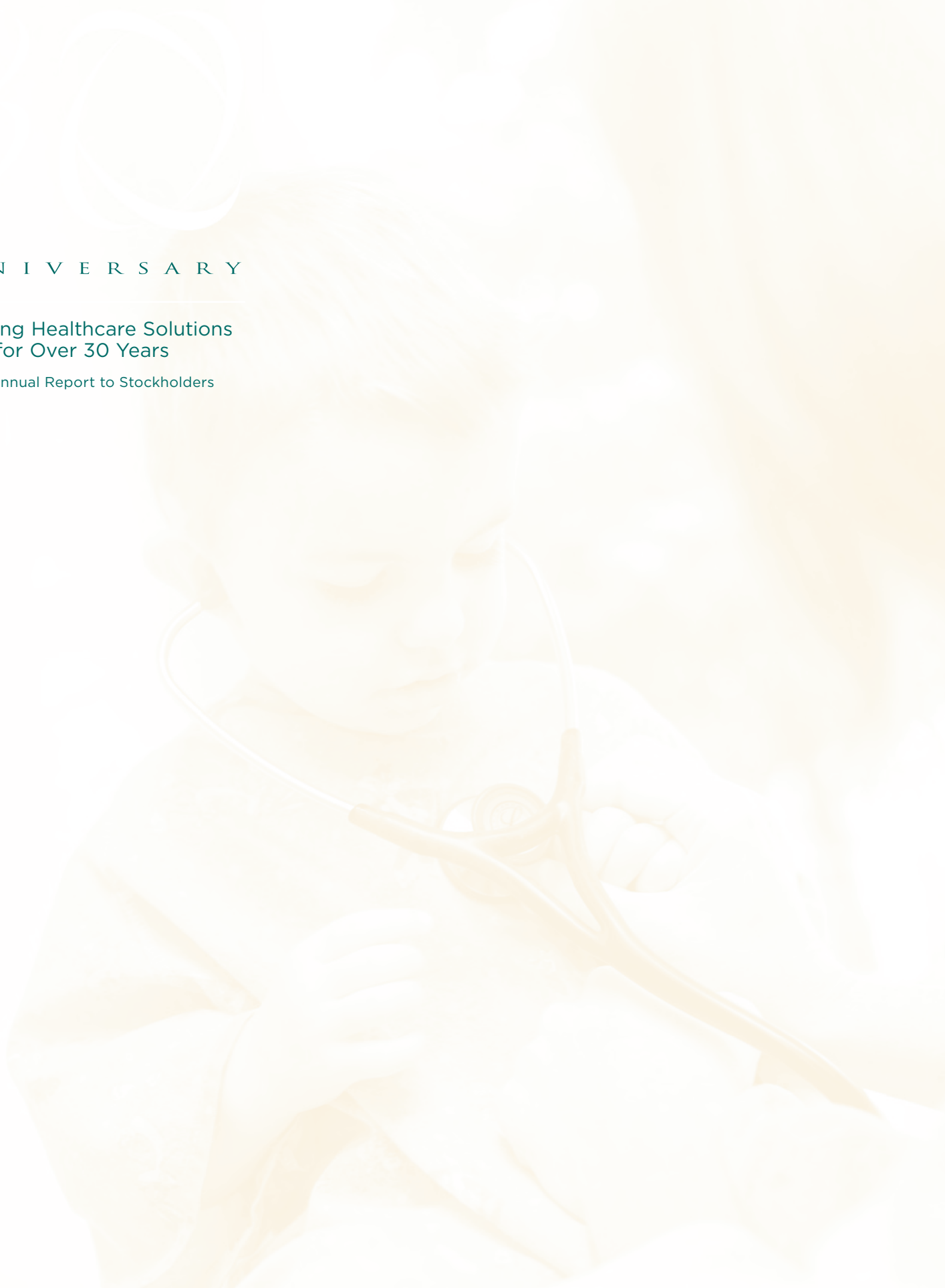


# COMMUNITY HEALTH SYSTEMS, INC.

A N N I V E R S A R Y

Providing Healthcare Solutions  
for Over 30 Years

2014 Annual Report to Stockholders



**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders of  
Community Health Systems, Inc.  
Franklin, Tennessee

We have audited the accompanying consolidated balance sheets of Community Health Systems, Inc. and subsidiaries (the “Company”) as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, stockholders’ equity, and cash flows for each of the three years in the period ended December 31, 2014. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Community Health Systems, Inc. and subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of December 31, 2014, based on the criteria established in Internal Control Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 25, 2015 expressed an unqualified opinion on the Company’s internal control over financial reporting.

/s/ Deloitte & Touche LLP

Nashville, Tennessee  
February 25, 2015

**COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**

	Year Ended December 31,		
	2014	2013	2012
	(In millions, except share and per share data)		
Operating revenues (net of contractual allowances and discounts)	\$ 21,561	\$ 14,853	\$ 14,747
Provision for bad debts	2,922	2,034	1,914
<i>Net operating revenues</i>	<u>18,639</u>	<u>12,819</u>	<u>12,833</u>
<i>Operating costs and expenses:</i>			
Salaries and benefits	8,618	6,107	5,992
Supplies	2,862	1,975	1,953
Other operating expenses	4,322	2,818	2,807
Government settlement and related costs	101	102	—
Electronic health records incentive reimbursement	(259)	(162)	(123)
Rent	434	279	264
Depreciation and amortization	1,106	771	714
Amortization of software to be abandoned	75	—	—
<i>Total operating costs and expenses</i>	<u>17,259</u>	<u>11,890</u>	<u>11,607</u>
<i>Income from operations</i>	1,380	929	1,226
Interest expense, net of interest income of \$5, \$3 and \$3 in 2014, 2013 and 2012, respectively	972	613	621
Loss from early extinguishment of debt	73	1	115
Equity in earnings of unconsolidated affiliates	(48)	(43)	(42)
Impairment of long-lived assets	41	12	10
Income from continuing operations before income taxes	342	346	522
Provision for income taxes	82	104	164
Income from continuing operations	260	242	358
Discontinued operations, net of taxes:			
Loss from operations of entities sold or held for sale	(7)	(21)	(12)
Impairment of hospitals sold or held for sale	(50)	(4)	—
Loss from discontinued operations, net of taxes	(57)	(25)	(12)
<i>Net income</i>	203	217	346
Less: Net income attributable to noncontrolling interests	111	76	80
Net income attributable to Community Health Systems, Inc. stockholders	<u>\$ 92</u>	<u>\$ 141</u>	<u>\$ 266</u>
<i>Basic earnings (loss) per share attributable to Community Health Systems, Inc. common stockholders(1):</i>			
Continuing operations	\$ 1.33	\$ 1.80	\$ 3.11
Discontinued operations	(0.51)	(0.27)	(0.13)
Net income	<u>\$ 0.82</u>	<u>\$ 1.52</u>	<u>\$ 2.98</u>
<i>Diluted earnings (loss) per share attributable to Community Health Systems, Inc. common stockholders(1):</i>			
Continuing operations	\$ 1.32	\$ 1.77	\$ 3.09
Discontinued operations	(0.51)	(0.27)	(0.13)
Net income	<u>\$ 0.82</u>	<u>\$ 1.51</u>	<u>\$ 2.96</u>
<i>Weighted-average number of shares outstanding:</i>			
Basic	<u>111,579,088</u>	<u>92,633,332</u>	<u>89,242,949</u>
Diluted	<u>112,549,320</u>	<u>93,815,013</u>	<u>89,806,937</u>

(1) Total per share amounts may not add due to rounding.

See notes to the consolidated financial statements.

**COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Year Ended December 31,		
	2014	2013	2012
Net income	\$ 203	\$ 217	\$ 346
Other comprehensive income (loss), net of income taxes:			
Net change in fair value of interest rate swaps, net of tax of \$7, \$34 and \$26 for the years ended December 31, 2014, 2013 and 2012, respectively	13	60	46
Net change in fair value of available-for-sale securities, net of tax	—	2	3
Amortization and recognition of unrecognized pension cost components, net of tax (benefit) of \$(9), \$9 and \$(3) for the years ended December 31, 2014, 2013 and 2012, respectively	(9)	16	(10)
Other comprehensive income	4	78	39
Comprehensive income	207	295	385
Less: Comprehensive income attributable to noncontrolling interests	111	76	80
Comprehensive income attributable to Community Health Systems, Inc. stockholders	<u>\$ 96</u>	<u>\$ 219</u>	<u>\$ 305</u>

See notes to the consolidated financial statements.

**COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

	<u>December 31,</u>	
	<u>2014</u>	<u>2013</u>
	<u>(In millions,</u>	
	<u>except share data)</u>	
<b>ASSETS</b>		
<i>Current assets:</i>		
Cash and cash equivalents	\$ 509	\$ 373
Patient accounts receivable, net of allowance for doubtful accounts of \$3,504 and \$2,438 at December 31, 2014 and 2013, respectively	3,409	2,323
Supplies	557	371
Prepaid income taxes	30	107
Deferred income taxes	341	101
Prepaid expenses and taxes	192	127
Other current assets (including assets of hospitals held for sale of \$38 and \$40 at December 31, 2014 and 2013, respectively)	528	345
Total current assets	<u>5,566</u>	<u>3,747</u>
<i>Property and equipment:</i>		
Land and improvements	946	623
Buildings and improvements	8,791	6,225
Equipment and fixtures	4,527	3,614
Property and equipment, gross	14,264	10,462
Less accumulated depreciation and amortization	(4,095)	(3,411)
Property and equipment, net	10,169	7,051
<i>Goodwill</i>		
	8,951	4,424
<i>Other assets, net of accumulated amortization of \$827 and \$535 at December 31, 2014 and 2013, respectively (including assets of hospitals held for sale of \$90 and \$94 at December 31, 2014 and 2013, respectively)</i>		
	2,735	1,895
<i>Total assets</i>	<u>\$27,421</u>	<u>\$ 17,117</u>
<b>LIABILITIES AND EQUITY</b>		
<i>Current liabilities:</i>		
Current maturities of long-term debt	\$ 235	\$ 167
Accounts payable	1,293	949
Deferred income taxes	23	3
<i>Accrued liabilities:</i>		
Employee compensation	955	690
Interest	227	112
Other (including liabilities of hospitals held for sale of \$10 and \$24 at December 31, 2014 and 2013, respectively)	856	537
Total current liabilities	<u>3,589</u>	<u>2,458</u>
<i>Long-term debt</i>	<u>16,681</u>	<u>9,286</u>
<i>Deferred income taxes</i>	845	906
<i>Other long-term liabilities</i>	1,692	977
<i>Total liabilities</i>	<u>22,807</u>	<u>13,627</u>
<i>Redeemable noncontrolling interests in equity of consolidated subsidiaries</i>	531	358
<i>Commitments and contingencies (Note 16)</i>		
<b>EQUITY</b>		
<i>Community Health Systems, Inc. stockholders' equity:</i>		
Preferred stock, \$.01 par value per share, 100,000,000 shares authorized; none issued	—	—
Common stock, \$.01 par value per share, 300,000,000 shares authorized; 117,701,087 shares issued and 116,725,538 shares outstanding at December 31, 2014, and 95,987,032 shares issued and 95,011,483 shares outstanding at December 31, 2013	1	1
Additional paid-in capital	2,095	1,256
Treasury stock, at cost, 975,549 shares at December 31, 2014 and 2013	(7)	(7)
Accumulated other comprehensive loss	(63)	(67)
Retained earnings	1,977	1,885
Total Community Health Systems, Inc. stockholders' equity	4,003	3,068
<i>Noncontrolling interests in equity of consolidated subsidiaries</i>	80	64
<i>Total equity</i>	<u>4,083</u>	<u>3,132</u>
<i>Total liabilities and equity</i>	<u>\$27,421</u>	<u>\$ 17,117</u>

See notes to the consolidated financial statements.

**COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

	Redeemable Noncontrolling Interests	Community Health Systems, Inc. Stockholders								Total Stockholders' Equity
		Common Stock		Additional Paid-in Capital	Treasury Stock		Accumulated Other		Noncontrolling Interests	
		Shares	Amount		Shares	Amount	Comprehensive Income (Loss)	Retained Earnings		
(In millions, except share data)										
Balance, December 31, 2011	\$ 396	91,547,079	\$ 1	\$ 1,086	(975,549)	\$ (7)	\$ (184)	\$ 1,501	\$ 67	\$ 2,464
Comprehensive income (loss)	56	—	—	—	—	—	39	266	24	329
Distributions to noncontrolling interests, net of contributions	(44)	—	—	—	—	—	—	—	(24)	(24)
Purchase of subsidiary shares from noncontrolling interests	(21)	—	—	(21)	—	—	—	—	(1)	(22)
Other reclassifications of noncontrolling interests	1	—	—	—	—	—	—	—	(1)	(1)
Adjustment to redemption value of redeemable noncontrolling interests	(20)	—	—	20	—	—	—	—	—	20
Issuance of common stock in connection with the exercise of stock options	—	1,054,075	—	21	—	—	—	—	—	21
Cancellation of restricted stock for tax withholdings on vested shares	—	(371,946)	—	(9)	—	—	—	—	—	(9)
Net distribution to shareholders	—	—	—	—	—	—	—	(23)	—	(23)
Excess tax benefit from exercise of stock options	—	—	—	1	—	—	—	—	—	1
Stock-based compensation	—	696,507	—	41	—	—	—	—	—	41
Balance, December 31, 2012	368	92,925,715	1	1,139	(975,549)	(7)	(145)	1,744	65	2,797
Comprehensive income	51	—	—	—	—	—	78	141	25	244
Distributions to noncontrolling interests, net of contributions	(49)	—	—	—	—	—	—	—	(27)	(27)
Purchase of subsidiary shares from noncontrolling interests	(6)	—	—	(2)	—	—	—	—	(2)	(4)
Other reclassifications of noncontrolling interests	2	—	—	—	—	—	—	—	(2)	(2)
Noncontrolling interests in acquired entity	—	—	—	—	—	—	—	—	5	5
Adjustment to redemption value of redeemable noncontrolling interests	(8)	—	—	8	—	—	—	—	—	8
Issuance of common stock in connection with the exercise of stock options	—	3,301,543	—	111	—	—	—	—	—	111
Cancellation of restricted stock for tax withholdings on vested shares	—	(357,360)	—	(15)	—	—	—	—	—	(15)
Repurchases of common stock	—	(706,023)	—	(27)	—	—	—	—	—	(27)
Excess tax benefit from exercise of stock options	—	—	—	4	—	—	—	—	—	4
Stock-based compensation	—	823,157	—	38	—	—	—	—	—	38
Balance, December 31, 2013	358	95,987,032	1	1,256	(975,549)	(7)	(67)	1,885	64	3,132
Comprehensive income	86	—	—	—	—	—	4	92	25	121
Distributions to noncontrolling interests, net of contributions	(78)	—	—	—	—	—	—	—	(26)	(26)
Purchase of subsidiary shares from noncontrolling interests	(156)	—	—	(2)	—	—	—	—	—	(2)
Other reclassifications of noncontrolling interests	11	—	—	—	—	—	—	—	(11)	(11)
Noncontrolling interests in acquired entity	316	—	—	—	—	—	—	—	28	28
Adjustment to redemption value of redeemable noncontrolling interests	(6)	—	—	6	—	—	—	—	—	6
Repurchases of common stock	—	(175,000)	—	(9)	—	—	—	—	—	(9)
Issuance of common stock in connection with the exercise of stock options	—	1,767,806	—	65	—	—	—	—	—	65
Issuance of shares in exchange for HMA common stock	—	18,364,420	—	736	—	—	—	—	—	736
Cancellation of restricted stock for tax withholdings on vested shares	—	(270,997)	—	(11)	—	—	—	—	—	(11)
Stock-based compensation	—	2,027,826	—	54	—	—	—	—	—	54
Balance, December 31, 2014	\$ 531	117,701,087	\$ 1	\$ 2,095	(975,549)	\$ (7)	\$ (63)	\$ 1,977	\$ 80	\$ 4,083

See notes to the consolidated financial statements.

**COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Year Ended December 31,		
	2014	2013	2012
	(In millions)		
<i>Cash flows from operating activities:</i>			
Net income	\$ 203	\$ 217	\$ 346
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,187	783	726
Deferred income taxes	107	69	53
Government settlement and related costs	101	102	—
Stock-based compensation expense	54	38	41
Impairment of hospitals sold or held for sale	50	5	—
Impairment of long-lived assets	41	12	10
Loss from early extinguishment of debt	73	1	115
Excess tax benefit relating to stock-based compensation	—	(7)	(4)
Other non-cash expenses, net	13	61	33
Changes in operating assets and liabilities, net of effects of acquisitions and divestitures:			
Patient accounts receivable	(306)	(285)	(204)
Supplies, prepaid expenses and other current assets	28	(8)	(99)
Accounts payable, accrued liabilities and income taxes	147	76	246
Other	(83)	25	17
Net cash provided by operating activities	<u>1,615</u>	<u>1,089</u>	<u>1,280</u>
<i>Cash flows from investing activities:</i>			
Acquisitions of facilities and other related equipment	(3,091)	(44)	(322)
Purchases of property and equipment	(853)	(614)	(769)
Proceeds from disposition of hospitals and other ancillary operations	88	—	—
Proceeds from sale of property and equipment	50	7	6
Purchases of available-for-sale securities	(263)	—	—
Proceeds from sales of available-for-sale securities	229	—	—
Increase in other investments	(511)	(340)	(298)
Net cash used in investing activities	<u>(4,351)</u>	<u>(991)</u>	<u>(1,383)</u>
<i>Cash flows from financing activities:</i>			
Proceeds from exercise of stock options	65	110	20
Repurchase of restricted stock shares for payroll tax withholding requirements	(11)	(15)	(9)
Payment of special dividend to stockholders	—	—	(23)
Stock buy-back	(9)	(27)	—
Deferred financing costs and other debt-related costs	(276)	(13)	(141)
Excess tax benefit relating to stock-based compensation	—	7	4
Proceeds from noncontrolling investors in joint ventures	10	—	1
Redemption of noncontrolling investments in joint ventures	(158)	(9)	(44)
Distributions to noncontrolling investors in joint ventures	(104)	(76)	(68)
Borrowings under credit agreements	9,131	1,194	3,976
Issuance of long-term debt	4,000	—	3,825
Proceeds from receivables facility	204	338	350
Repayments of long-term indebtedness	(9,980)	(1,622)	(7,530)
Net cash provided by (used in) financing activities	<u>2,872</u>	<u>(113)</u>	<u>361</u>
Net change in cash and cash equivalents	136	(15)	258
Cash and cash equivalents at beginning of period	373	388	130
Cash and cash equivalents at end of period	<u>\$ 509</u>	<u>\$ 373</u>	<u>\$ 388</u>
<i>Supplemental disclosure of cash flow information:</i>			
Interest payments	<u>\$ (831)</u>	<u>\$ (583)</u>	<u>\$ (594)</u>
Income tax refunds (payments), net	<u>\$ 180</u>	<u>\$ (73)</u>	<u>\$ (56)</u>

See notes to the consolidated financial statements.

**COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES**

*Business.* Community Health Systems, Inc. is a holding company and operates no business in its own name. On a consolidated basis, Community Health Systems, Inc. and its subsidiaries (collectively the “Company”) own, lease and operate general acute care hospitals in communities across the country. As of December 31, 2014, the Company owned or leased 197 hospitals, included in continuing operations, including four stand-alone rehabilitation or psychiatric hospitals, licensed for 30,137 beds in 28 states. Throughout these notes to the consolidated financial statements, Community Health Systems, Inc. (the “Parent”) and its consolidated subsidiaries are referred to on a collective basis as the “Company.” This drafting style is not meant to indicate that the publicly-traded Parent or any particular subsidiary of the Parent owns or operates any asset, business, or property. The hospitals, operations and businesses described in this filing are owned and operated, and management services provided, by distinct and indirect subsidiaries of Community Health Systems, Inc. The results of Health Management Associates, Inc. (“HMA”) are included from January 27, 2014, the date of the HMA merger.

