employees):				
a Management				
b Legal	1,339,659.	1,018,141.	321,518.	
c Accounting	147,445.	112,058.	35,387.	
d Lobbying				
e Professional fundraising services. See Part IV, line 17				
f Investment management fees				
g Other	439,295.	333,864.	105,431.	
12 Advertising and promotion	154,947.	117,760.	37,187.	
13 Office expenses	103,472.	78,639.	24,833.	
14 Information technology				
15 Royalties				
16 Occupancy	2,097,306.	1,593,953.	503,353.	
17 Travel	16,106.	12,241.	3,865.	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings				
20 Interest	1,278,015.	971,292.	306,723.	
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	4,578,666.	3,479,786.	1,098,880.	
23 Insurance	1,312,088.	1,241,235.	70,853.	
24 Other expenses. Itemize expenses not covered above. (Expenses grouped together and labeled miscellaneous may not exceed 5% of total expenses shown on line 25 below.)				
a SUPPLIES	8,300,401.	6,308,304.	1,992,097.	
b PURCHASED SERVICES	7,632,680.	5,800,837.	1,831,843.	
c BAD DEBTS	5,962,284.	5,962,284.		
d LICENSING FEE	3,807,403.	3,807,403.		
e DRUGS	3,017,001.	2,292,921.	724,080.	
f All other expenses	1,175,378.	893,287.	282,091.	
25 Total functional expenses. Add lines 1 through 24f	92,720,986.	73,056,724.	19,664,262.	0.
26 Joint costs. Check here ▶ ☐ if following SOP 98-2. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

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Part X Balance Sheet

			(A) Beginning of year		(B) End of year
Assets	1	Cash - non-interest-bearing		1	
	2	Savings and temporary cash investments	2,561,630.	2	2,274,270.
	3	Pledges and grants receivable, net		3	
	4	Accounts receivable, net	7,459,592.	4	7,336,470.
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L		5	
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B). Complete Part II of Schedule L		6	
	7	Notes and loans receivable, net	101,307.	7	16,356.
	8	Inventories for sale or use	1,469,759.	8	1,611,752.
	9	Prepaid expenses and deferred charges	1,093,687.	9	1,568,252.
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D — 10a: 112,015,583.			
	b	Less: accumulated depreciation — 10b: 75,514,568.	38,296,354.	10c	36,501,015.
	11	Investments - publicly traded securities	20,582,181.	11	21,855,856.
	12	Investments - other securities. See Part IV, line 11	7,290,244.	12	7,556,551.
	13	Investments - program-related. See Part IV, line 11		13	
	14	Intangible assets		14	
	15	Other assets. See Part IV, line 11	1,849,752.	15	1,576,552.
	16	Total assets. Add lines 1 through 15 (must equal line 34)	80,704,506.	16	80,297,074.
Liabilities	17	Accounts payable and accrued expenses	10,230,795.	17	9,660,439.
	18	Grants payable		18	
	19	Deferred revenue	118,545.	19	1,469,601.
	20	Tax-exempt bond liabilities	9,315,000.	20	8,610,000.
	21	Escrow or custodial account liability. Complete Part IV of Schedule D		21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L		22	
	23	Secured mortgages and notes payable to unrelated third parties	5,378,935.	23	5,163,197.
	24	Unsecured notes and loans payable to unrelated third parties		24	
	25	Other liabilities. Complete Part X of Schedule D	25,503,307.	25	31,041,586.
	26	Total liabilities. Add lines 17 through 25	50,546,582.	26	55,944,823.
Net Assets or Fund Balances		**Organizations that follow SFAS 117, check here ▶ [X] and complete lines 27 through 29, and lines 33 and 34.**			
	27	Unrestricted net assets	14,734,401.	27	8,468,193.
	28	Temporarily restricted net assets	3,461,402.	28	3,583,415.
	29	Permanently restricted net assets	11,962,121.	29	12,300,643.
		Organizations that do not follow SFAS 117, check here ▶ [ ] and complete lines 30 through 34.			
	30	Capital stock or trust principal, or current funds		30	
	31	Paid-in or capital surplus, or land, building, or equipment fund		31	
	32	Retained earnings, endowment, accumulated income, or other funds		32	
	33	Total net assets or fund balances	30,157,924.	33	24,352,251.
	34	Total liabilities and net assets/fund balances	80,704,506.	34	80,297,074.

Part XI Financial Statements and Reporting

			Yes	No
1	Accounting method used to prepare the Form 990: ☐ Cash ☒ Accrual ☐ Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O.			
2a	Were the organization's financial statements compiled or reviewed by an independent accountant?	2a		X
b	Were the organization's financial statements audited by an independent accountant?	2b	X	
c	If "Yes" to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O.	2c	X	
d	If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued on a consolidated basis, separate basis, or both: ☐ Separate basis ☒ Consolidated basis ☐ Both consolidated and separate basis			
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	3a		X
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits.	3b		

SCHEDULE A (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

Complete if the organization is a section 501(c)(3) organization or a section 4947(a)(1) nonexempt charitable trust.

▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No. 1545-0047

2009

Open to Public Inspection

Name of the organization

THE WESTERLY HOSPITAL

Employer identification number

05-0259100

Part I Reason for Public Charity Status (All organizations must complete this part.) See instructions.

The organization is not a private foundation because it is: (For lines 1 through 11, check only one box.)

1 ☐ A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**

2 ☐ A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E.)

3 ☒ A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**

4 ☐ A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state:

5 ☐ An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II.)

6 ☐ A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**

7 ☐ An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi).** (Complete Part II.)

8 ☐ A community trust described in **section 170(b)(1)(A)(vi).** (Complete Part II.)

9 ☐ An organization that normally receives: (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions - subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See **section 509(a)(2).** (Complete Part III.)

10 ☐ An organization organized and operated exclusively to test for public safety. See **section 509(a)(4).**

11 ☐ An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2). See **section 509(a)(3).** Check the box that describes the type of supporting organization and complete lines 11e through 11h.

a ☐ Type I b ☐ Type II c ☐ Type III - Functionally integrated d ☐ Type III - Other

e ☐ By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2).

f If the organization received a written determination from the IRS that it is a Type I, Type II, or Type III supporting organization, check this box ☐

g Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?

		Yes	No
(i)	A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization?	11g(i)	
(ii)	A family member of a person described in (i) above?	11g(ii)	
(iii)	A 35% controlled entity of a person described in (i) or (ii) above?	11g(iii)	

h Provide the following information about the supported organization(s).

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1-9 above or IRC section (see instructions))	(iv) Is the organization in col. (i) listed in your governing document? Yes	No	(v) Did you notify the organization in col. (i) of your support? Yes	No	(vi) Is the organization in col. (i) organized in the U.S.? Yes	No	(vii) Amount of support
Total									

Part II Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)

(Complete only if you checked the box on line 5, 7, or 8 of Part I.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2005	(b) 2006	(c) 2007	(d) 2008	(e) 2009	(f) Total
1 Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 **Total.** Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 **Public support.** Subtract line 5 from line 4.						

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2005	(b) 2006	(c) 2007	(d) 2008	(e) 2009	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
11 **Total support.** Add lines 7 through 10						
12 Gross receipts from related activities, etc. (see instructions)					12	

13 **First five years.** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and **stop here** ▶ ☐

Section C. Computation of Public Support Percentage

14 Public support percentage for 2009 (line 6, column (f) divided by line 11, column (f))	14	%
15 Public support percentage from 2008 Schedule A, Part II, line 14	15	%

16a **33 1/3% support test - 2009.** If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶ ☐

b **33 1/3% support test - 2008.** If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶ ☐

17a **10% -facts-and-circumstances test - 2009.** If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization ▶ ☐

b **10% -facts-and-circumstances test - 2008.** If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization ▶ ☐

18 **Private foundation.** If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions ▶ ☐

Part III Support Schedule for Organizations Described in Section 509(a)(2) (Complete only if you checked the box on line 9 of Part I.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2005	(b) 2006	(c) 2007	(d) 2008	(e) 2009	(f) Total
1 Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 **Total.** Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of $5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 **Public support** (Subtract line 7c from line 6.)						

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2005	(b) 2006	(c) 2007	(d) 2008	(e) 2009	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 **Total support** (Add lines 9, 10c, 11, and 12.)						

14 **First five years.** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and **stop here** ▶ ☐

Section C. Computation of Public Support Percentage

15 Public support percentage for 2009 (line 8, column (f) divided by line 13, column (f))	15	%
16 Public support percentage from 2008 Schedule A, Part III, line 15	16	%

Section D. Computation of Investment Income Percentage

17 Investment income percentage for **2009** (line 10c, column (f) divided by line 13, column (f))	17	%
18 Investment income percentage from **2008** Schedule A, Part III, line 17	18	%

19a **33 1/3% support tests - 2009.** If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶ ☐

b **33 1/3% support tests - 2008.** If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3%, and line 18 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶ ☐

20 **Private foundation.** If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions ▶ ☐

Schedule B (Form 990, 990-EZ, or 990-PF)
Department of the Treasury
Internal Revenue Service

Schedule of Contributors

▶ Attach to Form 990, 990-EZ, or 990-PF.

OMB No. 1545-0047

2009

Name of the organization	Employer identification number
THE WESTERLY HOSPITAL	05-0259100

Organization type (check one):

Filers of:	Section:
Form 990 or 990-EZ	[X] 501(c)(3) (enter number) organization
	[ ] 4947(a)(1) nonexempt charitable trust not treated as a private foundation
	[ ] 527 political organization
Form 990-PF	[ ] 501(c)(3) exempt private foundation
	[ ] 4947(a)(1) nonexempt charitable trust treated as a private foundation
	[ ] 501(c)(3) taxable private foundation

Check if your organization is covered by the **General Rule** or a **Special Rule.**
Note. Only a section 501(c)(7), (8), or (10) organization can check boxes for both the General Rule and a Special Rule. See instructions.

General Rule

[X] For an organization filing Form 990, 990-EZ, or 990-PF that received, during the year, $5,000 or more (in money or property) from any one contributor. Complete Parts I and II.

Special Rules

[ ] For a section 501(c)(3) organization filing Form 990 or 990-EZ that met the 33 1/3% support test of the regulations under sections 509(a)(1) and 170(b)(1)(A)(vi), and received from any one contributor, during the year, a contribution of the greater of (1) $5,000 or (2) 2% of the amount on (i) Form 990, Part VIII, line 1h or (ii) Form 990-EZ, line 1. Complete Parts I and II.

[ ] For a section 501(c)(7), (8), or (10) organization filing Form 990 or 990-EZ that received from any one contributor, during the year, aggregate contributions of more than $1,000 for use *exclusively* for religious, charitable, scientific, literary, or educational purposes, or the prevention of cruelty to children or animals. Complete Parts I, II, and III.

[ ] For a section 501(c)(7), (8), or (10) organization filing Form 990 or 990-EZ that received from any one contributor, during the year, contributions for use *exclusively* for religious, charitable, etc., purposes, but these contributions did not aggregate to more than $1,000. If this box is checked, enter here the total contributions that were received during the year for an *exclusively* religious, charitable, etc., purpose. Do not complete any of the parts unless the **General Rule** applies to this organization because it received nonexclusively religious, charitable, etc., contributions of $5,000 or more during the year. ▶ $ _____

Caution. An organization that is not covered by the General Rule and/or the Special Rules does not file Schedule B (Form 990, 990-EZ, or 990-PF), but it **must** answer "No" on Part IV, line 2 of its Form 990, or check the box on line H of its Form 990-EZ, or on line 2 of its Form 990-PF, to certify that it does not meet the filing requirements of Schedule B (Form 990, 990-EZ, or 990-PF).

Name of organization: THE WESTERLY HOSPITAL

Employer identification number: 05-0259100

Part I Contributors (see instructions)

(a) No.	(b) Name, address, and ZIP + 4	(c) Aggregate contributions	(d) Type of contribution
1	THE WESTERLY HOSPITAL FOUNDATION 25 WELLS STREET WESTERLY, RI 02891	$ 1,212,000.	Person [X] Payroll [ ] Noncash [ ] (Complete Part II if there is a noncash contribution.)
		$	Person [ ] Payroll [ ] Noncash [ ] (Complete Part II if there is a noncash contribution.)
		$	Person [ ] Payroll [ ] Noncash [ ] (Complete Part II if there is a noncash contribution.)
		$	Person [ ] Payroll [ ] Noncash [ ] (Complete Part II if there is a noncash contribution.)
		$	Person [ ] Payroll [ ] Noncash [ ] (Complete Part II if there is a noncash contribution.)
		$	Person [ ] Payroll [ ] Noncash [ ] (Complete Part II if there is a noncash contribution.)

RIDOH 1531

Name of organization: THE WESTERLY HOSPITAL A

Employer identification number: 05-0259100

Part II Noncash Property (see instructions)

(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (see instructions)	(d) Date received
		$	
(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (see instructions)	(d) Date received
		$	
(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (see instructions)	(d) Date received
		$	
(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (see instructions)	(d) Date received
		$	
(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (see instructions)	(d) Date received
		$	
(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (see instructions)	(d) Date received
		$	

RIDOH 1532

Name of organization

THE WESTERLY HOSPITAL

Employer identification number

05-0259100

Part III Exclusively religious, charitable, etc., individual contributions to section 501(c)(7), (8), or (10) organizations aggregating more than $1,000 for the year. Complete columns (a) through (e) and the following line entry. For organizations completing Part III, enter the total of *exclusively* religious, charitable, etc., contributions of $1,000 or less for the year. (Enter this information once. See instructions.) ▶ $

(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held

(e) Transfer of gift

Transferee's name, address, and ZIP + 4	Relationship of transferor to transferee

(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held

(e) Transfer of gift

Transferee's name, address, and ZIP + 4	Relationship of transferor to transferee

(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held

(e) Transfer of gift

Transferee's name, address, and ZIP + 4	Relationship of transferor to transferee

(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held

(e) Transfer of gift

Transferee's name, address, and ZIP + 4	Relationship of transferor to transferee

RIDOH 1533

SCHEDULE C (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

For Organizations Exempt From Income Tax Under section 501(c) and section 527

▶ Complete if the organization is described below.
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No. 1545-0047

2009

Open to Public Inspection

If the organization answered "Yes," to Form 990, Part IV, line 3, or Form 990-EZ, Part VI, line 46 (Political Campaign Activities), then

- Section 501(c)(3) organizations: Complete Parts I-A and B. Do not complete Part I-C.
- Section 501(c) (other than section 501(c)(3)) organizations: Complete Parts I-A and C below. Do not complete Part I-B.
- Section 527 organizations: Complete Part I-A only.

If the organization answered "Yes," to Form 990, Part IV, line 4, or Form 990-EZ, Part VI, line 47 (Lobbying Activities), then

- Section 501(c)(3) organizations that have filed Form 5768 (election under section 501(h)): Complete Part II-A. Do not complete Part II-B.
- Section 501(c)(3) organizations that have NOT filed Form 5768 (election under section 501(h)): Complete Part II-B. Do not complete Part II-A.

If the organization answered "Yes," to Form 990, Part IV, line 5 (Proxy Tax), then

- Section 501(c)(4), (5), or (6) organizations: Complete Part III.

Name of organization	Employer identification number
THE WESTERLY HOSPITAL	05-0259100

Part I-A Complete if the organization is exempt under section 501(c) or is a section 527 organization.

1 Provide a description of the organization's direct and indirect political campaign activities in Part IV.

2 Political expenditures ▶ $

3 Volunteer hours

Part I-B Complete if the organization is exempt under section 501(c)(3).

1 Enter the amount of any excise tax incurred by the organization under section 4955 ▶ $

2 Enter the amount of any excise tax incurred by organization managers under section 4955 ▶ $

3 If the organization incurred a section 4955 tax, did it file Form 4720 for this year? ☐ Yes ☐ No

4a Was a correction made? ☐ Yes ☐ No

b If "Yes," describe in Part IV.

Part I-C Complete if the organization is exempt under section 501(c), except section 501(c)(3).

1 Enter the amount directly expended by the filing organization for section 527 exempt function activities ▶ $

2 Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt function activities ▶ $

3 Total exempt function expenditures. Add lines 1 and 2. Enter here and on Form 1120-POL, line 17b ▶ $

4 Did the filing organization file Form 1120-POL for this year? ☐ Yes ☐ No

5 Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which payments were made. For each organization listed, enter the amount paid from the filing organization's funds. Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC). If additional space is needed, provide information in Part IV.

(a) Name	(b) Address	(c) EIN	(d) Amount paid from filing organization's funds. If none, enter -0-.	(e) Amount of political contributions received and promptly and directly delivered to a separate political organization. If none, enter -0-.

Part II-A **Complete if the organization is exempt under section 501(c)(3) and filed Form 5768 (election under section 501(h)).**

A Check ▶ ☐ if the filing organization belongs to an affiliated group.

B Check ▶ ☐ if the filing organization checked box A and "limited control" provisions apply.

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)	(a) Filing organization's totals	(b) Affiliated group totals
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)		
b Total lobbying expenditures to influence a legislative body (direct lobbying)		
c Total lobbying expenditures (add lines 1a and 1b)		
d Other exempt purpose expenditures		
e Total exempt purpose expenditures (add lines 1c and 1d)		
f Lobbying nontaxable amount. Enter the amount from the following table in both columns.		

If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:
Not over $500,000	20% of the amount on line 1e.
Over $500,000 but not over $1,000,000	$100,000 plus 15% of the excess over $500,000.
Over $1,000,000 but not over $1,500,000	$175,000 plus 10% of the excess over $1,000,000
Over $1,500,000 but not over $17,000,000	$225,000 plus 5% of the excess over $1,500,000.
Over $17,000,000	$1,000,000.

g Grassroots nontaxable amount (enter 25% of line 1f)		
h Subtract line 1g from line 1a. If zero or less, enter -0-		
i Subtract line 1f from line 1c. If zero or less, enter -0-		

j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year? ☒ Yes ☐ No

4-Year Averaging Period Under Section 501(h)

(Some organizations that made a section 501(h) election do not have to complete all of the five columns below. See the instructions for lines 2a through 2f on page 4.)

Lobbying Expenditures During 4-Year Averaging Period Calendar year (or fiscal year beginning in)	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) Total
2a Lobbying nontaxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots nontaxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

Part II-B **Complete if the organization is exempt under section 501(c)(3) and has NOT filed Form 5768 (election under section 501(h)).**

		(a) Yes	(a) No	(b) Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of:			
a	Volunteers?		X	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		X	
c	Media advertisements?		X	
d	Mailings to members, legislators, or the public?		X	
e	Publications, or published or broadcast statements?		X	
f	Grants to other organizations for lobbying purposes?		X	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		X	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		X	
i	Other activities? If "Yes," describe in Part IV	X		2,827.
j	Total. Add lines 1c through 1i			2,827.
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		X	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A **Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6).**

			Yes	No
1	Were substantially all (90% or more) dues received nondeductible by members?	1		
2	Did the organization make only in-house lobbying expenditures of $2,000 or less?	2		
3	Did the organization agree to carryover lobbying and political expenditures from the prior year?	3		

Part III-B **Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6) if BOTH Part III-A, lines 1 and 2 are answered "No" OR if Part III-A, line 3 is answered "Yes."**

1	Dues, assessments and similar amounts from members	1	
2	Section 162(e) nondeductible lobbying and political expenditures (**do not include amounts of political expenses for which the section 527(f) tax was paid**).		
a	Current year	2a	
b	Carryover from last year	2b	
c	Total	2c	
3	Aggregate amount reported in section 6033(e)(1)(A) notices of nondeductible section 162(e) dues	3	
4	If notices were sent and the amount on line 2c exceeds the amount on line 3, what portion of the excess does the organization agree to carryover to the reasonable estimate of nondeductible lobbying and political expenditure next year?	4	
5	Taxable amount of lobbying and political expenditures (see instructions)	5	

Part IV **Supplemental Information**

Complete this part to provide the descriptions required for Part I-A, line 1; Part I-B, line 4; Part I-C, line 5; and Part II-B, line 1i. Also, complete this part for any additional information.

PART II-B, LINE 1(I), OTHER LOBBYING ACTIVITIES:

DRAFTING LEGISLATION, GUIDANCE ON LEGISLATION, MEETING WTIH LEGISLATORS REGARDING LEGISLATION.

Schedule D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11, or 12.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No. 1545-0047

2009

Open to Public Inspection

Name of the organization: THE WESTERLY HOSPITAL

Employer identification number: 05-0259100

Part I Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts. Complete if the organization answered "Yes" to Form 990, Part IV, line 6.

		(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year		
2	Aggregate contributions to (during year)		
3	Aggregate grants from (during year)		
4	Aggregate value at end of year		

5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? ☐ Yes ☐ No

6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit? ☐ Yes ☐ No

Part II Conservation Easements. Complete if the organization answered "Yes" to Form 990, Part IV, line 7.

1 Purpose(s) of conservation easements held by the organization (check all that apply).

☐ Preservation of land for public use (e.g., recreation or pleasure)
☐ Protection of natural habitat
☐ Preservation of open space
☐ Preservation of an historically important land area
☐ Preservation of a certified historic structure

2 Complete lines 2a through 2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year.

		Held at the End of the Tax Year
a	Total number of conservation easements	2a
b	Total acreage restricted by conservation easements	2b
c	Number of conservation easements on a certified historic structure included in (a)	2c
d	Number of conservation easements included in (c) acquired after 8/17/06	2d

3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax year ▶

4 Number of states where property subject to conservation easement is located ▶

5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds? ☐ Yes ☐ No

6 Staff and volunteer hours devoted to monitoring, inspecting, and enforcing conservation easements during the year ▶

7 Amount of expenses incurred in monitoring, inspecting, and enforcing conservation easements during the year ▶ $

8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and section 170(h)(4)(B)(ii)? ☐ Yes ☐ No

9 In Part XIV, describe how the organization reports conservation easements in its revenue and expense statement, and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements.

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets. Complete if the organization answered "Yes" to Form 990, Part IV, line 8.

1a If the organization elected, as permitted under SFAS 116, not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide, in Part XIV, the text of the footnote to its financial statements that describes these items.

b If the organization elected, as permitted under SFAS 116, to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items:

(i) Revenues included in Form 990, Part VIII, line 1 ▶ $

(ii) Assets included in Form 990, Part X ▶ $

2 If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 relating to these items:

a Revenues included in Form 990, Part VIII, line 1 ▶ $

b Assets included in Form 990, Part X ▶ $

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets *(continued)*

3 Using the organization's acquisition, accession, and other records, check any of the following that are a significant use of its collection items (check all that apply):

a ☐ Public exhibition
b ☐ Scholarly research
c ☐ Preservation for future generations
d ☐ Loan or exchange programs
e ☐ Other

4 Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIV.

5 During the year, did the organization solicit or receive donations of art, historical treasures, or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? ☐ Yes ☐ No

Part IV Escrow and Custodial Arrangements. Complete if organization answered "Yes" to Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? ☐ Yes ☐ No

b If "Yes," explain the arrangement in Part XIV and complete the following table:

		Amount
c Beginning balance	1c	
d Additions during the year	1d	
e Distributions during the year	1e	
f Ending balance	1f	

2a Did the organization include an amount on Form 990, Part X, line 21? ☐ Yes ☐ No

b If "Yes," explain the arrangement in Part XIV.

Part V Endowment Funds. Complete if the organization answered "Yes" to Form 990, Part IV, line 10.

	(a) Current year	(b) Prior year	(c) Two years back	(d) Three years back	(e) Four years back
1a Beginning of year balance	19,347,393.	20,261,776.			
b Contributions					
c Net investment earnings, gains, and losses	1278354.	-4,771.			
d Grants or scholarships					
e Other expenditures for facilities and programs		909,612.			
f Administrative expenses					
g End of year balance	20,625,747.	19,347,393.			

2 Provide the estimated percentage of the year end balance held as:

a Board designated or quasi-endowment ▶ 59.97 %
b Permanent endowment ▶ 23.00 %
c Term endowment ▶ 17.03 %.

3a Are there endowment funds not in the possession of the organization that are held and administered for the organization by:

	Yes	No
(i) unrelated organizations (3a(i))		X
(ii) related organizations (3a(ii))	X	
b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R? (3b)	X	

4 Describe in Part XIV the intended uses of the organization's endowment funds.

Part VI Investments - Land, Buildings, and Equipment. See Form 990, Part X, line 10.

Description of investment	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land				
b Buildings		43,905,405.	29,598,540.	14,306,865.
c Leasehold improvements				
d Equipment		63,694,907.	42,939,502.	20,755,405.
e Other		4,415,271.	2,976,526.	1,438,745.
Total. Add lines 1a through 1e. *(Column (d) must equal Form 990, Part X, column (B), line 10(c).)* ▶				36,501,015.

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Part VII Investments - Other Securities. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
Financial derivatives		
Closely-held equity interests		
Other		
FUNDS HELD IN TRUST	7,556,551.	END-OF-YEAR MARKET VALUE
Total. (Col (b) must equal Form 990, Part X, col (B) line 12.) ▶	7,556,551.	

Part VIII Investments - Program Related. See Form 990, Part X, line 13.

(a) Description of investment type	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
Total. (Col (b) must equal Form 990, Part X, col (B) line 13.) ▶		

Part IX Other Assets. See Form 990, Part X, line 15.

(a) Description	(b) Book value
Total. *(Column (b) must equal Form 990, Part X, col (B) line 15.)* ▶	

Part X Other Liabilities. See Form 990, Part X, line 25.

1. (a) Description of liability	(b) Amount
Federal income taxes	
3RD PARTY PAYOR SETTLEMENTS	872,367.
ACCRUED MINIMUM PENSION LIABILITY	20,456,320.
LINE OF CREDIT	4,566,767.
CAPITAL LEASE OBLIGATIONS	3,733,262.
ASSET RETIREMENT OBLIGATION	1,412,870.
Total. *(Column (b) must equal Form 990, Part X, col (B) line 25.)* ▶	31,041,586.

2. FIN 48 Footnote. In Part XIV, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48.

RIDOH 1539

Part XI Reconciliation of Change in Net Assets from Form 990 to Audited Financial Statements

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	94,287,437.
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	92,720,986.
3	Excess or (deficit) for the year. Subtract line 2 from line 1	3	1,566,451.
4	Net unrealized gains (losses) on investments	4	733,525.
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV.)	8	-8,105,649.
9	Total adjustments (net). Add lines 4 through 8	9	-7,372,124.
10	Excess or (deficit) for the year per audited financial statements. Combine lines 3 and 9	10	-5,805,673.

Part XII Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

1	Total revenue, gains, and other support per audited financial statements			1	87,001,189.
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12:				
a	Net unrealized gains on investments	2a	733,525.		
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIV.)	2d	-8,105,640.		
e	Add lines 2a through 2d			2e	-7,372,115.
3	Subtract line 2e from line 1			3	94,373,304.
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1:				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIV.)	4b	-85,867.		
c	Add lines 4a and 4b			4c	-85,867.
5	Total revenue. Add lines 3 and 4c. *(This must equal Form 990, Part I, line 12.)*			5	94,287,437.

Part XIII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

1	Total expenses and losses per audited financial statements			1	92,806,853.
2	Amounts included on line 1 but not on Form 990, Part IX, line 25:				
a	Donated services and use of facilities	2a			
b	Prior year adjustments	2b			
c	Other losses	2c			
d	Other (Describe in Part XIV.)	2d	85,867.		
e	Add lines 2a through 2d			2e	85,867.
3	Subtract line 2e from line 1			3	92,720,986.
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIV.)	4b			
c	Add lines 4a and 4b			4c	0.
5	Total expenses. Add lines 3 and 4c. *(This must equal Form 990, Part I, line 18.)*			5	92,720,986.

Part XIV Supplemental Information

Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9; Part III, lines 1a and 4; Part IV, lines 1b and 2b; Part V, line 4; Part X, line 2; Part XI, line 8; Part XII, lines 2d and 4b; and Part XIII, lines 2d and 4b. Also complete this part to provide any additional information.

PART V, LINE 4: THE ENDOWMENT FUNDS ARE USED TO SUPPORT THE MISSION OF THE WESTERLY HOSPITAL.

PART XI, LINE 8 - OTHER ADJUSTMENTS:

CAPITAL TRANSACTIONS WITH AFFILIATES: -4915327.

CHANGES IN ACCRUED MINIMUM PENSION LIABILITY: -3190322.

PART XII, LINE 2D - OTHER ADJUSTMENTS:

Part XIV Supplemental Information *(continued)*

CHANGE IN MINIMUM PENSION LIABILITY: -3190322.

CAPITAL TRANSACTIONS WITH AFFILIATES: -4915318.

PART XII, LINE 4B - OTHER ADJUSTMENTS:

RENTAL EXPENSES: -85867.

PART XIII, LINE 2D - OTHER ADJUSTMENTS:

RENTAL EXPENSES: 85867.

SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 20.
▶ Attach to Form 990.
▶ See separate instructions.