As of December 31, 2014, Florida, Texas, Pennsylvania and Indiana represent the only areas of significant geographic concentration. As a result of the HMA merger, Florida became an area of geographic concentration in 2014 with 13.0% of consolidated operating revenues, net of contractual allowances and discounts (but before the provision for bad debts) generated in that state. Operating revenues, net of contractual allowances and discounts (but before the provision for bad debts), generated by the Company’s hospitals in Texas, as a percentage of consolidated operating revenues, were 10.9% in 2014, 15.0% in 2013 and 14.7% in 2012. Operating revenues, net of contractual allowances and discounts (but before the provision for bad debts), generated by the Company’s hospitals in Pennsylvania, as a percentage of consolidated operating revenues, were 11.1% in 2014, 13.1% in 2013 and 12.7% in 2012. Operating revenues, net of contractual allowances and discounts (but before the provision for bad debts), generated by the Company’s hospitals in Indiana, as a percentage of consolidated operating revenues, were 7.6% in 2014, 10.6% in 2013 and 10.7% in 2012.

*Use of Estimates.* The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates under different assumptions or conditions.

*Principles of Consolidation.* The consolidated financial statements include the accounts of the Parent, its subsidiaries, all of which are controlled by the Parent through majority voting control, and variable interest entities for which the Company is the primary beneficiary. All significant intercompany accounts, profits and transactions have been eliminated. Noncontrolling interests in less-than-wholly-owned consolidated subsidiaries of the Parent are presented as a component of total equity to distinguish between the interests of the Parent and the interests of the noncontrolling owners. Revenues, expenses and income from continuing operations from these subsidiaries are included in the consolidated amounts as presented on the consolidated statements of income, along with a net income measure that separately presents the amounts attributable to the controlling interests and the amounts attributable to the noncontrolling interests for each of the periods presented. Noncontrolling interests that are redeemable or may become redeemable at a fixed or determinable price at the option of the holder or upon the occurrence of an event outside of the control of the Company are presented in mezzanine equity on the consolidated balance sheets.

*Cost of Revenue.* Substantially all of the Company’s operating costs and expenses are “cost of revenue” items. Operating costs that could be classified as general and administrative by the Company would include the Company’s corporate office costs at its Franklin, Tennessee office and Naples, Florida office (which was the



**COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

headquarters of HMA prior to the closing of the HMA merger), which collectively were \$281 million, \$181 million and \$215 million for the years ended December 31, 2014, 2013 and 2012, respectively. During the year ended December 31, 2014, corporate office costs from the Naples, Florida office have decreased significantly with the integration of the HMA corporate functions. Included in these corporate office costs is stock-based compensation of \$54 million, \$38 million and \$41 million for the years ended December 31, 2014, 2013 and 2012, respectively.

*Cash Equivalents.* The Company considers highly liquid investments with original maturities of three months or less to be cash equivalents.

*Supplies.* Supplies, principally medical supplies, are stated at the lower of cost (first-in, first-out basis) or market.

*Marketable Securities.* The Company's marketable securities are classified as trading or available-for-sale. Available-for-sale securities are carried at fair value as determined by quoted market prices, with unrealized gains and losses reported as a separate component of stockholders' equity. Trading securities are reported at fair value with unrealized gains and losses included in earnings. Other comprehensive income (loss) included an unrealized gain of less than \$1 million, \$2 million and \$3 million during the years ended December 31, 2014, 2013 and 2012, respectively, related to these available-for-sale securities.

*Property and Equipment.* Property and equipment are recorded at cost. Depreciation is recognized using the straight-line method over the estimated useful lives of the land and improvements (2 to 15 years; weighted-average useful life is 14 years), buildings and improvements (5 to 50 years; weighted-average useful life is 24 years) and equipment and fixtures (4 to 18 years; weighted-average useful life is 8 years). Costs capitalized as construction in progress were \$350 million and \$232 million at December 31, 2014 and 2013, respectively. Expenditures for renovations and other significant improvements are capitalized; however, maintenance and repairs which do not improve or extend the useful lives of the respective assets are charged to operations as incurred. Interest capitalized related to construction in progress was \$10 million, \$11 million and \$24 million for the years ended December 31, 2014, 2013 and 2012, respectively. Purchases of property and equipment and internal-use software accrued in accounts payable and not yet paid were \$190 million and \$142 million at December 31, 2014 and 2013, respectively.

The Company also leases certain facilities and equipment under capital leases (see Note 9). Such assets are amortized on a straight-line basis over the lesser of the term of the lease or the remaining useful lives of the applicable assets.

*Goodwill.* Goodwill represents the excess of the fair value of the consideration conveyed in the acquisition over the fair value of net assets acquired. Goodwill arising from business combinations is not amortized. Goodwill is required to be evaluated for impairment at the same time every year and when an event occurs or circumstances change such that it is reasonably possible that an impairment may exist. The Company performs its annual testing of impairment for goodwill in the fourth quarter of each year.

*Other Assets.* Other assets consist of costs associated with the issuance of debt, which are included in interest expense over the life of the related debt using the effective interest method; the insurance recovery receivable from excess insurance carriers related to the Company's self-insured malpractice general liability and workers' compensation insurance liability; and costs to recruit physicians to the Company's markets, which are deferred and expensed over the term of the respective physician recruitment contract, generally three years, and included in amortization expense. Other assets also include capitalized internal-use software costs, which are expensed over the expected useful life, which is generally three years for routine software and eight to ten years for major software projects, and included in amortization expense.

**COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

*Third-Party Reimbursement.* Net patient service revenue is reported at the estimated net realizable amount from patients, third-party payors and others for services rendered. Operating revenues include amounts estimated by management to be reimbursable by Medicare and Medicaid under prospective payment systems, provisions of cost-reimbursement and other payment methods. Approximately 35.5%, 34.5% and 36.0% of operating revenues, net of contractual allowances and discounts (but before the provision for bad debts), for the years ended December 31, 2014, 2013 and 2012, respectively, are related to services rendered to patients covered by the Medicare and Medicaid programs. Revenues from Medicare outlier payments are included in the amounts received from Medicare and were approximately 0.41%, 0.46% and 0.47% of operating revenues, net of contractual allowances and discounts (but before the provision for bad debts), for the years ended December 31, 2014, 2013 and 2012, respectively. In addition, the Company is reimbursed by non-governmental payors using a variety of payment methodologies. Amounts received by the Company for treatment of patients covered by such programs are generally less than the standard billing rates. The differences between the estimated program reimbursement rates and the standard billing rates are accounted for as contractual adjustments, which are deducted from gross revenues to arrive at operating revenues (net of contractual allowances and discounts). These net operating revenues are an estimate of the net realizable amount due from these payors. The process of estimating contractual allowances requires the Company to estimate the amount expected to be received based on payor contract provisions. The key assumption in this process is the estimated contractual reimbursement percentage, which is based on payor classification and historical paid claims data. Due to the complexities involved in these estimates, actual payments the Company receives could be different from the amounts it estimates and records. Final settlements under some of these programs are subject to adjustment based on administrative review and audit by third parties. Adjustments to previous program reimbursement estimates are accounted for as contractual allowance adjustments and reported in the periods that such adjustments become known.

Included in net operating revenues for the year ended December 31, 2012 is approximately \$105 million of net operating revenues from an industry-wide settlement with the United States Department of Health and Human Services and Centers for Medicare and Medicaid Services, based on a claim that acute-care hospitals in the U.S. were underpaid from the Medicare inpatient prospective payment system in federal fiscal years 1999 through 2011. The underpayments resulted from calculations related to the rural floor budget neutrality adjustments implemented in connection with the Balanced Budget Act of 1997. During the year ended December 31, 2012, the Company received approximately \$104 million of cash from this settlement. Also included in net operating revenues for the year ended December 31, 2012 is an unfavorable adjustment of approximately \$21 million related to the revised Supplemental Security Income ratios issued for federal fiscal years 2006 through 2009 utilized for calculating Medicare Disproportionate Share Hospital reimbursements. Other than these items, contractual allowance adjustments related to final settlements and previous program reimbursement estimates impacted net operating revenues and net income by an insignificant amount in each of the years ended December 31, 2014, 2013 and 2012.

Amounts due to third-party payors were \$147 million and \$61 million as of December 31, 2014 and 2013, respectively, and are included in accrued liabilities-other in the accompanying consolidated balance sheets. Amounts due from third-party payors were \$183 million and \$118 million as of December 31, 2014 and 2013, respectively, and are included in other current assets in the accompanying consolidated balance sheets. Substantially all Medicare and Medicaid cost reports are final settled through 2008.

*Net Operating Revenues.* Net operating revenues are recorded net of provisions for contractual allowance of approximately \$84.4 billion, \$52.6 billion and \$48.5 billion for the years ended December 31, 2014, 2013 and 2012, respectively. Net operating revenues are recognized when services are provided and are reported at the estimated net realizable amount from patients, third-party payors and others for services rendered. Also included in the provision for contractual allowance shown above is the value of administrative and other discounts

**COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

provided to self-pay patients eliminated from net operating revenues which was \$2.8 billion, \$1.3 billion and \$1.1 billion for the years ended December 31, 2014, 2013 and 2012, respectively.

In the ordinary course of business, the Company renders services to patients who are financially unable to pay for hospital care. The Company's policy is to not pursue collections for such amounts; therefore, the related charges for those patients who are financially unable to pay and that otherwise do not qualify for reimbursement from a governmental program are not reported in net operating revenues or in the provision for bad debts, and are thus classified as charity care. The Company determines amounts that qualify for charity care primarily based on the patient's household income relative to the federal poverty level guidelines, as established by the federal government.

Included in the provision for contractual allowance shown above is \$550 million, \$681 million and \$669 million for the years ended December 31, 2014, 2013 and 2012, respectively, representing the value (at the Company's standard charges) of these charity care services that are excluded from net operating revenues.

The estimated cost incurred by the Company to provide these charity care services to patients who are unable to pay was approximately \$84 million, \$116 million and \$120 million for the years ended December 31, 2014, 2013 and 2012, respectively. The estimated cost of these charity care services was determined using a ratio of cost to gross charges and applying that ratio to the gross charges associated with providing care to charity patients for the period.

Currently, several states utilize supplemental reimbursement programs for the purpose of providing reimbursement to providers to offset a portion of the cost of providing care to Medicaid patients. These programs are designed with input from Centers for Medicare and Medicaid Services and are funded with a combination of state and federal resources, including, in certain instances, fees or taxes levied on the providers. Similar programs are also being considered by other states. After these supplemental programs are signed into law, the Company recognizes revenue and related expenses in the period in which amounts are estimable and collection is reasonably assured. Reimbursement under these programs is reflected in net operating revenues and fees, taxes or other program-related costs are reflected in other operating expenses.

Operating revenues, net of contractual allowances and discounts (but before the provision for bad debts), recognized during the years ended December 31, 2014, 2013 and 2012, were as follows (in millions):

	Year Ended December 31,		
	2014	2013	2012
Medicare	\$ 5,327	\$ 3,682	\$ 3,878
Medicaid	2,332	1,442	1,424
Managed Care and other third-party payors	11,109	7,706	7,535
Self-pay	2,793	2,023	1,910
Total	<u>\$21,561</u>	<u>\$14,853</u>	<u>\$14,747</u>

*Allowance for Doubtful Accounts.* Accounts receivable are reduced by an allowance for amounts that could become uncollectible in the future. Substantially all of the Company's receivables are related to providing healthcare services to patients at its hospitals and affiliated businesses.

The Company estimates the allowance for doubtful accounts by reserving a percentage of all self-pay accounts receivable without regard to aging category, based on collection history, adjusted for expected recoveries and any anticipated changes in trends. For all other non-self-pay payor categories, the Company reserves 100% of all accounts aging over 365 days from the date of discharge. The Company collects substantially all of its third-party insured receivables, which include receivables from governmental agencies.

**COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

Collections are impacted by the economic ability of patients to pay and the effectiveness of the Company's collection efforts. Significant changes in payor mix, business office operations, economic conditions or trends in federal and state governmental healthcare coverage could affect the Company's collection of accounts receivable and the estimates of the collectability of future accounts receivable and are considered in the Company's estimates of accounts receivable collectability. The Company also continually reviews its overall reserve adequacy by monitoring historical cash collections as a percentage of trailing net revenue less provision for bad debts, as well as by analyzing current period net revenue and admissions by payor classification, aged accounts receivable by payor, days revenue outstanding, the composition of self-pay receivables between pure self-pay patients and the patient responsibility portion of third-party insured receivables and the impact of recent acquisitions and dispositions.

*Electronic Health Records Incentive Reimbursement.* The federal government has implemented a number of regulations and programs designed to promote the use of electronic health records ("EHR") technology and pursuant to HITECH, established requirements for a Medicare and Medicaid incentive payments program for eligible hospitals and professionals that adopt and meaningfully use certified EHR technology. The Company utilizes a gain contingency model to recognize EHR incentive payments. Recognition occurs when the eligible hospitals adopt or demonstrate meaningful use of certified EHR technology for the applicable payment period and have available the Medicare cost report information for the relevant full cost report year used to determine the final incentive payment.

Medicaid EHR incentive payments are calculated based on prior period Medicare cost report information available at the time when eligible hospitals adopt, implement, upgrade or demonstrate meaningful use of certified EHR technology. Since the information for the relevant full Medicare cost report year is available at the time of attestation, the incentive income from resolving the gain contingency is recognized when eligible hospitals adopt, implement, upgrade or demonstrate meaningful use of certified EHR technology.

Medicare EHR incentive payments are calculated based on the Medicare cost report information for the full cost report year that began during the federal fiscal year in which meaningful use is demonstrated. Since the necessary information is only available at the end of the relevant full Medicare cost report year and after the cost report is settled, the incentive income from resolving the gain contingency is recognized when eligible hospitals demonstrate meaningful use of certified EHR technology and the information for the applicable full Medicare cost report year to determine the final incentive payment is available.

In some instances, the Company may receive estimated Medicare EHR incentive payments prior to when the Medicare cost report information used to determine the final incentive payment is available. In these instances, recognition of the gain for EHR incentive payments is deferred until all recognition criteria described above are met.

Eligibility for annual Medicare incentive payments is dependent on providers successfully attesting to the meaningful use of EHR technology. Medicaid incentive payments are available to providers in the first payment year that they adopt, implement or upgrade certified EHR technology; however, providers must demonstrate meaningful use of such technology in any subsequent payment years to qualify for additional incentive payments. Medicaid EHR incentive payments are fully funded by the federal government and administered by the states; however, the states are not required to offer EHR incentive payments to providers.

The Company recognized approximately \$259 million, \$162 million and \$123 million for the years ended December 31, 2014, 2013 and 2012, respectively, of incentive reimbursement for HITECH incentives from Medicare and Medicaid related to certain of the Company's hospitals and for certain of the Company's employed physicians that have demonstrated meaningful use of certified EHR technology or have completed attestations to their adoption or implementation of certified EHR technology. These incentive reimbursements are presented as

**COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
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a reduction of operating costs and expenses on the consolidated statements of income. The Company received cash related to the incentive reimbursement for HITECH incentives of approximately \$253 million, \$203 million and \$141 million for the years ended December 31, 2014, 2013 and 2012, respectively. The Company recorded \$81 million and \$90 million as deferred revenue at December 31, 2014 and 2013, respectively, as all criteria for gain recognition had not been met.

*Physician Income Guarantees.* The Company enters into physician recruiting agreements under which it supplements physician income to a minimum amount over a period of time, typically one year, while the physicians establish themselves in the community. As part of the agreements, the physicians are committed to practice in the community for a period of time, typically three years, which extends beyond their income guarantee period. The Company records an asset and liability for the estimated fair value of minimum revenue guarantees on new agreements. Adjustments to the ultimate value of the guarantee paid to physicians are recognized in the period that the change in estimate is identified. The Company amortizes an asset over the life of the agreement. As of December 31, 2014 and 2013, the unamortized portion of these physician income guarantees was \$48 million and \$33 million, respectively.

*Concentrations of Credit Risk.* The Company grants unsecured credit to its patients, most of whom reside in the service area of the Company's facilities and are insured under third-party payor agreements. Because of the economic diversity of the Company's facilities and non-governmental third-party payors, Medicare represents the only significant concentration of credit risk from payors. Accounts receivable, net of contractual allowances, from Medicare were \$453 million and \$360 million as of December 31, 2014 and 2013, respectively, representing 7% and 8% of consolidated net accounts receivable, before allowance for doubtful accounts, as of December 31, 2014 and 2013, respectively.

*Accounting for the Impairment or Disposal of Long-Lived Assets.* Whenever events or changes in circumstances indicate that the carrying values of certain long-lived assets may be impaired, the Company projects the undiscounted cash flows expected to be generated by these assets. If the projections indicate that the reported amounts are not expected to be recovered, such amounts are reduced to their estimated fair value based on a quoted market price, if available, or an estimate based on valuation techniques available in the circumstances.

During the year ended December 31, 2014, the Company recorded a pretax impairment charge of \$17 million to reduce the carrying value of certain long-lived assets at three of its smaller hospitals to their estimated fair value. During the year ended December 31, 2013, the Company recorded a pretax impairment charge of \$12 million to reduce the carrying value of certain long-lived assets at four of its smaller hospitals to their estimated fair value. During the year ended December 31, 2012, the Company recorded a pretax impairment charge of \$10 million to reduce the carrying value of certain long-lived assets at three of its smaller hospitals to their estimated fair value. The impairments for 2014, 2013 and 2012 were identified because of declining operating results and projections of future cash flows at these hospitals caused by competitive and operational challenges specific to the markets in which these hospitals operate.

*Income Taxes.* The Company accounts for income taxes under the asset and liability method, in which deferred income tax assets and liabilities are recognized for the tax consequences of "temporary differences" by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. The effect on deferred taxes of a change in tax rates is recognized in the consolidated statement of income during the period in which the tax rate change becomes law.

*Comprehensive Income (Loss).* Comprehensive income (loss) is the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources.

**COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

*Segment Reporting.* A public company is required to report annual and interim financial and descriptive information about its reportable operating segments. Operating segments, as defined, are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Aggregation of similar operating segments into a single reportable operating segment is permitted if the businesses have similar economic characteristics and meet the criteria established by U.S. GAAP.

The Company operates in two distinct operating segments, represented by the hospital operations (which includes the Company's acute care hospitals and related healthcare entities that provide inpatient and outpatient healthcare services) and the home care agencies operations (which provide in-home outpatient care). U.S. GAAP requires (1) that financial information be disclosed for operating segments that meet a 10% quantitative threshold of the consolidated totals of net revenue, profit or loss, or total assets; and (2) that the individual reportable segments disclosed contribute at least 75% of total consolidated net revenue. Based on these measures, only the hospital operations segment meets the criteria as a separate reportable segment. Financial information for the home care agencies segment does not meet the quantitative thresholds and is therefore combined with corporate into the all other reportable segment.

*Derivative Instruments and Hedging Activities.* The Company records derivative instruments on the consolidated balance sheet as either an asset or liability measured at its fair value. Changes in a derivative's fair value are recorded each period in earnings or other comprehensive income ("OCI"), depending on whether the derivative is designated and is effective as a hedged transaction, and on the type of hedge transaction. Changes in the fair value of derivative instruments recorded to OCI are reclassified to earnings in the period affected by the underlying hedged item. Any portion of the fair value of a derivative instrument determined to be ineffective under the standard is recognized in current earnings.

The Company has entered into several interest rate swap agreements. See Note 7 for further discussion about the swap transactions.

*Reclassifications.* During the year ended December 31, 2014, the Company made the decision to sell several smaller hospitals and entered into definitive agreements to sell certain of these hospitals. One hospital was sold during the year ended December 31, 2014. The consolidated statements of income for the years ended December 31, 2013 and 2012 have been restated to reclassify the consolidated results of operations for these hospitals to discontinued operations. The consolidated balance sheet as of December 31, 2013 has been restated to present these hospitals that were owned or leased in 2013 as held for sale for comparative purposes with the December 31, 2014 presentation.

*New Accounting Pronouncements.* In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2014-09, which outlines a single comprehensive model for recognizing revenue and supersedes most existing revenue recognition guidance, including guidance specific to the healthcare industry. This ASU provides companies the option of applying a full or modified retrospective approach upon adoption. This ASU is effective for fiscal years beginning after December 15, 2016. Early adoption is not permitted. The Company will adopt this ASU on January 1, 2017 and is currently evaluating its plan for adoption and the impact on its revenue recognition policies, procedures and control framework and the resulting impact on its consolidated financial position, results of operations and cash flows.

## **2. ACCOUNTING FOR STOCK-BASED COMPENSATION**

Stock-based compensation awards have been granted under the Community Health Systems, Inc. Amended and Restated 2000 Stock Option and Award Plan, amended and restated as of March 20, 2013 (the "2000 Plan"), and the Community Health Systems, Inc. 2009 Stock Option and Award Plan, amended and restated as of March 19, 2014 (the "2009 Plan").

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The 2000 Plan allowed for the grant of incentive stock options intended to qualify under Section 422 of the Internal Revenue Code (the “IRC”), as well as stock options which do not so qualify, stock appreciation rights, restricted stock, restricted stock units, performance-based shares or units and other share awards. Prior to being amended in 2009, the 2000 Plan also allowed for the grant of phantom stock. Persons eligible to receive grants under the 2000 Plan include the Company’s directors, officers, employees and consultants. All options granted under the 2000 Plan have been “nonqualified” stock options for tax purposes. Generally, vesting of these granted options occurs in one-third increments on each of the first three anniversaries of the award date. Options granted prior to 2005 have a 10-year contractual term, options granted in 2005 through 2007 have an eight-year contractual term and options granted in 2008 through 2011 have a 10-year contractual term. The Company has not granted stock option awards under the 2000 Plan since 2011. Pursuant to the amendment and restatement of the 2000 Plan dated March 20, 2013, no further grants will be awarded under the 2000 Plan.

The 2009 Plan provides for the grant of incentive stock options intended to qualify under Section 422 of the IRC and for the grant of stock options which do not so qualify, stock appreciation rights, restricted stock, restricted stock units, performance-based shares or units and other share awards. Persons eligible to receive grants under the 2009 Plan include the Company’s directors, officers, employees and consultants. To date, all options granted under the 2009 Plan have been “nonqualified” stock options for tax purposes. Generally, vesting of these granted options occurs in one-third increments on each of the first three anniversaries of the award date. Options granted in 2011 or later have a 10-year contractual term. As of December 31, 2014, 5,094,012 shares of unissued common stock were reserved for future grants under the 2009 Plan, which includes the 4,000,000 additional shares reserved for future grants approved by the Company’s stockholders on May 20, 2014 in conjunction with the March 19, 2014 amendment of the 2009 Plan.

The exercise price of all options granted under the 2000 Plan and the 2009 Plan has been equal to the fair value of the Company’s common stock on the option grant date.

The following table reflects the impact of total compensation expense related to stock-based equity plans on the reported operating results for the respective periods (in millions):

	Year Ended December 31,		
	2014	2013	2012
Effect on income from continuing operations before income taxes	\$ (54)	\$ (38)	\$ (41)
Effect on net income	\$ (34)	\$ (24)	\$ (26)

At December 31, 2014, \$59 million of unrecognized stock-based compensation expense was expected to be recognized over a weighted-average period of 24 months. Of that amount, less than \$1 million related to outstanding unvested stock options was expected to be recognized over a weighted-average period of 2 months and \$59 million related to outstanding unvested restricted stock and restricted stock units (the terms of which are summarized below) was expected to be recognized over a weighted-average period of 24 months. There were no modifications to awards during the years ended December 31, 2014 and 2013.

The fair value of stock options granted during the year ended December 31, 2012 were estimated using the Black Scholes option pricing model with an expected volatility of 57.8%, no expected dividends, expected term of 4.1 years and risk-free interest rate of 0.66%.

In determining the expected term, the Company examined concentrations of option holdings and historical patterns of option exercises and forfeitures, as well as forward-looking factors, in an effort to determine if there were any discernible employee populations. From this analysis, the Company identified two primary employee populations, one consisting of certain senior executives and the other one consisting of substantially all other recipients.

**COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
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The expected volatility rate was estimated based on historical volatility. In determining expected volatility, the Company also reviewed the market-based implied volatility of actively traded options of its common stock and determined that historical volatility utilized to estimate the expected volatility rate did not differ significantly from the implied volatility.

The expected term computation is based on historical exercise and cancellation patterns and forward-looking factors, where present, for each population identified. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of the grant. The pre-vesting forfeiture rate is based on historical rates and forward-looking factors for each population identified. The Company adjusts the estimated forfeiture rate to its actual experience.

Options outstanding and exercisable under the 2000 Plan and the 2009 Plan as of December 31, 2014, and changes during each of the years in the three-year period prior to December 31, 2014, were as follows (in millions, except share and per share data):

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value as of December 31, 2014
Outstanding at December 31, 2011	8,389,142	\$ 32.83		
Granted	253,500	21.16		
Exercised	(1,050,772)	19.85		
Forfeited and cancelled	(487,757)	34.12		
Outstanding at December 31, 2012	7,104,113	34.25		
Granted	—	—		
Exercised	(3,299,859)	33.53		
Forfeited and cancelled	(66,709)	34.01		
Outstanding at December 31, 2013	3,737,545	34.88		
Granted	—	—		
Exercised	(1,768,473)	37.06		
Forfeited and cancelled	(15,345)	29.92		
Outstanding at December 31, 2014	<u>1,953,727</u>	<u>\$ 32.94</u>	<u>4.1 years</u>	<u>\$ 41</u>
Exercisable at December 31, 2014	<u>1,872,507</u>	<u>\$ 33.45</u>	<u>4.0 years</u>	<u>\$ 38</u>

No stock options were granted during the years ended December 31, 2014 and 2013. The weighted-average grant date fair value of stock options granted during the year ended December 31, 2012 was \$9.20. The aggregate intrinsic value (the number of in-the-money stock options multiplied by the difference between the Company's closing stock price on the last trading day of the reporting period (\$53.92) and the exercise price of the respective stock options) in the table above represents the amount that would have been received by the option holders had all option holders exercised their options on December 31, 2014. This amount changes based on the market value of the Company's common stock. The aggregate intrinsic value of options exercised during the years ended December 31, 2014, 2013 and 2012 was \$22 million, \$31 million and \$9 million, respectively. The aggregate intrinsic value of options vested and expected to vest approximates that of the outstanding options.

The Company has also awarded restricted stock under the 2000 Plan and the 2009 Plan to its directors and employees of certain subsidiaries. The restrictions on these shares generally lapse in one-third increments on each of the first three anniversaries of the award date. Certain of the restricted stock awards granted to the



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Company's senior executives contain a performance objective that must be met in addition to any time-based vesting requirements. If the performance objective is not attained, the awards will be forfeited in their entirety. Once the performance objective has been attained, restrictions will lapse in one-third increments on each of the first three anniversaries of the award date. In addition, 835,000 restricted stock awards granted March 1, 2014 have a performance objective that is measured based on the realization of synergies related to the HMA merger over a two-year period. The performance objective may be met in part in the first year or in whole or in part over the two-year period. Depending on the degree of attainment of the performance objective, restrictions may lapse on a portion of the award grant over the first three anniversaries of the award date at a level dependent upon the amount of synergies realized. If the synergies related to the HMA merger do not reach a certain level, then the awards will be forfeited in their entirety. Based on the synergy levels attained in the first year of the awards, the performance objective for the first year was met, and one-third of the awards are expected to vest on March 1, 2015. Notwithstanding the above-mentioned performance objectives and vesting requirements, the restrictions with respect to restricted stock granted under the 2000 Plan and the 2009 Plan will lapse earlier in the event of death, disability or termination of employment by the Company for any reason other than for cause of the holder of the restricted stock, or change in control of the Company. Restricted stock awards subject to performance standards are not considered outstanding for purposes of determining earnings per share until the performance objectives have been satisfied.

Restricted stock outstanding under the 2000 Plan and the 2009 Plan as of December 31, 2014, and changes during each of the years in the three-year period prior to December 31, 2014, were as follows:

	Shares	Weighted-Average Grant Date Fair Value
Unvested at December 31, 2011	2,207,612	\$ 32.95
Granted	680,500	21.20
Vested	(1,118,213)	29.67
Forfeited	(25,335)	30.94
Unvested at December 31, 2012	1,744,564	30.50
Granted	836,088	41.55
Vested	(945,894)	32.22
Forfeited	(27,269)	37.09
Unvested at December 31, 2013	1,607,489	35.13
Granted	2,011,000	41.35
Vested	(846,818)	34.60
Forfeited	(11,032)	37.37
Unvested at December 31, 2014	<u>2,760,639</u>	39.82

Restricted stock units ("RSUs") have been granted to the Company's outside directors under the 2000 Plan and the 2009 Plan. On February 16, 2012, each of the Company's outside directors received a grant under the 2009 Plan of 6,645 RSUs. On February 27, 2013, each of the Company's outside directors received a grant under the 2009 Plan of 3,596 RSUs. On March 1, 2014, each of the Company's outside directors received a grant under the 2009 Plan of 3,614 RSUs. Vesting of these RSUs occurs in one-third increments on each of the first three anniversaries of the award date.

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RSUs outstanding under the 2000 Plan and the 2009 Plan as of December 31, 2014, and changes during each of the years in the three-year period prior to December 31, 2014, were as follows:

	Shares	Weighted-Average Grant Date Fair Value
Unvested at December 31, 2011	52,956	\$ 31.67
Granted	39,870	21.07
Vested	(29,940)	27.95
Forfeited	—	—
Unvested at December 31, 2012	62,886	26.72
Granted	21,576	41.71
Vested	(28,926)	29.04
Forfeited	—	—
Unvested at December 31, 2013	55,536	31.33
Granted	21,684	41.51
Vested	(27,858)	30.87
Forfeited	—	—
Unvested at December 31, 2014	<u>49,362</u>	36.07

**3. ACQUISITIONS AND DIVESTITURES**

*Acquisitions*

The Company accounts for all transactions that represent business combinations using the acquisition method of accounting, where the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquired entity are recognized and measured at their fair values on the date the Company obtains control in the acquiree. Such fair values that are not finalized for reporting periods following the acquisition date are estimated and recorded as provisional amounts. Adjustments to these provisional amounts during the measurement period (defined as the date through which all information required to identify and measure the consideration transferred, the assets acquired, the liabilities assumed and any noncontrolling interests has been obtained, limited to one year from the acquisition date) are recorded as of the date of acquisition. Any material impact to comparative information for periods after acquisition, but before the period in which adjustments are identified, is reflected in those prior periods as if the adjustments were considered as of the acquisition date. Goodwill is determined as the excess of the fair value of the consideration conveyed in the acquisition over the fair value of the net assets acquired.

Approximately \$76 million, \$21 million and \$10 million of acquisition and related integration costs related to prospective and closed acquisitions were expensed during the years ended December 31, 2014, 2013 and 2012, respectively, and are included in other operating expenses on the consolidated statements of income.

*HMA Merger*

On January 27, 2014, the Company completed the HMA merger by acquiring all the outstanding shares of HMA's common stock for approximately \$7.3 billion, including the assumption of approximately \$3.8 billion of existing indebtedness, for consideration for each share of HMA's common stock consisting of \$10.50 in cash,

**COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
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0.06942 of a share of the Company's common stock, and one contingent value right ("CVR"). The CVR entitles the holder to receive a cash payment of up to \$1.00 per CVR (subject to downward adjustment but not below zero), subject to the final resolution of certain legal matters pertaining to HMA, as defined in the CVR agreement. At the time of the completion of the HMA merger, HMA owned and operated 71 hospitals in 15 states in non-urban communities located primarily in the southeastern United States.

In connection with the HMA merger, the Company and CHS/Community Health Systems, Inc. ("CHS") entered into a third amendment and restatement of its credit facility, providing for additional financing and recapitalization of certain of the Company's term loans. In addition, the Company and CHS also issued in connection with the HMA merger: (i) \$1.0 billion aggregate principal amount of 5.125% Senior Secured Notes due 2021 and (ii) \$3.0 billion aggregate principal amount of 6.875% Senior Notes due 2022.

The total consideration of the HMA merger has been allocated to the assets acquired and liabilities assumed based upon their respective fair values. The purchase price represented a premium over the fair value of the net tangible and identifiable intangible assets acquired for reasons such as:

- the expansion of the number of markets in which the Company operates in existing states;
- the extension and strengthening of the Company's hospital and physician networks;
- the centralization of many support functions; and
- the elimination of duplicate corporate functions.

The table below summarizes the calculation of consideration paid and allocations of the purchase price (including assumed liabilities and long-term debt assumed and repaid at closing) for the HMA merger (in millions):

Cash paid	\$ 2,778
Shares issued	736
Contingent value right	17
Total consideration	<u>\$ 3,531</u>
Current assets	\$ 1,519
Property and equipment	2,895
Goodwill	4,494
Intangible assets	112
Other long-term assets	508
Liabilities	(5,662)
Noncontrolling interests	(335)
Total identifiable net assets	<u>\$ 3,531</u>

The allocation process requires the analysis of acquired fixed assets, contracts, contractual commitments, and legal contingencies to identify and record the fair value of all assets acquired and liabilities assumed. All goodwill related to HMA is recorded in the hospital operations reporting unit.

Net operating revenues and income from continuing operations before income taxes and allocation of both interest and corporate overhead from hospitals acquired from HMA from the date of acquisition through December 31, 2014 was approximately \$5.3 billion and \$564 million, respectively.

**COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
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***Other Hospital Acquisitions***

Effective November 1, 2014, the Company entered into and closed on a restructuring agreement related to the joint venture between an affiliate of the Company and an affiliate of Novant Health, Inc. (“Novant”), the non-profit joint venture partner. Through this joint venture, Novant owned an indirect noncontrolling interest in Lake Norman Regional Medical Center (“Lake Norman”), one of the former HMA hospitals. The HMA merger triggered a change in control provision in the operating agreement of this joint venture, requiring the Company to purchase the 30% noncontrolling interest in Lake Norman held by Novant for the higher of fair value or \$150 million. As part of the restructuring agreement, on November 3, 2014, the Company paid Novant (1) \$150 million for its 30% noncontrolling interest in Lake Norman, (2) approximately \$4 million to acquire Upstate Carolina Medical Center (125 licensed beds) in Gaffney, South Carolina, and (3) approximately \$5 million to settle prior claims with Novant. The amounts paid to Novant to acquire the noncontrolling interest in Lake Norman and to settle prior claims were recognized as part of the opening balance sheet in the purchase accounting for HMA. Based upon our preliminary purchase price allocation relating to this acquisition as of December 31, 2014, no goodwill has been recorded related to the acquisition of Upstate Carolina Medical Center. The preliminary allocation of the purchase price has been determined by us based on available information and is subject to settling amounts related to purchased working capital and final appraisals of tangible and intangible assets. Adjustments to the purchase price allocation are not expected to be material.

On October 1, 2014, one or more subsidiaries of the Company completed the acquisition of Natchez Regional Medical Center (179 licensed beds) in Natchez, Mississippi. The total cash consideration paid at closing for long-lived assets was \$10 million. As part of the closing, the Company also paid \$8 million as a prepayment for future property taxes that will be applied to the tax liability for the next 17 years. Based upon our preliminary purchase price allocation relating to this acquisition as of December 31, 2014, no goodwill has been recorded. The preliminary allocation of the purchase price has been determined by us based on available information and is subject to settling amounts related to purchased working capital and final appraisals of tangible and intangible assets. Adjustments to the purchase price allocation are not expected to be material.

Effective April 1, 2014, one or more subsidiaries of the Company completed the acquisition of Sharon Regional Health System in Sharon, Pennsylvania. This healthcare system includes Sharon Regional (258 licensed beds) and other outpatient and ancillary services. The total cash consideration paid for long-lived assets and working capital was approximately \$67 million and \$1 million, respectively, with additional consideration of \$9 million assumed in liabilities, for a total consideration of \$77 million. Based upon the Company’s purchase price allocation relating to this acquisition as of December 31, 2014, approximately \$8 million of goodwill has been recorded.

Effective April 1, 2014, one or more subsidiaries of the Company completed the acquisition of a 95% interest in Munroe Regional Medical Center (421 licensed beds) in Ocala, Florida and its other outpatient and ancillary services through a joint venture arrangement with an affiliate of a regional not-for-profit healthcare system, which acquired the remaining 5% interest. The total cash consideration paid for long-lived assets plus prepaid rent on the leased property and working capital was approximately \$192 million and \$4 million, respectively, with additional consideration of \$11 million assumed in liabilities, for a total consideration of \$207 million. The value of the noncontrolling interest at acquisition was \$10 million. Based upon the Company’s purchase price allocation relating to this acquisition as of December 31, 2014, approximately \$11 million of goodwill has been recorded.

Effective July 1, 2012, one or more subsidiaries of the Company completed the acquisition of Memorial Health Systems in York, Pennsylvania. This healthcare system includes Memorial Hospital (100 licensed beds), the Surgical Center of York, and other outpatient and ancillary services. As part of this purchase agreement, the

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Company has agreed to build a replacement hospital within five years of the closing date with total expected construction costs of \$130 million. The total cash consideration paid for fixed assets and working capital was approximately \$45 million and \$3 million, respectively, with additional consideration of \$13 million assumed in liabilities, for a total consideration of \$60 million. Based upon the Company's final purchase price allocation relating to this acquisition as of December 31, 2014, approximately \$11 million of goodwill has been recorded.

Effective March 5, 2012, one or more subsidiaries of the Company completed a merger with Diagnostic Clinic of Longview, P.A., which is a multi-specialty clinic serving residents of Longview, Texas and surrounding East Texas communities. This merger was accounted for as a purchase business combination. The total cash consideration paid for the business, including net working capital, was approximately \$52 million, with additional consideration of \$7 million assumed in liabilities, for a total consideration of \$59 million. Based upon the Company's final purchase price allocation relating to this acquisition, approximately \$42 million of goodwill has been recorded.

Effective March 1, 2012, one or more subsidiaries of the Company completed the acquisition of MetroSouth Medical Center (330 licensed beds) located in Blue Island, Illinois. The total cash consideration paid for fixed assets was approximately \$39 million with additional consideration of \$6 million assumed in liabilities as well as a credit applied at closing of \$1 million for negative acquired working capital, for a total consideration of \$44 million. Based upon the Company's final purchase price allocation relating to this acquisition as of December 31, 2014, no goodwill has been recorded.

Effective January 1, 2012, one or more subsidiaries of the Company completed the acquisition of Moses Taylor Healthcare System based in Scranton, Pennsylvania, which is a healthcare system comprised of two acute care hospitals and other healthcare providers. This healthcare system includes Moses Taylor Hospital (217 licensed beds) located in Scranton, Pennsylvania, and Mid-Valley Hospital (25 licensed beds) located in Peckville, Pennsylvania. The total cash consideration paid for fixed assets and working capital was approximately \$151 million and \$13 million, respectively, with additional consideration of \$9 million assumed in liabilities, for a total consideration of \$174 million. Based upon the Company's final purchase price allocation relating to this acquisition, approximately \$55 million of goodwill has been recorded.