OMB No. 1545-0047

2009

Open to Public Inspection

Name of the organization: THE WESTERLY HOSPITAL

Employer identification number: 05-0259100

Part I Charity Care and Certain Other Community Benefits at Cost

			Yes	No
1a	Does the organization have a charity care policy? If "No," skip to question 6a	1a	X	
b	If "Yes," is it a written policy?	1b	X	
2	If the organization has multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals. ☐ Applied uniformly to all hospitals ☐ Applied uniformly to most hospitals ☐ Generally tailored to individual hospitals			
3	Answer the following based on the charity care eligibility criteria that applies to the largest number of the organization's patients.			
a	Does the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing *free* care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for free care: ☐ 100% ☐ 150% ☒ 200% ☐ Other _____ %	3a	X	
b	Does the organization use FPG to determine eligibility for providing *discounted* care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care: ☐ 200% ☐ 250% ☒ 300% ☐ 350% ☐ 400% ☐ Other _____ %	3b	X	
c	If the organization does not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care. Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care.			
4	Does the organization's policy provide free or discounted care to the "medically indigent"?	4	X	
5a	Does the organization budget amounts for free or discounted care provided under its charity care policy?	5a	X	
b	If "Yes," did the organization's charity care expenses exceed the budgeted amount?	5b	X	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?	5c		X
6a	Does the organization prepare an annual community benefit report?	6a		X
b	If "Yes," does the organization make it available to the public?	6b		

Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H.

7 Charity Care and Certain Other Community Benefits at Cost

Charity Care and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Charity care at cost (from Worksheets 1 and 2)			1,338,219.	544,681.	793,538.	.86%
b Unreimbursed Medicaid (from Worksheet 3, column a)			8,495,803.	8,221,982.	273,821.	.30%
c Unreimbursed costs - other means-tested government programs (from Worksheet 3, column b)						
d **Total** Charity Care and Means-Tested Government Programs			9,834,022.	8,766,663.	1,067,359.	1.16%
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			14,795.	720.	14,075.	.02%
f Health professions education (from Worksheet 5)			100,460.	8,000.	92,460.	.10%
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions to community groups (from Worksheet 8)			29,131.		29,131.	.03%
j **Total.** Other Benefits			144,386.	8,720.	135,666.	.15%
k **Total.** Add lines 7d and 7j			9,978,408.	8,775,383.	1,203,025.	1.31%

Part II Community Building Activities Complete this table if the organization conducted any community building activities.

		(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1	Physical improvements and housing						
2	Economic development						
3	Community support	2		43,690.		43,690.	.05%
4	Environmental improvements						
5	Leadership development and training for community members						
6	Coalition building	1		3,398.		3,398.	.00%
7	Community health improvement advocacy						
8	Workforce development						
9	Other						
10	Total	3		47,088.		47,088.	.05%

Part III Bad Debt, Medicare, & Collection Practices

				Yes	No
Section A. Bad Debt Expense					
1	Does the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?		1	X	
2	Enter the amount of the organization's bad debt expense (at cost)	2	2,222,739.		
3	Enter the estimated amount of the organization's bad debt expense (at cost) attributable to patients eligible under the organization's charity care policy	3			
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense. In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including other bad debt amounts in community benefit.				
Section B. Medicare					
5	Enter total revenue received from Medicare (including DSH and IME)	5	22,295,968.		
6	Enter Medicare allowable costs of care relating to payments on line 5	6	21,953,902.		
7	Subtract line 6 from line 5. This is the surplus or (shortfall)	7	342,066.		
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: ☐ Cost accounting system ☐ Cost to charge ratio ☒ Other				
Section C. Collection Practices					
9a	Does the organization have a written debt collection policy?		9a	X	
b	If "Yes," does the organization's collection policy contain provisions on the collection practices to be followed for patients who are known to qualify for charity care or financial assistance? Describe in Part VI		9b		X

Part IV Management Companies and Joint Ventures

	(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership %	(e) Physicians' profit % or stock ownership %
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					

Part V Facility Information

Name and address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)
THE WESTERLY HOSPITAL 25 WELLS STREET WESTERLY, RI 02891	X	X					X		

Part VI Supplemental Information

Complete this part to provide the following information.

1 Provide the description required for Part I, line 3c; Part I, line 6a; Part I, line 7g; Part I, line 7, column (f); Part I, line 7; Part III, line 4; Part III, line 8; Part III, line 9b, and Part V. See Instructions.

2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves.

3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's charity care policy.

4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.

5 **Community building activities.** Describe how the organization's community building activities, as reported in Part II, promote the health of the communities the organization serves.

6 Provide any other information important to describing how the organization's hospitals or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.).

7 If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.

8 If applicable, identify all states with which the organization, or a related organization, files a community benefit report.

PART III, LINE 8: COSTING METHODOLOGY - (TOTAL ALLOWABLE MEDICAL COST PLUS BAD DEBT COSTS) TIMES RATIO OF MEDICAL REVENUE TO TOTAL PATIENT REVENUE.

PART VI, LINE 2: THE HOSPITAL COMMUNITY BENEFITS TEAM LOOKED AT A VARIETY OF INFORMATION TO DETERMINE WHERE TO FOCUS EFFORTS TO IMPROVE THE HEALTH OF THE COMMUNITY: HOSPITAL ADMISSIONS DIAGNOSES; A PRIMARY CARE PROVIDER SURVEY; COMMUNITY HEALTH EDUCATION EVALUATION AND SURVEY; PARTICIPATION IN THE WESTERLY INFANT AND CHILD HEALTH PARTNERSHIP; AND DEPARTMENT OF HEALTH AND HUMAN SERVICES COMMUNITY HEALTH STATUS INDICATORS FOR WASHINGTON COUNTY, RI. THESE EXAMINATIONS HELPED TO GUIDE COMMUNITY EDUCATION TOPICS, SPONSORSHIPS OF COMMUNITY ORGANIZATIONS AND OTHER HEALTH-RELATED ORGANIZATIONS, NEW PROGRAM DEVELOPMENT (E.G., TOBACCO CESSATION PROGRAM AND STRONGWOMEN), ONGOING CLINICAL EDUCATION OFFERINGS, AND COMMUNITY OUTREACH ACTIVITIES.

PART VI, LINE 5: COALITION BUILDING:
WESTERLY INFANT AND CHILD PARTNERSHIP (TEEN PREGNANCY)
THE WESTERLY HOSPITAL IS COMMITTED TO COMMUNITY ENGAGEMENT AROUND HEALTH ISSUES AFFECTING THE COMMUNITY MEMBERS IT SERVES. IN FY 2009-2010, FOR EXAMPLE, THE HOSPITAL PARTICIPATED IN A COMMUNITY WIDE COALITION -- THE

RIDOH 1545

Part VI Supplemental Information

WESTERLY INFANT AND CHILD HEALTH PARTNERSHIP TO EXAMINE THREE ISSUES THAT AFFECT WOMEN AND CHILDREN (AND BY EXTENSION THE ENTIRE COMMUNITY) IN WESTERLY, RI. THE ISSUES LOOKED AT WERE FOOD INSUFFICIENCY, DELAYED PRENATAL CARE, AND TEEN PREGNANCY. THE PARTNERSHIP COMPRISED AREA HEALTH SERVICES, THE PUBLIC SCHOOLS, SOCIAL SERVICE AGENCIES, CLERGY, PARENTS, MENTAL HEALTH AGENCIES, AND CONCERNED CITIZENS. THE PARTNERSHIP CONDUCTED A COMMUNITY ASSESSMENT (KEY INFORMANT INTERVIEWS, FOCUS GROUPS, AND SURVEYS) AROUND THE THREE ISSUES. THE DATA REVEALED RATES OF TEEN PREGNANCY IN WESTERLY HIGHER THAN STATE AVERAGES, RECORD NUMBERS OF FAMILIES SEEKING HELP FROM LOCAL FOOD PANTRIES, BUT DECREASING RATES OF DELAYED PRENATAL CARE.

AS A LEADER IN THE COMMUNITY, THE WESTERLY HOSPITAL HOSTED THE RELEASE OF THE PARTNERSHIP REPORT TO THE COMMUNITY, INVITING PHYSICIANS, PARENTS, CLERGY, LEGISLATORS AND SCHOOL OFFICIALS TO THE HOSPITAL TO HEAR THE PARTNERSHIP'S FINDINGS AND TO HELP INCREASE AWARENESS OF THE ISSUES FACING THE COMMUNITY. HOSPITAL STAFF CONTINUES TO BE INVOLVED IN ONGOING DISCUSSIONS RELATED TO TEEN PREGNANCY REDUCTION BECAUSE CHILDREN OF TEEN PARENTS ARE MORE AT RISK FOR POOR HEALTH, LEARNING/BEHAVIORAL PROBLEMS IN SCHOOL, LIVING IN POVERTY, AND BECOMING TEEN PARENTS THEMSELVES, ALL OF WHICH HAVE SOCIAL AND ECONOMIC CONSEQUENCES FOR COMMUNITIES WITH HIGH TEEN PREGNANCY RATES. THE HOSPITAL RECOGNIZES THAT IT HAS A ROLE TO PLAY IN RAISING AWARENESS OF TEEN PREGNANCY AND IN SUPPORTING EDUCATIONAL EFFORTS FOR PARENTS AROUND ADOLESCENT SEXUALITY AND COMMUNICATION. ALTHOUGH THE ORIGINAL PARTNERSHIP HAS DISBANDED, THE HOSPITAL WILL CONTINUE TO PARTNER WITH OTHER COMMUNITY STAKEHOLDERS, INCLUDING THE PUBLIC SCHOOLS, TO ADDRESS THE TEEN PREGNANCY ISSUE.

RIDOH 1546

SCHEDULE J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 23.

▶ Attach to Form 990. ▶ See separate instructions.

OMB No. 1545-0047

2009

Open to Public Inspection

Name of the organization

THE WESTERLY HOSPITAL

Employer identification number

05-0259100

Part I Questions Regarding Compensation

		Yes	No
1a	Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items. ☐ First-class or charter travel ☐ Travel for companions ☐ Tax indemnification and gross-up payments ☐ Discretionary spending account ☐ Housing allowance or residence for personal use ☐ Payments for business use of personal residence ☐ Health or social club dues or initiation fees ☐ Personal services (e.g., maid, chauffeur, chef)		
b	If any of the boxes on line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain	1b	
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	2	
3	Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director. Check all that apply. ☒ Compensation committee ☐ Independent compensation consultant ☒ Form 990 of other organizations ☒ Written employment contract ☒ Compensation survey or study ☒ Approval by the board or compensation committee		
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a, with respect to the filing organization or a related organization:		
a	Receive a severance payment or change-of-control payment?	4a	X
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	4b	X
c	Participate in, or receive payment from, an equity-based compensation arrangement?	4c	X
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III.		
	Only section 501(c)(3) and 501(c)(4) organizations must complete lines 5-9.		
5	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of:		
a	The organization?	5a	X
b	Any related organization?	5b	X
	If "Yes" to line 5a or 5b, describe in Part III.		
6	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of:		
a	The organization?	6a	X
b	Any related organization?	6b	X
	If "Yes" to line 6a or 6b, describe in Part III.		
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	7	X
8	Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regs. section 53.4958-4(a)(3)? If "Yes," describe in Part III	8	X
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?	9	

Part II **Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees.** Use Schedule J-1 if additional space is needed.

For each individual whose compensation must be reported in Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions, on row (ii). Do not list any individuals that are not listed on Form 990, Part VII.

Note. The sum of columns (B)(i)-(iii) must equal the applicable column (D) or column (E) amounts on Form 990, Part VII, line 1a.

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
CHRISTOPHER LEHRACH, M.D.	(i)	304,532.	0.	0.	30,963.	17,889.	353,384.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
CHARLES KINNEY	(i)	284,615.	0.	0.	26,686.	13,648.	324,949.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
JEANE M. LACHANCE	(i)	193,730.	0.	0.	18,455.	17,387.	229,572.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
MARGARET AUSTIN	(i)	161,770.	0.	0.	15,101.	13,183.	190,054.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
WILLIAM CONLIN	(i)	235,963.	0.	0.	21,791.	17,521.	275,275.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
FRED JACCARINO	(i)	215,988.	0.	0.	21,487.	17,509.	254,984.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
ALEXANDRA THRAN	(i)	191,965.	0.	0.	12,797.	17,160.	221,922.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
KEVIN TORRES	(i)	236,551.	0.	0.	22,744.	17,559.	276,854.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
NANCY BARISANO	(i)	140,717.	0.	0.	12,082.	1,090.	153,889.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							

RIDOH 1548

SCHEDULE O (Form 990)
Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990

Complete to provide information for responses to specific questions on Form 990 or to provide any additional information.
▶ Attach to Form 990.

OMB No. 1545-0047
2009
Open to Public Inspection

Name of the organization: THE WESTERLY HOSPITAL

Employer identification number: 05-0259100

FORM 990, PART I, LINE 1, DESCRIPTION OF ORGANIZATION MISSION:

NEWBORNS IN THE WESTERLY, RHODE ISLAND COMMUNITY AND IN SURROUNDING TOWNS.

FORM 990, PART III, LINE 4A, PROGRAM SERVICE ACCOMPLISHMENTS:

THE RADIOLOGY DEPARTMENT PERFORMED THE FOLLOWING:

35,778 DIAGNOSTIC PROCEDURES

1,768 NUCLEAR MEDICINE PROCEDURES

13,485 CT SCANS

9,561 ULTRASOUND PROCEDURES

2,805 MAGNETIC RESONANCE IMAGING (MRI)

FORM 990, PART VI, SECTION B, LINE 11: THE FORM 990 WAS REVIEWED BY THE PRESIDENT AND TREASURER OF THE ORGANIZATION, AND A COPY OF THE FORM 990 WAS PROVIDED TO ALL VOTING MEMBERS OF THE BOARD FOR REVIEW BEFORE FILING.

FORM 990, PART VI, SECTION B, LINE 12C: EACH BOARD MEMBER SIGNS A CONFLICT OF INTEREST STATEMENT ANNUALLY. THEY ARE REQUIRED TO DISCLOSE ANY RELATIONSHIP THEY, THEIR BUSINESSES, OR THEIR FAMILY MEMBERS MAY HAVE WITH THE HOSPITAL. IF A DISCUSSION OR VOTE OCCURS ON A TRANSACTION WITH A POTENTIAL CONFLICT, THE BOARD MEMBER EXCUSES THEMSELVES FROM THE DISCUSSION AND VOTE.

FORM 990, PART VI, SECTION B, LINE 15: SUBCOMMITTEE OF THE GOVERNING BOARD MEETS TO DETERMINE ALL COMPENSATION ARRANGEMENTS OF THE TOP EXECUTIVE, OFFICERS AND KEY EMPLOYEES.

SCHEDULE O (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990

Complete to provide information for responses to specific questions on Form 990 or to provide any additional information.
▶ Attach to Form 990.

OMB No. 1545-0047

2009

Open to Public Inspection

Name of the organization: THE WESTERLY HOSPITAL

Employer identification number: 05-0259100

FORM 990, PART VI, SECTION C, LINE 19: THE CONFLICT OF INTEREST POLICY AND FINANCIAL STATEMENTS ARE PROVIDED UPON REQUEST.

FORM 990, PART VII, SECTION A - COMPENSATION OF OFFICERS:

MAUREEN L. CARBONI IS COMPENSATED AS AN EMPLOYEE OF THE WESTERLY HOSPITAL. SHE RECEIVES NO COMPENSATION FOR HER POSITION AS SECRETARY OF THE BOARD.

SCHEDULE R (Form 990)
Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 33, 34, 35, 36, or 37.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No. 1545-0047
2009
Open to Public Inspection

Name of the organization THE WESTERLY HOSPITAL

Employer identification number 05-0259100

Part I Identification of Disregarded Entities (Complete if the organization answered "Yes" to Form 990, Part IV, line 33.)

(a) Name, address, and EIN of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity

Part II Identification of Related Tax-Exempt Organizations (Complete if the organization answered "Yes" to Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (If section 501(c)(3))	(f) Direct controlling entity
THE WESTERLY HOSPITAL FOUNDATION, INC. 05-0508064 25 WELLS STREET, WESTERLY, RI 02891-2934	SUPPORT THE WESTERLY HOSPITAL	RHODE ISLAND	501(C)(3)	509(A)(3) TYPE I	N/A
COMMUNITY HEALTH OF WESTERLY, INC. 22-2490227 25 WELLS STREET, WESTERLY, RI 02891-2934	SUPPORT THE WESTERLY HOSPITAL AND AFFILIATES	RHODE ISLAND	501(C)(3)	509(A)(3) TYPE II	N/A
ATLANTIC MEDICAL GROUP, INC. - 32-0250865 25 WELLS STREET WESTERLY, RI 02891-2934	SUPPORT THE WESTERLY HOSPITAL	RHODE ISLAND	501(C)(3)	509(A)(3) TYPE II	N/A
THE WESTERLY HOSPITAL AUXILIARY, INC. 22-2507181 25 WELLS STREET, WESTERLY, RI 02891-2934	SUPPORT THE WESTERLY HOSPITAL	RHODE ISLAND	501(C)(3)		N/A

LHA For Privacy Act and Paperwork Reduction Act Notice, see the Instructions for Form 990. Schedule R (Form 990) 2009

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02-04-10

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Part III **Identification of Related Organizations Taxable as a Partnership** (Complete if the organization answered "Yes" to Form 990, Part IV, line 34 because it had one or more related organizations treated as a partnership during the tax year.)

(a) Name, address, and EIN, of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations? Yes	(h) No	(i) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No

Part IV **Identification of Related Organizations Taxable as a Corporation or Trust** (Complete if the organization answered "Yes" to Form 990, Part IV, line 34 because it had one or more related organizations treated as a corporation or trust during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
MASTUXET REALTY - 22-2501886 25 WELLS STREET WESTERLY, RI 02891	INACTIVE	RI	N/A	C CORP	N/A	N/A	N/A

RIDOH 1552

Part V Transactions With Related Organizations (Complete if the organization answered "Yes" to Form 990, Part IV, line 34, 35, or 36.)

Note. Complete line 1 if any entity is listed in Parts II, III, or IV of this schedule.		Yes	No
1 During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?			
a Receipt of (i) interest (ii) annuities (iii) royalties or (iv) rent from a controlled entity	1a		X
b Gift, grant, or capital contribution to other organization(s)	1b	X	
c Gift, grant, or capital contribution from other organization(s)	1c	X	
d Loans or loan guarantees to or for other organization(s)	1d	X	
e Loans or loan guarantees by other organization(s)	1e		X
f Sale of assets to other organization(s)	1f		X
g Purchase of assets from other organization(s)	1g		X
h Exchange of assets	1h		X
i Lease of facilities, equipment, or other assets to other organization(s)	1i		X
j Lease of facilities, equipment, or other assets from other organization(s)	1j		X
k Performance of services or membership or fundraising solicitations for other organization(s)	1k		X
l Performance of services or membership or fundraising solicitations by other organization(s)	1l		X
m Sharing of facilities, equipment, mailing lists, or other assets	1m		X
n Sharing of paid employees	1n		X
o Reimbursement paid to other organization for expenses	1o		X
p Reimbursement paid by other organization for expenses	1p		X
q Other transfer of cash or property to other organization(s)	1q		X
r Other transfer of cash or property from other organization(s)	1r		X

2 If the answer to any of the above is "Yes," see the instructions for information on who must complete this line, including covered relationships and transaction thresholds.

(a) Name of other organization(s)	(b) Transaction type (a-r)	(c) Amount involved
(1) COMMUNITY HEALTH OF WESTERLY	B	1,241,707.
(2) THE WESTERLY HOSPITAL FOUNDATION	C	1,212,000.
(3) ATLANTIC MEDICAL GROUP, INC.	B	3,673,612.
(4) ATLANTIC MEDICAL GROUP, INC.	D	350,000.
(5) NORTH STONINGTON HEALTH CENTER, INC.	D	365,080.
(6) COMMUNITY HEALTH OF WESTERLY	D	154,509.

RIDOH 1553

Part VI **Unrelated Organizations Taxable as a Partnership** (Complete if the organization answered "Yes" to Form 990, Part IV, line 37.)

Provide the following information for each entity taxed as a partnership through which the organization conducted more than five percent of its activities (measured by total assets or gross revenue) that was not a related organization. See instructions regarding exclusion for certain investment partnerships.

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Are all partners section 501(c)(3) organizations? Yes	(d) No	(e) Share of end-of-year assets	(f) Disproportionate allocations? Yes	(f) No	(g) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(h) General or managing partner? Yes	(h) No

Part II Continuation of Identification of Related Tax-Exempt Organizations

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity
NORTH STONINGTON HEALTH CENTER, INC. 27-1833030, 183 PROVIDENCE NEW LONDON TPKE, NORTH STONINGTON, CT 06359	OPERATE A HEALTH CENTER	CONNECTICUT	501(C)(3)		N/A

Part V Continuation of Transactions With Related Organizations (Schedule R (Form 990), Part V, line 2)

	(a) Name of other organization	(b) Transaction type (a-r)	(c) Amount involved
(7)	THE WESTERLY HOSPITAL FOUNDATION	D	401,683.
(8)			
(9)			
(10)			
(11)			
(12)			
(13)			
(14)			
(15)			
(16)			
(17)			
(18)			
(19)			
(20)			
(21)			
(22)			
(23)			
(24)			

Form **8868** (Rev. January 2011)
Department of the Treasury
Internal Revenue Service

Application for Extension of Time To File an Exempt Organization Return

► File a separate application for each return.

OMB No. 1545-1709

- If you are filing for an Automatic 3-Month Extension, complete only Part I and check this box ► [X]
- If you are filing for an Additional (Not Automatic) 3-Month Extension, complete only Part II (on page 2 of this form).

Do not complete Part II unless you have already been granted an automatic 3-month extension on a previously filed Form 8868.

Electronic filing (e-file). You can electronically file Form 8868 if you need a 3-month automatic extension of time to file (6 months for a corporation required to file Form 990-T), or an additional (not automatic) 3-month extension of time. You can electronically file Form 8868 to request an extension of time to file any of the forms listed in Part I or Part II with the exception of Form 8870, Information Return for Transfers Associated With Certain Personal Benefit Contracts, which must be sent to the IRS in paper format (see instructions). For more details on the electronic filing of this form, visit *www.irs.gov/efile* and click on *e-file for Charities & Nonprofits.*

Part I Automatic 3-Month Extension of Time. Only submit original (no copies needed).

A corporation required to file Form 990-T and requesting an automatic 6-month extension - check this box and complete Part I only ► [ ]

All other corporations (including 1120-C filers), partnerships, REMICs, and trusts must use Form 7004 to request an extension of time to file income tax returns.

Type or print	Name of exempt organization	Employer identification number
File by the due date for filing your return. See instructions.	THE WESTERLY HOSPITAL	05-0259100
	Number, street, and room or suite no. If a P.O. box, see instructions. 25 WELLS STREET	
	City, town or post office, state, and ZIP code. For a foreign address, see instructions. WESTERLY, RI 02891-2934	

Enter the Return code for the return that this application is for (file a separate application for each return) 0 1

Application Is For	Return Code	Application Is For	Return Code
Form 990	01	Form 990-T (corporation)	07
Form 990-BL	02	Form 1041-A	08
Form 990-EZ	03	Form 4720	09
Form 990-PF	04	Form 5227	10
Form 990-T (sec. 401(a) or 408(a) trust)	05	Form 6069	11
Form 990-T (trust other than above)	06	Form 8870	12

- The books are in the care of ► JEANNE LACHANCE, CFO - 25 WELLS STREET - WESTERLY, RI 02891-2934
  Telephone No. ► 401-348-3711 FAX No. ►
- If the organization does not have an office or place of business in the United States, check this box ► [ ]
- If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) . If this is for the whole group, check this box ► [ ]. If it is for part of the group, check this box ► [ ] and attach a list with the names and EINs of all members the extension is for.

1 I request an automatic 3-month (6 months for a corporation required to file Form 990-T) extension of time until MAY 15, 2011 to file the exempt organization return for the organization named above. The extension is for the organization's return for:
► [ ] calendar year _____ or
► [X] tax year beginning OCT 1, 2009 and ending SEP 30, 2010

2 If the tax year entered in line 1 is for less than 12 months, check reason: [ ] Initial return [ ] Final return
[ ] Change in accounting period

3a	If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions.	3a	$	0.
b	If this application is for Form 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit.	3b	$	0.
c	**Balance due.** Subtract line 3b from line 3a. Include your payment with this form, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions.	3c	$	0.

Caution. If you are going to make an electronic fund withdrawal with this Form 8868, see Form 8453-EO and Form 8879-EO for payment instructions.

LHA For Paperwork Reduction Act Notice, see Instructions. Form **8868** (Rev. 1-2011)

923841
01-03-11

18570209 755449 43170TAX 2009.05050 THE WESTERLY HOSPITAL 43170TA1

RIDOH 1557

- If you are filing for an Additional (Not Automatic) 3-Month Extension, complete only Part II and check this box ▶ [X]

Note. Only complete Part II if you have already been granted an automatic 3-month extension on a previously filed Form 8868.

- If you are filing for an Automatic 3-Month Extension, complete only Part I (on page 1).

Part II Additional (Not Automatic) 3-Month Extension of Time. Only file the original (no copies needed)

Type or print	Name of exempt organization	Employer identification number
File by the extended due date for filing your return. See instructions.	THE WESTERLY HOSPITAL	05-0259100
	Number, street, and room or suite no. If a P.O. box, see instructions. 25 WELLS STREET	
	City, town or post office, state, and ZIP code. For a foreign address, see instructions. WESTERLY, RI 02891-2934	

Enter the Return code for the return that this application is for (file a separate application for each return) 01

Application Is For	Return Code	Application Is For	Return Code
Form 990	01		
Form 990-BL	02	Form 1041-A	08
Form 990-EZ	03	Form 4720	09
Form 990-PF	04	Form 5227	10
Form 990-T (sec. 401(a) or 408(a) trust)	05	Form 6069	11
Form 990-T (trust other than above)	06	Form 8870	12

STOP! Do not complete Part II if you were not already granted an automatic 3-month extension on a previously filed Form 8868.

- The books are in the care of ▶ JEANNE LACHANCE, CFO - 25 WELLS STREET - WESTERLY, RI 02891-2934

Telephone No. ▶ 401-348-3711 FAX No. ▶

- If the organization does not have an office or place of business in the United States, check this box ▶ ☐
- If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) _____ If this is for the whole group, check this box ▶ ☐. If it is for part of the group, check this box ▶ ☐ and attach a list with the names and EINs of all members the extension is for.

4 I request an additional 3-month extension of time until AUGUST 15, 2011

5 For calendar year _____, or other tax year beginning OCT 1, 2009, and ending SEP 30, 2010

6 If the tax year entered in line 5 is for less than 12 months, check reason: ☐ Initial return ☐ Final return ☐ Change in accounting period

7 State in detail why you need the extension

THE INFORMATION NECESSARY TO FILE A COMPLETE AND ACCURATE RETURN IS NOT YET AVAILABLE.

8a	If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions.	8a	$ 0.
b	If this application is for Form 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit and any amount paid previously with Form 8868.	8b	$ 0.
c	**Balance due.** Subtract line 8b from line 8a. Include your payment with this form, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions.	8c	$ 0.

Signature and Verification

Under penalties of perjury, I declare that I have examined this form, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete, and that I am authorized to prepare this form.

Signature ▶ _____ Title ▶ CPA Date ▶ 5/11/11

923842
01-03-11

18120511 755449 43170TAX 2009.05070 THE WESTERLY HOSPITAL 43170TA1

RIDOH 1558

Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

▶ The organization may have to use a copy of this return to satisfy state reporting requirements.

OMB No. 1545-0047

2008

Open to Public Inspection

A For the 2008 calendar year, or tax year beginning OCT 1, 2008 and ending SEP 30, 2009

B Check if applicable:
- ☐ Address change
- ☐ Name change
- ☐ Initial return
- ☐ Termination
- ☐ Amended return
- ☐ Application pending

Please use IRS label or print or type. See Specific Instructions.

C Name of organization: THE WESTERLY HOSPITAL

Doing Business As:

Number and street (or P.O. box if mail is not delivered to street address): 25 WELLS STREET,

Room/suite:

City or town, state or country, and ZIP + 4: WESTERLY, RI 02891-2934

D Employer identification number: 05-0259100

E Telephone number: (401)596-6000

G Gross receipts $: 90,214,319.

F Name and address of principal officer: CHARLES KINNEY
SAME AS C ABOVE

H(a) Is this a group return for affiliates? ☐ Yes ☒ No

H(b) Are all affiliates included? ☐ Yes ☐ No
If "No," attach a list. (see instructions)

H(c) Group exemption number ▶

I Tax-exempt status: ☒ 501(c)(3) ◀ (insert no.) ☐ 4947(a)(1) or ☐ 527

J Website: ▶ WWW.WESTERLYHOSPITAL.ORG

K Type of organization: ☒ Corporation ☐ Trust ☐ Association ☐ Other ▶

L Year of formation: 1921 M State of legal domicile: RI

Part I Summary

1 Briefly describe the organization's mission or most significant activities: THE WESTERLY HOSPITAL PROVIDES INPATIENT AND OUTPATIENT MEDICAL CARE TO ADULTS, CHILDREN, AND

2 Check this box ▶ ☐ if the organization discontinued its operations or disposed of more than 25% of its assets.

3	Number of voting members of the governing body (Part VI, line 1a)	3	14
4	Number of independent voting members of the governing body (Part VI, line 1b)	4	12
5	Total number of employees (Part V, line 2a)	5	926
6	Total number of volunteers (estimate if necessary)	6	284
7a	Total gross unrelated business revenue from Part VIII, line 12, column (C)	7a	-1,272.
b	Net unrelated business taxable income from Form 990-T, line 34	7b	-1,272.