The table below summarizes the allocations of the purchase price (including assumed liabilities) for the above hospital acquisition transactions (excluding HMA) in 2014 and 2012 (in millions) and reflects the fact that there were no hospital acquisitions in 2013:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Current assets	\$ 29	N/A	\$ 46
Property and equipment	257	N/A	179
Goodwill	19	N/A	106
Intangible assets	—	N/A	3
Other long-term assets	28	N/A	—
Liabilities	(46)	N/A	(34)
Noncontrolling interests	(10)	N/A	—
Total identifiable net assets	<u>\$ 277</u>	<u>N/A</u>	<u>\$ 300</u>

The operating results of the foregoing transactions have been included in the accompanying consolidated statements of income from their respective dates of acquisition, including net operating revenues of \$360 million and \$337 million for the years ended December 31, 2014 and 2012, respectively, from hospital acquisitions that

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closed during those years. The following pro forma combined summary of operations of the Company gives effect to using historical information of the operations of the hospital acquisitions in 2014 discussed above as if the transactions had occurred as of January 1, 2013 (in millions, except per share data):

	Year Ended December 31,	
	2014	2013
	(Unaudited)	
Pro forma net operating revenues	\$ 19,269	\$ 18,925
Pro forma net income (loss) attributable to Community Health Systems, Inc. stockholders	87	(292)
Pro forma net income (loss) per share attributable to Community Health Systems, Inc. common stockholders:		
Basic	<u>\$ 0.77</u>	<u>\$ (2.63)</u>
Diluted	<u>\$ 0.76</u>	<u>\$ (2.63)</u>

Pro forma adjustments to net income include adjustments to depreciation and amortization expense, net of the related tax effect, based on the estimated fair value assigned to the long-lived assets acquired, and to interest expense, net of the related tax effect, assuming the increase in long-term debt used to fund the acquisitions had occurred as of January 1, 2013. The pro forma amounts for the year ended December 31, 2014 were adjusted to exclude approximately \$69 million of certain nonrecurring acquisition and related integration costs incurred by the Company related to HMA. Pro forma amounts for the year ended December 31, 2013 were adjusted to include these costs. The pro forma net income for the year ended December 31, 2014 includes a charge for the early extinguishment of debt of \$73 million before taxes and \$45 million after taxes, or \$0.40 per share (diluted). The pro forma net loss for the year ended December 31, 2013 includes approximately \$133 million before taxes and approximately \$83 million after taxes, or \$0.74 per share (diluted), in change in control and other related expenses recorded by HMA for amounts triggered by the change in control of the HMA board of directors during the three months ended September 30, 2013.

These pro forma results presented above with respect to the HMA merger and the other hospital acquisitions that occurred during 2014 are not necessarily indicative of the actual results of operations that would have been achieved had the acquisitions been consummated on the date and for the periods indicated and do not purport to indicate consolidated results of operations as of any future date or any future period. These pro forma results are based upon currently available information and estimates and assumptions that management believes are reasonable as of the date hereof. Any of the factors underlying these estimates and assumptions may change or prove to be materially different, and do not give effect to the potential impact of current financial conditions, any anticipated synergies, operating efficiencies or cost savings that may result or have resulted with respect to the HMA merger and these other acquisitions. These pro forma results do not reflect certain non-recurring costs related to the HMA merger and these other acquisitions such as cash expenditures for restructuring and integration activities.

***Other Acquisitions***

During the years ended December 31, 2014, 2013 and 2012, one or more subsidiaries of the Company paid approximately \$29 million, \$40 million and \$41 million, respectively, to acquire the operating assets and related businesses of certain physician practices, clinics and other ancillary businesses that operate within the communities served by the Company's affiliated hospitals. In connection with these acquisitions, during the year ended December 31, 2014, the Company allocated approximately \$15 million of the consideration paid to

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property and equipment and net working capital and the remainder, approximately \$14 million consisting of intangible assets that do not qualify for separate recognition, to goodwill. During 2013, the Company assumed approximately \$5 million of noncontrolling interests and allocated approximately \$9 million of the consideration paid to property and equipment and the remainder, approximately \$36 million consisting of intangible assets that do not qualify for separate recognition, to goodwill. During 2012, the Company assumed approximately \$2 million in net working capital liabilities and allocated approximately \$10 million of the consideration paid to property and equipment and the remainder, approximately \$33 million consisting of intangible assets that do not qualify for separate recognition, to goodwill.

***Discontinued Operations***

During the year ended December 31, 2014, the Company made the decision to sell and began actively marketing several smaller hospitals, which are classified as held for sale at December 31, 2014. Two other hospitals are required to be divested by the Federal Trade Commission as a condition of its approval of the HMA merger: Riverview Regional Medical Center (281 licensed beds) located in Gadsden, Alabama, and Carolina Pines Regional Medical Center (116 licensed beds) located in Hartsville, South Carolina (one or more subsidiaries of the Company entered into a definitive agreement to sell their ownership interest in Carolina Pines Regional Medical Center in October 2014 and the sale was completed effective January 1, 2015). On November 3, 2014, one or more subsidiaries of the Company sold Special Care Hospital (67 licensed beds) located in Nanticoke, Pennsylvania, which is a long-term acute care hospital, to Post Acute Medical, LLC for approximately \$3 million in cash. In addition, HMA entered into a definitive agreement to sell Williamson Memorial Hospital (76 licensed beds) located in Williamson, West Virginia prior to the HMA merger. In connection with management's decision to sell these facilities and the sale of one hospital during 2014, the Company has classified the results of operations of the above mentioned hospitals as discontinued operations in the accompanying consolidated statements of income, and classified the above mentioned hospitals as held for sale in the accompanying consolidated balance sheet.

Net operating revenues and loss from discontinued operations for the respective periods are as follows (in millions):

	Year Ended December 31,		
	2014	2013	2012
Net operating revenues	\$ 426	\$ 179	\$ 196
Loss from operations of entities sold or held for sale before income taxes	(11)	(32)	(19)
Impairment of hospitals sold or held for sale	(71)	(8)	—
Loss from discontinued operations, before taxes	(82)	(40)	(19)
Income tax benefit	(25)	(15)	(7)
Loss from discontinued operations, net of taxes	\$ (57)	\$ (25)	\$ (12)

Interest expense was allocated to discontinued operations based on sale proceeds available for debt repayment.

In April 2014, the Financial Accounting Standards Board issued ASU 2014-08, which changes the requirements for reporting discontinued operations. A discontinued operation continues to include a component of an entity or a group of components of an entity, or a business activity. However, in a shift reflecting

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stakeholder concerns that too many disposals of small groups of assets that are recurring in nature qualified for reporting as discontinued operations, a disposal of a component of an entity or a group of components of an entity will be required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results. A business or nonprofit activity that, on acquisition, meets the criteria to be classified as held for sale will still be a discontinued operation. Additional disclosures will be required for significant components of the entity that are disposed of or are held for sale but do not qualify as discontinued operations. This ASU is effective for fiscal years beginning after December 15, 2014 and is to be applied on a prospective basis for disposals or components initially classified as held for sale after that date. The Company adopted this ASU on January 1, 2015 and does not believe the adoption will have a material impact on its consolidated financial position, results of operations and cash flows.

#### 4. GOODWILL AND OTHER INTANGIBLE ASSETS

##### *Goodwill*

The changes in the carrying amount of goodwill for the year ended December 31, 2014 are as follows (in millions):

	Year Ended December 31,	
	2014	2013
Balance, beginning of year	\$ 4,424	\$ 4,388
Goodwill acquired as part of acquisitions during current year	4,527	36
Balance, end of year	<u>\$ 8,951</u>	<u>\$ 4,424</u>

Goodwill is allocated to each identified reporting unit, which is defined as an operating segment or one level below the operating segment (referred to as a component of the entity). Management has determined that the Company's operating segments and hospital management services operations meet the criteria to be classified as reporting units. At December 31, 2014, the hospital operations reporting unit, the home care agency operations reporting unit, and the hospital management services reporting unit had approximately \$8.9 billion, \$44 million and \$33 million, respectively, of goodwill. At December 31, 2013, the hospital operations reporting unit, the home care agency operations reporting unit, and the hospital management services reporting unit had approximately \$4.3 billion, \$44 million and \$33 million, respectively, of goodwill.

Goodwill is evaluated for impairment at the same time every year and when an event occurs or circumstances change that, more likely than not, reduce the fair value of the reporting unit below its carrying value. There is a two-step method for determining goodwill impairment. Step one is to compare the fair value of the reporting unit with the unit's carrying amount, including goodwill. If this test indicates the fair value is less than the carrying value, then step two is required to compare the implied fair value of the reporting unit's goodwill with the carrying value of the reporting unit's goodwill. The Company performed its last annual goodwill evaluation during the fourth quarter of 2014. No impairment was indicated by this evaluation. The next annual goodwill evaluation will be performed during the fourth quarter of 2015.

The Company estimates the fair value of the related reporting units using both a discounted cash flow model as well as an EBITDA multiple model. The cash flow forecasts are adjusted by an appropriate discount rate based on the Company's estimate of a market participant's weighted-average cost of capital. These models are both based on the Company's best estimate of future revenues and operating costs and are reconciled to the Company's consolidated market capitalization, with consideration of the amount a potential acquirer would be required to pay, in the form of a control premium, in order to gain sufficient ownership to set policies, direct operations and control management decisions.



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***Intangible Assets***

Approximately \$112 million of intangible assets other than goodwill were acquired during the year ended December 31, 2014. These acquired intangibles represent the Company's estimate of the fair value of the contract-based intangible assets related to the certificates of need and Medicare licenses obtained in the HMA merger. The gross carrying amount of the Company's other intangible assets subject to amortization was \$76 million at December 31, 2014 and \$51 million at December 31, 2013, and the net carrying amount was \$39 million at December 31, 2014 and \$21 million at December 31, 2013. The carrying amount of the Company's other intangible assets not subject to amortization was \$131 million and \$50 million at December 31, 2014 and December 31, 2013, respectively. Other intangible assets are included in other assets, net on the Company's consolidated balance sheets. Substantially all of the Company's intangible assets are contract-based intangible assets related to operating licenses, management contracts, or non-compete agreements entered into in connection with prior acquisitions.

The weighted-average remaining amortization period for the intangible assets subject to amortization is approximately four years. There are no expected residual values related to these intangible assets. Amortization expense on these intangible assets was \$13 million, \$6 million and \$7 million during the years ended December 31, 2014, 2013 and 2012, respectively. Amortization expense on intangible assets is estimated to be \$14 million in 2015, \$13 million in 2016, \$3 million in 2017, \$2 million in 2018, \$2 million in 2019 and \$5 million thereafter.

The gross carrying amount of capitalized software for internal use was approximately \$1.5 billion and \$972 million at December 31, 2014 and December 31, 2013, respectively, and the net carrying amount considering accumulated amortization was approximately \$790 million and \$550 million at December 31, 2014 and December 31, 2013, respectively. The estimated amortization period for capitalized internal-use software is generally three years, except for capitalized costs related to significant system conversions, which is generally eight to ten years. There is no expected residual value for capitalized internal-use software. At December 31, 2014, there was approximately \$53 million of capitalized costs for internal-use software that is currently in the development stage and will begin amortization once the software project is complete and ready for its intended use. Amortization expense on capitalized internal-use software was \$260 million, \$139 million and \$99 million during the years ended December 31, 2014, 2013 and 2012, respectively. Amortization expense on capitalized internal-use software is estimated to be \$178 million in 2015, \$149 million in 2016, \$117 million in 2017, \$74 million in 2018, \$67 million in 2019 and \$205 million thereafter.

In connection with the HMA merger, the Company further analyzed its intangible assets related to internal-use software used in certain of its hospitals for patient and clinical systems, including software required to meet criteria for meaningful use attestation and ICD-10 compliance. This analysis resulted in management reassessing its usage of certain software products and rationalizing that, with the addition of the HMA hospitals in the first quarter of 2014, those software applications were going to be discontinued and replaced with new applications that better integrate meaningful use and ICD-10 compliance, are more cost effective and can be implemented at a greater efficiency of scale over future implementations. As a result of this analysis, during the year ended December 31, 2014, the Company recorded an impairment charge of approximately \$24 million related to software in-process that has been abandoned and the acceleration of amortization of approximately \$75 million.

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**5. INCOME TAXES**

The provision for income taxes for income from continuing operations consists of the following (in millions):

	Year Ended December 31,		
	2014	2013	2012
<b>Current:</b>			
Federal	\$ (29)	\$ 27	\$ 99
State	3	6	10
	(26)	33	109
<b>Deferred:</b>			
Federal	106	60	58
State	2	11	(3)
	108	71	55
<b>Total provision for income taxes for income from continuing operations</b>	<b>\$ 82</b>	<b>\$ 104</b>	<b>\$ 164</b>

The following table reconciles the differences between the statutory federal income tax rate and the effective tax rate (dollars in millions):

	Year Ended December 31,					
	2014		2013		2012	
	Amount	%	Amount	%	Amount	%
Provision for income taxes at statutory federal rate	\$ 120	35.0%	\$ 121	35.0%	\$ 183	35.0%
State income taxes, net of federal income tax benefit	11	3.2	11	3.1	12	2.4
Release of unrecognized tax benefit	(9)	(2.6)	—	—	—	—
Net income attributable to noncontrolling interests	(39)	(11.5)	(27)	(7.7)	(28)	(5.4)
Change in valuation allowance	—	—	—	—	(1)	(0.2)
Federal and state tax credits	(4)	(1.2)	(4)	(1.1)	(2)	(0.4)
Nondeductible transaction costs	3	0.9	—	—	—	—
Other	—	—	3	0.7	—	0.1
<b>Provision for income taxes and effective tax rate for income from continuing operations</b>	<b>\$ 82</b>	<b>23.8%</b>	<b>\$ 104</b>	<b>30.0%</b>	<b>\$ 164</b>	<b>31.5%</b>

The Company's effective tax rates were 23.8%, 30.0% and 31.5% for the years ended December 31, 2014, 2013 and 2012, respectively. The decrease in the Company's effective tax rate for the year ended December 31, 2014 is primarily impacted by the decrease in income from continuing operations before income taxes after adjusting for the increase in net income attributable to noncontrolling interests, which is not tax effected in the statement of income. Adjusting for this impact, the Company's effective tax rate decreased from 38.5% for the year ended December 31, 2013, to 35.5% for the year ended December 31, 2014, primarily due to the release of unrecognized tax benefit.

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Deferred income taxes are based on the estimated future tax effects of differences between the financial statement and tax bases of assets and liabilities under the provisions of the enacted tax laws. Deferred income taxes as of December 31, 2014 and 2013 consist of (in millions):

	December 31,			
	2014		2013	
	Assets	Liabilities	Assets	Liabilities
Net operating loss and credit carryforwards	\$ 526	\$ —	\$ 187	\$ —
Property and equipment	—	841	—	820
Self-insurance liabilities	176	—	125	—
Prepaid expenses	—	62	—	—
Intangibles	—	312	—	244
Investments in unconsolidated affiliates	—	133	—	60
Other liabilities	—	12	—	24
Long-term debt and interest	—	34	—	21
Accounts receivable	26	—	—	86
Accrued vacation	68	—	—	—
Accrued expenses	—	—	53	—
Other comprehensive income	39	—	47	—
Stock-based compensation	28	—	23	—
Deferred compensation	117	—	73	—
Other	180	—	110	—
	<u>1,160</u>	<u>1,394</u>	<u>618</u>	<u>1,255</u>
Valuation allowance	<u>(280)</u>	<u>—</u>	<u>(171)</u>	<u>—</u>
Total deferred income taxes	<u>\$ 880</u>	<u>\$ 1,394</u>	<u>\$ 447</u>	<u>\$ 1,255</u>

The Company believes that the net deferred tax assets will ultimately be realized, except as noted below. Its conclusion is based on its estimate of future taxable income and the expected timing of temporary difference reversals. The Company has state net operating loss carry forwards of approximately \$4.5 billion, which expire from 2015 to 2034. The Company also has unrecognized deferred tax assets primarily related to interest expense that are included in other comprehensive income. If recognized, additional state net operating losses will be created which the Company does not expect to be able to utilize prior to the expiration of the carryforward period. A valuation allowance of approximately \$6 million has been recognized for those items. With respect to the deferred tax liability pertaining to intangibles, as included above, goodwill purchased in connection with certain of the Company's business acquisitions is amortizable for income tax reporting purposes. However, for financial reporting purposes, there is no corresponding amortization allowed with respect to such purchased goodwill.

The valuation allowance increased by \$109 million during the year ended December 31, 2014 and increased by \$10 million during the year ended December 31, 2013. In addition to amounts previously discussed, the change in valuation allowance relates to a redetermination of the amount of, and realizability of, net operating losses and credits in certain income tax jurisdictions.

The total amount of unrecognized benefit that would affect the effective tax rate, if recognized, was approximately \$5 million as of December 31, 2014. A total of approximately \$2 million of interest and penalties is included in the amount of the liability for uncertain tax positions at December 31, 2014. It is the Company's policy to recognize interest and penalties related to unrecognized benefits in its consolidated statements of income as income tax expense. The liabilities for uncertain tax positions increased by \$26 million during the year ended December 31, 2014 as a result of the HMA merger. During the year ended December 31, 2014, the Company decreased liabilities for uncertain tax positions by \$15 million.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

It is possible the amount of unrecognized tax benefit could change in the next 12 months as a result of a lapse of the statute limitations and settlements with taxing authorities; however, the Company does not anticipate the change will have a material impact on the Company's consolidated results of operations or consolidated financial position.

The following is a tabular reconciliation of the total amount of unrecognized tax benefit for the years ended December 31, 2014, 2013 and 2012 (in millions):

	Year Ended December 31,		
	2014	2013	2012
Unrecognized tax benefit, beginning of year	\$ —	\$ 1	\$ 1
Gross increases – assumed liability of acquired entity	26	—	2
Reductions – tax positions in prior period	(8)	—	—
Lapse of statute of limitations	(1)	—	—
Settlements	(1)	(1)	(2)
Unrecognized tax benefit, end of year	<u>\$ 16</u>	<u>\$ —</u>	<u>\$ 1</u>

The Company, or one of its subsidiaries, files income tax returns in the United States federal jurisdiction and various state jurisdictions. The Company has extended the federal statute of limitations through December 31, 2015 for Triad Hospitals, Inc. ("Triad") for the tax periods ended December 31, 1999, December 31, 2000, April 30, 2001, June 30, 2001, December 31, 2001, December 31, 2002, December 31, 2003, December 31, 2004, December 31, 2005, December 31, 2006 and July 25, 2007. With few exceptions, the Company is no longer subject to state income tax examinations for years prior to 2011. The Company's federal income tax returns for the 2009 and 2010 tax years are currently under examination by the Internal Revenue Service ("IRS"). The Company believes the results of these examinations will not be material to its consolidated results of operations or consolidated financial position. During the year ended December 31, 2013, the IRS concluded its examination of the federal tax return of Community Health Systems, Inc. for the tax periods ended December 31, 2007 and 2008. The results of these examinations did not have a material effect on the Company's consolidated results of operations or consolidated financial position. The Company has extended the federal statute of limitations through December 31, 2015 for Community Health Systems, Inc. for the tax periods ended December 31, 2007 and 2008, through June 30, 2016 for the tax periods ended December 31, 2009 and 2010, and through September 6, 2016 for the tax period ended December 31, 2011.

Cash paid for income taxes, net of refunds received, resulted in a net cash refund of \$180 million during the year ended December 31, 2014 and net cash paid of \$73 million and \$56 million during the years ended December 31, 2013 and 2012, respectively.

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**6. LONG-TERM DEBT**

Long-term debt consists of the following (in millions):

	December 31,	
	2014	2013
<b>Credit Facility:</b>		
Term loan A	\$ 950	\$ 637
Term loan B	—	60
Term loan C	—	3,353
Term loan D	4,555	—
Term loan E	1,660	—
Revolving credit loans	—	—
8% Senior Notes due 2019	2,018	2,020
7 1/8% Senior Notes due 2020	1,200	1,200
5 1/8% Senior Secured Notes due 2018	1,600	1,600
5 1/8% Senior Secured Notes due 2021	1,000	—
6 7/8% Senior Notes due 2022	3,000	—
Receivables Facility	614	500
Capital lease obligations	228	46
Other	91	37
<b>Total debt</b>	<b>16,916</b>	<b>9,453</b>
<b>Less current maturities</b>	<b>(235)</b>	<b>(167)</b>
<b>Total long-term debt</b>	<b><u>\$16,681</u></b>	<b><u>\$9,286</u></b>

***Credit Facility***

The Company's wholly-owned subsidiary, CHS, has senior secured financing under a credit facility with a syndicate of financial institutions led by Credit Suisse, as administrative agent and collateral agent. Prior to the HMA merger, this credit facility included a \$750 million term loan A facility due October 25, 2016, a term loan B due July 25, 2014, a term loan C due January 25, 2017 and a \$750 million revolving credit facility for working capital and general corporate purposes.

In connection with the HMA merger, the Company and CHS entered into a third amendment and restatement of its credit facility (the "Credit Facility"), providing for additional financing and recapitalization of certain of the Company's term loans, including (i) the replacement of the revolving credit facility with a new \$1.0 billion revolving facility maturing in 2019 (the "Revolving Facility"), (ii) the addition of a new \$1.0 billion Term A facility due 2019 (the "Term A Facility"), (iii) a Term D facility in an aggregate principal amount equal to approximately \$4.6 billion due 2021 (which includes certain term C loans that were converted into such Term D facility (collectively, the "Term D Facility")), (iv) the conversion of certain term C loans into Term E Loans and the borrowing of new Term E Loans in an aggregate principal amount of approximately \$1.7 billion due 2017 and (v) the addition of flexibility commensurate with the Company's post-acquisition structure. In addition to funding a portion of the consideration in connection with the HMA merger, some of the proceeds of the Term A Facility and Term D Facility were used to refinance the outstanding \$637 million existing term A facility due 2016 and the \$60 million of term B loans due 2014, respectively. The Revolving Facility includes a subfacility for letters of credit.

The loans under the Credit Facility bear interest on the outstanding unpaid principal amount at a rate equal to an applicable percentage plus, at CHS' option, either (a) an Alternate Base Rate (as defined) determined by

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reference to the greater of (1) the Prime Rate (as defined) announced by Credit Suisse or (2) the Federal Funds Effective Rate (as defined) plus 0.50% or (3) the adjusted London Interbank Offered Rate (“LIBOR”) on such day for a three-month interest period commencing on the second business day after such day plus 1% or (b) LIBOR. Loans in respect of the Revolving Facility and the Term A Facility will accrue interest at a rate per annum initially equal to LIBOR plus 2.75%, in the case of LIBOR borrowings, and Alternate Base Rate plus 1.75%, in the case of Alternate Base Rate borrowings. In addition, the margin in respect of the Revolving Facility and the Term A Facility will be subject to adjustment determined by reference to a leverage-based pricing grid. Loans in respect of the Term D Facility and the Term E Facility will accrue interest at a rate per annum equal to LIBOR plus 3.25%, in the case of LIBOR borrowings, and Alternate Base Rate plus 2.25%, in the case of Alternate Base Rate Borrowings. The Term D Facility will be subject to a 1.00% LIBOR floor and a 2.00% Alternate Base Rate floor.

The term loan facility must be prepaid in an amount equal to (1) 100% of the net cash proceeds of certain asset sales and dispositions by the Company and its subsidiaries, subject to certain exceptions and reinvestment rights, (2) 100% of the net cash proceeds of issuances of certain debt obligations or receivables-based financing by the Company and its subsidiaries, subject to certain exceptions, and (3) 50%, subject to reduction to a lower percentage based on the Company’s leverage ratio (as defined in the Credit Facility generally as the ratio of total debt on the date of determination to the Company’s EBITDA, as defined, for the four quarters most recently ended prior to such date), of excess cash flow (as defined) for any year, subject to certain exceptions. Voluntary prepayments and commitment reductions are permitted in whole or in part, without any premium or penalty, subject to minimum prepayment or reduction requirements.

The borrower under the Credit Facility is CHS. All of the obligations under the Credit Facility are unconditionally guaranteed by the Company and certain of its existing and subsequently acquired or organized domestic subsidiaries. All obligations under the Credit Facility and the related guarantees are secured by a perfected first priority lien or security interest in substantially all of the assets of the Company, CHS and each subsidiary guarantor, including equity interests held by the Company, CHS or any subsidiary guarantor, but excluding, among others, the equity interests of non-significant subsidiaries, syndication subsidiaries, securitization subsidiaries and joint venture subsidiaries.

CHS has agreed to pay letter of credit fees equal to the applicable percentage then in effect with respect to Eurodollar rate loans under the Revolving Facility times the maximum aggregate amount available to be drawn under all letters of credit outstanding under the subfacility for letters of credit. The issuer of any letter of credit issued under the subfacility for letters of credit will also receive a customary fronting fee and other customary processing charges. CHS is obligated to pay commitment fees of 0.50% per annum (subject to adjustment based upon the Company’s leverage ratio) on the unused portion of the Revolving Facility.

The Credit Facility contains customary representations and warranties, subject to limitations and exceptions, and customary covenants restricting the Company’s and its subsidiaries’ ability, subject to certain exceptions, to, among other things (1) declare dividends, make distributions or redeem or repurchase capital stock, (2) prepay, redeem or repurchase other debt, (3) incur liens or grant negative pledges, (4) make loans and investments and enter into acquisitions and joint ventures, (5) incur additional indebtedness or provide certain guarantees, (6) make capital expenditures, (7) engage in mergers, acquisitions and asset sales, (8) conduct transactions with affiliates, (9) alter the nature of the Company’s businesses, (10) grant certain guarantees with respect to physician practices, (11) engage in sale and leaseback transactions or (12) change the Company’s fiscal year. The Company is also required to comply with specified financial covenants (consisting of a maximum secured net leverage ratio and an interest coverage ratio) and various affirmative covenants.

Events of default under the Credit Facility include, but are not limited to, (1) CHS’ failure to pay principal, interest, fees or other amounts under the credit agreement when due (taking into account any applicable grace

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period), (2) any representation or warranty proving to have been materially incorrect when made, (3) covenant defaults subject, with respect to certain covenants, to a grace period, (4) bankruptcy events, (5) a cross default to certain other debt, (6) certain undischarged judgments (not paid within an applicable grace period), (7) a change of control, (8) certain ERISA-related defaults and (9) the invalidity or impairment of specified security interests, guarantees or subordination provisions in favor of the administrative agent or lenders under the Credit Facility.

As of December 31, 2014, the availability for additional borrowings under the Credit Facility was approximately \$1.0 billion pursuant to the Revolving Facility, of which \$83 million was set aside for outstanding letters of credit. CHS has the ability to amend the Credit Facility to provide for one or more tranches of term loans or increases in the Revolving Facility in an aggregate principal amount of \$1.5 billion, which CHS has not yet accessed. As of December 31, 2014, the weighted-average interest rate under the Credit Facility, excluding swaps, was 4.4%.

As of December 31, 2014, the term loans are scheduled to be paid with principal payments for future years as follows (in millions):

<u>Year</u>	<u>Amount</u>
2015	\$ 163
2016	163
2017	1,822
2018	496
2019	196
Thereafter	4,325
<b>Total</b>	<b><u>\$7,165</u></b>

As of December 31, 2014, the Company had letters of credit issued, primarily in support of potential insurance-related claims and certain bonds, of approximately \$83 million.

**8% Senior Notes due 2019**

On November 22, 2011, CHS completed its offering of \$1.0 billion aggregate principal amount of 8% Senior Notes due 2019 (the “8% Senior Notes”), which were issued in a private placement. The net proceeds from this issuance, together with available cash on hand, were used to finance the purchase of up to \$1.0 billion aggregate principal amount of CHS’ then outstanding 8 <sup>7</sup>/<sub>8</sub>% Senior Notes and related fees and expenses. On March 21, 2012, CHS completed the secondary offering of an additional \$1.0 billion aggregate principal amount of 8% Senior Notes, which were issued in a private placement (at a premium of 102.5%). The net proceeds from this issuance were used to finance the purchase of approximately \$850 million aggregate principal amount of CHS’ then outstanding 8 <sup>7</sup>/<sub>8</sub>% Senior Notes, to pay related fees and expenses and for general corporate purposes. The 8% Senior Notes bear interest at 8% per annum, payable semiannually in arrears on May 15 and November 15, commencing May 15, 2012. Interest on the 8% Senior Notes accrues from the date of original issuance. Interest is calculated on the basis of a 360-day year comprised of twelve 30-day months.

Except as set forth below, CHS is not entitled to redeem the 8% Senior Notes prior to November 15, 2015.

Prior to November 15, 2015, CHS may redeem some or all of the 8% Senior Notes at a redemption price equal to 100% of the principal amount of the notes redeemed plus accrued and unpaid interest, if any, plus a “make-whole” premium, as described in the 8% Senior Notes indenture. On and after November 15, 2015, CHS

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is entitled, at its option, to redeem all or a portion of the 8% Senior Notes upon not less than 30 nor more than 60 days' notice, at the following redemption prices (expressed as a percentage of principal amount on the redemption date), plus accrued and unpaid interest, if any, to the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the periods set forth below:

<u>Period</u>	<u>Redemption Price</u>
November 15, 2015 to November 14, 2016	104.000%
November 15, 2016 to November 14, 2017	102.000%
November 15, 2017 to November 15, 2019	100.000%

Pursuant to a registration rights agreement entered into at the time of the issuance of the 8% Senior Notes, as a result of an exchange offer made by CHS, substantially all of the 8% Senior Notes issued in November 2011 and March 2012 were exchanged in May 2012 for new notes (the "8% Exchange Notes") having terms substantially identical in all material respects to the 8% Senior Notes (except that the 8% Exchange Notes were issued under a registration statement pursuant to the Securities Act of 1933, as amended (the "1933 Act")). References to the 8% Senior Notes shall also be deemed to include the 8% Exchange Notes unless the context provides otherwise.

***7 1/8% Senior Notes due 2020***

On July 18, 2012, CHS completed an underwritten public offering under its automatic shelf registration filed with the SEC of \$1.2 billion aggregate principal amount of 7 1/8% Senior Notes due 2020 (the "7 1/8% Senior Notes"). The net proceeds from this issuance were used to finance the purchase or redemption of \$934 million aggregate principal amount plus accrued interest of CHS' outstanding 8 7/8% Senior Notes, to pay for consents delivered in connection therewith, to pay related fees and expenses, and for general corporate purposes. The 7 1/8% Senior Notes bear interest at 7.125% per annum, payable semiannually in arrears on July 15 and January 15, commencing January 15, 2013. Interest on the 7 1/8% Senior Notes accrues from the date of original issuance. Interest is calculated on the basis of a 360-day year comprised of twelve 30-day months.

Except as set forth below, CHS is not entitled to redeem the 7 1/8% Senior Notes prior to July 15, 2016.

Prior to July 15, 2015, CHS is entitled, at its option, to redeem a portion of the 7 1/8% Senior Notes (not to exceed 35% of the outstanding principal amount) at a redemption price equal to 107.125% of the principal amount of the notes redeemed plus accrued and unpaid interest, with the proceeds from certain public equity offerings. Prior to July 15, 2016, CHS may redeem some or all of the 7 1/8% Senior Notes at a redemption price equal to 100% of the principal amount of the notes redeemed plus accrued and unpaid interest, if any, plus a "make-whole" premium, as described in the 7 1/8% Senior Notes indenture. On and after July 15, 2016, CHS is entitled, at its option, to redeem all or a portion of the 7 1/8% Senior Notes upon not less than 30 nor more than 60 days' notice, at the following redemption prices (expressed as a percentage of principal amount on the redemption date), plus accrued and unpaid interest, if any, to the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the periods set forth below:

<u>Period</u>	<u>Redemption Price</u>
July 15, 2016 to July 14, 2017	103.563%
July 15, 2017 to July 14, 2018	101.781%
July 15, 2018 to July 15, 2020	100.000%



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***5 1/8% Senior Secured Notes due 2018***

On August 17, 2012, CHS completed an underwritten public offering under its automatic shelf registration filed with the SEC of \$1.6 billion aggregate principal amount of 5 1/8% Senior Secured Notes due 2018 (the “2018 Senior Secured Notes”). The net proceeds from this issuance, together with available cash on hand, were used to finance the prepayment of \$1.6 billion of the outstanding term loans due 2014 under the Credit Facility and related fees and expenses. The 2018 Senior Secured Notes bear interest at 5.125% per annum, payable semiannually in arrears on August 15 and February 15, commencing February 15, 2013. Interest on the 2018 Senior Secured Notes accrues from the date of original issuance. Interest is calculated on the basis of a 360-day year comprised of twelve 30-day months. The 2018 Senior Secured Notes are secured by a first-priority lien subject to a shared lien of equal priority with certain other obligations, including obligations under the Credit Facility, and subject to prior ranking liens permitted by the indenture governing the 2018 Senior Secured Notes on substantially the same assets, subject to certain exceptions, that secure CHS’ obligations under the Credit Facility.

Except as set forth below, CHS is not entitled to redeem the 2018 Senior Secured Notes prior to August 15, 2015.

Prior to August 15, 2015, CHS is entitled, at its option, to redeem a portion of the 2018 Senior Secured Notes (not to exceed 35% of the outstanding principal amount) at a redemption price equal to 105.125% of the principal amount of the notes redeemed plus accrued and unpaid interest, with the proceeds from certain public equity offerings. Prior to August 15, 2015, CHS may redeem some or all of the 2018 Senior Secured Notes at a redemption price equal to 100% of the principal amount of the notes redeemed plus accrued and unpaid interest, if any, plus a “make-whole” premium, as described in the 2018 Senior Secured Notes indenture. On and after August 15, 2015, CHS is entitled, at its option, to redeem all or a portion of the 2018 Senior Secured Notes upon not less than 30 nor more than 60 days’ notice, at the following redemption prices (expressed as a percentage of principal amount on the redemption date), plus accrued and unpaid interest, if any, to the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the periods set forth below:

<u>Period</u>	<u>Redemption Price</u>
August 15, 2015 to August 14, 2016	102.563%
August 15, 2016 to August 14, 2017	101.281%
August 15, 2017 to August 15, 2018	100.000%

***5 1/8% Senior Secured Notes due 2021***

On January 27, 2014, CHS issued \$1.0 billion aggregate principal amount of 5 1/8% Senior Secured Notes due 2021 (the “2021 Senior Secured Notes”) in connection with the HMA merger, which were issued in a private placement. The net proceeds from this issuance were used to finance the HMA merger. The 2021 Senior Secured Notes bear interest at 5.125% per annum, payable semiannually in arrears on February 1 and August 1, commencing August 1, 2014. Interest on the 2021 Senior Secured Notes accrues from the date of original issuance. Interest is calculated on the basis of a 360-day year comprised of twelve 30-day months. The 2021 Senior Secured Notes are secured by a first-priority lien, subject to a shared lien of equal priority with certain other obligations, including obligations under the Credit Facility, and subject to prior ranking liens permitted by the indenture governing the 2021 Senior Secured Notes, on substantially the same assets, subject to certain exceptions, that secure CHS’ obligations under the Credit Facility.

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Except as set forth below, CHS is not entitled to redeem the 2021 Senior Secured Notes prior to February 1, 2017.

Prior to February 1, 2017, CHS is entitled, at its option, to redeem a portion of the 2021 Senior Secured Notes (not to exceed 40% of the outstanding principal amount) at a redemption price equal to 105.125% of the principal amount of the notes redeemed plus accrued and unpaid interest, with the proceeds from certain equity offerings. Prior to February 1, 2017, CHS may redeem some or all of the 2021 Senior Secured Notes at a redemption price equal to 100% of the principal amount of the notes redeemed plus accrued and unpaid interest, if any, plus a “make-whole” premium, as described in the 2021 Senior Secured Notes indenture. On and after February 1, 2017, CHS is entitled, at its option, to redeem all or a portion of the 2021 Senior Secured Notes upon not less than 30 nor more than 60 days’ notice, at the following redemption prices (expressed as a percentage of principal amount on the redemption date), plus accrued and unpaid interest, if any, to the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the periods set forth below:

<u>Period</u>	<u>Redemption Price</u>
February 1, 2017 to January 31, 2018	103.844%
February 1, 2018 to January 31, 2019	102.563%
February 1, 2019 to January 31, 2020	101.281%
February 1, 2020 to January 31, 2021	100.000%

Pursuant to a registration rights agreement entered into at the time of the issuance of the 2021 Senior Secured Notes, as a result of an exchange offer made by CHS, all of the 2021 Senior Secured Notes issued in January 2014 were exchanged in October 2014 for new notes (the “2021 Exchange Notes”) having terms substantially identical in all material respects to the 2021 Senior Secured Notes (except that the exchange notes were issued under a registration statement pursuant to the 1933 Act). References to the 2021 Senior Secured Notes shall be deemed to be the 2021 Exchange Notes unless the context provides otherwise.

**6 <sup>7</sup>/<sub>8</sub>% Senior Notes due 2022**

On January 27, 2014, CHS issued \$3.0 billion aggregate principal amount of 6 <sup>7</sup>/<sub>8</sub>% Senior Notes due 2022 (the “6 <sup>7</sup>/<sub>8</sub>% Senior Notes”) in connection with the HMA merger, which were issued in a private placement. The net proceeds from this issuance were used to finance the HMA merger. The 6 <sup>7</sup>/<sub>8</sub>% Senior Notes bear interest at 6.875% per annum, payable semiannually in arrears on February 1 and August 1, commencing August 1, 2014. Interest on the 6 <sup>7</sup>/<sub>8</sub>% Senior Notes accrues from the date of original issuance. Interest is calculated on the basis of a 360-day year comprised of twelve 30-day months.

Except as set forth below, CHS is not entitled to redeem the 6 <sup>7</sup>/<sub>8</sub>% Senior Notes prior to February 1, 2018.

Prior to February 1, 2018, CHS is entitled, at its option, to redeem a portion of the 6 <sup>7</sup>/<sub>8</sub>% Senior Notes (not to exceed 40% of the outstanding principal amount) at a redemption price equal to 106.875% of the principal amount of the notes redeemed plus accrued and unpaid interest, with the proceeds from certain public equity offerings. Prior to February 1, 2018, CHS may redeem some or all of the 6 <sup>7</sup>/<sub>8</sub>% Senior Notes at a redemption price equal to 100% of the principal amount of the notes redeemed plus accrued and unpaid interest, if any, plus a “make-whole” premium, as described in the 6 <sup>7</sup>/<sub>8</sub>% Senior Notes indenture. On and after February 1, 2018, CHS is entitled, at its option, to redeem all or a portion of the 6 <sup>7</sup>/<sub>8</sub>% Senior Notes upon not less than 30 nor more than 60 days’ notice, at the following redemption prices (expressed as a percentage of principal amount on the

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redemption date), plus accrued and unpaid interest, if any, to the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the periods set forth below:

<u>Period</u>	<u>Redemption Price</u>
February 1, 2018 to January 31, 2019	103.438%
February 1, 2019 to January 31, 2020	101.719%
February 1, 2020 to January 31, 2022	100.000%

Pursuant to a registration rights agreement entered into at the time of the issuance of the 6 7/8% Senior Notes, as a result of an exchange offer made by CHS, all of the 6 7/8% Senior Notes issued in January 2014 were exchanged in October 2014 for new notes (the “6 7/8% Exchange Notes”) having terms substantially identical in all material respects to the 6 7/8% Senior Notes (except that the exchange notes were issued under a registration statement pursuant to the 1933 Act). References to the 6 7/8% Senior Notes shall be deemed to be the 6 7/8% Exchange Notes unless the context provides otherwise.