		Prior Year	Current Year
8	Contributions and grants (Part VIII, line 1h)	539,042.	598,900.
9	Program service revenue (Part VIII, line 2g)	81,272,314.	88,184,391.
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	1,227,717.	472,785.
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	913,207.	869,761.
12	Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12)	83,952,280.	90,125,837.
13	Grants and similar amounts paid (Part IX, column (A), lines 1-3)		
14	Benefits paid to or for members (Part IX, column (A), line 4)		
15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	45,352,086.	47,966,491.
16a	Professional fundraising fees (Part IX, column (A), line 11e)		
b	Total fundraising expenses (Part IX, column (D), line 25) ▶		
17	Other expenses (Part IX, column (A), lines 11a-11d, 11f-24f)	37,621,190.	41,678,665.
18	Total expenses. Add lines 13-17 (must equal Part IX, column (A), line 25)	82,973,276.	89,645,156.
19	Revenue less expenses. Subtract line 18 from line 12	979,004.	480,681.

		Beginning of Year	End of Year
20	Total assets (Part X, line 16)	82,536,270.	80,704,506.
21	Total liabilities (Part X, line 26)	44,189,883.	50,546,582.
22	Net assets or fund balances. Subtract line 21 from line 20	38,346,387.	30,157,924.

CLIENT COPY

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

▶ Signature of officer — Date

▶ JEANNE LACHANCE, TREASURER
Type or print name and title

Paid Preparer's Use Only

Preparer's signature: [signature] Date: 8/16/10 Check if self-employed ▶ ☐ Preparer's identifying number (see instructions)

Firm's name (or yours if self-employed), address, and ZIP + 4: ▶ BLUM, SHAPIRO & COMPANY, P.C., CPA'S
29 S. MAIN STREET, P.O. BOX 272000
WEST HARTFORD, CT 06127-2000

EIN ▶

Phone no. ▶ 860 561-4000

May the IRS discuss this return with the preparer shown above? (see instructions) ☒ Yes ☐ No

SEE SCHEDULE O FOR ORGANIZATION MISSION STATEMENT CONTINUATION

Part III Statement of Program Service Accomplishments (see instructions)

1 Briefly describe the organization's mission:
THE WESTERLY HOSPITAL PROVIDES INPATIENT AND OUTPATIENT MEDICAL CARE TO ADULTS, CHILDREN AND NEWBORNS IN THE WESTERLY, RHODE ISLAND COMMUNITY AND IN SURROUNDING TOWNS.

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? ☐ Yes ☒ No
If "Yes", describe these new services on Schedule O.

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? ☐ Yes ☒ No
If "Yes", describe these changes on Schedule O.

4 Describe the exempt purpose achievements for each of the organization's three largest program services by expenses. Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported.
SEE SCHEDULE O FOR CONTINUATION(S)

4a (Code:) (Expenses $ 71027940. including grants of $) (Revenue $ 88184391.)
THE WESTERLY HOSPITAL IS A NOT-FOR-PROFIT ACUTE CARE HOSPITAL PROVIDING MEDICAL CARE TO ADULTS, CHILDREN, AND NEWBORNS IN THE WESTERLY, RHODE ISLAND COMMUNITY AND SURROUNDING TOWNS. DURING THE FISCAL YEAR ENDED 09/30/2009 THE HOSPITAL ADMITTED 4,789 PATIENTS AND HAD 25,878 VISITS TO THE EMERGENCY ROOM.

THERE WERE 527,537 AMBULATORY/OUTPATIENT VISITS, 509,410 LABORATORY PROCEDURES, 40,818 PATHOLOGY PROCEDURES, 246 DIAGNOSTIC CARDIAC CATHETERIZATIONS, 62,707 PHYSICAL THERAPY PROCEDURES, 15,900 OR AND AMBULATORY VISITS FOR TOTAL DAYS OF PATIENT CARE OF 19,008, THE AVERAGE DAILY CENSUS WAS 49.7.

4b (Code:) (Expenses $ including grants of $) (Revenue $)

4c (Code:) (Expenses $ including grants of $) (Revenue $)

4d Other program services. (Describe in Schedule O.)
(Expenses $ including grants of $) (Revenue $)

4e **Total program service expenses** ▶ $ 71,027,940. *(Must equal Part IX, Line 25, column (B).)*

RIDOH 1560

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	X	
2	Is the organization required to complete Schedule B, Schedule of Contributors?	2	X	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		X
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities? *If "Yes," complete Schedule C, Part II*	4	X	
5	**Section 501(c)(4), 501(c)(5), and 501(c)(6) organizations.** Is the organization subject to the section 6033(e) notice and reporting requirement and proxy tax? *If "Yes," complete Schedule C, Part III*	5		
6	Did the organization maintain any donor advised funds or any accounts where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		X
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? *If "Yes," complete Schedule D, Part II*	7		X
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		X
9	Did the organization report an amount in Part X, line 21; serve as a custodian for amounts not listed in Part X; or provide credit counseling, debt management, credit repair, or debt negotiation services? *If "Yes," complete Schedule D, Part IV*	9		X
10	Did the organization hold assets in term, permanent, or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10	X	
11	Did the organization report an amount in Part X, lines 10, 12, 13, 15, or 25? *If "Yes," complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable*	11	X	
12	Did the organization receive an audited financial statement for the year for which it is completing this return that was prepared in accordance with GAAP? *If "Yes," complete Schedule D, Parts XI, XII, and XIII*	12		X
13	Is the organization a school as described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		X
14a	Did the organization maintain an office, employees, or agents outside of the U.S.?	14a		X
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, and program service activities outside the U.S.? *If "Yes," complete Schedule F, Part I*	14b		X
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or assistance to any organization or entity located outside the United States? *If "Yes," complete Schedule F, Part II*	15		X
16	Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or assistance to individuals located outside the United States? *If "Yes," complete Schedule F, Part III*	16		X
17	Did the organization report more than $15,000 on Part IX, column (A), line 11e? *If "Yes," complete Schedule G, Part I*	17		X
18	Did the organization report more than $15,000 total on Part VIII, lines 1c and 8a? *If "Yes," complete Schedule G, Part II*	18		X
19	Did the organization report more than $15,000 on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III*	19		X
20	Did the organization operate one or more hospitals? *If "Yes," complete Schedule H*	20	X	
21	Did the organization report more than $5,000 on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II*	21		X
22	Did the organization report more than $5,000 on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	22		X
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5? *If "Yes," complete Schedule J*	23	X	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer questions 24b-24d and complete Schedule K. If "No", go to question 25*	24a		X
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	25a		X
b	Did the organization become aware that it had engaged in an excess benefit transaction with a disqualified person from a prior year? *If "Yes," complete Schedule L, Part I*	25b		X
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? *If "Yes," complete Schedule L, Part II*	26		X
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, or substantial contributor, or to a person related to such an individual? *If "Yes," complete Schedule L, Part III*	27		X

Part IV Checklist of Required Schedules *(continued)*

			Yes	No
28	During the tax year, did any person who is a current or former officer, director, trustee, or key employee:			
a	Have a direct business relationship with the organization (other than as an officer, director, trustee, or employee), or an indirect business relationship through ownership of more than 35% in another entity (individually or collectively with other person(s) listed in Part VII, Section A)? *If "Yes," complete Schedule L, Part IV*	28a	X	
b	Have a family member who had a direct or indirect business relationship with the organization? *If "Yes," complete Schedule L, Part IV*	28b		X
c	Serve as an officer, director, trustee, key employee, partner, or member of an entity (or a shareholder of a professional corporation) doing business with the organization? *If "Yes," complete Schedule L, Part IV*	28c	X	
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	29		X
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	30		X
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	31		X
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	32		X
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? *If "Yes," complete Schedule R, Part I*	33		X
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1*	34	X	
35	Is any related organization a controlled entity within the meaning of section 512(b)(13)? *If "Yes," complete Schedule R, Part V, line 2*	35		X
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	36		X
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	37		X

Part V Statements Regarding Other IRS Filings and Tax Compliance

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096, Annual Summary and Transmittal of U.S. Information Returns. Enter -0- if not applicable	1a	91		
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?		1c	X	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return	2a	926		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?		2b	X	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to *e-file* this return. (see instructions)				
3a	Did the organization have unrelated business gross income of $1,000 or more during the year covered by this return?		3a	X	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*		3b	X	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?		4a		X
b	If "Yes," enter the name of the foreign country: ▶				
	See the instructions for exceptions and filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.				
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		5a		X
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		5b		X
c	If "Yes," to question 5a or 5b, did the organization file Form 8886-T, Disclosure by Tax-Exempt Entity Regarding Prohibited Tax Shelter Transaction?		5c		
6a	Did the organization solicit any contributions that were not tax deductible?		6a		X
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		6b		
7	**Organizations that may receive deductible contributions under section 170(c).**				
a	Did the organization provide goods or services in exchange for any quid pro quo contribution of more than $75?		7a		X
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?		7b		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		7c		X
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d			
e	Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		7e		X
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		7f		X
g	For all contributions of qualified intellectual property, did the organization file Form 8899 as required?		7g		
h	For contributions of cars, boats, airplanes, and other vehicles, did the organization file a Form 1098-C as required?		7h		
8	**Section 501(c)(3) and other sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		8		
9	**Section 501(c)(3) and other sponsoring organizations maintaining donor advised funds.**				
a	Did the organization make any taxable distributions under section 4966?		9a		
b	Did the organization make a distribution to a donor, donor advisor, or related person?		9b		
10	**Section 501(c)(7) organizations.** Enter: N/A				
a	Initiation fees and capital contributions included on Part VIII, line 12	10a			
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b			
11	**Section 501(c)(12) organizations.** Enter: N/A				
a	Gross income from members or shareholders	11a			
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them.)	11b			
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?		12a		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year N/A	12b			

Part VI Governance, Management, and Disclosure *(Sections A, B, and C request information about policies not required by the Internal Revenue Code.)*

Section A. Governing Body and Management

			Yes	No
	For each "Yes" response to lines 2-7b below, and for a "No" response to lines 8 or 9b below, describe the circumstances, processes, or changes in Schedule O. See instructions.			
1a	Enter the number of voting members of the governing body	1a 14		
b	Enter the number of voting members that are independent	1b 12		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2	X	
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3		X
4	Did the organization make any significant changes to its organizational documents since the prior Form 990 was filed?	4		X
5	Did the organization become aware during the year of a material diversion of the organization's assets?	5		X
6	Does the organization have members or stockholders?	6		X
7a	Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body?	7a		X
b	Are any decisions of the governing body subject to approval by members, stockholders, or other persons?	7b		X
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:			
a	The governing body?	8a	X	
b	Each committee with authority to act on behalf of the governing body?	8b	X	
9a	Does the organization have local chapters, branches, or affiliates?	9a		X
b	If "Yes," does the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with those of the organization?	9b		
10	Was a copy of the Form 990 provided to the organization's governing body before it was filed? All organizations must describe in Schedule O the process, if any, the organization uses to review the Form 990	10	X	
11	Is there any officer, director or trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? *If "Yes," provide the names and addresses in Schedule O*	11		X

Section B. Policies

			Yes	No
12a	Does the organization have a written conflict of interest policy? *If "No," go to line 13*	12a	X	
b	Are officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	X	
c	Does the organization regularly and consistently monitor and enforce compliance with the policy? *If "Yes," describe in Schedule O how this is done*	12c	X	
13	Does the organization have a written whistleblower policy?	13	X	
14	Does the organization have a written document retention and destruction policy?	14	X	
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision:			
a	The organization's CEO, Executive Director, or top management official?	15a	X	
b	Other officers or key employees of the organization? Describe the process in Schedule O. (see instructions)	15b	X	
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a		X
b	If "Yes," has the organization adopted a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and taken steps to safeguard the organization's exempt status with respect to such arrangements?	16b		

Section C. Disclosure

17 List the states with which a copy of this Form 990 is required to be filed ▶ NONE

18 Section 6104 requires an organization to make its Forms 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you make these available. Check all that apply.

☐ Own website ☐ Another's website ☒ Upon request

19 Describe in Schedule O whether (and if so, how), the organization makes its governing documents, conflict of interest policy, and financial statements available to the public.

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization: ▶

JEANNE LACHANCE, CFO - 401-348-3711
25 WELLS STREET, WESTERLY, RI 02891-2934

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Part VII Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

1a Complete this table for all persons required to be listed. Use Schedule J-2 if additional space is needed.

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation, and **current** key employees. Enter -0- in columns (D), (E), and (F) if no compensation was paid.
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee, or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than $100,000 from the organization and any related organizations.
- List all of the organization's **former** officers, key employees, and highest compensated employees who received more than $100,000 of reportable compensation from the organization and any related organizations.
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than $10,000 of reportable compensation from the organization and any related organizations.

List persons in the following order: individual trustees or directors; institutional trustees; officers; key employees; highest compensated employees; and former such persons.

☐ Check this box if the organization did not compensate any officer, director, trustee, or key employee.

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
FRED A. ALLARDYCE CHAIRMAN	1.00	X		X				0.	0.	0.
DAVID R. BAILEY DIRECTOR	1.00	X						0.	0.	0.
JOHN P. CASEY DIRECTOR	1.00	X						0.	0.	0.
DAVID D'ERAMO, PH.D. DIRECTOR	1.00	X						0.	0.	0.
JOHN T. GORBY DIRECTOR	1.00	X						0.	0.	0.
MARTHA MCQ. HOSP SECOND VICE CHAIRMAN	1.00	X		X				0.	0.	0.
ALLEN W. LEADBETTER, M.D DIRECTOR	1.00	X						0.	0.	0.
LEONARD C. EDWARDS DIRECTOR	1.00	X						0.	0.	0.
WILLIAM G. MCKENDREE FIRST VICE CHAIRMAN	1.00	X		X				0.	0.	0.
WILLIAM A. NARDONE ASSISTANT SECRETARY	1.00	X		X				0.	0.	0.
MARY JO ORSINGER DIRECTOR	1.00	X						0.	0.	0.
JOHN C. WARREN ASSISTANT SECRETARY	1.00	X		X				0.	0.	0.
RICHARD C. HOLLIDAY DIRECTOR	1.00	X						0.	0.	0.
ROBERT J. BROCKMANN HONORARY TRUSTEE	1.00	X						0.	0.	0.
THOMAS F. MOORE JR. HONORARY TRUSTEE	1.00	X						0.	0.	0.
HENRY J. NARDONE HONORARY TRUSTEE	1.00	X						0.	0.	0.
DAVID R. RIVERA, M.D. DIRECTOR	1.00	X						0.	0.	0.

Part VII Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees *(continued)*

(A) Name and title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
CHRISTOPHER LEHRACH, M.D DIRECTOR/ER PHYSICIAN	40.00	X			X			327,557.	0.	37,417.
CHARLES KINNEY PRESIDENT/CEO	40.00	X		X				285,501.	0.	32,543.
JEANNE LACHANCE TREASURER	40.00			X				195,769.	0.	29,948.
MAUREEN L. CARBONI SECRETARY	1.00			X				63,939.	0.	5,762.
MARGARET AUSTIN NURSING/CNO	40.00				X			162,230.	0.	23,656.
WILLIAM CONLIN E/R PHYSICIAN	40.00					X		248,929.	0.	32,125.
FRED JACCARINO E/R PHYSICIAN	40.00					X		248,629.	0.	29,929.
ALEXANDRA THRAN E/R PHYSICIAN	36.00					X		217,813.	0.	28,625.
KEVIN TORRES E/R PHYSICIAN	40.00					X		252,159.	0.	32,790.
NANCY BARISANO IT DIRECTOR	40.00					X		131,545.	0.	10,256.
1b Total ▶								2,134,071.	0.	263,051.

2 Total number of individuals (including those in 1a) who received more than $100,000 in reportable compensation from the organization ▶ 12

		Yes	No
3 Did the organization list any **former** officer, director or trustee, key employee, or highest compensated employee on line 1a? *If "Yes," complete Schedule J for such individual*	3		X
4 For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than $150,000? *If "Yes," complete Schedule J for such individual*	4	X	
5 Did any person listed on line 1a receive or accrue compensation from any unrelated organization for services rendered to the organization? *If "Yes," complete Schedule J for such person*	5		X

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than $100,000 of compensation from the organization.

(A) Name and business address	(B) Description of services	(C) Compensation
CARDINAL HEALTH PHARMACY MANAGEMENT 21377 NETWORK PLACE, CHICAGO, IL 60673	PHARMACY SERVICES	2,423,445.
ARAMARK HEALTHCARE 40 ACCORD PARK DRIVE, NORWELL, MA 02601	BIOMED SERVICES	953,388.
RHODE ISLAND BLOOD CENTER PO BOX 9399, PROVIDENCE, RI 02940	LAB SERVICES	587,178.
QUEST DIAGNOSTICS, 12436 COLLECTIONS CENTER DRIVE, CHICAGO, IL 60693	LAB SERVICES	483,522.
HBCS 118 LUKENS DRIVE, NEW CASTLE, DE 19720	COLLECTION SERVICE	406,568.

2 Total number of independent contractors (including those in 1) who received more than $100,000 in compensation from the organization ▶ 23

Part VIII Statement of Revenue

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns	1a				
	b	Membership dues	1b				
	c	Fundraising events	1c				
	d	Related organizations	1d	598,900.			
	e	Government grants (contributions)	1e				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f				
	g	Noncash contributions included in lines 1a-1f $					
	h	**Total.** Add lines 1a-1f	▶	598,900.			
Program Service Revenue			Business Code				
	2a	PATIENT SERVICE REV.	900099	87,786,337.	87,786,337.		
	b	FREE BED INCOME	900099	307,625.	307,625.		
	c	LIFELINE	900099	90,429.	90,429.		
	d						
	e						
	f	All other program service revenue					
	g	**Total.** Add lines 2a-2f	▶	88,184,391.			
Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)	▶	1,018.			1,018.
	4	Income from investment of tax-exempt bond proceeds	▶				
	5	Royalties	▶				
			(i) Real / (ii) Personal				
	6a	Gross Rents	558253.				
	b	Less: rental expenses	88,482.				
	c	Rental income or (loss)	469771.				
	d	Net rental income or (loss)	▶	469,771.		-1,272.	471,043.
			(i) Securities / (ii) Other				
	7a	Gross amount from sales of assets other than inventory	471767.				
	b	Less: cost or other basis and sales expenses					
	c	Gain or (loss)	471767.				
	d	Net gain or (loss)	▶	471,767.			471,767.
	8a	Gross income from fundraising events (not including $ _____ of contributions reported on line 1c). See Part IV, line 18	a				
	b	Less: direct expenses	b				
	c	Net income or (loss) from fundraising events	▶				
	9a	Gross income from gaming activities. See Part IV, line 19	a				
	b	Less: direct expenses	b				
	c	Net income or (loss) from gaming activities	▶				
	10a	Gross sales of inventory, less returns and allowances	a				
	b	Less: cost of goods sold	b				
	c	Net income or (loss) from sales of inventory	▶				
		Miscellaneous Revenue	Business Code				
	11a	OTHER INCOME	900099	186,546.			186,546.
	b	CAFETERIA SALES	900099	177,733.			177,733.
	c	PATIENT COPIES	900099	34,569.			34,569.
	d	All other revenue	900099	1,142.			1,142.
	e	**Total.** Add lines 11a-11d	▶	399,990.			
	12	**Total Revenue.** Add lines 1h, 2g, 3, 4, 5, 6d, 7d, 8c, 9c, 10c, and 11e	▶	90,125,837.	88,184,391.	-1,272.	1,343,818.

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Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns.
All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D).

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to governments and organizations in the U.S. See Part IV, line 21				
2 Grants and other assistance to individuals in the U.S. See Part IV, line 22				
3 Grants and other assistance to governments, organizations, and individuals outside the U.S. See Part IV, lines 15 and 16				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees	1,175,805.	893,612.	282,193.	
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7 Other salaries and wages	36,210,960.	27,520,329.	8,690,631.	
8 Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	2,365,581.	1,797,842.	567,739.	
9 Other employee benefits	5,539,303.	4,209,870.	1,329,433.	
10 Payroll taxes	2,674,842.	2,032,880.	641,962.	
11 Fees for services (non-employees):				
a Management				
b Legal	1,345,747.	1,049,609.	296,138.	
c Accounting	74,000.	56,240.	17,760.	
d Lobbying	35,318.		35,318.	
e Professional fundraising services. See Part IV, line 17				
f Investment management fees				
g Other	790,078.	600,459.	189,619.	
12 Advertising and promotion	150,606.	114,461.	36,145.	
13 Office expenses	84,979.	64,584.	20,395.	
14 Information technology				
15 Royalties				
16 Occupancy	2,466,099.	1,874,235.	591,864.	
17 Travel	9,134.	6,942.	2,192.	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings	94,489.	94,489.		
20 Interest	1,348,377.	1,024,766.	323,611.	
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	4,436,954.	3,372,085.	1,064,869.	
23 Insurance	1,534,899.	1,452,014.	82,885.	
24 Other expenses. Itemize expenses not covered above. (Expenses grouped together and labeled miscellaneous may not exceed 5% of total expenses shown on line 25 below.)				
a SUPPLIES	7,275,396.	5,529,301.	1,746,095.	
b PURCHASED SERVICES	7,257,421.	5,515,640.	1,741,781.	
c BAD DEBTS	7,249,449.	7,249,449.		
d LICENSING FEE	3,539,944.	3,539,944.		
e DRUGS	2,633,346.	2,001,343.	632,003.	
f All other expenses	1,352,429.	1,027,846.	324,583.	
25 Total functional expenses. Add lines 1 through 24f	89,645,156.	71,027,940.	18,617,216.	0.
26 Joint Costs. Check here ▶ ☐ if following SOP 98-2. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

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Part X Balance Sheet

			(A) Beginning of year		(B) End of year
Assets	1	Cash - non-interest-bearing		1	
	2	Savings and temporary cash investments	1,863,063.	2	2,561,630.
	3	Pledges and grants receivable, net		3	
	4	Accounts receivable, net	9,374,472.	4	7,459,592.
	5	Receivables from current and former officers, directors, trustees, key employees, or other related parties. Complete Part II of Schedule L		5	
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B). Complete Part II of Schedule L		6	
	7	Notes and loans receivable, net	244,620.	7	101,307.
	8	Inventories for sale or use	1,407,604.	8	1,469,759.
	9	Prepaid expenses and deferred charges	363,974.	9	1,093,687.
	10a	Land, buildings, and equipment: cost basis 10a 109,241,007.			
	b	Less: accumulated depreciation. Complete Part VI of Schedule D 10b 70,944,653.	38,852,580.	10c	38,296,354.
	11	Investments - publicly traded securities	24,253,210.	11	20,582,181.
	12	Investments - other securities. See Part IV, line 11	4,916,412.	12	7,290,244.
	13	Investments - program-related. See Part IV, line 11		13	
	14	Intangible assets		14	
	15	Other assets. See Part IV, line 11	1,260,335.	15	1,849,752.
	16	Total assets. Add lines 1 through 15 (must equal line 34)	82,536,270.	16	80,704,506.
Liabilities	17	Accounts payable and accrued expenses	8,464,009.	17	10,230,795.
	18	Grants payable		18	
	19	Deferred revenue		19	118,545.
	20	Tax-exempt bond liabilities	9,980,000.	20	9,315,000.
	21	Escrow account liability. Complete Part IV of Schedule D		21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L		22	
	23	Secured mortgages and notes payable to unrelated third parties	5,581,254.	23	5,378,935.
	24	Unsecured notes and loans payable		24	
	25	Other liabilities. Complete Part X of Schedule D	20,164,620.	25	25,503,307.
	26	Total liabilities. Add lines 17 through 25	44,189,883.	26	50,546,582.
Net Assets or Fund Balances		**Organizations that follow SFAS 117, check here ▶ [X] and complete lines 27 through 29, and lines 33 and 34.**			
	27	Unrestricted net assets	24,188,661.	27	14,734,401.
	28	Temporarily restricted net assets	189,208.	28	3,461,402.
	29	Permanently restricted net assets	13,968,518.	29	11,962,121.
		Organizations that do not follow SFAS 117, check here ▶ [ ] and complete lines 30 through 34.			
	30	Capital stock or trust principal, or current funds		30	
	31	Paid-in or capital surplus, or land, building, or equipment fund		31	
	32	Retained earnings, endowment, accumulated income, or other funds		32	
	33	Total net assets or fund balances	38,346,387.	33	30,157,924.
	34	Total liabilities and net assets/fund balances	82,536,270.	34	80,704,506.

Part XI Financial Statements and Reporting

			Yes	No
1		Accounting method used to prepare the Form 990: [ ] Cash [X] Accrual [ ] Other		
2a		Were the organization's financial statements compiled or reviewed by an independent accountant?		X
b		Were the organization's financial statements audited by an independent accountant?	X	
c		If "Yes" to lines 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant?	X	
3a		As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?		X
b		If "Yes," did the organization undergo the required audit or audits?		

SCHEDULE A (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

To be completed by all section 501(c)(3) organizations and section 4947(a)(1) nonexempt charitable trusts.

▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No. 1545-0047

2008

Open to Public Inspection

Name of the organization: THE WESTERLY HOSPITAL

Employer identification number: 05-0259100

Part I Reason for Public Charity Status (All organizations must complete this part.) (see instructions)

The organization is not a private foundation because it is: (Please check only one organization.)

1 ☐ A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**

2 ☐ A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E.)

3 ☒ A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).** (Attach Schedule H.)

4 ☐ A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state: _____

5 ☐ An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II.)

6 ☐ A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**

7 ☐ An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi).** (Complete Part II.)

8 ☐ A community trust described in **section 170(b)(1)(A)(vi).** (Complete Part II.)

9 ☐ An organization that normally receives: (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions - subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See **section 509(a)(2).** (Complete the Part III.)

10 ☐ An organization organized and operated exclusively to test for public safety. See **section 509(a)(4).** (see instructions)

11 ☐ An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2). See **section 509(a)(3).** Check the box that describes the type of supporting organization and complete lines 11e through 11h.

a ☐ Type I b ☐ Type II c ☐ Type III - Functionally integrated d ☐ Type III - Other

e ☐ By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2).

f If the organization received a written determination from the IRS that it is a Type I, Type II, or Type III supporting organization, check this box ☐

g Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?

		Yes	No
(i) A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization?	11g(i)		
(ii) A family member of a person described in (i) above?	11g(ii)		
(iii) A 35% controlled entity of a person described in (i) or (ii) above?	11g(iii)		

h Provide the following information about the organizations the organization supports.

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1-9 above or IRC section (see instructions))	(iv) Is the organization in col. (i) listed in your governing document? Yes	(iv) No	(v) Did you notify the organization in col. (i) of your support? Yes	(v) No	(vi) Is the organization in col. (i) organized in the U.S.? Yes	(vi) No	(vii) Amount of support
Total									

Part II Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)
(Complete only if you checked the box on line 5, 7, or 8 of Part I.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2004	(b) 2005	(c) 2006	(d) 2007	(e) 2008	(f) Total
1 Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 **Total.** Add lines 1 - 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 **Public Support.** Subtract line 5 from line 4						

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2004	(b) 2005	(c) 2006	(d) 2007	(e) 2008	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
11 **Total support.** Add lines 7 through 10						

12 Gross receipts from related activities, etc. (see instructions) 12

13 **First five years.** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and **stop here** ▶ ☐

Section C. Computation of Public Support Percentage

14 Public support percentage for 2008 (line 6, column (f) divided by line 11, column (f)) 14 %

15 Public support percentage from 2007 Schedule A, Part IV-A, line 26f 15 %

16a **33 1/3% support test - 2008.** If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶ ☐

b **33 1/3% support test - 2007.** If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶ ☐

17a **10% -facts-and-circumstances test - 2008.** If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization ▶ ☐

b **10% -facts-and-circumstances test - 2007.** If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization ▶ ☐

18 **Private foundation.** If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions ▶ ☐

Part III Support Schedule for Organizations Described in Section 509(a)(2) (Complete only if you checked the box on line 9 of Part I.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2004	(b) 2005	(c) 2006	(d) 2007	(e) 2008	(f) Total
1 Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 **Total.** Add lines 1 - 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of 1% of the total of lines 9, 10c, 11, and 12 for the year or $5,000						
c Add lines 7a and 7b						
8 **Public support** (Subtract line 7c from line 6.)						

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2004	(b) 2005	(c) 2006	(d) 2007	(e) 2008	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 **Total support** (Add lines 9, 10c, 11, and 12.)						

14 **First five years.** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and **stop here** ▶ ☐

Section C. Computation of Public Support Percentage

15 Public support percentage for 2008 (line 8, column (f) divided by line 13, column (f))	15	%
16 Public support percentage from 2007 Schedule A, Part IV-A, line 27g	16	%

Section D. Computation of Investment Income Percentage

17 Investment income percentage for **2008** (line 10c, column (f) divided by line 13, column (f))	17	%
18 Investment income percentage from **2007** Schedule A, Part IV-A, line 27h	18	%

19a 33 1/3% support tests - 2008. If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶ ☐

b 33 1/3% support tests - 2007. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3%, and line 18 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶ ☐

20 **Private foundation.** If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions ▶ ☐

Schedule B (Form 990, 990-EZ, or 990-PF)
Department of the Treasury
Internal Revenue Service

Schedule of Contributors

▶ Attach to Form 990, 990-EZ, and 990-PF.

OMB No. 1545-0047

2008

Name of the organization

THE WESTERLY HOSPITAL

Employer identification number

05-0259100

Organization type (check one):

Filers of:	Section:
Form 990 or 990-EZ	[X] 501(c)(3) (enter number) organization
	[ ] 4947(a)(1) nonexempt charitable trust not treated as a private foundation
	[ ] 527 political organization
Form 990-PF	[ ] 501(c)(3) exempt private foundation
	[ ] 4947(a)(1) nonexempt charitable trust treated as a private foundation
	[ ] 501(c)(3) taxable private foundation

Check if your organization is covered by the **General Rule** or a **Special Rule.** (**Note.** Only a section 501(c)(7), (8), or (10) organization can check boxes for both the General Rule and a Special Rule. See instructions.)