***Receivables Facility***

On March 21, 2012, CHS and certain of its subsidiaries entered into an accounts receivable loan agreement (the “Receivables Facility”) with a group of lenders and banks, Credit Agricole Corporate and Investment Bank, as a managing agent and as the administrative agent, and The Bank of Nova Scotia, as a managing agent. On March 7, 2013, CHS and certain of its subsidiaries amended the Receivables Facility to add an additional managing agent, The Bank of Tokyo-Mitsubishi UFJ, Ltd., to increase the size of the facility from \$300 million to \$500 million and to extend the scheduled termination date. Additional subsidiaries of the Company also agreed to participate in the Receivables Facility as of that date. On March 31, 2014, CHS and certain of its subsidiaries amended the Receivables Facility to increase the size of the facility from \$500 million to \$700 million and to extend the scheduled termination date. Additional subsidiaries of the Company also agreed to participate in the Receivables Facility as of that date. The existing and future non-self pay patient-related accounts receivable (the “Receivables”) for certain of the Company’s hospitals serves as collateral for the outstanding borrowings under the Receivables Facility. The interest rate on the borrowings is based on the commercial paper rate plus an applicable interest rate spread. Unless earlier terminated or subsequently extended pursuant to its terms, the Receivables Facility will expire on March 21, 2017, subject to customary termination events that could cause an early termination date. The Company maintains effective control over the Receivables because, pursuant to the terms of the Receivables Facility, the Receivables are sold from certain of the Company’s subsidiaries to CHS, which then sells or contributes the Receivables to a special-purpose entity that is wholly-owned by CHS. The wholly-owned special-purpose entity in turn grants security interests in the Receivables in exchange for borrowings obtained from the group of third-party lenders and banks of up to \$700 million outstanding from time to time based on the availability of eligible Receivables and other customary factors. The group of third-party lenders and banks do not have recourse to the Company or its subsidiaries beyond the assets of the wholly-owned special-purpose entity that collateralizes the loan. The Receivables and other assets of the wholly-owned special-purpose entity will be available first and foremost to satisfy the claims of the creditors of such entity. The outstanding borrowings pursuant to the Receivables Facility at December 31, 2014 totaled \$614 million and are classified as long-term debt on the consolidated balance sheet. At December 31, 2014, the carrying amount of Receivables included in the Receivables Facility totaled approximately \$1.3 billion and is included in patient accounts receivable on the consolidated balance sheet.

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**Loss from Early Extinguishment of Debt**

The financing transactions discussed above resulted in a loss from early extinguishment of debt of \$73 million, \$1 million and \$115 million for the years ended December 31, 2014, 2013 and 2012, respectively, and an after-tax loss of \$45 million, less than \$1 million and \$72 million for the years ended December 31, 2014, 2013 and 2012, respectively.

**Other Debt**

As of December 31, 2014, other debt consisted primarily of the mortgage obligation on the Company's corporate headquarters and other obligations maturing in various installments through 2020.

To limit the effect of changes in interest rates on a portion of the Company's long-term borrowings, the Company is a party to 7 separate interest swap agreements in effect at December 31, 2014, with an aggregate notional amount for currently effective swaps of \$1.3 billion, and four forward-starting swap agreements with an aggregate notional amount of \$1.0 billion. On each of these swaps, the Company receives a variable rate of interest based on the three-month LIBOR in exchange for the payment of a fixed rate of interest. The Company currently pays, on a quarterly basis, interest on the Revolving Facility and the Term A Facility at a rate per annum equal to LIBOR plus 275 basis points. Loans in respect of the Term D Facility and the Term E Facility accrue interest at a rate per annum equal to LIBOR plus 325 basis points. The Term D Facility is also subject to a 100 basis point LIBOR floor and a 200 basis point Alternate Base Rate floor. See Note 7 for additional information regarding these swaps.

As of December 31, 2014, the scheduled maturities of long-term debt outstanding, including capital lease obligations for each of the next five years and thereafter are as follows (in millions):

<u>Year</u>	<u>Amount</u>
2015	\$ 235
2016	818
2017	1,865
2018	2,110
2019	2,229
Thereafter	9,641
Total maturities	<u>16,898</u>
Plus unamortized note premium	<u>18</u>
Total long-term debt	<u>\$16,916</u>

The Company paid interest of \$831 million, \$583 million and \$594 million on borrowings during the years ended December 31, 2014, 2013 and 2012, respectively.

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**7. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The fair value of financial instruments has been estimated by the Company using available market information as of December 31, 2014 and December 31, 2013, and valuation methodologies considered appropriate. The estimates presented are not necessarily indicative of amounts the Company could realize in a current market exchange (in millions):

	December 31,			
	2014		2013	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<b>Assets:</b>				
Cash and cash equivalents	\$ 509	\$ 509	\$ 373	\$ 373
Available-for-sale securities	280	280	65	65
Trading securities	55	55	38	38
<b>Liabilities:</b>				
Contingent Value Right	6	6	—	—
Credit Facility	7,165	7,143	4,050	4,085
8% Senior Notes	2,018	2,139	2,020	2,172
7 1/8% Senior Notes	1,200	1,282	1,200	1,246
2018 Senior Secured Notes	1,600	1,655	1,600	1,662
2021 Senior Secured Notes	1,000	1,041	—	—
6 7/8% Senior Notes	3,000	3,194	—	—
Receivables Facility and other debt	705	705	537	537

The estimated fair value is determined using the methodologies discussed below in accordance with accounting standards related to the determination of fair value based on the U.S. GAAP fair value hierarchy as discussed in Note 8. The estimated fair value for financial instruments with a fair value that does not equal its carrying value is considered a Level 1 valuation. The Company utilizes the market approach and obtains indicative pricing from the administrative agent to the Credit Facility to determine fair values or through publicly available subscription services such as Bloomberg where relevant.

*Cash and cash equivalents.* The carrying amount approximates fair value due to the short-term maturity of these instruments (less than three months).

*Available-for-sale securities.* Estimated fair value is based on closing price as quoted in public markets or other various valuation techniques.

*Trading securities.* Estimated fair value is based on closing price as quoted in public markets.

*Contingent Value Right.* Estimated fair value is based on the closing price as quoted on the public market where the CVR is traded.

*Credit Facility.* Estimated fair value is based on publicly available trading activity and supported with information from the Company's bankers regarding relevant pricing for trading activity among the Company's lending institutions.

*8% Senior Notes.* Estimated fair value is based on the closing market price for these notes.

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*7 1/8% Senior Notes.* Estimated fair value is based on the closing market price for these notes.

*2018 Senior Secured Notes.* Estimated fair value is based on the closing market price for these notes.

*2021 Senior Secured Notes.* Estimated fair value is based on the closing market price for these notes.

*6 7/8% Senior Notes.* Estimated fair value is based on the closing market price for these notes.

*Receivables Facility and other debt.* The carrying amount of the Receivables Facility and all other debt approximates fair value due to the nature of these obligations.

*Interest rate swaps.* The fair value of interest rate swap agreements is the amount at which they could be settled, based on estimates calculated by the Company using a discounted cash flow analysis based on observable market inputs and validated by comparison to estimates obtained from the counterparty. The Company incorporates credit valuation adjustments (“CVAs”) to appropriately reflect both its own nonperformance or credit risk and the respective counterparty’s nonperformance or credit risk in the fair value measurements. In adjusting the fair value of its interest rate swap agreements for the effect of nonperformance or credit risk, the Company has considered the impact of any netting features included in the agreements.

The Company assesses the effectiveness of its hedge instruments on a quarterly basis. For the years ended December 31, 2014 and 2013, the Company completed an assessment of the cash flow hedge instruments and determined the hedges to be highly effective. The Company has also determined that the ineffective portion of the hedges do not have a material effect on the Company’s consolidated financial position, operations or cash flows. The counterparties to the interest rate swap agreements expose the Company to credit risk in the event of nonperformance. However, at December 31, 2014, all of the swap agreements entered into by the Company were in a net liability position such that the Company would be required to make the net settlement payments to the counterparties; the Company does not anticipate nonperformance by those counterparties. The Company does not hold or issue derivative financial instruments for trading purposes.

Interest rate swaps consisted of the following at December 31, 2014:

Swap #	Notional Amount (in millions)	Fixed Interest Rate	Termination Date	Fair Value (in millions)
1	\$ 300	3.447%	August 8, 2016	\$ 13
2	200	3.429%	August 19, 2016	9
3	100	3.401%	August 19, 2016	4
4	200	3.500%	August 30, 2016	9
5	100	3.005%	November 30, 2016	4
6	200	2.055%	July 25, 2019	4
7	200	2.059%	July 25, 2019	4
8	200	2.613%	August 30, 2019	4 <sup>(1)</sup>
9	200	2.515%	August 30, 2019	3 <sup>(2)</sup>
10	300	2.892%	August 30, 2020	8 <sup>(3)</sup>
11	300	2.738%	August 30, 2020	6 <sup>(4)</sup>

(1) This interest rate swap becomes effective August 30, 2015.

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- (2) This interest rate swap becomes effective August 28, 2015.
- (3) This interest rate swap becomes effective August 30, 2015.
- (4) This interest rate swap becomes effective August 28, 2015.

The Company is exposed to certain risks relating to its ongoing business operations. The risk managed by using derivative instruments is interest rate risk. Interest rate swaps are entered into to manage interest rate fluctuation risk associated with the term loans in the Credit Facility. Companies are required to recognize all derivative instruments as either assets or liabilities at fair value in the consolidated statement of financial position. The Company designates its interest rate swaps as cash flow hedges. For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income ("OCI") and reclassified into earnings in the same period or periods during which the hedged transactions affect earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings.

Assuming no change in December 31, 2014 interest rates, approximately \$44 million of interest expense resulting from the spread between the fixed and floating rates defined in each interest rate swap agreement will be recognized during the next 12 months. If interest rate swaps do not remain highly effective as a cash flow hedge, the derivatives' gains or losses resulting from the change in fair value reported through OCI will be reclassified into earnings.

The following tabular disclosure provides the amount of pre-tax loss recognized as a component of OCI during the years ended December 31, 2014 and 2013 (in millions):

	Amount of Pre-Tax Loss Recognized in OCI (Effective Portion)	
	Year Ended December 31,	
	2014	2013
<u>Derivatives in Cash Flow Hedging Relationships</u>		
Interest rate swaps	\$ (41)	\$ (6)

The following tabular disclosure provides the location of the effective portion of the pre-tax loss reclassified from accumulated other comprehensive loss ("AOCL") into interest expense on the consolidated statements of income during the years ended December 31, 2014 and 2013 (in millions):

	Amount of Pre-Tax Loss Reclassified from AOCL into Income (Effective Portion)	
	Year Ended December 31,	
	2014	2013
<u>Location of Loss Reclassified from AOCL into Income (Effective Portion)</u>		
Interest expense, net	\$ 61	\$ 100

**COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

The fair values of derivative instruments in the consolidated balance sheets as of December 31, 2014 and 2013 were as follows (in millions):

	Asset Derivatives				Liability Derivatives				
	December 31, 2014		December 31, 2013		December 31, 2014		December 31, 2013		
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	
	Other assets, net		Other assets, net		Other long-term liabilities		Other long-term liabilities		
Derivatives designated as hedging instruments	\$ —		\$ —		\$ 68		\$ 88		

**8. FAIR VALUE**

*Fair Value Hierarchy*

Fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the Company utilizes the U.S. GAAP fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumption about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

The inputs used to measure fair value are classified into the following fair value hierarchy:

*Level 1:* Quoted market prices in active markets for identical assets or liabilities.

*Level 2:* Observable market-based inputs or unobservable inputs that are corroborated by market data.

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

Level 3 includes values determined using pricing models, discounted cash flow methodologies, or similar techniques reflecting the Company's own assumptions.

In instances where the determination of the fair value hierarchy measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment of factors specific to the asset or liability. Transfers between levels within the fair value hierarchy are recognized by the Company on the date of the change in circumstances that requires such transfer. There were no transfers between levels during 2014 or 2013.



**COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

The following table sets forth, by level within the fair value hierarchy, the financial assets and liabilities recorded at fair value on a recurring basis as of December 31, 2014 and December 31, 2013 (in millions):

	December 31, 2014	Level 1	Level 2	Level 3
Available-for-sale securities	\$ 280	\$ 151	\$ 129	\$ —
Trading securities	55	55	—	—
<b>Total assets</b>	<b>\$ 335</b>	<b>\$ 206</b>	<b>\$ 129</b>	<b>\$ —</b>
Contingent Value Right (CVR)	\$ 6	\$ 6	\$ —	\$ —
CVR-related liability	265	—	—	265
Fair value of interest rate swap agreements	68	—	68	—
<b>Total liabilities</b>	<b>\$ 339</b>	<b>\$ 6</b>	<b>\$ 68</b>	<b>\$ 265</b>

	December 31, 2013	Level 1	Level 2	Level 3
Available-for-sale securities	\$ 65	\$ 65	\$ —	\$ —
Trading securities	38	38	—	—
<b>Total assets</b>	<b>\$ 103</b>	<b>\$ 103</b>	<b>\$ —</b>	<b>\$ —</b>
Fair value of interest rate swap agreements	\$ 88	\$ —	\$ 88	\$ —
<b>Total liabilities</b>	<b>\$ 88</b>	<b>\$ —</b>	<b>\$ 88</b>	<b>\$ —</b>

**Available-for-sale Securities**

Available-for-sale securities and trading securities classified as Level 1 are measured using quoted market prices. Level 2 available-for-sale securities primarily consisted of: (i) bonds and notes issued by the United States government and its agencies, domestic and foreign corporations and foreign governments; and (ii) preferred securities issued by domestic and foreign corporations. The estimated fair values of these securities are determined using various valuation techniques, including a multi-dimensional relational model that incorporates standard observable inputs and assumptions such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, benchmark securities, bids/offers and other pertinent reference data.

Supplemental information regarding the Company's available-for-sale securities (all of which had no withdrawal restrictions) is set forth in the table below (in millions):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Values
As of December 31, 2014:				
Debt securities and debt-based mutual funds				
Government and corporate	\$ 161	\$ 3	\$ (2)	\$ 162
Equity securities and equity-based mutual funds				
Domestic	73	18	—	91
International	24	4	(1)	27
<b>Totals</b>	<b>\$ 258</b>	<b>\$ 25</b>	<b>\$ (3)</b>	<b>\$ 280</b>

**COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Estimated Fair Values</u>
As of December 31, 2013:				
Debt securities and debt-based mutual funds				
Government and corporate	\$ 23	\$ —	\$ (1)	\$ 22
Equity securities and equity-based mutual funds				
Domestic	25	9	—	34
International	6	3	—	9
<b>Totals</b>	<u>\$ 54</u>	<u>\$ 12</u>	<u>\$ (1)</u>	<u>\$ 65</u>

As of December 31, 2014 and 2013, investments with aggregate estimated fair values of approximately \$96 million (300 investments) and \$22 million (one investment), respectively, generated the gross unrealized losses disclosed in the above table. At each reporting date, the Company performs an evaluation of impaired securities to determine if the unrealized losses are other-than-temporary. This evaluation considers a number of factors including, but not limited to, the length of time and extent to which the fair value has been less than cost, and management's ability and intent to hold the securities until fair value recovers. Based on the results of this evaluation, management concluded that as of December 31, 2014, there are approximately \$2 million of other-than-temporary losses related to available-for-sale securities. The recent declines in value of the remaining securities and/or length of time they have been below cost, as well as the Company's ability and intent to hold the securities for a reasonable period of time sufficient for a projected recovery of fair value, have caused management to conclude that the remaining securities, that have generated gross unrealized losses, were not other-than-temporarily impaired. Management will continue to monitor and evaluate the recoverability of the Company's available-for-sale securities.

The contractual maturities of debt-based securities held by the Company as of December 31, 2014, excluding mutual fund holdings, are set forth in the table below (in millions). The Company did not have and debt-based securities with maturity dates for the year ended December 31, 2013. Expected maturities will differ from contractual maturities because the issuers of the debt securities may have the right to prepay their obligations without prepayment penalties.

	<u>December 31, 2014</u>	
	<u>Amortized Cost</u>	<u>Estimated Fair Values</u>
Within 1 year	\$ 1	\$ 1
After 1 year and through year 5	15	15
After 5 years and through year 10	16	16
After 10 years	20	21

Gross realized gains and losses on sales of available-for-sale securities and other investment income, which includes interest and dividends, are summarized in the table below (in millions):

	<u>Year Ended December 31,</u>		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Realized gains	\$ 13	\$ 1	\$ 1
Realized losses	(3)	—	—
Investment income	8	1	1

**COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

**Contingent Value Right (CVR)**

The CVR represents the estimate of the fair value for the contingent consideration paid to HMA shareholders as part of the HMA merger. The CVR is listed on the NASDAQ and the valuation at December 31, 2014 is based on the quoted trading price for the CVR on the last day of the period. Changes in the estimated fair value of the CVR are recorded through the consolidated statement of income.

**CVR-related Liability**

The CVR-related legal liability represents the Company's estimate of fair value at December 31, 2014 of the liability associated with the legal matters assumed in the HMA merger that were not previously accrued by HMA. In addition, a liability of \$29 million is recorded in accrued liabilities in the accompanying consolidated balance sheet in respect of claims that were previously recorded by HMA as a probable contingency. To develop the estimate of fair value, the Company engaged an independent third-party valuation firm to measure the liability. The valuation was made utilizing the Company's estimates of future outcomes for each legal case and simulating future outcomes based on the timing, probability and distribution of several scenarios using a Monte Carlo simulation model. Other inputs were then utilized for discounting the liability to the measurement date. The HMA legal matters underlying this fair value estimate were evaluated by management to determine the likelihood and impact of each of the potential outcomes. Using that information, as well as the potential correlation and variability associated with each case, a fair value was determined for the estimated future cash outflows to conclude or settle the HMA legal matters included in the analysis, excluding legal fees (which are expensed as incurred). Because of the unobservable nature of the majority of the inputs used to value the liability, the Company has classified the fair value measurement as a Level 3 measurement in the fair value hierarchy.

The fair value of the CVR-related legal liability will be measured each reporting period using similar measurement techniques, updated for the assumptions and facts existing at that date for each of the underlying legal matters. Changes in the fair value of the CVR related legal liability are recorded in future periods through the consolidated statement of income.

**Fair Value of Interest Rate Swap Agreements**

The valuation of the Company's interest rate swap agreements is determined using market valuation techniques, including discounted cash flow analysis on the expected cash flows of each agreement. This analysis reflects the contractual terms of the agreement, including the period to maturity, and uses observable market-based inputs, including forward interest rate curves. The fair value of interest rate swap agreements are determined by netting the discounted future fixed cash payments and the discounted expected variable cash receipts. The variable cash receipts are based on the expectation of future interest rates based on observable market forward interest rate curves and the notional amount being hedged.

The Company incorporates CVAs to appropriately reflect both its own nonperformance or credit risk and the respective counterparty's nonperformance or credit risk in the fair value measurements. In adjusting the fair value of its interest rate swap agreements for the effect of nonperformance or credit risk, the Company has considered the impact of any netting features included in the agreements. The CVA on the Company's interest rate swap agreements at December 31, 2014 resulted in a decrease in the fair value of the related liability of \$4 million and an after-tax adjustment of \$2 million to OCI. The CVA on the Company's interest rate swap agreements at December 31, 2013 resulted in a decrease in the fair value of the related liability of less than \$1 million and an after-tax adjustment of less than \$1 million to OCI.

**COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

The majority of the inputs used to value the Company's interest rate swap agreements, including the forward interest rate curves and market perceptions of the Company's credit risk used in the CVAs, are observable inputs available to a market participant. As a result, the Company has determined that the interest rate swap valuations are classified in Level 2 of the fair value hierarchy.

**9. LEASES**

The Company leases hospitals, medical office buildings, and certain equipment under capital and operating lease agreements. During 2014, 2013 and 2012, the Company entered into capital lease obligations of \$18 million, \$4 million and \$5 million, respectively. All lease agreements generally require the Company to pay maintenance, repairs, property taxes and insurance costs.

Commitments relating to noncancellable operating and capital leases for each of the next five years and thereafter are as follows (in millions):

Year Ended December 31,	Operating(1)	Capital
2015	\$ 296	\$ 56
2016	237	44
2017	178	30
2018	278	20
2019	88	16
Thereafter	234	210
Total minimum future payments	<u>\$ 1,311</u>	376
Less: Imputed interest		(148)
Total capital lease obligations		228
Less: Current portion		(42)
Long-term capital lease obligations		<u>\$ 186</u>

(1) Minimum lease payments have not been reduced by minimum sublease rentals due in the future of \$26 million.

Assets capitalized under capital leases as reflected in the accompanying consolidated balance sheets were \$77 million of land and improvements, \$623 million of buildings and improvements and \$125 million of equipment and fixtures as of December 31, 2014 and \$28 million of land and improvements, \$200 million of buildings and improvements and \$65 million of equipment and fixtures as of December 31, 2013. The accumulated depreciation related to assets under capital leases was \$196 million and \$147 million as of December 31, 2014 and 2013, respectively. Depreciation of assets under capital leases is included in depreciation and amortization expense and amortization of debt discounts on capital lease obligations is included in interest expense in the accompanying consolidated statements of income.