General Rule

[X] For organizations filing Form 990, 990-EZ, or 990-PF that received, during the year, $5,000 or more (in money or property) from any one contributor. Complete Parts I and II.

Special Rules

[ ] For a section 501(c)(3) organization filing Form 990, or Form 990-EZ, that met the 33 1/3% support test of the regulations under sections 509(a)(1)/170(b)(1)(A)(vi), and received from any one contributor, during the year, a contribution of the greater of (1) $5,000 or (2) 2% of the amount on Form 990, Part VIII, line 1h or 2% of the amount on Form 990-EZ, line 1. Complete Parts I and II.

[ ] For a section 501(c)(7), (8), or (10) organization filing Form 990, or Form 990-EZ, that received from any one contributor, during the year, aggregate contributions or bequests of more than $1,000 for use *exclusively* for religious, charitable, scientific, literary, or educational purposes, or the prevention of cruelty to children or animals. Complete Parts I, II, and III.

[ ] For a section 501(c)(7), (8), or (10) organization filing Form 990, or Form 990-EZ, that received from any one contributor, during the year, some contributions for use *exclusively* for religious, charitable, etc., purposes, but these contributions did not aggregate to more than $1,000. (If this box is checked, enter here the total contributions that were received during the year for an *exclusively* religious, charitable, etc., purpose. Do not complete any of the parts unless the **General Rule** applies to this organization because it received nonexclusively religious, charitable, etc., contributions of $5,000 or more during the year.) ▶ $ _____

Caution. Organizations that are not covered by the General Rule and/or the Special Rules do not file Schedule B (Form 990, 990-EZ, or 990-PF), but they **must** answer "No" on Part IV, line 2 of their Form 990, or check the box in the heading of their Form 990-EZ, or on line 2 of their Form 990-PF, to certify that they do not meet the filing requirements of Schedule B (Form 990, 990-EZ, or 990-PF).

Name of organization: THE WESTERLY HOSPITAL

Employer identification number: 05-0259100

Part I Contributors (see instructions)

(a) No.	(b) Name, address, and ZIP + 4	(c) Aggregate contributions	(d) Type of contribution
1	THE WESTERLY HOSPITAL FOUNDATION 25 WELLS STREET WESTERLY, RI 02891	$ 598,900.	Person [X] Payroll [ ] Noncash [ ] (Complete Part II if there is a noncash contribution.)
		$	Person [ ] Payroll [ ] Noncash [ ] (Complete Part II if there is a noncash contribution.)
		$	Person [ ] Payroll [ ] Noncash [ ] (Complete Part II if there is a noncash contribution.)
		$	Person [ ] Payroll [ ] Noncash [ ] (Complete Part II if there is a noncash contribution.)
		$	Person [ ] Payroll [ ] Noncash [ ] (Complete Part II if there is a noncash contribution.)
		$	Person [ ] Payroll [ ] Noncash [ ] (Complete Part II if there is a noncash contribution.)

SCHEDULE C (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

For Organizations Exempt From Income Tax Under section 501(c) and section 527

▶ To be completed by organizations described below.
▶ Attach to Form 990 or Form 990-EZ.

OMB No. 1545-0047

2008

Open to Public Inspection

If the organization answered "Yes," to Form 990, Part IV, line 3, or Form 990-EZ, Part VI, line 48 (Political Campaign Activities), then

- Section 501(c)(3) organizations: Complete Parts I-A and B. Do not complete Part I-C.
- Section 501(c) (other than section 501(c)(3)) organizations: Complete Parts I-A and C below. Do not complete Part I-B.
- Section 527 organizations: Complete Part I-A only.

If the organization answered "Yes," to Form 990, Part IV, line 4, or Form 990-EZ, Part VI, line 47 (Lobbying Activities), then

- Section 501(c)(3) organizations that have filed Form 5768 (election under section 501(h)): Complete Part II-A. Do not complete Part II-B.
- Section 501(c)(3) organizations that have NOT filed Form 5768 (election under section 501(h)): Complete Part II-B. Do not complete Part II-A.

If the organization answered "Yes," to Form 990, Part IV, line 5 (Proxy Tax), then

- Section 501(c)(4), (5), or (6) organizations: Complete Part III.

Name of organization	Employer identification number
THE WESTERLY HOSPITAL	05-0259100

Part I-A To be completed by all organizations exempt under section 501(c) and section 527 organizations.

See the instructions for Schedule C for details.

1 Provide a description of the organization's direct and indirect political campaign activities in Part IV.
2 Political expenditures ▶ $
3 Volunteer hours

Part I-B To be completed by all organizations exempt under section 501(c)(3).

See the instructions for Schedule C for details.

1 Enter the amount of any excise tax incurred by the organization under section 4955 ▶ $
2 Enter the amount of any excise tax incurred by organization managers under section 4955 ▶ $
3 If the organization incurred a section 4955 tax, did it file Form 4720 for this year? ☐ Yes ☐ No
4a Was a correction made? ☐ Yes ☐ No
b If "Yes," describe in Part IV.

Part I-C To be completed by all organizations exempt under section 501(c), except section 501(c)(3).

See the instructions for Schedule C for details.

1 Enter the amount directly expended by the filing organization for section 527 exempt function activities ▶ $
2 Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt function activities ▶ $
3 Total of direct and indirect exempt function expenditures. Add lines 1 and 2 and enter here and on Form 1120-POL, line 17b ▶ $
4 Did the filing organization file **Form 1120-POL** for this year? ☐ Yes ☐ No
5 State the names, addresses and employer identification number (EIN) of all section 527 political organizations to which payments were made. Enter the amount paid and indicate if the amount was paid from the filing organization's funds or were political contributions received and promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC). If additional space is needed, provide information in Part IV.

(a) Name	(b) Address	(c) EIN	(d) Amount paid from filing organization's funds. If none, enter -0-.	(e) Amount of political contributions received and promptly and directly delivered to a separate political organization. If none, enter -0-.

Part II-A **To be completed by organizations exempt under section 501(c)(3) that filed Form 5768 (election under section 501(h)).** See the instructions for Schedule C for details.

A Check ▶ ☐ if the filing organization belongs to an affiliated group.

B Check ▶ ☐ if the filing organization checked box A and "limited control" provisions apply.

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)	(a) Filing organization's totals	(b) Affiliated group totals
1a Total lobbying expenditures to influence public opinion (grassroots lobbying)		
b Total lobbying expenditures to influence a legislative body (direct lobbying)		
c Total lobbying expenditures (add lines 1a and 1b)		
d Other exempt purpose expenditures		
e Total exempt purpose expenditures (add lines 1c and 1d)		
f Lobbying nontaxable amount. Enter the amount from the following table in both columns.		

If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:
Not over $500,000	20% of the amount on line 1e.
Over $500,000 but not over $1,000,000	$100,000 plus 15% of the excess over $500,000.
Over $1,000,000 but not over $1,500,000	$175,000 plus 10% of the excess over $1,000,000.
Over $1,500,000 but not over $17,000,000	$225,000 plus 5% of the excess over $1,500,000.
Over $17,000,000	$1,000,000.

g Grassroots nontaxable amount (enter 25% of line 1f)		
h Subtract line 1g from line 1a. Enter -0- if line g is more than line a		
i Subtract line 1f from line 1c. Enter -0- if line f is more than line c		

j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year? ☐ Yes ☐ No

4-Year Averaging Period Under Section 501(h)

(Some organizations that made a section 501(h) election do not have to complete all of the five columns below. See the instructions for lines 2a through 2f of the instructions.)

Lobbying Expenditures During 4-Year Averaging Period

Calendar year (or fiscal year beginning in)	(a) 2005	(b) 2006	(c) 2007	(d) 2008	(e) Total
2a Lobbying non-taxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots non-taxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

Part II-B To be completed by organizations exempt under section 501(c)(3) that have NOT filed Form 5768 (election under section 501(h)). See the instructions for Schedule C for details.

		(a) Yes	(a) No	(b) Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of:			
a	Volunteers?		X	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		X	
c	Media advertisements?		X	
d	Mailings to members, legislators, or the public?		X	
e	Publications, or published or broadcast statements?		X	
f	Grants to other organizations for lobbying purposes?		X	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?		X	
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any other means?		X	
i	Other activities? If "Yes," describe in Part IV	X		35,318.
j	Total lines 1c through 1i			35,318.
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		X	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A To be completed by all organizations exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6). See the instructions for Schedule C for details.

			Yes	No
1	Were substantially all (90% or more) dues received nondeductible by members?	1		
2	Did the organization make only in-house lobbying expenditures of $2,000 or less?	2		
3	Did the organization agree to carryover lobbying and political expenditures from the prior year?	3		

Part III-B To be completed by all organizations exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6) if BOTH Part III-A, questions 1 and 2 are answered "No" OR if Part III-A, question 3 is answered "Yes." See Schedule C instructions for details.

1	Dues, assessments and similar amounts from members	1	
2	Section 162(e) non-deductible lobbying and political expenditures (**do not include amounts of political expenses for which the section 527(f) tax was paid**).		
a	Current year	2a	
b	Carryover from last year	2b	
c	Total	2c	
3	Aggregate amount reported in section 6033(e)(1)(A) notices of nondeductible section 162(e) dues	3	
4	If notices were sent and the amount on line 2c exceeds the amount on line 3, what portion of the excess does the organization agree to carryover to the reasonable estimate of nondeductible lobbying and political expenditure next year?	4	
5	Taxable amount of lobbying and political expenditures (line 2c total minus 3 and 4)	5	

Part IV Supplemental Information

Complete this part to provide the descriptions required for Part I-A, line 1; Part I-B, line 4; Part I-C, line 5; and Part II-B, line 1i. Also, complete this part for any additional information.

PART II-B, LINE 1(I), OTHER LOBBYING ACTIVITIES:

DRAFTING LEGISLATION, GUIDANCE ON LEGISLATION, MEETING WTIH LEGISLATORS REGARDING LEGISLATION.

Schedule D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ Attach to Form 990. To be completed by organizations that answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11, or 12.

OMB No. 1545-0047

2008

Open to Public Inspection

Name of the organization: THE WESTERLY HOSPITAL

Employer identification number: 05-0259100

Part I Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts. Complete if the organization answered "Yes" to Form 990, Part IV, line 6.

		(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year		
2	Aggregate contributions to (during year)		
3	Aggregate grants from (during year)		
4	Aggregate value at end of year		

5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? ☐ Yes ☐ No

6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds may be used only for charitable purposes and not for the benefit of the donor or donor advisor or other impermissible private benefit? ☐ Yes ☐ No

Part II Conservation Easements. Complete if the organization answered "Yes" to Form 990, Part IV, line 7.

1 Purpose(s) of conservation easements held by the organization (check all that apply).

☐ Preservation of land for public use (e.g., recreation or pleasure)
☐ Protection of natural habitat
☐ Preservation of open space
☐ Preservation of an historically important land area
☐ Preservation of certified historic structure

2 Complete lines 2a-2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year.

		Held at the End of the Year
a	Total number of conservation easements	2a
b	Total acreage restricted by conservation easements	2b
c	Number of conservation easements on a certified historic structure included in (a)	2c
d	Number of conservation easements included in (c) acquired after 8/17/06	2d

3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the taxable year ▶

4 Number of states where property subject to conservation easement is located ▶

5 Does the organization have a written policy regarding the periodic monitoring, inspection, violations, and enforcement of the conservation easements it holds? ☐ Yes ☐ No

6 Staff or volunteer hours devoted to monitoring, inspecting, and enforcing easements during the year ▶

7 Amount of expenses incurred in monitoring, inspecting, and enforcing easements during the year ▶ $

8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and section 170(h)(4)(B)(ii)? ☐ Yes ☐ No

9 In Part XIV, describe how the organization reports conservation easements in its revenue and expense statement, and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements.

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets.

Complete if the organization answered "Yes" to Form 990, Part IV, line 8.

1a If the organization elected, as permitted under SFAS 116, not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide, in Part XIV, the text of the footnote to its financial statements that describes these items.

b If the organization elected, as permitted under SFAS 116, to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items:

(i) Revenues included in Form 990, Part VIII, line 1 ▶ $

(ii) Assets included in Form 990, Part X ▶ $

2 If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 relating to these items:

a Revenues included in Form 990, Part VIII, line 1 ▶ $

b Assets included in Form 990, Part X ▶ $

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets *(continued)*

3 Using the organization's accession and other records, check any of the following that are a significant use of its collection items (check all that apply):

a ☐ Public exhibition
b ☐ Scholarly research
c ☐ Preservation for future generations
d ☐ Loan or exchange programs
e ☐ Other

4 Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIV.

5 During the year, did the organization solicit or receive donations of art, historical treasures, or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? ☐ Yes ☐ No

Part IV Trust, Escrow and Custodial Arrangements. Complete if organization answered "Yes" to Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? ☐ Yes ☐ No

b If "Yes," explain the arrangement in Part XIV and complete the following table:

		Amount
c Beginning balance	1c	
d Additions during the year	1d	
e Distributions during the year	1e	
f Ending balance	1f	

2a Did the organization include an amount on Form 990, Part X, line 21? ☐ Yes ☐ No

b If "Yes," explain the arrangement in Part XIV.

Part V Endowment Funds. Complete if organization answered "Yes" to Form 990, Part IV, line 10.

	(a) Current year	(b) Prior year	(c) Two years back	(d) Three years back	(e) Four years back
1a Beginning of year balance	27,609,672.				
b Contributions	179,645.				
c Investment earnings or losses	27,784.				
d Grants or scholarships					
e Other expenditures for facilities and programs	1450418.				
f Administrative expenses					
g End of year balance	26,366,683.				

2 Provide the estimated percentage of the year end balance held as:

a Board designated or quasi-endowment ▶ 40.02 %
b Permanent endowment ▶ 45.37 %
c Term endowment ▶ 14.61 %

3a Are there endowment funds not in the possession of the organization that are held and administered for the organization by:

	Yes	No
(i) unrelated organizations 3a(i)		X
(ii) related organizations 3a(ii)		X
b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R? 3b		

4 Describe in Part XIV the intended uses of the organization's endowment funds.

Part VI Investments - Land, Buildings, and Equipment. See Form 990, Part X, line 10.

Description of investment	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Depreciation	(d) Book value
1a Land				
b Buildings				
c Leasehold improvements				
d Equipment				
e Other		109241007.	70,944,653.	38,296,354.
Total. Add lines 1a-1e. *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				38,296,354.

Part VII Investments - Other Securities. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
Financial derivatives and other financial products		
Closely-held equity interests		
Other		
FUNDS HELD IN TRUST	7,290,244.	END-OF-YEAR MARKET VALUE
Total. (Col (b) should equal Form 990, Part X, col (B) line 12.) ▶	7,290,244.	

Part VIII Investments - Program Related. See Form 990, Part X, line 13.

(a) Description of investment type	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
Total. (Col (b) should equal Form 990, Part X, col (B) line 13.) ▶		

Part IX Other Assets. See Form 990, Part X, line 15.

(a) Description	(b) Book value
Total. *(Column (b) should equal Form 990, Part X, col (B) line 15.)* ▶	

Part X Other Liabilities. See Form 990, Part X, line 25.

(a) Description of liability	(b) Amount
Federal income taxes	
3RD PARTY PAYOR SETTLEMENTS	879,073.
ACCRUED MINIMUM PENSION LIABILITY	16,257,162.
LINE OF CREDIT	2,433,264.
CAPITAL LEASE OBLIGATIONS	4,544,551.
ASSET RETIREMENT OBLIGATION	1,389,257.
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25.)* ▶	25,503,307.

In Part XIV, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48.

Part XI Reconciliation of Change in Net Assets from Form 990 to Financial Statements

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	90,125,837.
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	89,645,156.
3	Excess or (deficit) for the year. Subtract line 2 from line 1	3	480,681.
4	Net unrealized gains (losses) on investments	4	-692,909.
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	-7,976,235.
9	Total adjustments (net). Add lines 4-8	9	-8,669,144.
10	Excess or (deficit) for the year per financial statements. Combine lines 3 and 9	10	-8,188,463.

Part XII Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

1	Total revenue, gains, and other support per audited financial statements			1	81,545,175.
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12:				
a	Net unrealized gains on investments	2a	-692,909.		
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIV)	2d	-7,976,235.		
e	Add lines 2a through 2d			2e	-8,669,144.
3	Subtract line 2e from line 1			3	90,214,319.
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1:				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIV)	4b	-88,482.		
c	Add lines 4a and 4b			4c	-88,482.
5	Total revenue. Add lines 3 and 4c. (This should equal Form 990, Part I, line 12.)			5	90,125,837.

Part XIII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

1	Total expenses and losses per audited financial statements			1	89,733,638.
2	Amounts included on line 1 but not on Form 990, Part IX, line 25:				
a	Donated services and use of facilities	2a			
b	Prior year adjustments	2b			
c	Losses reported on Form 990, Part IX, line 25	2c			
d	Other (Describe in Part XIV)	2d	88,482.		
e	Add lines 2a through 2d			2e	88,482.
3	Subtract line 2e from line 1			3	89,645,156.
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIV)	4b			
c	Add lines 4a and 4b			4c	0.
5	Total expenses. Add lines 3 and 4c. (This should equal Form 990, Part I, line 18.)			5	89,645,156.

Part XIV Supplemental Information

Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9; Part III, lines 1a and 4; Part IV, lines 1b and 2b; Part V, line 4; Part X; Part XI, line 8; Part XII, lines 2d and 4b; and Part XIII, lines 2d and 4b.

PART V, LINE 4: THE ENDOWMENT FUNDS ARE USED TO SUPPORT THE MISSION OF THE WESTERLY HOSPITAL.

PART XI, LINE 8 - OTHER ADJUSTMENTS:

CAPITAL TRANSACTIONS WITH AFFILIATES: -3121653.

CHANGES IN ACCRUED MINIMUM PENSION LIABILITY: -4854582.

PART XII, LINE 2D - OTHER ADJUSTMENTS:

Part XIV Supplemental Information *(continued)*

CHANGE IN MINIMUM PENSION LIABILITY: -4854582.

CAPITAL TRANSACTIONS WITH AFFILIATES: -3121653.

PART XII, LINE 4B - OTHER ADJUSTMENTS:

RENTAL EXPENSES: -88482.

PART XIII, LINE 2D - OTHER ADJUSTMENTS:

RENTAL EXPENSES: 88482.

SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

▶ To be completed by organizations that answer "Yes" to Form 990, Part IV, line 20.
▶ Attach to Form 990.

OMB No. 1545-0047

2008

Open to Public Inspection

Name of the organization THE WESTERLY HOSPITAL

Employer identification number 05-0259100

Part I Charity Care and Certain Other Community Benefits at Cost *(Optional for 2008)*

			Yes	No
1a	Does the organization have a charity care policy? If "No," skip to question 6a	1a		
b	If "Yes," is it a written policy?	1b		
2	If the organization has multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals. ☐ Applied uniformly to all hospitals ☐ Applied uniformly to most hospitals ☐ Generally tailored to individual hospitals			
3	Answer the following based on the charity care eligibility criteria that applies to the largest number of the organization's patients.			
a	Does the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing *free* care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for free care: ☐ 100% ☐ 150% ☐ 200% ☐ Other _____ %	3a		
b	Does the organization use FPG to determine eligibility for providing *discounted* care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care: ☐ 200% ☐ 250% ☐ 300% ☐ 350% ☐ 400% ☐ Other _____ %	3b		
c	If the organization does not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care. Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care.			
4	Does the organization's policy provide free or discounted care to the "medically indigent"?	4		
5a	Does the organization budget amounts for free or discounted care provided under its charity care policy?	5a		
b	If "Yes," did the organization's charity care expenses exceed the budgeted amount?	5b		
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?	5c		
6a	Does the organization prepare an annual community benefit report?	6a		
b	If "Yes," does the organization make it available to the public?	6b		

Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H.

7 Charity Care and Certain Other Community Benefits at Cost

Charity Care and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Charity care at cost (from *Worksheets 1 and 2*)						
b Unreimbursed Medicaid (from *Worksheet 3, column a*)						
c Unreimbursed costs - other means-tested government programs (from *Worksheet 3, column b*)						
d **Total** Charity Care and Means-Tested Government Programs						
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)						
f Health professions education (from Worksheet 5)						
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions to community groups (from Worksheet 8)						
j **Total** Other Benefits						
k **Total** (line 7d and 7j)						

Part V Facility Information *(Required for 2008)*

Name and address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)
THE WESTERLY HOSPITAL 25 WELLS STREET WESTERLY, RI 02891	X	X					X		

SCHEDULE J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

▶ Attach to Form 990. To be completed by organizations that answered "Yes" to Form 990, Part IV, line 23.

OMB No. 1545-0047

2008

Open to Public Inspection

Name of the organization: THE WESTERLY HOSPITAL

Employer identification number: 05-0259100

Part I Questions Regarding Compensation

		Yes	No
1a	Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items.		
	☐ First-class or charter travel		
	☐ Travel for companions		
	☐ Tax indemnification and gross-up payments		
	☐ Discretionary spending account		
	☐ Housing allowance or residence for personal use		
	☐ Payments for business use of personal residence		
	☐ Health or social club dues or initiation fees		
	☐ Personal services (e.g., maid, chauffeur, chef)		
b	If line 1a is checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain 1b		
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a? 2		
3	Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director. Check all that apply.		
	☒ Compensation committee		
	☐ Independent compensation consultant		
	☒ Form 990 of other organizations		
	☒ Written employment contract		
	☒ Compensation survey or study		
	☒ Approval by the board or compensation committee		
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a:		
a	Receive a severance payment or change of control payment? 4a		X
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan? 4b		X
c	Participate in, or receive payment from, an equity-based compensation arrangement? 4c		X
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III.		
	Only 501(c)(3) and 501(c)(4) organizations must complete lines 5-8.		
5	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of:		
a	The organization? 5a		X
b	Any related organization? 5b		X
	If "Yes," to line 5a or 5b, describe in Part III.		
6	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of:		
a	The organization? 6a		X
b	Any related organization? 6b		X
	If "Yes" to line 6a or 6b, describe in Part III.		
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III 7		X
8	Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regs. section 53.4958-4(a)(3)? If "Yes," describe in Part III 8		X

Part II **Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees.** Use Schedule J-1 if additional space is needed.

For each individual whose compensation must be reported in Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions, on row (ii). Do not list any individuals that are not listed on Form 990, Part VII.

Note. The sum of columns (B)(i)-(iii) must equal the applicable column (D) or column (E) amounts on Form 990, Part VII, line 1a.

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
CHRISTOPHER LEHRACH, M.D	(i)	327,557.	0.	0.	20,642.	16,775.	364,974.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
CHARLES KINNEY	(i)	270,501.	15,000.	0.	19,694.	12,849.	318,044.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
JEANNE LACHANCE	(i)	183,769.	12,000.	0.	13,520.	16,428.	225,717.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
MARGARET AUSTIN	(i)	153,230.	9,000.	0.	11,219.	12,437.	185,886.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
WILLIAM CONLIN	(i)	248,929.	0.	0.	15,596.	16,529.	281,054.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
FRED JACCARINO	(i)	248,629.	0.	0.	13,502.	16,427.	278,558.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
ALEXANDRA THRAN	(i)	217,813.	0.	0.	12,258.	16,367.	246,438.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
KEVIN TORRES	(i)	252,159.	0.	0.	16,230.	16,560.	284,949.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							

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SCHEDULE L (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

▶ Attach to Form 990 or Form 990-EZ.
▶ To be completed by organizations that answered "Yes" on Form 990, Part IV, lines 25a, 25b, 26, 27, 28a, 28b, or 28c, or Form 990-EZ, Part V, lines 38a or 40b.

OMB No. 1545-0047

2008

Open To Public Inspection

Name of the organization: THE WESTERLY HOSPITAL

Employer identification number: 05-0259100

Part I Excess Benefit Transactions (section 501(c)(3) and section 501(c)(4) organizations only).

To be completed by organizations that answered "Yes" on Form 990, Part IV, line 25a or 25b, or Form 990-EZ, Part V, line 40b.

1 (a) Name of disqualified person	(b) Description of transaction	(c) Corrected? Yes	No

2 Enter the amount of tax imposed on the organization managers or disqualified persons during the year under section 4958 ▶ $

3 Enter the amount of tax, if any, on line 2, above, reimbursed by the organization ▶ $

Part II Loans to and/or From Interested Persons.

To be completed by organizations that answered "Yes" on Form 990, Part IV, line 26, or Form 990-EZ, Part V, line 38a.

(a) Name of interested person and purpose	(b) Loan to or from the organization? To	From	(c) Original principal amount	(d) Balance due	(e) In default? Yes	No	(f) Approved by board or committee? Yes	No	(g) Written agreement? Yes	No
Total			▶ $							

Part III Grants or Assistance Benefiting Interested Persons.

To be completed by organizations that answered "Yes" on Form 990, Part IV, line 27.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of grant or type of assistance

Part IV Business Transactions Involving Interested Persons.

To be completed by organizations that answered "Yes" on Form 990, Part IV, lines 28a, 28b, or 28c.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues? Yes	No
WASHINGTON TRUST COMPANY	CEO OF WASH. TR., J	455,204.	LOANS FROM		X
DAVID R. RIVERA, M.D.	MEMBER OF BOD AND P	11,875.	WESTERLY HO		X

LHA For Privacy Act and Paperwork Reduction Act Notice, see the Instructions for Form 990. Schedule L (Form 990 or 990-EZ) 2008

SEE SCHEDULE O FOR SCHEDULE L CONTINUATIONS

832131 12-17-08

SCHEDULE O (Form 990)
Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990

▶ Attach to Form 990. To be completed by organizations to provide additional information for responses to specific questions for the Form 990 or to provide any additional information.

OMB No. 1545-0047
2008
Open to Public Inspection

Name of the organization: THE WESTERLY HOSPITAL

Employer identification number: 05-0259100

FORM 990, PART I, LINE 1, DESCRIPTION OF ORGANIZATION MISSION:

NEWBORNS IN THE WESTERLY, RHODE ISLAND COMMUNITY AND IN SURROUNDING TOWNS.

FORM 990, PART III, LINE 4A, PROGRAM SERVICE ACCOMPLISHMENTS

THE RADIOLOGY DEPARTMENT PERFORMED THE FOLLOWING:

36,996 DIAGNOSTIC PROCEDURES

2,074 NUCLEAR MEDICINE PROCEDURES

13,542 CT SCANS

10,836 ULTRASOUND PROCEDURES

2,671 MAGNETIC RESONANCE IMAGING (MRI)

FORM 990, PART VI, SECTION A, LINE 2: WILLIAM A. NARDONE AND HENRY J. NARDONE HAVE A FAMILY RELATIONSHIP.

FORM 990, PART VI, SECTION A, LINE 10: THE FORM 990 WAS REVIEWED BY THE PRESIDENT AND TREASURER OF THE ORGANIZATION; AND A COPY OF THE FORM 990 WAS PROVIDED TO ALL VOTING MEMBERS OF THE BOARD FOR REVIEW BEFORE FILING.

FORM 990, PART VI, SECTION B, LINE 12C: EACH BOARD MEMBER SIGNS A CONFLICT OF INTEREST STATEMENT ANNUALLY. THEY ARE REQUIRED TO DISCLOSE ANY RELATIONSHIP THEY, THEIR BUSINESSES, OR THEIR FAMILY MEMBERS MAY HAVE WITH THE HOSPITAL. IF A DISCUSSION OR VOTE OCCURS ON A TRANSACTION WITH A POTENTIAL CONFLICT, THE BOARD MEMBER EXCUSES THEMSELVES FROM THE DISCUSSION

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SCHEDULE O (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990

▶ Attach to Form 990. To be completed by organizations to provide additional information for responses to specific questions for the Form 990 or to provide any additional information.

OMB No. 1545-0047

2008

Open to Public Inspection

Name of the organization: THE WESTERLY HOSPITAL

Employer identification number: 05-0259100

AND VOTE.

FORM 990, PART VI, SECTION B, LINE 15: SUBCOMMITTEE OF THE GOVERNING BOARD MEETS TO DETERMINE ALL COMPENSATION ARRANGEMENTS OF THE TOP EXECUTIVE, OFFICERS AND KEY EMPLOYEES.

FORM 990, PART VI, SECTION C, LINE 19: THE CONFLICT OF INTEREST POLICY AND FINANCIAL STATEMENTS ARE PROVIDED UPON REQUEST.

SCH L, PART IV, BUSINESS TRANSACTIONS INVOLVING INTERESTED PERSONS:

(A) NAME OF PERSON: WASHINGTON TRUST COMPANY

(B) RELATIONSHIP BETWEEN INTERESTED PERSON AND ORGANIZATION:

CEO OF WASH. TR., JOHN C. WARREN, IS ASST. SEC. OF THE BOARD OF HOSP.

(C) AMOUNT OF TRANSACTION $ 455204.

(D) DESCRIPTION OF TRANSACTION: LOANS FROM WASHINGTON TRUST TO WESTERLY HOSPITAL. WESTERLY HOSPITAL INCURRED INTEREST TO WASHINGTON TRUST OF $455,204.

(E) SHARING OF ORGANIZATION REVENUES? = NO

(A) NAME OF PERSON: DAVID R. RIVERA, M.D.

(B) RELATIONSHIP BETWEEN INTERESTED PERSON AND ORGANIZATION:

MEMBER OF BOD AND PRESIDENT OF MEDICAL STAFF

(C) AMOUNT OF TRANSACTION $ 11875.

(D) DESCRIPTION OF TRANSACTION: WESTERLY HOSPITAL PROVIDED A STIPEND TO DR. RIVERA FOR SERVICES PROVIDED AS THE PRESIDENT OF THE MEDICAL STAFF.

(E) SHARING OF ORGANIZATION REVENUES? = NO

SCHEDULE O
(Form 990)
Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990

▶ Attach to Form 990. To be completed by organizations to provide additional information for responses to specific questions for the Form 990 or to provide any additional information.

OMB No. 1545-0047
2008
Open to Public Inspection

Name of the organization: THE WESTERLY HOSPITAL

Employer identification number: 05-0259100

FORM 990, PART VII, SECTION A - COMPENSATION OF OFFICERS:

MAUREEN L. CARBONI IS COMPENSATED AS AN EMPLOYEE OF THE WESTERLY HOSPITAL. SHE RECEIVES NO COMPENSATION FOR HER POSITION AS SECRETARY OF THE BOARD.

SCHEDULE R (Form 990)
Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

▶ Attach to Form 990. To be completed by organizations that answered "Yes" to Form 990, Part IV, lines 33, 34, 35, 36, or 37.
▶ See separate instructions.

OMB No. 1545-0047
2008
Open to Public Inspection

Name of the organization THE WESTERLY HOSPITAL

Employer identification number 05-0259100

Part I Identification of Disregarded Entities

(A) Name, address, and EIN of disregarded entity	(B) Primary activity	(C) Legal domicile (state or foreign country)	(D) Total income	(E) End-of-year assets	(F) Direct controlling entity

Part II Identification of Related Tax-Exempt Organizations

(A) Name, address, and EIN of related organization	(B) Primary activity	(C) Legal domicile (state or foreign country)	(D) Exempt Code section	(E) Public charity status (if section 501(c)(3))	(F) Direct controlling entity
THE WESTERLY HOSPITAL FOUNDATION, INC. - 05-0508064, 25 WELLS STREET, WESTERLY, RI 02891-2934	SUPPORT THE WESTERLY HOSPITAL	RHODE ISLAND	501(C)(3)	509(A)(3) - TYPE I	N/A
COMMUNITY HEALTH OF WESTERLY, INC. - 22-2490227, 25 WELLS STREET, WESTERLY, RI 02891-2934	SUPPORT THE WESTERLY HOSPITAL AND AFFILIATES	RHODE ISLAND	501(C)(3)	509(A)(3) - TYPE II	N/A
CHOW NEWCO, INC. - 32-0250865 25 WELLS STREET WESTERLY, RI 02891-2934	SUPPORT THE WESTERLY HOSPITAL	RHODE ISLAND	501(C)(3)	509(A)(3) - TYPE II	N/A
THE WESTERLY HOSPITAL AUXILIARY, INC. - 22-2507181, 25 WELLS STREET, WESTERLY, RI 02891-2934	SUPPORT THE WESTERLY HOSPITAL	RHODE ISLAND	501(C)(3)		N/A

Part III Identification of Related Organizations Taxable as a Partnership

(A) Name, address, and EIN of related organization	(B) Primary activity	(C) Legal domicile (state or foreign country)	(D) Direct controlling entity	(E) Predominant income (related, investment, unrelated)	(F) Share of total income	(G) Share of end-of-year assets	(H) Disproportionate allocations? Yes	(H) No	(I) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(J) General or managing partner? Yes	(J) No

Part IV Identification of Related Organizations Taxable as a Corporation or Trust

(A) Name, address, and EIN of related organization	(B) Primary activity	(C) Legal domicile (state or foreign country)	(D) Direct controlling entity	(E) Type of entity (C corp, S corp, or trust)	(F) Share of total income	(G) Share of end-of-year assets	(H) Percentage ownership
MASTUXET REALTY - 22-2501886 25 WELLS STREET WESTERLY, RI 02891	INACTIVE	RI	N/A	C CORP	N/A	N/A	N/A

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Part V Transactions With Related Organizations

Note. Complete line 1 if any entity is listed in Parts II, III, or IV.

			Yes	No
1	During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?			
a	Receipt of (i) interest (ii) annuities (iii) royalties (iv) rent from a controlled entity	1a		X
b	Gift, grant, or capital contribution to other organization(s)	1b	X	
c	Gift, grant, or capital contribution from other organization(s)	1c	X	
d	Loans or loan guarantees to or for other organization(s)	1d	X	
e	Loans or loan guarantees by other organization(s)	1e		X
f	Sale of assets to other organization(s)	1f		X
g	Purchase of assets from other organization(s)	1g		X
h	Exchange of assets	1h		X
i	Lease of facilities, equipment, or other assets to other organization(s)	1i		X
j	Lease of facilities, equipment, or other assets from other organization(s)	1j		X
k	Performance of services or membership or fundraising solicitations for other organization(s)	1k		X
l	Performance of services or membership or fundraising solicitations by other organization(s)	1l		X
m	Sharing of facilities, equipment, mailing lists, or other assets	1m		X
n	Sharing of paid employees	1n		X
o	Reimbursement paid to other organization for expenses	1o		X
p	Reimbursement paid by other organization for expenses	1p		X
q	Other transfer of cash or property to other organization(s)	1q		X
r	Other transfer of cash or property from other organization(s)	1r		X

2 If the answer to any of the above is "Yes," see the instructions for information on who must complete this line, including covered relationships and transaction thresholds.

	(A) Name of other organization(s)	(B) Transaction type (a-r)	(C) Amount involved
(1)	COMMUNITY HEALTH OF WESTERLY	B	1,222,287.
(2)	THE WESTERLY HOSPITAL FOUNDATION	C	598,900.
(3)	CHOW NEWCO, INC.	B	1,899,366.
(4)	COMMUNITY HEALTH OF WESTERLY	D	153,259.
(5)	CHOW NEWCO, INC.	D	966,040.
(6)			

RIDOH 1593

Part VI Unrelated Organizations Taxable as a Partnership

Provide the following information for each entity taxed as a partnership through which the organization conducted more than five percent of its activities (measured by total assets or gross revenue) that was not a related organization. See instructions regarding exclusion for certain investment partnerships.

(A) Name, address, and EIN of entity	(B) Primary activity	(C) Legal domicile (state or foreign country)	(D) Are all partners section 501(c)(3) organizations? Yes	(D) No	(E) Share of end-of-year assets	(F) Disproportionate allocations? Yes	(F) No	(G) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(H) General or managing partner? Yes	(H) No

- If you are filing for an **Additional (Not Automatic) 3-Month Extension, complete only Part II and check this box** ▶ [X]

Note. Only complete Part II if you have already been granted an automatic 3-month extension on a previously filed Form 8868.

- If you are filing for an **Automatic 3-Month Extension, complete only Part I** (on page 1).

Part II Additional (Not Automatic) 3-Month Extension of Time. Only file the original (no copies needed).

Type or print	Name of Exempt Organization	Employer identification number
File by the extended due date for filing the return. See instructions.	THE WESTERLY HOSPITAL	05-0259100
	Number, street, and room or suite no. If a P.O. box, see instructions. 25 WELLS STREET	For IRS use only
	City, town or post office, state, and ZIP code. For a foreign address, see instructions. WESTERLY, RI 02891-2934	

Check type of return to be filed (File a separate application for each return):

[X] Form 990 [ ] Form 990-EZ [ ] Form 990-T (sec. 401(a) or 408(a) trust) [ ] Form 1041-A [ ] Form 5227 [ ] Form 8870
[ ] Form 990-BL [ ] Form 990-PF [ ] Form 990-T (trust other than above) [ ] Form 4720 [ ] Form 6069

STOP! Do not complete Part II if you were not already granted an automatic 3-month extension on a previously filed Form 8868.

- The books are in the care of ▶ JEANNE LACHANCE, CFO 25 WELLS STREET - WESTERLY, RI 02891-2934
  Telephone No. ▶ 401-348-3711 FAX No. ▶
- If the organization does not have an office or place of business in the United States, check this box ▶ [ ]
- If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) _____. If this is for the whole group, check this box ▶ [ ]. If it is for part of the group, check this box ▶ [ ] and attach a list with the names and EINs of all members the extension is for.

4 I request an additional 3-month extension of time until AUGUST 15, 2010

5 For calendar year _____, or other tax year beginning OCT 1, 2008 and ending SEP 30, 2009

6 If this tax year is for less than 12 months, check reason: [ ] Initial return [ ] Final return [ ] Change in accounting period

7 State in detail why you need the extension
THE NECESSARY INFORMATION TO FILE A COMPLETE AND ACCURATE RETURN IS NOT YET AVAILABLE.

8a	If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions.	8a	$
b	If this application is for Form 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit and any amount paid previously with Form 8868.	8b	$
c	**Balance Due.** Subtract line 8b from line 8a. Include your payment with this form, or, if required, deposit with FTD coupon or, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions.	8c	$ N/A

Signature and Verification

Under penalties of perjury, I declare that I have examined this form, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete, and that I am authorized to prepare this form.

Signature ▶ _____ Title ▶ CPA Date ▶ 5/4/10

323832
05-26-09

11040504 755449 43170TAX 2008.05060 THE WESTERLY HOSPITAL 43170TA1

Form **8868** (Rev. April 2009)
Department of the Treasury
Internal Revenue Service

Application for Extension of Time To File an Exempt Organization Return

▶ File a separate application for each return.

OMB No. 1545-1709

- If you are filing for an **Automatic 3-Month Extension, complete only Part I** and check this box ▶ [X]
- If you are filing for an **Additional (Not Automatic) 3-Month Extension, complete only Part II** (on page 2 of this form).

Do not complete Part II unless you have already been granted an automatic 3-month extension on a previously filed Form 8868.

Part I **Automatic 3-Month Extension of Time.** Only submit original (no copies needed).

A corporation required to file Form 990-T and requesting an automatic 6-month extension - check this box and complete Part I only ▶ [ ]

All other corporations (including 1120-C filers), partnerships, REMICs, and trusts must use Form 7004 to request an extension of time to file income tax returns.

Electronic Filing (e-file). Generally, you can electronically file Form 8868 if you want a 3-month automatic extension of time to file one of the returns noted below (6 months for a corporation required to file Form 990-T). However, you cannot file Form 8868 electronically if (1) you want the additional (not automatic) 3-month extension or (2) you file Forms 990-BL, 6069, or 8870, group returns, or a composite or consolidated Form 990-T. Instead, you must submit the fully completed and signed page 2 (Part II) of Form 8868. For more details on the electronic filing of this form, visit *www.irs.gov/efile* and click on *e-file for Charities & Nonprofits*.

Type or print File by the due date for filing your return. See instructions.	Name of Exempt Organization	Employer identification number
	THE WESTERLY HOSPITAL	05-0259100
	Number, street, and room or suite no. If a P.O. box, see instructions. 25 WELLS STREET	
	City, town or post office, state, and ZIP code. For a foreign address, see instructions. WESTERLY, RI 02891-2934	

Check type of return to be filed (file a separate application for each return):

[X] Form 990	[ ] Form 990-T (corporation)	[ ] Form 4720
[ ] Form 990-BL	[ ] Form 990-T (sec. 401(a) or 408(a) trust)	[ ] Form 5227
[ ] Form 990-EZ	[ ] Form 990-T (trust other than above)	[ ] Form 6069
[ ] Form 990-PF	[ ] Form 1041-A	[ ] Form 8870

- The books are in the care of ▶ JEANNE LACHANCE, CFO
  Telephone No. ▶ 401-348-3711 FAX No. ▶ 25 WELLS STREET - WESTERLY, RI 02891-2934
- If the organization does not have an office or place of business in the United States, check this box ▶ [ ]
- If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) _____. If this is for the whole group, check this box ▶ [ ]. If it is for part of the group, check this box ▶ [ ] and attach a list with the names and EINs of all members the extension will cover.

1 I request an automatic 3-month (6 months for a corporation required to file Form 990-T) extension of time until MAY 15, 2010, to file the exempt organization return for the organization named above. The extension is for the organization's return for:
▶ [ ] calendar year _____ or
▶ [X] tax year beginning OCT 1, 2008, and ending SEP 30, 2009.

2 If this tax year is for less than 12 months, check reason: [ ] Initial return [ ] Final return [ ] Change in accounting period

3a	If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions.	3a	$
b	If this application is for Form 990-PF or 990-T, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit.	3b	$
c	**Balance Due.** Subtract line 3b from line 3a. Include your payment with this form, or, if required, deposit with FTD coupon or, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions.	3c	$ N/A

Caution. If you are going to make an electronic fund withdrawal with this Form 8868, see Form 8453-EO and Form 8879-EO for payment instructions.

LHA **For Privacy Act and Paperwork Reduction Act Notice, see Instructions.** Form **8868** (Rev. 4-2009)

823841
05-26-09

17330202 755449 43170TAX 2008.05040 THE WESTERLY HOSPITAL 43170TA1

SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 20.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No. 1545-0047

2010

Open to Public Inspection

Name of the organization

Employer identification number

Part I Financial Assistance and Certain Other Community Benefits at Cost

		Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 8a	1a	X
b	If "Yes," was it a written policy?	1b	X
2	If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year.		
	[X] Applied uniformly to all hospital facilities [ ] Applied uniformly to most hospital facilities		
	[ ] Generally tailored to individual hospital facilities		
3	Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year.		
a	Did the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing free care to low income individuals? If "Yes," indicate which of the following was the family income limit for eligibility for free care.	3a	X
	[ ] 100% [ ] 150% [ ] 200% [X] other 225%		
b	Did the organization use FPG to determine eligibility for providing discounted care to low income individuals? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care.	3b	X
	[ ] 100% [ ] 150% [ ] 200% [ ] 250% [X] 300% [ ] other		
c	If the organization did not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care. Include in the description whether the organization used an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care.		
4	Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the medically indigent?	4	X
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	X
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization able to provide free or discounted care to a patient who was eligible for free or discounted care?	5c	
6a	Did the organization prepare a community benefit report during the tax year?	6a	X
b	If "Yes," did the organization make it available to the public?	6b	X

Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H.

7 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
1						
b						
c						
d						
Other Benefits						
e						
f						
g						
h						
i						
j						

For Paperwork Reduction Act Notice, see the instructions for Form 990.

Schedule H (Form 990) 2010

RIDOH 1597

Part II **Community Building Activities** Complete this table if the organization conducted any community building activities during the tax year, and describe in Part VI how its community building activities promoted the health of the communities it serves.

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1 Physical improvements and housing						
2 Economic development						
3 Community support						
4 Environmental improvements						
5 Leadership development and training for community members						
6 Coalition building						
7 Community health improvement advocacy						
a Other						
8 Workforce development						
9 Other						
10 Total						

Part III **Bad Debt, Medicare, & Collection Practices**

Section A. Bad Debt Expense

		Yes	No
1	Does the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?	1	
2	Enter the amount of the organization's bad debt expense (at cost) 2		
3	Enter the estimated amount of the organization's bad debt expense (at cost) attributable to patients eligible under the organization's financial assistance policy 3		
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense. In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts in community benefit.		

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME) 5	
6	Enter Medicare allowable costs of care relating to payments on line 5 6	
7	Subtract line 6 from line 5. This is the surplus (or shortfall) 7	
8	Describe in Part VI the extent to which any shortfall reported on line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used.	

☐ Tax accounting system ☐ Cost to charge ratio ☐ Other

Section C. Collection Practices

		Yes	No
9a	Does the organization have a written debt collection policy during the tax year?	9a	
b	If "Yes," did the organization's collection policy that applied to the largest number of the applicable tax year patients include actions to be undertaken for patients who qualify for financial assistance? See Part VI	9b	

Part IV **Management Companies and Joint Ventures**

(a) Name of entity	(b) Primary activity of entity	(c) Legal domicile (state or foreign country)	(d) Shareholder percentage or stock ownership percentage	(e) Was entity a related organization? Yes / No
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

RIDOH 1598

Part V Facility Information

Section A. Hospital Facilities

List in order of size, measured by total revenue per facility, from largest to smallest)

How many hospital facilities did the organization operate during the tax year?

Name and address									Other (describe)
1									
2									
3									
4									
5									
6									
7									
8									
9									
10									
11									
12									
13									
14									
15									
16									

RIDOH 1599

Part V Facility Information *(continued)*

Section B. Facility Policies and Practices

(Complete a separate Section B for each of the hospital facilities listed in Part V, Section A)

Name of Hospital Facility:

Line Number of Hospital Facility (from Schedule H, Part V, Section A):

		Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2018)			
1	During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment (Needs Assessment)? If "No," skip to line 8	1	
	If "Yes," indicate what the Needs Assessment describes (check all that apply)		
a	☐ A definition of the community served by the hospital facility		
b	☐ Demographics of the community		
c	☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d	☐ How data was obtained		
e	☐ The health needs of the community		
f	☐ Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g	☐ The process for identifying and prioritizing community health needs and services to meet the community health needs		
h	☐ The process for consulting with persons representing the community's interests		
i	☐ Information gaps that limit the hospital facility's ability to assess all of the community's health needs		
j	☐ Other (describe in Part VI)		
2	In what tax year did the hospital facility last conduct a Needs Assessment? (20)		
3	In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3	
4	Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4	
5	Did the hospital facility make its Needs Assessment widely available to the public?	5	
	If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)		
a	☐ Hospital facility's website		
b	☐ Available upon request from the hospital facility		
c	☐ Other (describe in Part VI)		
6	Did the hospital facility address needs identified in its most recently conducted Needs Assessment? If "Yes," indicate how (check all that apply)		
a	☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community		
b	☐ Execution of the implementation strategy		
c	☐ Participation in the development of a community-wide community benefit plan		
d	☐ Participation in the execution of a community-wide community benefit plan		
e	☐ Inclusion of a community benefit section in operational plans		
f	☐ Adoption of a budget for provision of services that address the needs identified in the Needs Assessment		
g	☐ Prioritization of health needs in its community		
h	☐ Prioritization of services that the hospital facility will not refuse to provide health needs in its community		
i	☐ Other (describe in Part VI)		
7	Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7	
Financial Assistance Policy			
8	Did the hospital facility have in place during the tax year a written financial assistance policy that:		
a	Explained eligibility criteria for financial assistance and whether such assistance includes free or discounted care?	8a	
b	Addressed steps the facility organization would take to determine eligibility for assistance before or after the provision of emergency or other medically necessary care?	8b	
	If "Yes," indicate the steps (if any) the facility organization would take before the		

RIDOH 1600

Part V: Facility Information *(continued)*

		Yes	No
10	Used FPG to determine eligibility for providing *discounted* care to low income individuals?	10	
	If "Yes," indicate the FPG family income limit for eligibility for discounted care. %		
11	Explained the basis for calculating amounts charged to patients?	11	
	If "Yes," indicate the factors used in determining such amounts (check all that apply)		
a	Income level		
b	Asset level		
c	Medical indigency		
d	Insurance status		
e	Uninsured discount		
f	Medicaid/Medicare		
g	State regulation		
h	Other (describe in Part VI)		
12	Explained the process for applying for financial assistance?	12	
13	Included measures to publicize the policy within the community served by the hospital facility?	13	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)		
a	The policy was posted on the hospital facility's website		
b	The policy was attached to billing invoices		
c	The policy was posted in the hospital facility's emergency rooms or waiting rooms		
d	The policy was posted in the hospital facility's admissions offices		
e	The policy was provided in writing, to patients admitted to the hospital facility		
f	The policy was available on request		
g	Other (describe in Part VI)		

Billing and Collections

14	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy that explained actions the hospital facility may take upon non-payment?	14	
15	Check all of the following collection actions against a patient that were permitted under the hospital facility's policies at any time during the tax year.		
a	Reporting to credit agency		
b	Lawsuits		
c	Liens on residences		
d	Body attachments		
e	Other actions (describe in Part VI)		
16	Did the hospital facility engage in or authorize a third party to perform any of the following collection actions during the tax year?	16	
	If "Yes," check all collection actions in which the hospital facility or a third party engaged (check all that apply)		
a	Reporting to credit agency		
b	Lawsuits		
c	Liens on residences		
d	Body attachments		
e	Other actions (describe in Part VI)		
17	Indicate which actions the hospital facility took before initiating any of the collection actions checked in line 15 (check all that apply)		
a	Notified patients of the financial assistance policy on admission		
b	Notified patients of the financial assistance policy prior to discharge		
c	Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills		
d	Presumptively determined eligibility of patient who applied for financial assistance under the financial assistance policy qualified for financial assistance		
e	Other (describe in Part VI)		

RIDOH 1601

Part V Facility Information *(continued)*

Policy Relating to Emergency Medical Care

		Yes	No
18	Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?	18	
	If "No," indicate the reasons why (check all that apply):		
a	☐ The hospital facility did not provide care for any emergency medical conditions		
b	☐ The hospital facility did not have a policy relating to emergency medical care		
c	☐ The hospital facility knew who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d	☐ Other (describe in Part VI)		

Charges for Medical Care

19	Indicate how the hospital facility determined the amounts billed to individuals who did not have insurance covering emergency or other medically necessary care (check all that apply):		
a	☐ The hospital facility used the lowest negotiated commercial insurance rate for those services at the hospital facility		
b	☐ The hospital facility used the average of the three lowest negotiated commercial insurance rates for those services at the hospital facility		
c	☐ The hospital facility used the Medicare rate for those services		
d	☐ Other (describe in Part VI)		
20	Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, but for whom the hospital facility received emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?	20	
	If "Yes," explain in Part VI		
21	Did the hospital facility charge any of its patients an amount equal to the gross charge for any service provided to that patient?	21	
	If "Yes," explain in Part VI		

RIDOH 1602

Part V Facility Information *(continued)*

Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

List in order of size, measured by total revenue per facility, from largest to smallest)

How many non-hospital facilities did the organization operate during the tax year?

Name and address	Type of Facility (describe)
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	

Part VI Supplemental Information

Complete this part to provide the following information.

1. **Required descriptions.** Provide the descriptions required for Part I, lines 2a, 2b, and 7; Part II, Part III, lines 4, 4d, and 9b; and Part V, Section B, lines 1g, 3, 4, 5a, 6, 7, 11a, 11g, 12a, 12b, 14a, 14b, 15a, 16a, 16b, 17a, 17b, 18a, 18b, 19a, 19b, 20, and 21.

2. **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B.

3. **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy.

4. **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.

5. **Promotion of community health.** Provide any other information important to describing how the organization's hospitals facilities or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.).

6. **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.

7. **State filing of community benefit report.** If applicable, identify all states with which the organization or a related organization files a community benefit report.

RIDOH 1604

Part VI Supplemental Information

Complete this part to provide the following information.

1 **Required descriptions.** Provide the descriptions required for Part I, lines 2a, 2b, and 2c; Part II, line 4; Part III, lines 4, 8, and 9b; and Part V, Section B, lines 1b, 3, 4, 5a, 6, 7, 10b, 11g, 12a, 16a, 17a, 19d, 19p, 20, and 21.

2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B.

3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy.

4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.

5 **Promotion of community health.** Provide any other information important to describing how the organization's hospitals facilities or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.).

6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.

7 **State filing of community benefit report.** If applicable, identify all states with which the organization or a related organization files a community benefit report.

RIDOH 1605

Part VI Supplemental Information

Complete this part to provide the following information.

1 **Required descriptions.** Provide the descriptions required for Part I, lines 3a, 6a, and 7; Part II, Part III, lines 4, 8, and 9b; and Part V, Section B, lines 1g, 3, 4, 5a, 8, 7, 11h, 12g, 15c, 16a, 17a, 18d, 19d, 20, and 21.

2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B.

3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy.

4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.

5 **Promotion of community health.** Provide any other information important to describing how the organization's hospitals facilities or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.).

6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.

7 **State filing of community benefit report.** If applicable, identify all states with which the organization or a related organization files a community benefit report.

RIDOH 1606

Part VI Supplemental Information

Complete this part to provide the following information.

1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 5a, and 7; Part II, Part III, lines 4, 8, and 9b; and Part V, Section B, lines 1j, 3, 4, 5c, 6, 7, 11h, 13g, 15e, 16a, 17e, 18d, 19d, 20, and 21.

2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B.

3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy.

4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.

5 **Promotion of community health.** Provide any other information important to describing how the organization's hospitals, facilities, or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.).

6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.

7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report.

RIDOH 1607

Part VI Supplemental Information

Complete this part to provide the following information.

1 **Required descriptions.** Provide the descriptions required for Part I, lines 2c, 3a, and 7b; Part II, line 28; Part III, lines 4, 4a, and 4b; and Part IV, Section B, lines 1j, 3, 4, 5c, 6, 7, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21.

2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves (in addition to any needs assessments reported in Part V, Section B).

3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy.

4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.

5 **Promotion of community health.** Provide any other information important to describing how the organization's hospitals, facilities, or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.).

6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.

7 **State filing of community benefit report.** If applicable, identify all states with which the organization or a related organization files a community benefit report.

RIDOH 1608

Part VI Supplemental Information

Complete this part to provide the following information.

1 **Required descriptions.** Provide the descriptions required for Part I, lines 2a, 2b, 3a, and 3b; Part II, Part III, lines 4, 4a, and 4b; and Part V, Section B, lines 1d, 2, 4, 5a, 6a, 7, 11a, 11g, 15e, 16e, 17e, 19d, 19d, 20, and 21.

2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B.

3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy.

4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.

5 **Promotion of community health.** Provide any other information important to describing how the organization's hospitals facilities or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.).

6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.

7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report.

RIDOH 1609

Part VI Supplemental Information

Complete this part to provide the following information.

1 **Required descriptions.** Provide the descriptions required for Part I, lines 2a, 2b, and 7; Part II, Part III, lines 4, 8, and 9b; and Part V, Section B, lines 3, 4, 5a, 5b, 6, 7, 11b, 11c, 11d, 11e, 11f, 12a, 12b, 19a, 20, and 21.

2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any CHNA assessments reported in Part V, Section B.

3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy.

4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.

5 **Promotion of community health.** Provide any other information important to describing how the organization's hospitals facilities or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.).

6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.

7 **State filing of community benefit report.** If applicable, identify all states with which the organization or a related organization files a community benefit report.

RIDOH 1610

Part VI Supplemental Information

Complete this part to provide the following information.

1 **Required descriptions.** Provide the descriptions required for Part I, lines 2a, 4a, and 7; Part II, Part III, lines 4, 8, and 9b; and Part V, Section B, lines 1g, 3, 4, 5a, 5b, 7, 11h, 11g, 15a, 16a, 17a, 18a, 19a, 20, and 21.

2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves (in addition to any needs assessments reported in Part V, Section B).

3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy.

4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.

5 **Promotion of community health.** Provide any other information important to describing how the organization's hospitals, facilities, or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.).

6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.

7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or an affiliated organization, files a community benefit report.

RIDOH 1611

Part VI Supplemental Information

Complete this part to provide the following information.

1 **Required descriptions.** Provide the descriptions required for Part I, lines 2a, 2b, and 7; Part II; Part III, lines 1, 3, and 9b; and Part V, Section B, lines 1j, 3, 4, 5b, 6b, 7, 11h, 11g, 15e, 15e, 17e, 19a, 19d, 20, and 21.

2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B.

3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy.

4 **Community information.** Describe the community the organization serves, taking into account the geographic area and unique/diverse constituents it serves.

5 **Promotion of community health.** Provide any other information important to describing how the organization's hospitals facilities or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.).

6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.

7 **State filing of community benefit report.** If applicable, identify all states with which the organization or a related organization, files a community benefit report.

RIDOH 1612

Part VI Supplemental Information

Complete this part to provide the following information.

1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 3d, and 7; Part II, Part III, lines 4, 8, and 9b; and Part V, Section B, lines 1j, 2, 4, 5a, 6, 7, 11b, 12g, 15e, 16a, 17e, 18a, 19a, 20, and 21.

2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B.

3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy.

4 **Community information.** Describe the community the organization serves, taking into account the geographic area and the demographic constituents it serves.

5 **Promotion of community health.** Provide any other information important to describing how the organization's hospitals, facilities, or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.).

6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.

7 **State filing of community benefit report.** If applicable, identify all states with which the organization or a related organization files a community benefit report.

RIDOH 1613

Part VI Supplemental Information

Complete this part to provide the following information.

1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 4a, and 7; Part II, Part III, lines 4, 8, and 9b; and Part V, Section B, lines 1g, 3, 4, 5c, 8b, 7, 11h, 13g, 16a, 16b, 17a, 18a, 19a, 20, and 21.

2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B.

3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their possible eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy.

4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.

5 **Promotion of community health.** Provide any other information important to describing how the organization's hospitals facilities or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.).

6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.

7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report.

RIDOH 1614

Part VI Supplemental Information

Complete this part to provide the following information.

1 **Required descriptions.** Provide the descriptions required for Part I, lines 2a, 2b, and 4; Part II, Part III, lines 4, 8, and 9b; and Part V, Section B, lines 1j, 3, 4, 5a, 5b, 7, 11a, 11b, 12a, 15a, 15b, 17a, 18a, 19a, 20, and 21.

2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B.

3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy.

4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.

5 **Promotion of community health.** Provide any other information important to describing how the organization's hospitals facilities or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community health use of surplus funds, etc.)

6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.

7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report.

RIDOH 1615

Part VI Supplemental Information

Complete this part to provide the following information.