**10. EMPLOYEE BENEFIT PLANS**

The Company maintains various benefit plans, including defined contribution plans, defined benefit plans and deferred compensation plans, for which certain of the Company's subsidiaries are the plan sponsors. The CHS/Community Health Systems, Inc. Retirement Savings Plan is a defined contribution plan which covers the majority of the employees at subsidiaries owned prior to the HMA merger. Employees at these locations whose

**COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

employment is covered by collective bargaining agreements are generally eligible to participate in the CHS/Community Health Systems, Inc. Standard 401(k) Plan. The Company also maintains the Health Management Associates, Inc. Retirement Savings Plan, a defined contribution plan covering substantially all of the employees formerly employed by HMA. Total expense to the Company under the 401(k) plans was \$99 million, \$102 million and \$109 million for the years ended December 31, 2014, 2013 and 2012, respectively, and is recorded in salaries and benefits expense on the consolidated statements of income.

The Company maintains unfunded deferred compensation plans that allow participants to defer receipt of a portion of their compensation. The liability for the deferred compensation plans was \$187 million and \$112 million as of December 31, 2014 and 2013, respectively, and is included in other long-term liabilities on the consolidated balance sheets. The Company had assets of \$182 million and \$109 million as of December 31, 2014 and 2013, respectively, in a non-qualified plan trust generally designated to pay benefits of the deferred compensation plans, consisting of trading securities of \$55 million and \$38 million as of December 31, 2014 and 2013, respectively, and company-owned life insurance contracts of \$127 million and \$71 million as of December 31, 2014 and 2013, respectively.

The Company provides an unfunded Supplemental Executive Retirement Plan (“SERP”) for certain members of its executive management. The Company uses a December 31 measurement date for the benefit obligations and a January 1 measurement date for its net periodic costs for the SERP. Variances from actuarially assumed rates will result in increases or decreases in benefit obligations and net periodic cost in future periods. Benefits expense under the SERP was \$11 million, \$14 million and \$13 million for the years ended December 31, 2014, 2013 and 2012, respectively. The accrued benefit liability for the SERP totaled \$121 million at December 31, 2014 and \$105 million at December 31, 2013, and is included in other long-term liabilities on the consolidated balance sheets. The weighted-average assumptions used in determining net periodic cost for the year ended December 31, 2014 was a discount rate of 3.0% and annual salary increase of 3.0%. The Company had available-for-sale securities in a rabbi trust generally designated to pay benefits of the SERP in the amounts of \$96 million and \$65 million at December 31, 2014 and 2013, respectively. These amounts are included in other assets, net on the consolidated balance sheets.

The Company maintains the CHS/Community Health Systems, Inc. Retirement Income Plan (“Pension Plan”), which is a defined benefit, non-contributory pension plan that covers certain employees at three of its hospitals. The Pension Plan provides benefits to covered individuals satisfying certain age and service requirements. Employer contributions to the Pension Plan are in accordance with the minimum funding requirements of the Employee Retirement Income Security Act of 1974, as amended. The Company expects to make no contribution to the Pension Plan in 2015. The Company uses a December 31 measurement date for the benefit obligations and a January 1 measurement date for its net periodic costs for the Pension Plan. Variances from actuarially assumed rates will result in increases or decreases in benefit obligations, net periodic cost and funding requirements in future periods. Benefits expense under the Pension Plan was less than \$1 million for each of the years ended December 31, 2014, 2013 and 2012, respectively. The accrued benefit liability for the Pension Plan totaled \$15 million at December 31, 2014 and \$7 million at December 31, 2013, and is included in other long-term liabilities on the consolidated balance sheets. The weighted-average assumptions used for determining the net periodic cost for the year ended December 31, 2014 was a discount rate of 4.8%, an annual salary increase of 5.0% and the expected long-term rate of return on assets of 7.5%.

**11. STOCKHOLDERS’ EQUITY**

Authorized capital shares of the Company include 400,000,000 shares of capital stock consisting of 300,000,000 shares of common stock and 100,000,000 shares of preferred stock. Each of the aforementioned

**COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

classes of capital stock has a par value of \$0.01 per share. Shares of preferred stock, none of which were outstanding as of December 31, 2014, may be issued in one or more series having such rights, preferences and other provisions as determined by the Board of Directors without approval by the holders of common stock.

On December 10, 2014, the Company adopted a new open market repurchase program for up to 5,000,000 shares of the Company's common stock, not to exceed \$150 million in repurchases. The repurchase program will expire at the earliest of three years from the commencement date, when the maximum number of shares has been repurchased, or when the maximum dollar amount of repurchases has been expended. During the year ended December 31, 2014, the Company did not repurchase and retire any shares under this program.

On December 14, 2011, the Company adopted an open market repurchase program for up to 4,000,000 shares of the Company's common stock, not to exceed \$100 million in repurchases. This repurchase program expired on December 13, 2014. During the year ended December 31, 2014, the Company repurchased and retired 175,000 shares at a weighted-average price of \$49.72 per share. During the year ended December 31, 2013, the Company repurchased and retired 706,023 shares at a weighted-average price of \$38.39 per share. The cumulative number of shares repurchased and retired under this program was 881,023 shares at a weighted-average price of \$40.64 per share.

Historically, the Company has not paid any cash dividends. In December 2012, the Company declared and paid a special dividend of \$0.25 per share to holders of its common stock at the close of business as of December 17, 2012, which totaled approximately \$23 million. The Company did not pay a cash dividend in 2013 or 2014 and does not anticipate paying any other cash dividends in the foreseeable future. The Company's Credit Facility limits the Company's ability to pay dividends and/or repurchase stock to an amount not to exceed \$200 million in the aggregate plus an additional \$25 million in any particular year plus the aggregate amount of proceeds from the exercise of stock options. The indentures governing the senior and senior secured notes also limit the Company's ability to pay dividends and/or repurchase stock. As of December 31, 2014, under the most restrictive test under these agreements, the Company has approximately \$443 million remaining available with which to pay permitted dividends and/or repurchase shares of stock or its senior and senior secured notes.

The following schedule discloses the effects of changes in the Company's ownership interest in its less-than-wholly-owned subsidiaries on Community Health Systems, Inc. stockholders' equity (in millions):

	Year Ended December 31,		
	2014	2013	2012
Net income attributable to Community Health Systems, Inc. stockholders	\$ 92	\$ 141	\$ 266
Transfers to the noncontrolling interests:			
Net decrease in Community Health Systems, Inc. paid-in capital for purchase of subsidiary partnership interests	(2)	(1)	(22)
Net transfers to the noncontrolling interests	(2)	(1)	(22)
Change to Community Health Systems, Inc. stockholders' equity from net income attributable to Community Health Systems, Inc. stockholders and transfers to noncontrolling interests	<u>\$ 90</u>	<u>\$ 140</u>	<u>\$ 244</u>

**COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

**12. EARNINGS PER SHARE**

The following table sets forth the components of the numerator and denominator for the computation of basic and diluted earnings per share for income from continuing operations, discontinued operations and net income attributable to Community Health Systems, Inc. common stockholders (in millions, except share data):

	Year Ended December 31,		
	2014	2013	2012
<b>Numerator:</b>			
Income from continuing operations, net of taxes	\$ 260	\$ 242	\$ 358
Less: Income from continuing operations attributable to noncontrolling interests, net of taxes	111	76	80
Income from continuing operations attributable to Community Health Systems, Inc. common stockholders – basic and diluted	<u>\$ 149</u>	<u>\$ 166</u>	<u>\$ 278</u>
Loss from discontinued operations, net of taxes	\$ (57)	\$ (25)	\$ (12)
Less: Loss from discontinued operations attributable to noncontrolling interests, net of taxes	—	—	—
Loss from discontinued operations attributable to Community Health Systems, Inc. common stockholders – basic and diluted	<u>\$ (57)</u>	<u>\$ (25)</u>	<u>\$ (12)</u>
<b>Denominator:</b>			
Weighted-average number of shares outstanding – basic	111,579,088	92,633,332	89,242,949
<b>Effect of dilutive securities:</b>			
Restricted stock awards	377,190	448,567	335,664
Employee stock options	578,395	714,560	212,227
Other equity-based awards	14,647	18,554	16,097
Weighted-average number of shares outstanding – diluted	<u>112,549,320</u>	<u>93,815,013</u>	<u>89,806,937</u>
<b>Year Ended December 31,</b>			
	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>Dilutive securities outstanding not included in the computation of earnings per share because their effect is antidilutive:</b>			
Employee stock options and restricted stock awards	<u>472,570</u>	<u>—</u>	<u>7,071,896</u>

**13. EQUITY INVESTMENTS**

As of December 31, 2014, the Company owned equity interests of 27.5% in four hospitals in Las Vegas, Nevada, and 26.1% in one hospital in Las Vegas, Nevada, in which Universal Health Systems, Inc. owns the majority interest, and an equity interest of 38.0% in three hospitals in Macon, Georgia, in which HCA Holdings, Inc. (“HCA”) owns the majority interest.

**COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

Summarized combined financial information for these unconsolidated entities in which the Company owns an equity interest is as follows (in millions):

	December 31,	
	2014	2013
Current assets	\$ 268	\$ 236
Noncurrent assets	861	790
<b>Total assets</b>	<b>\$1,129</b>	<b>\$1,026</b>
Current liabilities	\$ 117	\$ 99
Noncurrent liabilities	2	2
Members' equity	1,010	925
<b>Total liabilities and equity</b>	<b>\$1,129</b>	<b>\$1,026</b>

	Year Ended December 31,		
	2014	2013	2012
Revenues	\$1,368	\$1,246	\$1,237
Operating costs and expenses	1,184	1,117	1,079
Income from continuing operations before taxes	184	130	158

The summarized financial information was derived from the unaudited financial information provided to the Company by those unconsolidated entities.

In March 2005, the Company began purchasing items, primarily medical supplies, medical equipment and pharmaceuticals, under an agreement with HealthTrust Purchasing Group, L.P. ("HealthTrust"), a group purchasing organization in which the Company is a noncontrolling partner. As part of the HMA merger, the Company acquired HMA's ownership in HealthTrust. As of December 31, 2014, the Company had a 24.6% ownership interest in HealthTrust.

The Company's investment in all of its unconsolidated affiliates was \$470 million and \$422 million at December 31, 2014 and December 31, 2013, respectively, and is included in other assets, net in the accompanying consolidated balance sheets. Included in the Company's results of operations is the Company's equity in pre-tax earnings from all of its investments in unconsolidated affiliates, which was \$48 million, \$43 million and \$42 million for the years ended December 31, 2014, 2013 and 2012, respectively.

#### 14. SEGMENT INFORMATION

The Company operates in two distinct operating segments, represented by hospital operations (which includes its general acute care hospitals and related healthcare entities that provide inpatient and outpatient healthcare services) and home care agency operations (which provide in-home outpatient care).

Only the hospital operations segment meets the criteria as a separate reportable segment. The financial information for the home care agency segment does not meet the quantitative thresholds for a separate identifiable reportable segment and is combined into the corporate and all other reportable segment.



**COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

Substantially all of the assets acquired in the HMA merger are recorded as part of the hospital operations segment. The distribution between reportable segments of the Company's net operating revenues, income from continuing operations before income taxes, expenditures for segment assets and total assets is summarized in the following tables (in millions):

	December 31,		
	2014	2013	2012
<b>Net operating revenues:</b>			
Hospital operations	\$18,399	\$12,637	\$12,665
Corporate and all other	240	182	168
<b>Total</b>	<b>\$18,639</b>	<b>\$12,819</b>	<b>\$12,833</b>
<b>Income from continuing operations before income taxes:</b>			
Hospital operations	\$ 772	\$ 575	\$ 882
Corporate and all other	(430)	(229)	(360)
<b>Total</b>	<b>\$ 342</b>	<b>\$ 346</b>	<b>\$ 522</b>
<b>Expenditures for segment assets:</b>			
Hospital operations	\$ 817	\$ 583	\$ 731
Corporate and all other	36	31	38
<b>Total</b>	<b>\$ 853</b>	<b>\$ 614</b>	<b>\$ 769</b>

	December 31,	
	2014	2013
<b>Total assets:</b>		
Hospital operations	\$25,014	\$15,595
Corporate and all other	2,407	1,522
<b>Total</b>	<b>\$27,421</b>	<b>\$17,117</b>

**15. OTHER COMPREHENSIVE INCOME**

The following tables present information about items reclassified out of accumulated other comprehensive income (loss) by component for the years ended December 31, 2014 and 2013 (in millions, net of tax):

	Change in Fair Value of Interest Rate Swaps	Change in Fair Value of Available for Sale Securities	Change in Unrecognized Pension Cost Components	Accumulated Other Comprehensive Income (Loss)
Balance as of December 31, 2013	\$ (56)	\$ 7	\$ (18)	\$ (67)
Other comprehensive (loss) income before reclassifications	(26)	—	(10)	(36)
Amounts reclassified from accumulated other comprehensive income (loss)	39	—	1	40
Net current-period other comprehensive income	13	—	(9)	4
Balance as of December 31, 2014	<b>\$ (43)</b>	<b>\$ 7</b>	<b>\$ (27)</b>	<b>\$ (63)</b>

**COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

	Change in Fair Value of Interest Rate Swaps	Change in Fair Value of Available for Sale Securities	Change in Unrecognized Pension Cost Components	Accumulated Other Comprehensive Income (Loss)
Balance as of December 31, 2012	\$ (116)	\$ 5	\$ (34)	\$ (145)
Other comprehensive (loss) income before reclassifications	(4)	2	13	11
Amounts reclassified from accumulated other comprehensive income (loss)	64	—	3	67
Net current-period other comprehensive income	60	2	16	78
Balance as of December 31, 2013	<u>\$ (56)</u>	<u>\$ 7</u>	<u>\$ (18)</u>	<u>\$ (67)</u>

The following tables present a subtotal for each significant reclassification to net income out of accumulated other comprehensive income (loss) and the line item affected in the accompanying consolidated statement of income during the years ended December 31, 2014 and 2013 (in millions):

<u>Details about accumulated other comprehensive income (loss) components</u>	<u>Amount reclassified from AOCL Year Ended December 31, 2014</u>	<u>Affected line item in the statement where net income is presented</u>
<b>Gains and losses on cash flow hedges</b>		
Interest rate swaps	\$ (61)	Interest expense, net
	22	Tax benefit
	<u>\$ (39)</u>	Net of tax
<b>Amortization of defined benefit pension items</b>		
Prior service costs	\$ (1)	Salaries and benefits
Actuarial losses	(1)	Salaries and benefits
	(2)	Total before tax
	1	Tax benefit
	<u>\$ (1)</u>	Net of tax

**COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

Details about accumulated other comprehensive income (loss) components	Amount reclassified from AOCL Year Ended December 31, 2013	Affected line item in the statement where net income is presented
<b>Gains and losses on cash flow hedges</b>		
Interest rate swaps	\$ (100)	Interest expense, net
	<u>36</u>	Tax benefit
	<u>\$ (64)</u>	Net of tax
<b>Amortization of defined benefit pension items</b>		
Prior service costs	\$ (1)	Salaries and benefits
Actuarial losses	<u>(4)</u>	Salaries and benefits
	<u>(5)</u>	Total before tax
	<u>2</u>	Tax benefit
	<u>\$ (3)</u>	Net of tax

**16. COMMITMENTS AND CONTINGENCIES**

*Construction and Other Capital Commitments.* Pursuant to a hospital purchase agreement in effect as of December 31, 2014, the Company has agreed to build a replacement facility in York, Pennsylvania. The estimated construction cost, including equipment costs, is approximately \$130 million. This project is required to be completed in 2017 and less than \$1 million has been expended through December 31, 2014 related to this replacement hospital. In October 2008, after the purchase of the noncontrolling owner's interest in the Company's Birmingham, Alabama facility, the Company initiated the purchase of a site, which includes a partially constructed hospital structure, for a potential replacement for the existing Birmingham facility. In September 2010, the Company received approval of its request for a certificate of need ("CON") from the Alabama Certificate of Need Review Board. This CON was challenged in the Alabama state circuit and appellate courts, but the CON was upheld by the Supreme Court of Alabama in May 2013, eliminating any further appeals. The Company's estimated construction costs, including the acquisition of the site and equipment costs, are approximately \$280 million for the Birmingham replacement facility. Of this amount, approximately \$184 million has been expended through December 31, 2014. In addition, under other purchase agreements outstanding at December 31, 2014, the Company has committed to spend approximately \$839 million for costs such as capital improvements, equipment, selected leases and physician recruiting. These commitments are required to be fulfilled generally over a five to seven year period after acquisition. Through December 31, 2014, the Company has spent approximately \$384 million related to these commitments.

*Physician Recruiting Commitments.* As part of its physician recruitment strategy, the Company provides income guarantee agreements to certain physicians who agree to relocate to its communities and commit to remain in practice there. Under such agreements, the Company is required to make payments to the physicians in excess of the amounts they earned in their practice up to the amount of the income guarantee. These income guarantee periods are typically for 12 months. Such payments are recoverable by the Company from physicians who do not fulfill their commitment period, which is typically three years, to the respective community. At December 31, 2014, the maximum potential amount of future payments under these guarantees in excess of the liability recorded is \$33 million.

*Professional Liability Claims.* As part of the Company's business of owning and operating hospitals, it is subject to legal actions alleging liability on its part. The Company accrues for losses resulting from such liability

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claims, as well as loss adjustment expenses that are out-of-pocket and directly related to such liability claims. These direct out-of-pocket expenses include fees of outside counsel and experts. The Company does not accrue for costs that are part of corporate overhead, such as the costs of in-house legal and risk management departments. The losses resulting from professional liability claims primarily consist of estimates for known claims, as well as estimates for incurred but not reported claims. The estimates are based on specific claim facts, historical claim reporting and payment patterns, the nature and level of hospital operations and actuarially determined projections. The actuarially determined projections are based on the Company's actual claim data, including historic reporting and payment patterns which have been gathered over an approximate 20-year period. As discussed below, since the Company purchases excess insurance on a claims-made basis that transfers risk to third-party insurers, the liability it accrues does include an amount for the losses covered by its excess insurance. The Company also records a receivable for the expected reimbursement of losses covered by excess insurance. Since the Company believes that the amount and timing of its future claims payments are reliably determinable, it discounts the amount accrued for losses resulting from professional liability claims using the risk-free interest rate corresponding to the timing of expected payments.

The net present value of the projected payments was discounted using a weighted-average risk-free rate of 1.7%, 1.6% and 1.2% in 2014, 2013 and 2012, respectively. This liability is adjusted for new claims information in the period such information becomes known. The Company's estimated liability for professional and general liability claims was \$924 million and \$644 million as of December 31, 2014 and 2013, respectively. The estimated undiscounted claims liability was \$964 million and \$687 million as of December 31, 2014 and 2013, respectively. The current portion of the liability for professional and general liability claims was \$164 million and \$104 million as of December 31, 2014 and 2013, respectively, and is included in other accrued liabilities in the accompanying consolidated balance sheets, with the long-term portion recorded in other long-term liabilities. Professional malpractice expense includes the losses resulting from professional liability claims and loss adjustment expense, as well as paid excess insurance premiums, and is presented within other operating expenses in the accompanying consolidated statements of income.

The Company's processes for obtaining and analyzing claims and incident data are standardized across all of its hospitals and have been consistent for many years. The Company monitors the outcomes of the medical care services that it provides and for each reported claim, the Company obtains various information concerning the facts and circumstances related to that claim. In addition, the Company routinely monitors current key statistics and volume indicators in its assessment of utilizing historical trends. The average lag period between claim occurrence and payment of a final settlement is between four and five years, although the facts and circumstances of individual claims could result in the timing of such payments being different from this average. Since claims are paid promptly after settlement with the claimant is reached, settled claims represent less than 1.0% of the total liability at the end of any period.