1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 3d, and 7; Part II, Part III, lines 4, 6, and 9b; and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 11h, 12g, 15e, 17e, 18d, 19d, 20, and 21.

2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B.

3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy.

4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.

5 **Promotion of community health.** Provide any other information important to describing how the organization's hospitals facilities or other health care facilities further its exempt purpose by improving the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.).

6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.

7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report.

RIDOH 1616

Part VI Supplemental Information

Complete this part to provide the following information.

1 **Required descriptions.** Provide the descriptions required for Part II, lines 2a, 5a, and 7; Part III, Part IV, lines 4, 8, and 9b; and Part V, Section B, lines 1j, 3, 4, 5b, 6, 7, 11b, 12g, 13a, 13c, 18a, 18d, 19a, 20, and 21.

2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B.

3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy.

4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.

5 **Promotion of community health.** Provide any other information important to describing how the organization's hospitals facilities or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board use of surplus funds, etc.).

6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.

7 **State filing of community benefit report.** If applicable, identify all states with which the organization or a related organization files a community benefit report.

RIDOH 1617

Part VI Supplemental Information

Complete this part to provide the following information.

1 **Required descriptions.** Provide the descriptions required for Part I, lines 3a, 4a, and 7; Part II, lines 4, 6, and 8b; and Part V, Section B, lines 1j, 3, 4, 5c, 6b, 7, 11h, 13g, 15a, 16a, 17a, 18d, 19b, 20, and 21.

2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section 5.

3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy.

4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.

5 **Promotion of community health.** Provide any other information important to describing how the organization's hospitals facilities or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.).

6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.

7 **State filing of community benefit report.** If applicable, identify all states with which the organization or a related organization files a community benefit report.

RIDOH 1618

Part VI Supplemental Information

Complete this part to provide the following information.

1 **Required descriptions.** Provide the descriptions required for Part I, lines 2c, 6a, and 7; Part II, Part III, lines 4, 8, and 9b; and Part V, Section B, lines 1j, 3, 4, 5e, 6b, 7, 11h, 11g, 12b, 15e, 17a, 19d, 20, and 21.

2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B.

3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy.

4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.

5 **Promotion of community health.** Provide any other information important to describing how the organization's hospitals facilities or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board use of surplus funds, etc.).

6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.

7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report.

RIDOH 1619

Part VI Supplemental Information

Complete this part to provide the following information.

1 **Required descriptions.** Provide the descriptions required for Part I, lines 2a, 2b, 3a, and 3b; Part II, lines 4, 4, and 9b; and Part V, Section B, lines 1g, 3, 4, 5a, 5b, 7, 11h, 11g, 15a, 15e, 17a, 18a, 19a, 20, and 21.

2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B.

3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy.

4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.

5 **Promotion of community health.** Provide any other information important to describing how the organization's hospitals facilities or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.).

6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.

7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report.

RIDOH 1620

Part VI Supplemental Information

Complete this part to provide the following information.

1 **Required descriptions.** Provide the descriptions required for Part I, lines 3a, 5a, and 7; Part II, Part III, lines 4, 8, and 9b; and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 11h, 13g, 15a, 16a, 17a, 18d, 19d, 20, and 21.

2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B.

3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy.

4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.

5 **Promotion of community health.** Provide any other information important to describing how the organization's hospitals facilities or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.).

6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.

7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report.

RIDOH 1621

SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 20.
▶ Attach to Form 990.
▶ See separate instructions.

OMB No. 1545-0047

2009

Open to Public Inspection

Name of the organization: LAWRENCE & MEMORIAL HOSPITAL

Employer identification number: 06-0646704

Part I Charity Care and Certain Other Community Benefits at Cost

			Yes	No
1a	Does the organization have a charity care policy? If "No," skip to question 6a	1a	X	
b	If "Yes," is it a written policy?	1b	X	
2	If the organization has multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals. ☐ Applied uniformly to all hospitals ☐ Applied uniformly to most hospitals ☐ Generally tailored to individual hospitals.			
3	Answer the following based on the charity care eligibility criteria that applies to the largest number of the organization's patients.			
a	Does the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing *free* care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for free care: ☐ 100% ☐ 150% ☐ 200% ☒ Other 250.0000 %	3a	X	
b	Does the organization use FPG to determine eligibility for providing *discounted* care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care: ☐ 200% ☐ 250% ☐ 300% ☐ 350% ☒ 400% ☐ Other ____ %	3b	X	
c	If the organization does not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care. Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care.	3c		
4	Does the organization's policy provide free or discounted care to the "medically indigent"?	4	X	
5a	Does the organization budget amounts for free or discounted care provided under its charity care policy?	5a	X	
b	If "Yes," did the organization's charity care expenses exceed the budgeted amount?	5b	X	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?	5c		X
6a	Does the organization prepare an annual community benefit report?	6a	X	
b	If "Yes," does the organization make it available to the public?	6b	X	

Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H.

7 Charity Care and Certain Other Community Benefits at Cost

Charity Care and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Charity care at cost (from Worksheets 1 and 2)			1,360,845.		1,360,845.	.15
b Unreimbursed Medicaid (from Worksheet 3, column a)			34,251,480.	27,319,279.	6,932,201.	.81
c Unreimbursed costs for other means-tested government programs (from Worksheet 3, column b)			4,305,342.	1,792,961.	2,512,381.	.29
d Total Charity Care and Means-Tested Government Programs			40,317,667.	29,112,240.	11,205,427.	1.29
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)		7411	2,341,128.	976,864.	1,364,264.	.16
f Health professions education (from Worksheet 5)		1488	687,793.	150.	687,643.	.08
g Subsidized health services (from Worksheet 6)		22160	3,588,652.	2,181,042.	1,407,610.	.16
h Research (from Worksheet 7)		1	21,776.		21,776.	.00
i Cash and in-kind contributions to community groups (from Worksheet 8)		525	638,845.	1,900.	636,945.	.07
j Total. Other Benefits		33770	6,697,274.	3,160,136.	3,337,938.	1.32
k Total. Add lines 7d and 7j		33770	47,014,941.	32,272,376.	14,742,565.	1.70

RIDOH 1622

Part II Community Building Activities Complete this table if the organization conducted any community building activities.

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1 Physical improvements and housing						
2 Economic development		1	1,188.	0.	1,188.	
3 Community support		1510	79,027.	1,150.	77,877.	.03
4 Environmental improvements						
5 Leadership development and training for community members		280	2,923.	0.	2,923.	
6 Coalition building		220	123,158.	0.	123,158.	.04
7 Community health improvement advocacy		250	1,847.	0.	1,847.	
8 Workforce development		15	1,910.	0.	1,910.	
9 Other		70	621.	0.	621.	
10 Total		2487	210,674.	1,150.	209,524.	.07

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

			Yes	No
1	Does the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?	1	X	
2	Enter the amount of the organization's bad debt expense (at cost)	2	14,381,276.	
3	Enter the estimated amount of the organization's bad debt expense (at cost) attributable to patients eligible under the organization's charity care policy	3	287,624.	
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense. In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including other bad debt amounts in community benefit.			

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	98,441,244.	
6	Enter Medicare allowable costs of care relating to payments on line 5	6	110,250,520.	
7	Subtract line 6 from line 5. This is the surplus or (shortfall)	7	-11,809,276.	
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: ☐ Cost accounting system ☐ Cost to charge ratio ☒ Other			

Section C. Collection Practices

9a	Does the organization have a written debt collection policy?	9a	X	
b	If "Yes," does the organization's collection policy contain provisions on the collection practices to be followed for patients who are known to qualify for charity care or financial assistance? Describe in Part VI.	9b	X	

Part IV Management Companies and Joint Ventures

	(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership %	(e) Physicians' profit % or stock ownership %
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					

RIDOH 1623

Part V Facility Information

Name and address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)
LAWRENCE & MEMORIAL HOSPITAL 365 MONTAUK AVENUE NEW LONDON CT 06320	X	X					X	X	

LA

RIDOH 1624

Part VI Supplemental Information

Complete this part to provide the following information.

1 Provide the description required for Part I, line 3c; Part I, line 6a; Part I, line 7g; Part I, line 7, column (f); Part I, line 7; Part III, line 4; Part III, line 8; Part III, line 9b, and Part V. See Instructions.

2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves.

3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's charity care policy.

4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.

5 **Community building activities.** Describe how the organization's community building activities, as reported in Part II, promote the health of the communities the organization serves.

6 Provide any other information important to describing how the organization's hospitals or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.).

7 If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.

8 If applicable, identify all states with which the organization, or a related organization, files a community benefit report.

PART I, LINE 3C:

IT IS THE PHILOSOPHY AND POLICY OF LAWRENCE & MEMORIAL HOSPITAL (THE "HOSPITAL") THAT MEDICALLY NECESSARY HEALTH CARE SERVICES SHOULD BE AVAILABLE TO ALL INDIVIDUALS REGARDLESS OF THEIR ABILITY TO PAY.

CHARITY CARE APPLIES TO ALL UNINSURED PATIENTS (DEFINED AS EARNING LESS THAN 250% OF THE POVERTY GUIDELINES) AS DESCRIBED IN S 19A-673 OF THE CONNECTICUT GENERAL STATUTES. THE HOSPITAL WILL MEET OR EXCEED THE GUIDELINES SET-FORTH BY THE CONNECTICUT HEALTH ASSOCIATION ("CHA") ON THE STATEWIDE DISCOUNT POLICY FOR UNINSURED PATIENTS. CARE WILL BE PROVIDED FREE FOR THOSE UNINSURED PATIENTS WHO REQUEST ASSISTANCE AND VERIFY THEIR ANNUAL INCOME IS LESS THAN 200% OF THE FEDERAL INCOME POVERTY LEVEL ("FPL"). LIQUID ASSETS MUST NOT EXCEED $10,000 (STOCKS, BONDS, CASH, 401, IRA, CD ETC.) EXCLUDING PRIMARY RESIDENCE AND PRIMARY MOTOR VEHICLE). BUSINESS ASSETS, RENTAL PROPERTY, SECONDARY RESIDENCE, RECREATIONAL VEHICLES AND OTHER SUCH LUXURY ITEMS WILL BE APPLIED TO THE LIQUID ASSETS.

RIDOH 1625

Part VI Supplemental Information

Complete this part to provide the following information.

1 Provide the description required for Part I, line 3c; Part I, line 6a; Part I, line 7g; Part I, line 7, column (f); Part I, line 7; Part III, line 4; Part III, line 8; Part III, line 9b, and Part V. See instructions.

2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves.

3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's charity care policy.

4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.

5 **Community building activities.** Describe how the organization's community building activities, as reported in Part II, promote the health of the communities the organization serves.

6 Provide any other information important to describing how the organization's hospitals or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.).

7 If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.

8 If applicable, identify all states with which the organization, or a related organization, files a community benefit report.

CARE WILL BE DISCOUNTED ON A SLIDING SCALE FOR SELF-PAY PATIENTS WHO HAVE NO THIRD PARTY INSURANCE TO COVER SERVICES WITH AN ANNUAL INCOME THAT IS BETWEEN 250% AND 400% OF THE FPL, IN ACCORDANCE WITH THE FOLLOWING:

251% - 300% = 30%

301% - 350% = 10%

351% - 400% = 5%

PART I, LINE 7:

THE AMOUNTS REPORTED ON PART I, LINE 7 WERE CALCULATED AS DIRECT, SEPARATELY IDENTIFIABLE COSTS INCURRED BY THE HOSPITAL PLUS AN ALLOCATION OF OVERHEAD.

Part VI Supplemental Information

Complete this part to provide the following information.

1 Provide the description required for Part I, line 3c; Part I, line 6a; Part I, line 7g; Part I, line 7, column (f); Part I, line 7; Part III, line 4; Part III, line 8; Part III, line 9b, and Part V. See Instructions.

2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves.

3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's charity care policy.

4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.

5 **Community building activities.** Describe how the organization's community building activities, as reported in Part II, promote the health of the communities the organization serves.

6 Provide any other information important to describing how the organization's hospitals or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.).

7 If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.

8 If applicable, identify all states with which the organization, or a related organization, files a community benefit report.

PART III, LINE 4:

THE HOSPITAL USES A COST REPORTING SYSTEM TO DETERMINE THE BAD DEBT EXPENSE. THE AMOUNT OF BAD DEBT EXPENSE (AT COST) REPORTED ON PART III, LINE 2 IS TAKEN DIRECTLY FROM THE AUDITED FINANCIAL STATEMENTS. THE AMOUNT OF BAD DEBT EXPENSE (AT COST) ATTRIBUTABLE TO PATIENTS ELIGIBLE UNDER THE ORGANIZATION'S CHARITY CARE POLICY IS CALCULATED AS 2% OF THE AMOUNT OF BAD DEBT (AT COST) FROM THE AUDITED FINANCIAL STATEMENTS. THE AMOUNT OF 2% REPRESENTS THE BAD DEBT AMOUNT THAT COULD HAVE BEEN QUALIFIED FOR CHARITY CARE AS THIS THE PERCENTAGE OF GROSS REVENUE THAT IS SELF PAID.

PART III, LINE 8:

THE MEDICARE SHORTFALL OF ($11,309,476) REPORTED IN PART III, LINE 7 WAS CALCULATED BASED ON COST REPORTING. THIS AMOUNT SHOULD BE TREATED AS COMMUNITY BENEFIT BECAUSE THE RATES PAID BY MEDICARE DO NOT ACCURATELY REFLECT THE COST OF CARE PROVIDED BY THE HOSPITAL. ACCORDINGLY, THE HOSPITAL MUST SUBSIDIZE THE COST OF CARE PROVIDED TO MEDICARE BENEFICIARIES WITH OTHER REVENUES.

PART III, LINE 9B:

RIDOH 1627

Part VI Supplemental Information

Complete this part to provide the following information.

1 Provide the description required for Part I, line 3c; Part I, line 6a; Part I, line 7g; Part I, line 7, column (f); Part I, line 7; Part III, line 4; Part III, line 8; Part III, line 9b, and Part V. See Instructions.

2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves.

3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's charity care policy.

4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.

5 **Community building activities.** Describe how the organization's community building activities, as reported in Part II, promote the health of the communities the organization serves.

6 Provide any other information important to describing how the organization's hospitals or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.).

7 If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.

8 If applicable, identify all states with which the organization, or a related organization, files a community benefit report.

IN ACCORDANCE WITH ITS WRITTEN CREDIT AND COLLECTION POLICY, THE HOSPITAL WILL NOT PURSUE COLLECTION EFFORTS, DIRECTLY OR THROUGH COLLECTION AGENCIES, ON THE PORTION OF A PATIENT'S BILL FOR WHICH THAT PATIENT HAS ESTABLISHED ELIGIBILITY FOR CHARITY CARE.

NEEDS ASSESSMENT:

THE HOSPITAL EMPLOYS A VARIETY OF STRATEGIES IN CONDUCTING COMMUNITY HEALTH NEEDS ASSESSMENTS. THE MOST RECENT COMPREHENSIVE ASSESSMENT, COVERING THE ENTIRE NEW LONDON COUNTY AND COMPLETED AS A COLLABORATIVE EFFORT WITH SEVERAL PARTNER ORGANIZATIONS, WAS CONDUCTED UNDER THE GUIDANCE OF AN OUTSIDE EXPERT. THOSE PARTNER ORGANIZATIONS INCLUDED THE COUNTY'S TWO HOSPITALS, ALL THREE FEDERALLY QUALIFIED HEALTH CENTERS, THE NEW LONDON COUNTY MEDICAL SOCIETY, ALL FULL-TIME PUBLIC HEALTH ORGANIZATIONS (THREE), THE COUNTY'S COMMUNITY ACTION AGENCY AND A NUMBER OF OTHER IMPORTANT HEALTH CARE ORGANIZATIONS WHO FORMED THE ASSESSMENT OVERSIGHT COMMITTEE AND INFORMED THE PROCESS FROM DESIGN TO IMPLEMENTATION TO REPORTING. THE ASSESSMENT IDENTIFIED THE MOST IMPORTANT HEALTH CARE AND PUBLIC HEALTH ISSUES IN NEW LONDON COUNTY USING SCIENTIFICALLY

RIDOH 1628

Part VI Supplemental Information

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VALID DATA, COMPARATIVE INFORMATION, AND INPUT FROM LOCAL RESIDENTS, PROVIDERS AND LEADERS. INDICATORS WERE COMPUTED FROM AN EXTENSIVE SET OF SECONDARY HEALTH-RELATED DATA AND A RANDOM SAMPLE COMMUNITY HOUSEHOLD TELEPHONE SURVEY. THIS STUDY IS INTENDED TO BE UPDATED EVERY 3 - 5 YEARS.

THE HOSPITAL REVIEWS DISEASE INCIDENCE AND PREVALENCE RATES FOR THE LOCAL COMMUNITY, STATE, AND NATION. RATES ARE COLLECTED FROM MEDICAL JOURNALS, THE CONNECTICUT DEPARTMENT OF HEALTH, OR NATIONAL HEALTH RESOURCES SUCH AS THE KAISER FAMILY FOUNDATION OR CENTERS FOR DISEASE CONTROL. THIS ANALYSIS INFORMS THE HOSPITAL ON THE HEALTH STATUS OF THE COMMUNITY AND IS USED TO FOCUS PROGRAM AND SERVICE DEVELOPMENT ON AREAS OF GREATEST CONCERN.

INFORMATION ON COMMUNITY NEEDS IS ALSO GATHERED THROUGH PARTNERSHIPS WITH OTHER COMMUNITY ORGANIZATIONS SUCH AS THE UNITED WAY, THE LEDGE LIGHT HEALTH DISTRICT, AND OTHER LOCAL NON-PROFITS. PERIODIC REVIEW OF DATA AND UPDATING AS APPROPRIATE IS CONDUCTED. THE HOSPITAL COMPLETES A PHYSICIAN MANPOWER STUDY REGULARLY. THIS STUDY,

RIDOH 1629

Part VI Supplemental Information

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CONDUCTED BY AN OUTSIDE CONSULTANT, DOCUMENTS THE DEMAND FOR PHYSICIANS BY SPECIALTY BASED ON PHYSICIAN-TO-POPULATION RATIOS, THE SUPPLY OF PHYSICIANS IN THE COMMUNITY, AND THE RESULTANT GAPS BETWEEN DEMAND AND SUPPLY. THE ANALYSIS INFORMS THE HOSPITAL OF DEFICIENCIES IN PHYSICIAN SUPPLY AND HELPS FOCUS RECRUITMENT EFFORTS TO MEET THE DEMANDS OF THE COMMUNITY.

ALL COMMUNITY BENEFIT ACTIVITIES ARE REGULARLY EVALUATED FOR IMPACT AND EFFECTIVENESS AND AUDITED FOR COMPLIANCE WITH THE ORGANIZATION'S COMMUNITY BENEFIT POLICY.

PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE:

IN ACCORDANCE WITH ITS CHARITY CARE POLICY, THE HOSPITAL NOTIFIES PATIENTS OF THE AVAILABILITY OF FINANCIAL ASSISTANCE USING SEVERAL METHODS. 1) SIGNAGE INDICATING THE AVAILABILITY OF CHARITY CARE IS POSTED IN ENGLISH AND SPANISH IN PATIENT ACCOUNTS, HEALTH ACCESS MANAGEMENT AND CERTAIN CLINICAL AREAS. SUMMARIES OF THE PROGRAMS WILL ALSO BE AVAILABLE IN THOSE AREAS. 2) PATIENT FINANCIAL ADVISORS WILL ATTEMPT TO VISIT ALL INPATIENTS REGISTERED AS SELF-PAY PATIENTS.

RIDOH 1630

Part VI Supplemental Information

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A SUMMARY EXPLAINING CHARITY CARE WILL BE GIVEN TO THE PATIENT OR GUARANTOR WHEN THIS VISIT OCCURS. 3) PATIENTS WITH NO INSURANCE WILL RECEIVE AN INITIAL LETTER WITHIN ONE WEEK OF DISCHARGE INFORMING THEM THAT THE HOSPITAL CONSIDERS THEM "INSURED" PER THE CONNECTICUT GENERAL STATUES SECTION 19A-673. IT IS THE RESPONSIBILITY OF THE PATIENT TO ADVISE THE HOSPITAL IF THEY BELIEVE THEY QUALIFY AS "UNINSURED" (AT OR UNDER 250% OF THE FPG). 4) A SERIES OF MONTHLY STATEMENTS WILL BE SENT FOLLOWING DISCHARGE. EACH STATEMENT WILL REMIND THE PATIENT OF THE AVAILABILITY OF CHARITY CARE.

13042N 1377 V 09-3.4

RIDOH 1631

Part VI Supplemental Information

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COMMUNITY INFORMATION:

POPULATION SIZE

THE COMMUNITIES THAT COMPRISE THE SERVICE AREA OF THE HOSPITAL INCLUDE TEN TOWNS ALONG THE CONNECTICUT SHORELINE BETWEEN RHODE ISLAND AND THE CONNECTICUT RIVER AND INLAND TO SALEM, CT, WITH A TOTAL POPULATION OF APPROXIMATELY 130,000 PEOPLE YEAR-ROUND, INCREASING TO 250,000 IN THE SUMMER. OUR COMMUNITIES REPRESENT A BROAD MIX OF URBAN, SUBURBAN, AND RURAL AREAS.

GENERAL DEMOGRAPHICS

THE TOWNS AND CITIES IN THIS AREA ARE VERY DIVERSE, NOT ONLY SOCIO-ECONOMICALLY BUT ALSO IN TERMS OF RACE, ETHNICITY, FAITH TRADITION, RESIDENT TRANSIENCE, EMPLOYMENT, HEALTH INSURANCE STATUS, AND EDUCATIONAL ATTAINMENT. FROM 1990 TO 2000, THERE WAS A SLIGHT OVERALL GROWTH IN POPULATION WITH DRAMATIC CHANGES OCCURRING IN ETHNIC AND RACIAL COMPOSITION OF THE LOCAL POPULATION; THE PERCENTAGE OF HISPANICS INCREASED BY 85.3%, AFRICAN AMERICANS INCREASED BY 10%, NATIVE AMERICANS INCREASED BY 89%, ASIAN/HAWAIIAN/PACIFIC ISLANDERS INCREASED BY 34% AND THOSE WHO INDICATE "OTHER" INCREASED BY 38.7%.

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OTHER INCREASES HAVE OCCURRED IN THE ASIAN, EASTERN EUROPEAN, AND HAITIAN POPULATIONS, AMONG OTHERS, WITH LOCAL SCHOOL DISTRICTS REPORTING SIGNIFICANT PERCENTAGES OF CHILDREN FROM HOMES WHERE ENGLISH IS NOT THE PRIMARY LANGUAGE (25.5 PERCENT IN NEW LONDON, 18.4 PERCENT IN NORWICH). CHANGES IN THE ETHNIC AND RACIAL MAKEUP OF COUNTY RESIDENTS OVER TIME WILL IMPACT THE BURDEN OF DISEASE AND DEMAND FOR HEALTH SERVICES.

MAJOR EMPLOYERS

THE REGION HAS TRANSITIONED FROM A LARGELY DEFENSE INDUSTRY-BASED ECONOMY TO ONE THAT RELIES HEAVILY UPON EMPLOYMENT IN THE SERVICE AND TRADE SECTORS AND IN GENERAL HAS A HIGHER PERCENTAGE OF PERSONS EMPLOYED IN LOWER SKILLED JOBS WITH CORRESPONDING LOWER RATES OF PAY. THIS IS CORRELATED WITH THE LOWER PER CAPITA INCOME AND GREATER ECONOMIC VULNERABILITY. MAJOR EMPLOYERS INCLUDE THE MASHANTUCKET PEQUOT AND MOHEGAN TRIBES (FOXWOODS RESORT AND CASINO AND MOHEGAN SUN CASINO RESPECTIVELY), PFIZER GLOBAL RESEARCH AND DEVELOPMENT, EDUCATIONAL INSTITUTIONS (CONNECTICUT COLLEGE, MITCHELL COLLEGE AND THE U.S. COAST GUARD ACADEMY), GENERAL DYNAMICS/ELECTRIC BOAT,

RIDOH 1633

Part VI Supplemental Information

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DOMINION, AND LAWRENCE & MEMORIAL.

PRIMARY SOCIAL AND HEALTH CARE FACTORS IN THE URBAN CENTERS OF THE REGION, RACIAL AND ETHNIC HEALTH DISPARITIES, HIGHER POVERTY AND UNEMPLOYMENT RATES, LOWER LEVELS OF EDUCATIONAL ATTAINMENT, LIMITED ACCESS TO AFFORDABLE HOUSING AND TRANSPORTATION, HIGHER RATES OF DEATH FROM CHRONIC ILLNESS, AND A GREATER LIKELIHOOD OF RESIDENTS NOT HAVING HEALTH INSURANCE, ALL OF WHICH PRESENT PARTICULAR CHALLENGES. MEDIAN HOUSEHOLD INCOME IN THE HOSPITAL SERVICE AREA IS FAR BELOW THAT OF THE STATE, WITH AFRICAN AMERICAN AND HISPANIC FAMILIES' INCOMES SIGNIFICANTLY LOWER THAN WHITE FAMILIES' INCOMES. THE REGION INCLUDES ONE PRIORITY SCHOOL DISTRICT IN WHICH FAMILIES SPEAK OVER 30 DIFFERENT LANGUAGES AND APPROXIMATELY 30% OF CHILDREN CHANGE SCHOOLS EACH YEAR. TWO OF OUR COMMUNITIES HAVE A GREATER PERCENTAGE OF CHILDREN LIVING IN POVERTY THAN THE STATE AVERAGE OF 14%.

THE CHRONIC DISEASE BURDEN IS HIGH THROUGHOUT NEW LONDON COUNTY WITH NORWICH AND NEW LONDON HAVING HIGHER PERCENTAGES WITH 3+ CHRONIC

RIDOH 1634

Part VI Supplemental Information

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CONDITIONS THAN OTHER REGIONS. THESE TWO COMMUNITIES ALSO HAVE A HIGHER PERCENTAGE OF PEOPLE WHO SELF-IDENTIFY AS "NOT WELL" AND, ALONG WITH SOME OUTLYING TOWNS, HAVE THE LEAST FAVORABLE INDICATORS FOR CHRONIC DISEASE.

COMMUNITY BUILDING ACTIVITIES:

IN ADDITION TO MEETING AN IDENTIFIED NEED IN THE COMMUNITY, THE HOSPITAL'S COMMUNITY BUILDING ACTIVITIES CONTRIBUTE TO AN OVERALL HEALTHY COMMUNITY AND SUPPORT THE HOSPITAL'S ROLE AS GOOD CORPORATE CITIZEN. THIS SOCIAL IMPACT IS MEASURED IN TERMS OF COMMUNITY LITERACY, AND BREADTH AND DEPTH OF COMMUNITY ACTIVITIES THAT ENHANCE QUALITY OF LIFE IN THE REGION. THESE ACTIVITIES ARE NOT INCLUDED OTHERWISE ON THE SCHEDULE H.

THE MAJORITY OF THE HOSPITAL'S COMMUNITY BUILDING ACTIVITIES FALL INTO THE CATEGORY OF COALITION BUILDING, IN WHICH WE ARE ENGAGED WITH A BROAD RANGE OF COMMUNITY PARTNERS IN IMPROVING COMMUNITY HEALTH IN THE AREAS OF PARISH NURSING, TEEN PREGNANCY PREVENTION, ACCESS TO CARE, AND REDUCTION OF CHRONIC DISEASE. ADDITIONALLY, WE ARE ENGAGED

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IN COMMUNITY SUPPORT ACTIVITIES SUCH AS SUPPORT FOR LOCAL FAITH COMMUNITY LEADERS, DISASTER PREPAREDNESS ACTIVITIES THAT GO BEYOND WHAT IS REQUIRED BY REGULATION, HEALTH-RELATED CAREER DEVELOPMENT ACTIVITIES, AND SUPPORT FOR PARTNER NON-PROFITS ALSO ENGAGED IN COMMUNITY DEVELOPMENT SUCH AS THE DISBURSEMENT OF SCHOLARSHIPS. IN THE AREA OF LEADERSHIP DEVELOPMENT AND TRAINING FOR COMMUNITY MEMBERS, WE PROVIDE TRAINING FOR PROFESSIONALS IN INJURY PREVENTION STRATEGIES, AND HEALTH CAREER LEADERSHIP DEVELOPMENT AND WORKFORCE DEVELOPMENT. WE PARTICIPATE IN ECONOMIC DEVELOPMENT ACTIVITIES THROUGH THE REGION'S CHAMBER OF COMMERCE. COMMUNITY HEALTH IMPROVEMENT ADVOCACY INCLUDES PROMOTION OF INJURY PREVENTION POLICY CHANGES AND SUPPORT FOR IMPROVED ACCESS TO HEALTHCARE. ALL OF THESE ACTIVITIES HAVE AS THEIR PRIMARY PURPOSE TO BENEFIT THE COMMUNITY AND ARE CARRIED OUT WITHOUT REMUNERATION.

OTHER INFORMATION:

A MAJORITY OF THE HOSPITAL'S TRUSTEES ARE MEMBERS OF THE COMMUNITY SERVED BY THE HOSPITAL AND ARE NOT EMPLOYED BY THE HOSPITAL NOR ARE THEY FAMILY MEMBERS OF PERSONS EMPLOYED BY THE HOSPITAL. THE

RIDOH 1636

Part VI Supplemental Information

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HOSPITAL EXTENDS MEDICAL STAFF PRIVILEGES TO ALL QUALIFIED PHYSICIANS IN THE COMMUNITY WHO WISH TO JOIN THE STAFF, CONSISTENT WITH THE SIZE AND NATURE OF ITS FACILITIES. EXCESS RECEIPTS FROM OPERATIONS ARE DEVOTED TO IMPROVEMENT OF FACILITIES, DEBT SERVICE, MEDICAL TRAINING AND RESEARCH.

THE HOSPITAL'S COMMUNITY BENEFIT PROGRAMS AND SERVICES ALIGN WITH THE PRINCIPLES AS SET FORTH IN THE ORGANIZATION'S COMMUNITY BENEFIT POLICY. THOSE PRINCIPLES INCLUDE:

1. EMPHASIS ON PROGRAMS TO MEET A SIGNIFICANT UNMET HEALTH NEED INCLUDING EFFORTS TO IDENTIFY AND INCLUDE VULNERABLE POPULATIONS OR THOSE MOST AT-RISK AS DETERMINED BY RISK FACTORS WHICH PREDISPOSE THESE POPULATIONS TOWARD A HIGHER INCIDENCE OF DISEASE AND/OR BARRIERS TO OBTAINING APPROPRIATE HEALTHCARE.

2. EMPHASIS ON PRIMARY PREVENTION AND INCLUDING AT LEAST ONE OF THREE PRIMARY PREVENTION STRATEGIES: HEALTH PROMOTION, DISEASE PREVENTION, AND HEALTH PROTECTION. HEALTH PROMOTION ENTAILS ENCOURAGING HEALTHY

RIDOH 1637

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LIFESTYLES; DISEASE PREVENTION FOCUSES ON INDIVIDUALS IDENTIFIED AS AT-RISK FOR HEALTH PROBLEMS; HEALTH PROTECTION ACTIVITIES INFLUENCE THE ENVIRONMENT TO SUPPORT HEALTHY BEHAVIORS.

3. PROGRAMS SHOULD DEVELOP EVIDENCE-BASED LINKS BETWEEN CLINICAL SERVICES AND HEALTH IMPROVEMENT ACTIVITIES DELIVERED BOTH INSIDE AND OUTSIDE THE HOSPITAL.

4. PROGRAMS SHOULD FOCUS ON TARGETING CHARITABLE RESOURCES THAT MOBILIZE AND BUILD CAPACITY WITHIN EXISTING COMMUNITY ASSETS WHILE MINIMIZING DUPLICATION OF EFFORT.

5. PROGRAMS SHOULD GENERALLY COLLABORATE WITH COMMUNITY PARTNERS.

COMMUNITY INVOLVEMENT IN GOVERNANCE AND ADVISORY GROUPS

COMMUNITY ENGAGEMENT IN THE PLANNING, IMPLEMENTATION AND EVALUATION OF THE HOSPITAL'S INITIATIVES IS OF UTMOST IMPORTANCE. CONSUMERS AND STAKEHOLDER ORGANIZATIONS PARTICIPATE IN A RANGE OF ACTIVITIES SO AS

RIDOH 1638

Part VI Supplemental Information

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TO ENSURE THAT MANY PERSPECTIVES ARE CONSIDERED. ONE EXAMPLE OF BROAD COMMUNITY INVOLVEMENT IS IN OUR MOST RECENT COMMUNITY HEALTH NEEDS ASSESSMENT STUDY, WHICH WAS LED BY A MULTI-MEMBER STAKEHOLDER FOCUS REPRESENTING THE COMMUNITIES WE SERVE. THE STUDY METHODOLOGY INCLUDED A LANGUAGE APPROPRIATE HOUSEHOLD SURVEY AND KEY INFORMANT INTERVIEWS. ADDITIONALLY, OUR COMMUNITY-BASED PROGRAMS EACH HAVE ADVISORY GROUPS, INCLUDING THE FAITH IN ACTION NETWORK (PARISH NURSING), SAFE KIDS NEW LONDON COUNTY (INJURY PREVENTION), TEEN PREGNANCY PREVENTION TASK FORCE. THE RECONNECTING THE HOMELESS PROGRAM ENGAGES IN COMMUNITY COLLABORATIVES THAT PROVIDE IMPORTANT INPUT FOR THE PROGRAM AND EMPHASIS IS PLACED ON HOSPITAL REPRESENTATIVE PARTICIPATION IN OTHER COMMUNITY ORGANIZATIONS SO AS TO PROVIDE OPPORTUNITIES TO HEAR FROM OUR CONSUMERS.

THE HOSPITAL'S BOARD OF DIRECTORS IS MADE UP OF COMMUNITY LEADERS WHO RESIDE IN THE HOSPITAL'S PRIMARY SERVICE AREA. THESE VOLUNTEERS GIVE COUNTLESS HOURS OF SERVICE TO THE HOSPITAL IN THEIR OVERSIGHT ROLE. THEY ARE INVOLVED IN THE STRATEGIC PLANNING, IN FUNDRAISING, AND IN GENERAL STEWARDSHIP AMONG OTHER RESPONSIBILITIES. OUR CORPORATORS ARE

RIDOH 1639

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1 Provide the description required for Part I, line 3c; Part I, line 6a; Part I, line 7g; Part I, line 7, column (f); Part I, line 7; Part III, line 4; Part III, line 8; Part III, line 9b, and Part V. See Instructions.

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3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's charity care policy.

4 **Community Information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.

5 **Community building activities.** Describe how the organization's community building activities, as reported in Part II, promote the health of the communities the organization serves.

6 Provide any other information important to describing how the organization's hospitals or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.).

7 If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.

8 If applicable, identify all states with which the organization, or a related organization, files a community benefit report.

OUR COMMUNITY-LIAISONS AND REPRESENT ALL SECTORS OF OUR COMMUNITIES PROVIDING INPUT AND FEEDBACK REGULARLY. MEDICAL STAFF PRIVILEGES ARE OFFERED TO ALL QUALIFIED PHYSICIANS IN THE COMMUNITY.

HEALTH ADVOCACY INITIATIVES

THE HOSPITAL IS INVOLVED IN HEALTH ADVOCACY INITIATIVES TO REDUCE UNINTENTIONAL INJURY TO CHILDREN, AND TO IMPROVE THE HEALTHCARE, PUBLIC HEALTH AND SOCIAL SERVICE SYSTEMS IN NEW LONDON COUNTY. OUR SAFE KIDS NEW LONDON COUNTY PROGRAM PLAYS A LEADERSHIP ROLE ON THE LOCAL, STATE AND NATIONAL LEVELS IN ADVOCATING FOR PUBLIC POLICIES THAT REDUCE INJURY RISK FOR CHILDREN. THE HOSPITAL'S LEADERSHIP IN THE NEW LONDON COUNTY HEALTH COLLABORATIVE, AND PARTNERSHIP WITH OVER 30 OTHER ORGANIZATIONS INCLUDING BACKUS HOSPITAL, THREE HEALTH DEPARTMENTS, THREE FEDERALLY QUALIFIED HEALTH CENTERS, THE COUNTY ANTI-POVERTY AGENCY, TWO HOMECARE ORGANIZATIONS, AND THE COUNTY'S LARGEST CHILD ADVOCACY ORGANIZATION, HAS RESULTED IN THE COLLABORATIVE BEING LOOKED TO AS A VALUABLE RESOURCE FOR POLICY MAKERS. ADDITIONALLY, THE EFFORTS OF THE NEW LONDON COUNTY HEALTH COLLABORATIVE ARE HAVING AN IMPACT ON COMMUNITY HEALTH, INITIALLY IN

RIDOH 1640

Part VI Supplemental Information

Complete this part to provide the following information.

1 Provide the description required for Part I, line 3c; Part I, line 6a; Part I, line 7g; Part I, line 7, column (f); Part I, line 7; Part III, line 4; Part III, line 8; Part III, line 9b; and Part V. See instructions.

2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves.

3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's charity care policy.

4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.

5 **Community building activities.** Describe how the organization's community building activities, as reported in Part II, promote the health of the communities the organization serves.

6 Provide any other information important to describing how the organization's hospitals or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.).

7 If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.

8 If applicable, identify all states with which the organization, or a related organization, files a community benefit report.

THE AREA OF IMPROVED ACCESS TO CARE.

ALL STATES WHICH ORGANIZATION FILES A COMMUNITY BENEFIT REPORT:

RIDOH 1641

Supplemental Exhibit 24(a)

Supplemental Exhibit 24

Index
Question 24

1.	2010 IRS 990 Form for Westerly Hospital Healthcare, Inc.	RIDOH 1345-RIDOH 1377
2.	2009 IRS 990 Form for Community Health of Westerly, Inc.	RIDOH 1378-RIDOH 1405
3.	2008 IRS 990 Form for Community Health of Westerly, Inc.	RIDOH 1406-RIDOH 1432
4.	2010 IRS 990 Form for The Westerly Hospital	RIDOH 1433-RIDOH 1514
5.	2009 IRS 990 Form for The Westerly Hospital	RIDOH 1515-RIDOH 1558
6.	2009 IRS 990 Form for The Westerly Hospital	RIDOH 1559-RIDOH 1596
7.	2010 IRS 990 Form for Lawrence + Memorial Hospital	RIDOH 1597-RIDOH 1621
8.	2009 IRS 990 Form for Lawrence + Memorial Hospital	RIDOH 1622-RIDOH 1641
9.	Additional Copy of Legible 2010 IRS 990 Form for Lawrence + Memorial Hospital	RIDOHS0660-RIDOHS0684

Supplemental Exhibit 24(b)

SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 20.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No. 1545-0047

2010

Open to Public Inspection

Name of the organization

LAWRENCE & MEMORIAL HOSPITAL

Employer identification number

06-0646704

Part I Financial Assistance and Certain Other Community Benefits at Cost

			Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	1a	X	
b	If "Yes," was it a written policy?	1b	X	
2	If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year.			
	[X] Applied uniformly to all hospital facilities [ ] Applied uniformly to most hospital facilities [ ] Generally tailored to individual hospital facilities			
3	Answer the following, based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year.			
a	Did the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing *free* care to low income individuals? If "Yes," indicate which of the following was the FPG family income limit for eligibility for free care. [ ] 100% [ ] 150% [ ] 200% [X] Other 250.0000 %	3a	X	
b	Did the organization use FPG to determine eligibility for providing *discounted* care to low income individuals? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care. [ ] 200% [ ] 250% [ ] 300% [ ] 350% [X] 400% [ ] Other %	3b	X	
c	If the organization did not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care. Include in the description whether the organization used an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care.			
4	Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	4	X	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	X	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b		
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?	5c	X	
6a	Did the organization prepare a community benefit report during the tax year?	6a	X	
b	If "Yes," did the organization make it available to the public?	6b	X	

Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H.

7 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheets 1 and 2)			1,339,418.		1,339,418.	.45
b Unreimbursed Medicaid (from Worksheet 3, column a)			46,031,668.	39,928,036.	6,103,632.	2.03
c Unreimbursed costs - other means-tested government programs (from Worksheet 3, column b)			808,721.	585,829.	222,892.	.07
d Total Financial Assistance and Means-Tested Government Programs			48,179,807.	40,513,865.	7,665,942.	2.55
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)		6424.	1,762,186.	36,483.	1,725,703.	.57
f Health professions education (from Worksheet 5)		2209	947,751.	150.	947,601.	.32
g Subsidized health services (from Worksheet 6)		2327	1,125,714.	2,496,141.	-749,427.	-.24
h Research (from Worksheet 7)		436	9,950.		9,950.	
i Cash and in-kind contributions to community groups (from Worksheet 8)		1845	144,978.	1,000.	143,978.	.05
j Total. Other Benefits		71623	4,990,645.	2,493,734.	2,496,911.	.70
k Total. Add lines 7d and 7j		71623	52,770,452.	43,007,599.	9,762,853.	3.25

RIDOHS0661

Part II **Community Building Activities** Complete this table if the organization conducted any community building activities during the tax year, and describe in Part VI how its community building activities promoted the health of the communities it serves.

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1 Physical improvements and housing						
2 Economic development						
3 Community support			89,403.	1,700.	87,135.	.03
4 Environmental improvements						
5 Leadership development and training for community members						
6 Coalition building		340	107,282.		107,282.	.04
7 Community health improvement advocacy		64	1,012.		1,012.	
8 Workforce development		16	153.		153.	
9 Other						
10 Total		420	197,852.	1,700.	196,152.	.07

Part III **Bad Debt, Medicare, & Collection Practices**

Section A. Bad Debt Expense

			Yes	No
1	Does the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?	1	X	
2	Enter the amount of the organization's bad debt expense (at cost)	2	13,865,210.	
3	Enter the estimated amount of the organization's bad debt expense (at cost) attributable to patients eligible under the organization's financial assistance policy	3	277,304.	
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense. In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, and rationale for including a portion of bad debt amounts in community benefit.			

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5	99,961,314.	
6	Enter Medicare allowable costs of care relating to payments on line 5	6	121,370,981.	
7	Subtract line 6 from line 5. This is the surplus (or shortfall)	7	-21,409,667.	
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 8. Check the box that describes the method used.			

☐ Cost accounting system ☐ Cost to charge ratio ☒ Other

Section C. Collection Practices

9a	Does the organization have a written debt collection policy during the tax year?	9a	X	
b	If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI.	9b	X	

Part IV **Management Companies and Joint Ventures**

	(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership %	(e) Physicians profit % or stock ownership %
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					

RIDOHS0662

Part V Facility Information

Section A. Hospital Facilities

(list in order of size, measured by total revenue per facility, from largest to smallest)

How many hospital facilities did the organization operate during the tax year? 1

Name and address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (describe)
1 LAWRENCE & MEMORIAL HOSPITAL 365 MONTAUK AVENUE NEW LONDON CT 06320	X	X					X	X	
2									
3									
4									
5									
6									
7									
8									
9									
10									
11									
12									
13									
14									
15									
16									

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RIDOHS0663

Part V **Facility Information** *(continued)*

Section B. Facility Policies and Practices

(Complete a separate Section B for each of the hospital facilities listed in Part V, Section A)

Name of Hospital Facility: LAWRENCE & MEMORIAL HOSPITAL

Line Number of Hospital Facility (from Schedule H, Part V, Section A): 1

			Yes	No
Community Health Needs Assessment (Lines 1 through 7 are optional for 2010)				
1	During the tax year or any prior tax year, did the hospital facility conduct a community health needs assessment (Needs Assessment)? If "No," skip to line 8	1		
	If "Yes," indicate what the Needs Assessment describes (check all that apply)			
a	☐ A definition of the community served by the hospital facility			
b	☐ Demographics of the community			
c	☐ Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d	☐ How data was obtained			
e	☐ The health needs of the community			
f	☐ Primary and chronic disease needs and other health issues of uninsured persons, low income persons, and minority groups			
g	☐ The process for identifying and prioritizing community health needs and services to meet the community health needs			
h	☐ The process for consulting with persons representing the community's interests			
i	☐ Information gaps that limit the hospital facility's ability to assess all of the community's health needs			
j	☐ Other (describe in Part VI)			
2	Indicate the tax year the hospital facility last conducted a Needs Assessment: 20			
3	In conducting its most recent Needs Assessment, did the hospital facility take into account input from persons who represent the community served by the hospital facility? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3		
4	Was the hospital facility's Needs Assessment conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4		
5	Did the hospital facility make its Needs Assessment widely available to the public?	5		
	If "Yes," indicate how the Needs Assessment was made widely available (check all that apply)			
a	☐ Hospital facility's website			
b	☐ Available upon request from the hospital facility			
c	☐ Other (describe in Part VI)			
6	If the hospital facility addressed needs identified in its most recently conducted Needs Assessment, indicate how (check all that apply)			
a	☐ Adoption of an implementation strategy to address the health needs of the hospital facility's community			
b	☐ Execution of the implementation strategy			
c	☐ Participation in the development of a community-wide community benefit plan			
d	☐ Participation in the execution of a community-wide community benefit plan			
e	☐ Inclusion of a community benefit section in operational plans			
f	☐ Adoption of a budget for provision of services that address the needs identified in the Needs Assessment			
g	☐ Prioritization of health needs in its community			
h	☐ Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i	☐ Other (describe in Part VI)			
7	Did the hospital facility address all of the needs identified in its most recently conducted Needs Assessment? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7		
Financial Assistance Policy				
	Did the hospital facility have in place during the tax year a written financial assistance policy that			
8	Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	8		
9	Used federal poverty guidelines (FPG) to determine eligibility for providing free care to low income individuals?	9		
	If "Yes," indicate the FPG family income limit for eligibility for free care: ___ ___ ___ %			

RIDOHS0664

Part V **Facility Information** *(continued)* LAWRENCE & MEMORIAL HOSPITAL

			Yes	No
10	Used FPG to determine eligibility for providing *discounted* care to low income individuals?	10		
	If "Yes," indicate the FPG family income limit for eligibility for discounted care %			
11	Explained the basis for calculating amounts charged to patients?	11		
	If "Yes," indicate the factors used in determining such amounts (check all that apply)			
a	☐ Income level			
b	☐ Asset level			
c	☐ Medical indigency			
d	☐ Insurance status			
e	☐ Uninsured discount			
f	☐ Medicaid/Medicare			
g	☐ State regulation			
h	☐ Other (describe in Part VI)			
12	Explained the method for applying for financial assistance?	12		
13	Included measures to publicize the policy within the community served by the hospital facility?	13		
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a	☐ The policy was posted on the hospital facility's website			
b	☐ The policy was attached to billing invoices			
c	☐ The policy was posted in the hospital facility's emergency rooms or waiting rooms			
d	☐ The policy was posted in the hospital facility's admissions offices			
e	☐ The policy was provided, in writing, to patients on admission to the hospital facility			
f	☐ The policy was available on request			
g	☐ Other (describe in Part VI)			
Billing and Collections				
14	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy that explained actions the hospital facility may take upon non-payment?	14		
15	Check all of the following collection actions against a patient that were permitted under the hospital facility's policies at any time during the tax year			
a	☐ Reporting to credit agency			
b	☐ Lawsuits			
c	☐ Liens on residences			
d	☐ Body attachments			
e	☐ Other actions (describe in Part VI)			
16	Did the hospital facility engage in or authorize a third party to perform any of the following collection actions during the tax year?	16		
	If "Yes," check all collection actions in which the hospital facility or a third party engaged (check all that apply)			
a	☐ Reporting to credit agency			
b	☐ Lawsuits			
c	☐ Liens on residences			
d	☐ Body attachments			
e	☐ Other actions (describe in Part VI)			
17	Indicate which actions the hospital facility took before initiating any of the collection actions checked in line 16 (check all that apply)			
a	☐ Notified patients of the financial assistance policy on admission			
b	☐ Notified patients of the financial assistance policy prior to discharge			
c	☐ Notified patients of the financial assistance policy in communications with the patients regarding the patients' bills			
d	☐ Documented its determination of whether a patient who applied for financial assistance under the financial assistance policy qualified for financial assistance			
e	☐ Other (describe in Part VI)			

LHA
For Paperwork Reduction Act Notice, see the Instructions for Form 990.
832051 11-24-10

RIDOHS0665

Part V Facility Information *(continued)* LAWRENCE & MEMORIAL HOSPITAL

Policy Relating to Emergency Medical Care

			Yes	No
18	Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?	18		
	If "No," indicate the reasons why (check all that apply)			
a	☐ The hospital facility did not provide care for any emergency medical conditions			
b	☐ The hospital facility did not have a policy relating to emergency medical care			
c	☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)			
d	☐ Other (describe in Part VI)			

Charges for Medical Care

19	Indicate how the hospital facility determined the amounts billed to individuals who did not have insurance covering emergency or other medically necessary care (check all that apply)			
a	☐ The hospital facility used the lowest negotiated commercial insurance rate for those services at the hospital facility			
b	☐ The hospital facility used the average of the three lowest negotiated commercial insurance rates for those services at the hospital facility			
c	☐ The hospital facility used the Medicare rate for those services			
d	☐ Other (describe in Part VI)			
20	Did the hospital facility charge any of its patients who were eligible for assistance under the hospital facility's financial assistance policy, and to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care?	20		
	If "Yes," explain in Part VI			
21	Did the hospital facility charge any of its patients an amount equal to the gross charge for any service provided to that patient?	21		
	If "Yes," explain in Part VI			

RIDOHS0666

Part V Facility Information *(continued)*

Section C. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility
(list in order of size, measured by total revenue per facility, from largest to smallest)

How many non-hospital facilities did the organization operate during the tax year?

	Name and address	Type of Facility (describe)
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		

RIDOHS0667

Part VI Supplemental Information

Complete this part to provide the following information.

1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II; Part III, lines 4, 8, and 9b; and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 11h, 13g, 15e, 16e, 17a, 18d, 19d, 20, and 21.

2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B.

3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy.

4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.

5 **Promotion of community health.** Provide any other information important to describing how the organization's hospitals facilities or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.).

6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.

7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report.

SCHEDULE H, PART I, LINE 2C:

IT IS THE PHILOSOPHY AND POLICY OF LAWRENCE & MEMORIAL HOSPITAL (THE "HOSPITAL") THAT MEDICALLY NECESSARY HEALTH CARE SERVICES SHOULD BE AVAILABLE TO ALL INDIVIDUALS REGARDLESS OF THEIR ABILITY TO PAY.

CHARITY CARE APPLIES TO ALL UNINSURED PATIENTS (DEFINED AS EARNING LESS THAN 250% OF THE POVERTY GUIDELINES, AS DESCRIBED IN § 19A-6f OF THE CONNECTICUT GENERAL STATUTES. THE HOSPITAL WILL MEET OR EXCEED THE GUIDELINES SET FORTH BY THE CONNECTICUT HOSPITAL ASSOCIATION ("CHA") ON THE STATEWIDE DISCOUNT POLICY FOR UNINSURED PATIENTS. CARE WILL BE PROVIDED FREE FOR THOSE UNINSURED PATIENTS WHO REQUEST ASSISTANCE AND VERIFY THEIR ANNUAL INCOME IS LESS THAN 250% OF THE FEDERAL INCOME POVERTY LEVEL ("FPL"). LIQUID ASSETS MUST NOT EXCEED $50,000 (STOCKS, BONDS, CASH, 401, IRA, CD ETC.) EXCLUDING PRIMARY RESIDENCE AND PRIMARY MOTOR VEHICLE. BUSINESS ASSETS, RENTAL PROPERTY, SECONDARY RESIDENCE, RECREATIONAL VEHICLES AND OTHER SUCH LUXURY ITEMS WILL BE APPLIED TO THE LIQUID ASSETS.

RIDOHS0668

Part VI Supplemental Information

Complete this part to provide the following information.

1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II; Part III, lines 4, 8, and 9b; and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21.

2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B.

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5 **Promotion of community health.** Provide any other information important to describing how the organization's hospitals facilities or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.).

6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.

7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report.

CARE WILL BE DISCOUNTED ON A SLIDING SCALE FOR ABLE PAY PATIENTS WHO HAVE NO THIRD PARTY INSURANCE TO COVER SERVICES WITH AN ANNUAL INCOME THAT IS BETWEEN 250% AND 400% OF THE FPL AND HAVE ASSETS LESS THAN $50,000, IN ACCORDANCE WITH THE FOLLOWING:

251% - 300% = COST OF CHARGE

301% - 350% = 67%

351% - 400% = 33%

SCHEDULE H, PART I, LINE 3:

THE AMOUNTS REPORTED ON PART I, LINE 3 WERE CALCULATED AS DIRECT, SEPARATELY IDENTIFIABLE COSTS INCURRED BY THE HOSPITAL PLUS AN ALLOCATION OF OVERHEAD.

PART I, LINE 7, COLUMN A

THE AMOUNT OF BAD DEBT EXPENSE INCLUDED ON FORM 990, PART IX, LINE 25, COLUMN (A), WAS EXCLUDED FOR PURPOSES OF CALCULATING THE PERCENTAGE IN THIS COLUMN TO $11,995,112.

RIDOHS0669

Part VI Supplemental Information

Complete this part to provide the following information

1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5a, 6i, 7, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21.

2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B.

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4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.

5 **Promotion of community health.** Provide any other information important to describing how the organization's hospitals facilities or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.).

6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served

7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

SCHEDULE H, PART III, LINE 4:

THE HOSPITAL USES A COST REPORTING SYSTEM TO DETERMINE THE BAD DEBT EXPENSE. THE AMOUNT OF BAD DEBT EXPENSE (AT COST) REPORTED ON PART III, LINE 2 IS TAKEN DIRECTLY FROM THE AUDITED FINANCIAL STATEMENTS. THE AMOUNT OF BAD DEBT EXPENSE (AT COST) ATTRIBUTABLE TO PATIENTS ELIGIBLE UNDER THE ORGANIZATION'S CHARITY CARE POLICY IS CALCULATED AS 2% OF THE AMOUNT OF BAD DEBT (AT COST) FROM THE AUDITED FINANCIAL STATEMENTS. THE AMOUNT OF 2% REPRESENTS THE BAD DEBT AMOUNT THAT COULD HAVE BEEN QUALIFIED FOR CHARITY CARE AS THIS THE PERCENTAGE OF GROSS REVENUE THAT IS NOT PAID.

SCHEDULE H, PART III, LINE 8:

THE MEDICARE SHORTFALL OF ($21,349,661) REPORTED IN PART I.I, LINE 7 WAS CALCULATED BASED ON COST REPORTING. THIS AMOUNT SHOULD BE TREATED AS COMMUNITY BENEFIT BECAUSE THE RATES PAID BY MEDICARE DO NOT ACCURATELY REFLECT THE COST OF CARE PROVIDED BY THE HOSPITAL. ACCORDINGLY, THE HOSPITAL MUST SUBSIDIZE THE COST OF CARE PROVIDED TO MEDICARE BENEFICIARIES WITH OTHER REVENUES.

RIDOHS0670

Part VI Supplemental Information

Complete this part to provide the following information.

1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II; Part III, lines 4, 8, and 9b; and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21.

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6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.

7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report.

SCHEDULE H, PART III, LINE 9B:

IN ACCORDANCE WITH ITS WRITTEN CREDIT AND COLLECTION POLICY, THE HOSPITAL WILL NOT PURSUE COLLECTION EFFORTS, DIRECTLY OR THROUGH COLLECTION AGENCIES, ON THE PORTION OF A PATIENT'S BILL FOR WHICH THAT PATIENT HAS ESTABLISHED ELIGIBILITY FOR CHARITY CARE.

SCHEDULE H, PART VI, LINE 2

NEEDS ASSESSMENT:

THE HOSPITAL EMPLOYS A VARIETY OF APPROACHES IN CONDUCTING COMMUNITY HEALTH NEEDS ASSESSMENTS. THE MOST RECENT COMPREHENSIVE ASSESSMENT, COVERING THE ENTIRE NEW LONDON COUNTY AND COMPLETED AS A COLLABORATIVE EFFORT WITH SEVERAL PARTNER ORGANIZATIONS, WAS CONDUCTED UNDER THE GUIDANCE OF AN OUTSIDE EXPERT. THOSE PARTNER ORGANIZATIONS INCLUDED THE COUNTY'S TWO HOSPITALS, ALL THREE FEDERALLY QUALIFIED HEALTH CENTERS, THE NEW LONDON COUNTY MEDICAL SOCIETY, ALL FIVE TRIBAL PUBLIC HEALTH ORGANIZATIONS (TRIBES), THE COUNTY'S COMMUNITY ACTION AGENCY AND A NUMBER OF OTHER IMPORTANT HEALTH CARE ORGANIZATIONS WHO FORMED THE ASSESSMENT STEERING COMMITTEE AND IMPROVED THE PROCESS FROM BEGINNING TO

RIDOHS0671

Part VI Supplemental Information

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IMPLEMENTATION TO REPORTING. THE ASSESSMENT IDENTIFIED THE MOST IMPORTANT HEALTH CARE AND PUBLIC HEALTH ISSUES IN NEW LONDON COUNTY USING SCIENTIFICALLY VALID DATA, COMPARATIVE INFORMATION, AND INPUT FROM LOCAL RESIDENTS, PROVIDERS AND LEADERS. INDICATORS WERE COMPILED FROM AN EXTENSIVE SET OF SECONDARY HEALTH-RELATED DATA AND A RANDOM SAMPLE COMMUNITY BOOSEHOLD TELEPHONE SURVEY. THIS STUDY IS CURRENTLY BEING UPDATED.

THE HOSPITAL REVIEWS DISEASE INCIDENCE AND PREVALENCE RATES FOR THE LOCAL COMMUNITY, STATE, AND NATION. RATES ARE COLLECTED FROM MEDICAL JOURNALS, THE CONNECTICUT DEPARTMENT OF HEALTH, OR NATIONAL HEALTH RESOURCES SUCH AS THE KAISER FAMILY FOUNDATION OR CENTERS FOR DISEASE CONTROL. THIS ANALYSIS INFORMS THE HOSPITAL ON THE HEALTH STATUS OF THE COMMUNITY AND IS USED TO FOCUS PROGRAM AND SERVICE DEVELOPMENT IN AREAS OF GREATEST CONCERN.

INFORMATION ON COMMUNITY NEEDS IS ALSO GATHERED THROUGH PARTNERSHIPS WITH OTHER COMMUNITY ORGANIZATIONS SUCH AS THE UNITED WAY, FAIR TRADE "LIGHT"

RIDOHS0672

Part VI Supplemental Information

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1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 5a, and 7; Part II; Part III, lines 4, 8, and 9b; and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21.

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HEALTH DISTRICT, AND OTHER LOCAL NON-PROFITS. PERIODIC REVIEW OF DATA AND UPDATING AN APPROPRIATE IS CONDUCTED. THE HOSPITAL COMPLETES A PHYSICIAN MANPOWER STUDY REGULARLY. THIS STUDY, CONDUCTED BY AN OUTSIDE CONSULTANT, DOCUMENTS THE DEMAND FOR PHYSICIANS BY SPECIALTY BASED ON PHYSICIAN-TO-POPULATION RATIOS, THE SUPPLY OF PHYSICIANS IN THE COMMUNITY, AND THE RESULTANT GAPS BETWEEN DEMAND AND SUPPLY. THE ANALYSIS INFORMS THE HOSPITAL OF DEFICIENCIES IN PHYSICIAN SUPPLY AND HELPS FOCUS RECRUITMENT EFFORTS TO MEET THE DEMANDS OF THE COMMUNITY.

ALL COMMUNITY BENEFIT ACTIVITIES ARE REGULARLY EVALUATED FOR IMPACT AND EFFECTIVENESS AND AUDITED FOR COMPLIANCE WITH THE ORGANIZATION'S COMMUNITY BENEFIT POLICY.

CRITERIA 2, PART II, LINE 1

PATIENT EDUCATION OF ELIGIBILITY FOR ASSISTANCE:

IN ACCORDANCE WITH ITS CHARITY CARE POLICY, THE HOSPITAL NOTIFIES PATIENTS OF THE AVAILABILITY OF FINANCIAL ASSISTANCE USING SEVERAL METHODS. 1) SIGNAGE INDICATING THE AVAILABILITY OF CHARITY CARE IS

RIDOHS0673

Part VI Supplemental Information

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1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II; Part III, lines 4, 8, and 9b; and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21

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POSTED IN ENGLISH AND SPANISH IN PATIENT ACCOUNTS, HEALTH ACCESS MANAGEMENT AND CERTAIN CLINICAL AREAS. SUMMARIES OF THE PROGRAMS WILL ALSO BE AVAILABLE IN THOSE AREAS. ST PATIENT FINANCIAL ADVISORS WILL ATTEMPT TO VISIT ALL INPATIENTS REGISTERED AS SELF-PAY PATIENTS. A SUMMARY EXPLAINING CHARITY CARE WILL BE GIVEN TO THE PATIENT OR GUARANTOR WHEN THEY VISIT DOCTORS. ST PATIENTS WITH NO INSURANCE WILL RECEIVE AN INITIAL LETTER WITHIN ONE WEEK OF DISCHARGE INFORMING THEM THAT THE HOSPITAL CONSIDERS THEM "INSURED" PER THE CONNECTICUT GENERAL STATUES SECTION 19A-673. IT IS THE RESPONSIBILITY OF THE PATIENT TO ADVISE THE HOSPITAL IF THEY BELIEVE THEY QUALIFY AS "UNINSURED" (AT OR UNDER 250% OF THE FPG). A) A SERIES OF MONTHLY STATEMENTS WILL BE SENT FOLLOWING DISCHARGE. EACH STATEMENT WILL REMIND THE PATIENT OF THE AVAILABILITY OF CHARITY CARE.

SCHEDULE H, PART VI, LINE 4

RIDOHS0674

Part VI Supplemental Information

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1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II; Part III, lines 4, 8, and 9b; and Part V, Section B, lines 1j, 3, 4, 5c, 6b, 7, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21

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COMMUNITY INFORMATION:

POPULATION SIZE

THE COMMUNITIES THAT COMPRISE OUR SERVICE AREA OF THE HOSPITAL INCLUDE

TEN TOWNS ALONG THE CONNECTICUT SHORELINE BETWEEN RHODE ISLAND AND THE

CONNECTICUT RIVER AND INLAND TO SALEM, CT, WITH A TOTAL POPULATION OF

APPROXIMATELY 180,000 PEOPLE YEAR-ROUND, INCREASING TO 250,000 IN THE

SUMMER. OUR COMMUNITIES REPRESENT A BROAD MIX OF URBAN, SUBURBAN, AND

RURAL AREAS.

GENERAL DEMOGRAPHICS

THE TOWNS AND CITIES IN OUR AREA ARE VERY DIVERSE, NOT ONLY

SOCIO-ECONOMICALLY BUT ALSO IN TERMS OF RACE, ETHNICITY, FAITH TRADITION,

RESIDENT TRANSIENCE, EMPLOYMENT, HEALTH INSURANCE STATUS, AND EDUCATIONAL

ATTAINMENT. FROM 2000 TO 2010, THERE WAS A SLIGHT OVERALL GROWTH IN

POPULATION IN NEW LONDON COUNTY WITH DRAMATIC CHANGES OCCURRING IN ETHNIC

AND RACIAL COMPOSITION OF THE LOCAL POPULATION; THE PERCENTAGE OF

HISPANICS INCREASED BY 75.12%, AFRICAN AMERICANS INCREASED BY 10.29%,

NATIVE AMERICANS INCREASED BY 0.7%, ASIAN/AMERICAN/PACIFIC ISLANDERS

RIDOHS0675

Part VI Supplemental Information

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INCREASED BY 19.2%, THOSE WHO INDICATE "OTHER" INCREASED BY 61.3% AND
THOSE INDICATING TWO OR MORE RACES INCREASED BY 44.2%. OTHER INCREASES
HAVE OCCURRED IN THE EASTERN EUROPEAN AND HAITIAN POPULATIONS, AMONG
OTHERS, WITH LOCAL SCHOOL DISTRICTS REPORTING SIGNIFICANT PERCENTAGES OF
CHILDREN FROM HOMES WHERE ENGLISH IS NOT THE PRIMARY LANGUAGE. CHANGES IN
THE ETHNIC AND RACIAL MAKEUP OF COUNTY RESIDENTS OVER TIME WILL IMPACT
THE BURDEN OF DISEASE AND DEMAND FOR HEALTH SERVICES.

MAJOR EMPLOYERS

THE REGION HAS TRANSITIONED FROM A LARGELY OFFENSE INDUSTRY-BASED ECONOMY
TO ONE THAT RELIES HEAVILY UPON EMPLOYMENT IN THE SERVICE AND TRADE
SECTORS AND IN GENERAL HAS A HIGHER PERCENTAGE OF PERSONS EMPLOYED IN
THOSE SECTORS WITH CORRESPONDING LOWER RATES OF PAY, WHICH IS CORRELATED
WITH THE LOWER PER CAPITA INCOME AND GREATER ECONOMIC VULNERABILITY.
MAJOR EMPLOYERS INCLUDE THE MASSACHUSETTS, NAVY AND MARINE CORPS
(PORTSMOUTH NAVAL SHIPYARD AND NAVAL AND MARINE CORPS RESERVE CENTER), BIOMED
GLOBAL RESEARCH AND DEVELOPMENT, CLINICAL TRIAL INSTITUTIONS (JOHNSON &
JOHNSON, MEDTRONIC CORPORATE AND THE U.S. COAST GUARD ACADEMY), GENERAL

RIDOHS0676

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DYNAMICS/SYSTEMS SCAT, DOMINION, AND LAWRENCE & MEMORIAL.

PRIMARY SOCIAL AND HEALTH CARE FACTORS

IN THE URBAN CENTERS OF THE REGION, RACIAL AND ETHNIC HEALTH DISPARITIES,

HIGHER POVERTY AND UNEMPLOYMENT RATES, LOWER LEVELS OF EDUCATIONAL

ATTAINMENT, LIMITED ACCESS TO AFFORDABLE HOUSING AND TRANSPORTATION,

HIGHER RATES OF DEATH FROM CHRONIC ILLNESS, AND A GREATER LIKELIHOOD OF

RESIDENTS NOT HAVING HEALTH INSURANCE, ALL OF WHICH PRESENT PARTICULAR

CHALLENGES. MEDIAN HOUSEHOLD INCOME IN OUR HOSPITAL SERVICE AREA IS FAR

BELOW THAT OF ISE SCATS, WITH AFRICAN AMERICAN AND HISPANIC FAMILIES'

INCOMES SIGNIFICANTLY LOWER THAN WHITE FAMILIES' INCOMES. THE REGION

INCLUDES ONE PRIORITY SCHOOL DISTRICT IN WHICH FAMILIES SPEAK OVER 51

DIFFERENT LANGUAGES AND APPROXIMATELY 60% OF CHILDREN CHANGE SCHOOLS EACH

YEAR. TWO OF OUR COMMUNITIES HAVE A HARMFUL PERCENTAGE OF CHILDREN

LIVING IN POVERTY THAN THE STATE AVERAGE OF 21%.

THE CHRONIC DISEASE BURDEN IN EACH DISTRICT HAS LONG BEEN HIGH WITH

ASTHMA AND NEW ENGLAND SAVE'S HIGHER PREVALENCE RATES IN THE NATION.

RIDOHS0677

Part VI Supplemental Information

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CONDITIONS THAN OTHER REGIONS. SINCE TWO COMMUNITIES ALSO HAVE A HIGHER PERCENTAGE OF PEOPLE WHO ONLY SPEAK "NON-ENGLISH" AND, ALONG WITH SOME OUTLYING TOWNS, HAVE THE LEAST FAVORABLE INDICATORS FOR CHRONIC DISEASE.

SCHEDULE H, PART VI, LINE 5

PROMOTION OF COMMUNITY HEALTH:

IN ADDITION TO MEETING AN IDENTIFIED NEED IN THE COMMUNITY, THE HOSPITAL'S COMMUNITY BUILDING ACTIVITIES CONTRIBUTE TO AN OVERALL HEALTHY COMMUNITY AND SUPPORT THE HOSPITAL'S ROLE AS GOOD CORPORATE CITIZEN. THIS SOCIAL IMPACT IS MEASURED IN TERMS OF COMMUNITY VIBRANCY, AND BREADTH AND DEPTH OF COMMUNITY ACTIVITIES THAT ENHANCE QUALITY OF LIFE IN THE REGION. THESE ACTIVITIES ARE NOT INCLUDED ELSEWHERE ON THE SCHEDULE H.

THE MAJORITY OF THE HOSPITAL'S COMMUNITY BUILDING ACTIVITIES FALL INTO THE CATEGORY OF COALITION BUILDING, IN WHICH WE ARE ENGAGED WITH A BROAD RANGE OF COMMUNITY PARTNERS IN IMPROVING COMMUNITY HEALTH IN THE AREAS OF PARISH NURSING, TEEN PREGNANCY PREVENTION, ACCESS TO CARE, AND ADDICTION

RIDOHS0678

Part VI Supplemental Information

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OF CHRONIC DISEASE. ADDITIONALLY, WE ARE ENGAGED IN COMMUNITY SUPPORT ACTIVITIES SUCH AS SUPPORT FOR LOCAL FAITH COMMUNITY LEADERS, DISASTER PREPAREDNESS ACTIVITIES THAT GO BEYOND WHAT IS REQUIRED BY ACCREDITATION, HEALTH-RELATED CAREER ENRICHMENT ACTIVITIES, AND SUPPORT FOR PARTNER NON-PROFITS ALSO ENGAGED IN COMMUNITY DEVELOPMENT SUCH AS THE DISBURSEMENT OF SCHOLARSHIPS. IN THE AREA OF LEADERSHIP DEVELOPMENT AND TRAINING FOR COMMUNITY MEMBERS, WE PROVIDE TRAININGS FOR PROFESSIONALS IN INJURY PREVENTION STRATEGIES, AND HEALTH CAREER LEADERSHIP DEVELOPMENT AND WORKFORCE DEVELOPMENT. WE PARTICIPATE IN ECONOMIC DEVELOPMENT ACTIVITIES THROUGH THE REGION'S CHAMBER OF COMMERCE. COMMUNITY HEALTH IMPROVEMENT ADVOCACY INCLUDES PAYOUT OF INJURY PREVENTION POLICY CHANGES AND SUPPORT FOR IMPROVED ACCESS TO HEALTHCARE. ALL OF THESE ACTIVITIES HAVE AS THEIR PRIMARY PURPOSE TO BENEFIT THE COMMUNITY AND ARE CARRIED OUT WITHOUT REMUNERATION.

RIDOHS0679

Part VI Supplemental Information

Complete this part to provide the following information

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OTHER INFORMATION:

A MAJORITY OF THE HOSPITAL'S TRUSTEES ARE MEMBERS OF THE COMMUNITY SERVED BY THE HOSPITAL AND ARE NOT EMPLOYED BY THE HOSPITAL NOR ARE THEY FAMILY MEMBERS OF PERSONS EMPLOYED BY THE HOSPITAL. THE HOSPITAL EXTENDS MEDICAL STAFF PRIVILEGES TO ALL QUALIFIED PHYSICIANS IN THE COMMUNITY WHO WISH TO JOIN THE STAFF, CONSISTENT WITH ITS SIZE AND NATURE OF ITS FACILITIES. EXCESS RECEIPTS FROM OPERATIONS ARE DEVOTED TO IMPROVEMENT OF FACILITIES, DEBT SERVICE, MEDICAL TRAINING AND RESEARCH.

THE HOSPITAL'S COMMUNITY BENEFIT PROGRAMS AND SERVICES ACCORD WITH THE PRINCIPLES AS SET FORTH IN THE ORGANIZATION'S COMMUNITY BENEFIT POLICY. THOSE PRINCIPLES INCLUDE:

1. EMPHASIS ON PROGRAMS TO MEET A SIGNIFICANT UNMET HEALTH NEED INCLUDING EFFORTS TO IDENTIFY AND INCLUDE VULNERABLE POPULATIONS OR THOSE MOST AT-RISK AS DETERMINED BY RISK FACTORS WHICH PREDISPOSE THOSE POPULATIONS TOWARD A HIGHER INCIDENCE OF DISEASE AND/OR BARRIERS TO OBTAINING APPROPRIATE HEALTHCARE.

RIDOHS0680

Part VI Supplemental Information

Complete this part to provide the following information

1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II; Part III lines 4, 8 and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 11h, 13g, 15e, 16a, 17e, 18d, 19d, 20, and 21

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2. EMPHASIS ON PRIMARY PREVENTION AND INCLUDING AT LEAST ONE OF THREE PRIMARY PREVENTION STRATEGIES: HEALTH PROMOTION, DISEASE PREVENTION, AND HEALTH PROTECTION. HEALTH PROMOTION ENTAILS ENCOURAGING HEALTHY LIFESTYLES; DISEASE PREVENTION FOCUSES ON INDIVIDUALS IDENTIFIED AS AT-RISK FOR HEALTH PROBLEMS; HEALTH PROTECTION ACTIVITIES INFLUENCE THE ENVIRONMENT TO SUPPORT HEALTHY BEHAVIORS.

3. PROGRAMS SHOULD DEVELOP EVIDENCE-BASED LINKS BETWEEN CLINICAL SERVICES AND HEALTH IMPROVEMENT ACTIVITIES DELIVERED BOTH INSIDE AND OUTSIDE THE HOSPITAL.

4. PROGRAMS SHOULD FOCUS IN TARGETING CHARITABLE RESOURCES THAT MOBILIZE AND BUILD CAPACITY WITHIN EXISTING COMMUNITY ASSETS WHILE MINIMIZING DUPLICATION OF EFFORT.

5. PROGRAMS SHOULD ARTICULATE COLLABORATION WITH COMMUNITY STAKEHOLDERS.

RIDOHS0681

Part VI Supplemental Information

Complete this part to provide the following information

1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II, Part III, lines 4, 8, and 9b; and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 11h, 13g, 15e, 16e, 17a, 18d, 19d, 20, and 21.

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7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report.

COMMUNITY INVOLVEMENT IN GOVERNANCE AND ADVISORY GROUPS

COMMUNITY ENGAGEMENT IN THE PLANNING, IMPLEMENTATION AND EVALUATION OF THE HOSPITAL'S INITIATIVES IS OF UTMOST IMPORTANCE. CONSUMERS AND STAKEHOLDER ORGANIZATIONS PARTICIPATE IN A RANGE OF ACTIVITIES SO AS TO ENSURE THAT MANY PERSPECTIVES ARE HEARD. ONE EXAMPLE OF BROAD COMMUNITY INVOLVEMENT IS IN OUR MOST RECENT COMMUNITY HEALTH NEEDS ASSESSMENT STUDY, WHICH WAS LED BY A MULTI-MEMBER STAKEHOLDER GROUP REPRESENTING THE COMMUNITIES WE SERVE. THE STUDY METHODOLOGY INCLUDED A LANGUAGE APPROPRIATE HOUSEHOLD SURVEY AND KEY INFORMANT INTERVIEWS.

ADDITIONALLY, OUR COMMUNITY-BASED PROGRAMS EACH HAVE ADVISORY GROUPS, INCLUDING THE FAITH IN ACTION NETWORK (PARISH NURSING), SAFE KIDS NEW LONDON COUNTY (INJURY PREVENTION), TEEN PREGNANCY PREVENTION TASK FORCE.

THE RECONCILING THE HOMELESS PROGRAM ENGAGES IN COMMUNITY COLLABORATIVES THAT PROVIDE IMPORTANT INPUT FOR THE PROGRAM AND EMPHASIS IS PLACED ON HOSPITAL REPRESENTATIVE PARTICIPATION IN OTHER COMMUNITY ORGANIZATIONS SO AS TO PROVIDE OPPORTUNITIES TO HEAR FROM OUR CONSUMERS.

THE HOSPITAL'S BOARD OF DIRECTORS IS MADE UP OF COMMUNITY LEADERS WHO

3E1260 1.000 [illegible]

RIDOHS0682

Part VI Supplemental Information

Complete this part to provide the following information.

1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II, Part III, lines 4, 8, and 9b; and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 11h, 13g, 15a, 16e, 17e, 18d, 19d, 20, and 21.

2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B.

3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy.

4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.

5 **Promotion of community health.** Provide any other information important to describing how the organization's hospitals facilities or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board use of surplus funds, etc.).

6 **Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.

7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report.

RESIDE IN THE HOSPITAL'S PRIMARY SERVICE AREA. THESE VOLUNTEERS GIVE COUNTLESS HOURS OF SERVICE TO THE HOSPITAL IN THEIR OVERSIGHT ROLE. THEY ARE INVOLVED IN THE STRATEGIC PLANNING, IN FUNDRAISING, AND IN GENERAL STEWARDSHIP AMONG OTHER RESPONSIBILITIES. OUR CORPORATORS ALSO SERVE COMMUNITY LIAISONS AND REPRESENT ALL SECTORS OF OUR COMMUNITIES PROVIDING INPUT AND FEEDBACK REGULARLY. MEDICAL STAFF PRIVILEGES ARE OFFERED TO ALL QUALIFIED PHYSICIANS IN THE COMMUNITY.

HEALTH ADVOCACY INITIATIVES

THE HOSPITAL IS INVOLVED IN HEALTH ADVOCACY INITIATIVES TO REDUCE UNINTENTIONAL INJURY TO CHILDREN, AND TO IMPROVE THE HEALTHCARE, PUBLIC HEALTH AND SOCIAL SERVICE SYSTEMS IN NEW LONDON COUNTY. OUR SAFE KIDS NEW LONDON COUNTY PROGRAM PLAYS A LEADERSHIP ROLE ON THE LOCAL, STATE AND NATIONAL LEVELS IN ADVOCATING FOR PUBLIC POLICIES THAT REDUCE INJURY RISK FOR CHILDREN. THE HOSPITAL'S MEMBERSHIP IN THE NEW LONDON COUNTY HEALTH COLLABORATIVE, AND PARTNERSHIP WITH OVER 14 OTHER ORGANIZATIONS INCLUDING BACKUS HOSPITAL, THREE HEALTH DEPARTMENTS, THREE FEDERALLY QUALIFIED HEALTH CENTERS, THE LOCAL EMERGENCY AGENCY, TWO NUMERous

RIDOHS0683

Part VI Supplemental Information

Complete this part to provide the following information

1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II, Part III, lines 4, 8, and 9b; and Part V, Section B, lines 1j, 3, 4, 5c, 6, 7, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21.

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7 **State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report.

ORGANIZATIONS, AND THE COUNTY'S LARGEST CHILD ADVOCACY ORGANIZATION, HAS RESULTED IN THE COLLABORATIVE BEING LOOKED TO AS A VALUABLE RESOURCE FOR POLICY MAKERS. ADDITIONALLY, THE EFFORTS OF THE NEW LONDON COUNTY HEALTH COLLABORATIVE ARE HAVING AN IMPACT ON COMMUNITY HEALTH, INITIALLY IN THE AREA OF IMPROVED ACCESS TO CARE.

RIDOHS0684

Part VI Supplemental Information

Complete this part to provide the following information

1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III lines 4, 8, and 9b, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 11h, 13g, 15e, 16e, 17e, 18d, 19d, 20, and 21.

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7 **State filing of community benefit report.** If applicable identify all states with which the organization, or a related organization, files a community benefit report

STATE FILING OF COMMUNITY BENEFIT REPORT

CT,

RIDOHS0685

Exhibit 25

L&M Physician Association, Inc.
I: 27-1094375 PI: 1386972693
Aetna
Anthem
Cigna
ConnectiCare/Vip Medicare Plans
Coventry
FDOL
Great West
HNFS (Tricare)
Medicaid
Medicare
Medicare RR
MultiPlan
NEHD
Oxford
Pioneer
UHC

ASSECT

Medical	Behavioral Health
TIN: 20-8006123	TIN: 20-8006123
Group NPI: 1588844591	Group NPI: 1588844591
Aetna	Aetna
Anthem	
Cigna	Anthem Behavioral
	CTBHP
ConnectiCare	Coventry
Coventry/First health	MHN
Federal DOL	Medicaid
Great West	Medicare
HNFS (TRICARE)	MultiPlan
Medicaid	CHN, PPO
Medicare	Pioneer
Medicare Rail Road	United Behavioral Health
MultiPlan	Value Options
CHN, PPO	
Oxford	
Pioneer	
United Health Care	
Corvel	

Exhibit 25

Payor List for L+M Hospital

Aetna US Healthcare
Aetna Workers' Comp Access Program
American Imaging Management
America's Health Plan
Anthem Blue Cross Blue Shield of CT
Anthem BC – Empire Blue Cross Addendum
Anthem Blue Cross Blue Shield of CT Private Fee for Service
Anthem Blue Cross Blue Shield of CT Medicare Advantage
APRN Department of Psychiatry Contracts
Benecorp
Coastal Connecticut Research LLC
CHLN Operating Agreement
CIGNA
CIGNA Private Fee for Services for Medicare
Comprehensive Rehabilitation Associates
ConnectiCare, Inc.
ConnectiCare Medicare Advantage Plan
ConnectiComp
Connecticut Behavioral Health Partnership
Connecticut HealthCare Workers' Compensation Trust Medical Care Plan
Corvel Corporation Workers' Comp
Coventry Health (First Health)
Daly, Lee & Kelley Employee Benefit Plan Administrators
DMAS Dept of Mental Health & Addiction Services, Southeastern Mental Health Authority
EmblemHealth PPO/EPO
Facial Imaging, LLC
First Connecticut Life Insurance
Focus HealthCare Management
Health Care Visions (dba Beechwood)
Health Connecticut
Health Direct
Health Management Corporation Workers' Comp
Health Net Federal Services (TriCare)
Health Payors Organization
HealthCare VALUE Management, Inc
HMC PPO, Inc
Hospice of Southeastern Connecticut
Insurance Programmers, Inc.
International Union of Bricklayers and Allied Craftsmen
Iron Workers' Locals No. 15 and 424 Extended Benefit Fund
Kemper National Services Workers' Comp

Mailhandlers Benefit Plan
MHN (Managed Health Network)
Mathog & Moniello
MedView Services, Inc.
Metropolitan Life Insurance Company
Mohegan Tribe Contract Health
MultiPlan
MultiPlan Network for Workers' Compensation and Auto Medical Programs
Network Synergy, Inc.
Northeast Health Direct, LLC
OptumHealth Behavioral Solutions
Oxford
Pequot Health Care/Pequot Health Benefit Services
PHCS – Private Healthcare Systems
Phoenix Mutual Life Insurance
Pioneer Health Network
Plummer and Steamfitters, Local 84
Preferred Medical Choice, Inc.
Prime Health Services – group health
Prime Health Services – workers' comp
Prudential Insurance Company
SmithKline Beecham
Tri State Teamsters Health Benefit Plan
UniCare
United Behavioral Health
United Healthcare
United Healthcare Medicare Advantage
United Healthcare for General Dynamics/Electric Boat
USDOL Workers Comp Program
Value Behavioral Health, Inc.
Value Options
VES Veterans Evaluation Services
Workwell

Supplemental Exhibit Appendix A-1

Appendix A
Breakdown of Other

	FY 2012		FY 2013
Respiratory	8.70	787,233	8.70
Lab	39.28	2,962,876	39.28
Imaging	35.48	3,268,120	35.48
Dietary Café	20.43	1,189,922	20.43
Main/ Security	15.75	1,015,231	15.75
Acct/Pay/AP/Bus Office/Reg	33.98	2,163,647	33.98
Management	25.60	3,028,884	25.60
Pharmacy	9.30	987,679	9.30
Medical records Transcriptionists and Coders	23.05	1,423,757	23.05
Case Managers/ Soial Workers	6.90	575,554	6.90
Endo, OR Techs Assistants	11.93	754,986	11.93
Other	135.73	14,245,378	127.82
	366.10	32,403,266	358.20

	FY 2014		FY 2015	
787,233	8.70	787,233	8.70	787,233
2,962,876	39.28	2,962,876	39.28	2,962,876
3,268,120	35.48	3,268,120	35.48	3,268,120
1,189,922	20.43	1,189,922	20.43	1,189,922
1,015,231	15.75	1,015,231	15.75	1,015,231
2,163,647	33.98	2,163,647	33.98	2,163,647
3,028,884	25.60	3,028,884	25.60	3,028,884
987,679	9.30	987,679	9.30	987,679
1,423,757	23.05	1,423,757	23.05	1,423,757
575,554	6.90	575,554	6.90	575,554
754,986	11.93	754,986	11.93	754,986
10,766,864	112.82	9,434,864	99.82	8,286,864
28,924,752	343.20	27,592,752	330.20	26,444,752

APPENDIX C(3)

Acquisition of The esterly Hospital

Loan Amount	$ 20,000,000	
Annual Interest Rate (30 Day LIBOR + 75 bppa)		0.960%
Loan Period in years	2	
Start Date	1-Nov-12	

Period	Beginning Balance	Interest	Principle Payment	Total Payment
12/1/2012	$ 20,000,000	16,000.0	$ -	16,000.00
1/1/2013	$ 20,000,000	16,533.3	$ -	16,533.33
2/1/2013	$ 20,000,000	16,533.3	$ -	16,533.33
3/1/2013	$ 20,000,000	14,933.3	$ -	14,933.33
4/1/2013	$ 20,000,000	16,533.3	$ -	16,533.33
5/1/2013	$ 20,000,000	16,000.0	$ -	16,000.00
6/1/2013	$ 20,000,000	16,533.3	$ -	16,533.33
7/1/2013	$ 20,000,000	16,000.0	$ -	16,000.00
8/1/2013	$ 20,000,000	16,533.3	$ -	16,533.33
9/1/2013	$ 20,000,000	16,533.3	$ -	16,533.33
10/1/2013	$ 20,000,000	16,000.0	$ -	16,000.00
11/1/2013	$ 20,000,000	16,533.3	$ -	16,533.33
12/1/2013	$ 20,000,000	16,000.0	$ -	16,000.00
1/1/2014	$ 20,000,000	16,533.3	$ -	16,533.33
2/1/2014	$ 20,000,000	16,533.3	$ -	16,533.33
3/1/2014	$ 20,000,000	14,933.3	$ -	14,933.33
4/1/2014	$ 20,000,000	16,533.3	$ -	16,533.33
5/1/2014	$ 20,000,000	16,000.0	$ -	16,000.00
6/1/2014	$ 20,000,000	16,533.3	$ -	16,533.33
7/1/2014	$ 20,000,000	16,000.0	$ -	16,000.00
8/1/2014	$ 20,000,000	16,533.3	$ -	16,533.33
9/1/2014	$ 20,000,000	16,533.3	$ -	16,533.33
10/1/2014	$ 20,000,000	16,000.0	$ -	16,000.00
11/1/2014	$ 20,000,000	16,533.3	$ 20,000,000	20,016,533.33
Total		**$ 389,333.33**	**$ 20,000,000.00**	**$ 20,389,333.33**

Notes:

1. 30 Day LIBOR rate as of 10/24/2012 is .21

2. Interest is computed on the basis of a year of 360 days and payable for the actual number of days elapsed.

*3. Interest payment calculated using annual rate *(# of days elapsed over 360 days) * Principle*

RIDOHC 0823

RECYCLED

Exhibit
Appendix C(4)

PROJECTED CASH FLOW STATEMENT

	Fiscal Year Ending December 31,				
	2013	2014	2015	2016	2017
Operating Revenue	$ 92,615	$ 94,479	$ 94,479	$ 94,479	$ 94,479
Operating Expense	95,070	92,966	91,699	91,951	92,329
Operating Profit After Tax	(2,455)	1,513	2,781	2,528	2,150
Less: Incremental Net Working Capital	6,600	-	-	-	-
Less: Capital Expenditures	5,000	5,000	5,000	5,000	5,000
Plus: Depreciation Expense	4,802	5,072	5,386	5,612	5,959
Net Cash Flow From Operations	$ (9,253)	$ 1,586	$ 3,167	$ 3,140	$ 3,110

RIDOH 1647