For purposes of estimating its individual claim accruals, the Company utilizes specific claim information, including the nature of the claim, the expected claim amount, the year in which the claim occurred and the laws of the jurisdiction in which the claim occurred. Once the case accruals for known claims are determined, information is stratified by loss layers and retentions, accident years, reported years, geography and claims relating to the acquired HMA hospitals versus claims relating to the Company's other hospitals. Several actuarial methods are used against this data to produce estimates of ultimate paid losses and reserves for incurred but not reported claims. Each of these methods uses company-specific historical claims data and other information. This company-specific data includes information regarding the Company's business, including historical paid losses and loss adjustment expenses, historical and current case loss reserves, actual and projected hospital statistical data, a variety of hospital census information, employed physician information, professional liability retentions for each policy year, geographic information and other data.

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Based on these analyses the Company determines its estimate of the professional liability claims. The determination of management's estimate, including the preparation of the reserve analysis that supports such estimate, involves subjective judgment of the management. Changes in reserving data or the trends and factors that influence reserving data may signal fundamental shifts in the Company's future claim development patterns or may simply reflect single-period anomalies. Even if a change reflects a fundamental shift, the full extent of the change may not become evident until years later. Moreover, since the Company's methods and models use different types of data and the Company selects its liability from the results of all of these methods, it typically cannot quantify the precise impact of such factors on its estimates of the liability. Due to the Company's standardized and consistent processes for handling claims and the long history and depth of company-specific data, the Company's methodologies have produced reliably determinable estimates of ultimate paid losses.

The Company is primarily self-insured for professional liability claims; however, the Company obtains excess insurance that transfers the risk of loss to a third-party insurer for claims in excess of self-insured retentions. The Company's excess insurance is underwritten on a claims-made basis. For claims reported prior to June 1, 2002, substantially all of the Company's professional and general liability risks were subject to a less than \$1 million per occurrence self-insured retention and for claims reported from June 1, 2002 through June 1, 2003, these self-insured retentions were \$2 million per occurrence. Substantially all claims reported after June 1, 2003 and before June 1, 2005 are self-insured up to \$4 million per claim. Substantially all claims reported on or after June 1, 2005 and before June 1, 2014 are self-insured up to \$5 million per claim. Substantially all claims reported on or after June 1, 2014 are self-insured up to \$10 million per claim. Management on occasion has selectively increased the insured risk at certain hospitals based upon insurance pricing and other factors and may continue that practice in the future. Excess insurance for all hospitals has been purchased through commercial insurance companies and generally covers the Company for liabilities in excess of the self-insured retentions. The excess coverage consists of multiple layers of insurance, the sum of which totals up to \$95 million per occurrence and in the aggregate for claims reported on or after June 1, 2003, up to \$145 million per occurrence and in the aggregate for claims reported on or after January 1, 2008 and up to \$195 million per occurrence and in the aggregate for claims reported on or after June 1, 2010. For certain policy years prior to June 1, 2014, if the first aggregate layer of excess coverage becomes fully utilized, then the Company's self-insured retention will increase to \$10 million per claim for any subsequent claims in that policy year until the Company's total aggregate coverage is met.

Effective June 1, 2014, the hospitals acquired from HMA were insured on a claims-made basis as described above and through commercial insurance companies as described above for substantially all claims reported on or after June 1, 2014 except for physician-related claims with an occurrence date prior to June 1, 2014. Prior to June 1, 2014, the former HMA hospitals obtained insurance coverage through a wholly-owned captive insurance subsidiary and a risk retention group subsidiary which are domiciled in the Cayman Islands and South Carolina, respectively. Those insurance subsidiaries, which are collectively referred to as the "Insurance Subsidiaries," provided (i) claims-made coverage to all of the former HMA hospitals and (ii) occurrence-basis coverage to most of the physicians employed by the former HMA hospitals. The employed physicians not covered by the Insurance Subsidiaries generally maintained claims-made policies with unrelated third party insurance companies. To mitigate the exposure of the program covering the former HMA hospitals and other healthcare facilities, the Insurance Subsidiaries bought claims-made reinsurance policies from unrelated third parties for claims above self-retention levels of \$10 million or \$15 million per claim, depending on the policy year.

Effective January 1, 2008, the hospitals acquired from Triad were insured on a claims-made basis as described above and through commercial insurance companies as described above for substantially all claims occurring on or after January 1, 2002 and reported on or after January 1, 2008. Substantially all losses for the former Triad hospitals in periods prior to May 1, 1999 were insured through a wholly-owned insurance

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subsidiary of HCA, Triad's owner prior to that time, and excess loss policies maintained by HCA. HCA has agreed to indemnify the former Triad hospitals in respect of claims covered by such insurance policies arising prior to May 1, 1999. After May 1, 1999 through December 31, 2006, the former Triad hospitals obtained insurance coverage on a claims incurred basis from HCA's wholly-owned insurance subsidiary, with excess coverage obtained from other carriers that is subject to certain deductibles. Effective for claims incurred after December 31, 2006, Triad began insuring its claims from \$1 million to \$5 million through its wholly-owned captive insurance company, replacing the coverage provided by HCA. Substantially all claims occurring during 2007 were self-insured up to \$10 million per claim.

*Legal Matters.* The Company is a party to various legal, regulatory and governmental proceedings incidental to its business. Based on current knowledge, management does not believe that loss contingencies arising from pending legal, regulatory and governmental proceedings, including the matters described herein, will have a material adverse effect on the consolidated financial position or liquidity of the Company. However, in light of the inherent uncertainties involved in these matters, some of which are beyond the Company's control, and the very large or indeterminate damages sought in some of these matters, an adverse outcome in one or more of these matters could be material to the Company's results of operations or cash flows for any particular reporting period.

With respect to all legal, regulatory and governmental proceedings, the Company considers the likelihood of a negative outcome. If the Company determines the likelihood of a negative outcome with respect to any such matter is probable and the amount of the loss can be reasonably estimated, the Company records an accrual for the estimated loss for the expected outcome of the matter. If the likelihood of a negative outcome with respect to material matters is reasonably possible and the Company is able to determine an estimate of the possible loss or a range of loss, whether in excess of a related accrued liability or where there is no accrued liability, the Company discloses the estimate of the possible loss or range of loss. However, the Company is unable to estimate a possible loss or range of loss in some instances based on the significant uncertainties involved in, and/or the preliminary nature of, certain legal, regulatory and governmental matters.

HMA Legal Matters and Related CVR

The CVR agreement entitles the holder to receive a one-time cash payment of up to \$1.00 per CVR, subject to downward adjustment based on the final resolution of certain litigation, investigations (whether formal or informal, including subpoenas), or other actions or proceedings related to HMA or its affiliates existing on or prior to July 29, 2013 (the date of the Company's merger agreement with HMA) as more specifically provided in the CVR agreement (all such matters are referred to as the "HMA Legal Matters"), which include, but are not limited to, investigation and litigation matters as previously disclosed by HMA in public filings with the SEC and described in more detail below. The adjustment reducing the ultimate amount paid to holders of the CVR is determined based on the amount of losses incurred by the Company in connection with the HMA Legal Matters as more specifically provided in the CVR agreement, which generally includes the amount paid for damages, costs, fees and expenses (including, without limitation, attorneys' fees and expenses), and all fines, penalties, settlement amounts, indemnification obligations and other liabilities (all such losses are referred to as "HMA Losses"). If the aggregate amount of HMA Losses exceeds a deductible of \$18 million, then the amount payable in respect of each CVR shall be reduced (but not below zero) by an amount equal to the quotient obtained by dividing: (a) the product of (i) all losses in excess of the deductible and (ii) 90%; by (b) the number of CVRs outstanding on the date on which final resolution of the existing litigation occurs.

The CVRs do not have a finite payment date. Any payments the Company makes under the CVR agreement will be payable within 60 days after the final resolution of the HMA Legal Matters. The CVRs are unsecured

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obligations of CHS and all payments under the CVRs will be subordinated in right of payment to the prior payment in full of all of the Company's senior obligations (as defined in the CVR agreement), which include outstanding indebtedness of the Company (subject to certain exceptions set forth in the CVR agreement) and the HMA Losses. The CVR agreement permits the Company to acquire all or some of the CVRs, whether in open market transactions, private transactions or otherwise. As of December 31, 2014, the Company had acquired no CVRs.

The following table represents the impact of legal expenses paid or incurred to date and settlements paid or deemed final as of December 31, 2014 on the amounts owed to CVR holders (in millions):

	Deductible	CHS Responsibility at 10%	Reduction to Amount Owed to CVR Holders at 90%	Total Expenses and Settlement Cost
As of January 27, 2014	\$ —	\$ —	\$ —	\$ —
Settlements paid	—	—	3	3
Legal expenses incurred and/or paid during the year ended				
December 31, 2014	18	—	3	21
As of December 31, 2014	<u>\$ 18</u>	<u>\$ —</u>	<u>\$ 6</u>	<u>\$ 24</u>

Amounts owed to CVR holders are dependent on the ultimate resolution of the HMA Legal Matters and determination of HMA Losses incurred. The settlement of any or all of the claims and expenses incurred on behalf of the Company in defending itself will (subject to the deductible) reduce the amounts owed to the CVR holders.

Underlying the CVR agreement are a number of claims included in the HMA Legal Matters asserted against HMA. The Company has recorded a liability in connection with those claims as part of the acquired assets and liabilities at the date of acquisition pursuant to the provisions of Financial Accounting Standards Board Accounting Standards Codification Topic 805 "Business Combinations." For the estimate of the Company's liabilities associated with the HMA Legal Matters that will be covered by the CVR and were not previously accrued by HMA, the Company recorded a liability of \$284 million as part of the acquisition accounting for the HMA merger based on the Company's estimate of fair value of such liabilities as of the date of acquisition. The decrease in this liability from the date of acquisition until December 31, 2014 was approximately \$19 million and the fair value of \$265 million is recorded in other long-term liabilities on the accompanying consolidated balance sheet. The remaining portion of the estimated liability for claims underlying the CVR agreement had been previously recorded by HMA, as a probable contingency, and has been reflected as an acquired liability. This amount is \$29 million and is recorded in accrued liabilities on the accompanying consolidated balance sheet. In addition, although legal fees (which are expensed as incurred) associated with the HMA Legal Matters are not taken into account in connection with the \$265 million fair value determination or \$29 million accrual noted above, such legal fees are taken into account in determining HMA Losses under the CVR agreement. Certain significant HMA Legal Matters underlying these liabilities are discussed in greater detail below.

HMA Matters Recorded at Fair Value

*Medicare/Medicaid Billing Lawsuits*

Beginning during the week of December 16, 2013 eleven qui tam lawsuits filed by private individuals against HMA were unsealed in various United States district courts. The United States has elected to intervene in all or part of eight of these matters; namely U.S. ex rel. Craig Brummer v. Health Management Associates, Inc.

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et al. (Middle District Georgia) (“Brummer”); U.S. ex rel. Ralph D. Williams v. Health Management Associates, Inc. et al. (Middle District Georgia) (“Williams”); U.S. ex rel. Scott H. Plantz, M.D. et al. v. Health Management Associates, Inc., et al. (Northern District Illinois) (“Plantz”); U.S. ex rel. Thomas L. Mason, M.D. et al. v. Health Management Associates, Inc. et al. (Western District North Carolina) (“Mason”); U.S. ex rel. Jacqueline Meyer, et al. v. Health Management Associates, Inc., Gary Newsome et al. (“Jacqueline Meyer”) (District of South Carolina); U.S. ex rel. George Miller, et al. v. Health Management Associates, Inc. (Eastern District of Pennsylvania) (“Miller”); U.S. ex rel. Bradley Nurkin v. Health Management Associates, Inc. et al. (Middle District of Florida) (“Nurkin”); and U.S. ex rel. Paul Meyer v. Health Management Associates, Inc. et al. (Southern District Florida) (“Paul Meyer”). The United States has elected to intervene with respect to allegations in these cases that certain HMA hospitals inappropriately admitted patients and then submitted reimbursement claims for treating those individuals to federal healthcare programs in violation of the False Claims Act or that certain HMA hospitals had inappropriate financial relationships with physicians which violated the Stark law, the Anti-Kickback Statute, and the False Claims Act. Certain of these complaints also allege the same actions violated various state laws which prohibit false claims. The United States has declined to intervene in three of the eleven matters, namely U.S. ex rel. Anita France et al. v. Health Management Associates, Inc. (Middle District Florida) (“France”) which involved allegations of wrongful billing and was recently settled; U.S. ex rel. Sandra Simmons, v. Health Management Associates, Inc. et al. (Eastern District Oklahoma) (“Simmons”) which alleges unnecessary surgery by an employed physician and which was recently partially settled as to all allegations except alleged wrongful termination; and U.S. ex rel. David Napolliello, M.D. v. Health Management Associates, Inc. (Middle District Florida) (“Napolliello”) which alleges inappropriate admissions. On April 3, 2014, the Multi District Litigation Panel ordered the transfer and consolidation for pretrial proceedings of the eight intervened cases, plus the Napolliello matter, to the District of the District of Columbia under the name In Re: Health Management Associates, Inc. Qui Tam Litigation. On June 2, 2014, the court entered a stay of this matter until October 6, 2014, which was subsequently extended until February 27, 2015. The Company intends to defend against the allegations in these matters, but will also be cooperating with the government in the ongoing investigation of these allegations.

During September 2010, HMA received a letter from the Department of Justice (“DOJ”) indicating that an investigation was being conducted to determine whether certain HMA hospitals improperly submitted claims for the implantation of implantable cardioverter defibrillators (“ICDs”). The DOJ’s investigation covers the period commencing with Medicare’s expansion of coverage for ICDs in 2003 to the present. The letter from the DOJ further indicates that the claims submitted by HMA’s hospitals for ICDs and related services need to be reviewed to determine if Medicare coverage and payment was appropriate. During 2010, the DOJ sent similar letters and other requests to a large number of unrelated hospitals and hospital operators across the country as part of a nation-wide review of ICD billing under the Medicare program. The Company is cooperating with the DOJ in its ongoing investigation, which could potentially give rise to claims against HMA and/or certain of its subsidiary hospitals under the False Claims Act or other statutes, regulations or laws. Additionally, the Company is conducting an internal review of hospital medical records related to ICDs that are the subject of the DOJ investigation. To date, the DOJ has not asserted any monetary or other claims against HMA or its hospitals in this matter.

Probable Contingencies – HMA

*OIG Investigation of Certain HMA Hospitals’ Relationships with Allegiance*

On February 22, 2012 and February 24, 2012, the United States Department of Health and Human Services office of the Inspector General (“OIG”) served subpoenas on certain HMA hospitals relating to those hospitals’ relationships with Allegiance Health Management, Inc. (“Allegiance”). Allegiance, which is unrelated to HMA, is a post-acute healthcare management company that provides intensive outpatient psychiatric (“IOP”) services to



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patients. The HMA hospitals that were served subpoenas were: (i) Central Mississippi Medical Center in Jackson, Mississippi; (ii) Crossgates River Oaks Hospital in Brandon, Mississippi; (iii) Davis Regional Medical Center in Statesville, North Carolina; (iv) Lake Norman Regional Medical Center in Mooresville, North Carolina; (v) the Medical Center of Southeastern Oklahoma in Durant, Oklahoma; and (vi) Natchez Community Hospital in Natchez, Mississippi. Each of those hospitals has or had a contract with Allegiance. Among other things, the subpoenas seek: (i) documents related to the hospitals' financial relationships with Allegiance; (ii) documents related to patients who received IOP services from Allegiance at the HMA hospitals, including their patient medical records; (iii) documents relating to complaints or concerns regarding Allegiance's IOP services at the HMA hospitals; (iv) documents relating to employees, physicians and therapists who were involved with the IOP services provided by Allegiance at the HMA hospitals; and (v) other documents related to Allegiance, including leases, contracts, policies and procedures, training documents, budgets and financial analyses. The period of time covered by the subpoenas is January 1, 2008 through the date of subpoena compliance. The Company will continue to cooperate with the investigations. Prior to the HMA merger, HMA determined that a liability for this claim was probable and a liability was recorded by HMA during the quarter ended December 31, 2013, which liability was assumed as part of the HMA merger. The Company has reached an agreement in principle to settle this matter.

*Department of Justice Investigation of Kyphoplasty Procedures at Certain HMA Hospitals*

Several HMA hospitals received letters during 2009 requesting information in connection with a DOJ investigation relating to kyphoplasty procedures. Kyphoplasty is a minimally invasive spinal procedure used to treat vertebral compression fractures. The DOJ is currently investigating hospitals and hospital operators in multiple states to determine whether certain Medicare claims for kyphoplasty were incorrect when billed as an inpatient service rather than as an outpatient service. The DOJ's investigation originated with a False Claims Act lawsuit against Kyphon, Inc., the company that developed the kyphoplasty procedure. The requested information has been provided to the DOJ and the Company is continuing to cooperate with the investigation. Prior to the HMA merger, HMA determined that a liability for this claim was probable and an incremental liability was recorded by HMA during the quarter ended December 31, 2013, which liability was assumed as part of the HMA merger.

Probable Contingencies—CHS

*U.S. ex rel. Baker vs. Community Health Systems, Inc. (United States District Court for the District of New Mexico)*

The Company's knowledge of this matter originated in early 2006 with correspondence from the Civil Division of the Department of Justice requesting documents in an investigation it was conducting involving the Company. The inquiry related to the way in which different state Medicaid programs apply to the federal government for matching or supplemental funds that are ultimately used to pay for a small portion of the services provided to Medicaid and indigent patients. These programs are referred to by different names, including "intergovernmental payments," "upper payment limit programs," and "Medicaid disproportionate share hospital payments." For approximately three years, the Company provided the Department of Justice with requested documents, met with its personnel on numerous occasions and otherwise cooperated in its investigation. During the course of the investigation, the Civil Division notified the Company that it believed that the Company and three of its New Mexico hospitals caused the State of New Mexico to submit improper claims for federal funds, in violation of the Federal False Claims Act. This investigation has culminated in the federal government's intervention in the referenced qui tam lawsuit, which alleges that the Company's New Mexico hospitals "caused to be filed" false claims from the period of August 2000 through June 2011. Two of the Parent Company's subsidiaries are also defendants in this lawsuit. The Company has now settled this matter for \$75 million, which

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was previously reserved. The reserve does not include the legal fees of the relator’s counsel. A corporate integrity agreement will not be required.

Summary of Recorded Amounts

The table below presents a reconciliation of the beginning and ending liability balances (in millions) during the year ended December 31, 2014 with respect to the Company’s fair value determination in connection with HMA Legal Matters that were not previously accrued by HMA, the estimated liability in connection with HMA Legal Matters that were previously recorded by HMA as a probable contingency, and the remaining contingencies of the Company in respect of which an accrual has been recorded. These accruals do not include the Company’s estimated legal fees associated with such matters, which are expensed as incurred.

	CVR Related Liability at Fair Value	CVR Related Liability for Probable Contingencies	Other Probable Contingencies
Balance as of December 31, 2012	\$ —	\$ —	\$ 23
Expense	—	—	106
Cash payments	—	—	(10)
Balance as of December 31, 2013	—	—	119
Assumed liabilities for HMA contingencies	284	29	16
Expense	(16)	—	100
Cash payments	(3)	—	(110)
Balance as of December 31, 2014	<u>\$ 265</u>	<u>\$ 29</u>	<u>\$ 125</u>

There are a number of other legal matters for which, based on information currently available, the Company believes that a negative outcome is known or is probable and the amount of the loss is reasonably estimable. The amounts have been recorded in other accrued liabilities on the consolidated balance sheet and are included in the table above, but are not discussed in this footnote. These matters, both individually and in the aggregate, are immaterial to the financial position of the Company. Due to the uncertainties and difficulty in predicting the ultimate resolution of these contingencies, the actual amount could differ from the estimated amount; however, the Company does not believe a change in estimate for any of such matters would be material.

In the aggregate, attorneys’ fees and other costs incurred but not included in the table above related to probable contingencies, and CVR-related contingencies accounted for at fair value, totaled \$29 million and \$9 million for the years ended December 31, 2014 and 2013, respectively, and are included in other operating expenses in the accompanying consolidated statements of income.

Matters for which an Outcome Cannot be Assessed

For all of the legal matters below, the Company cannot at this time assess what the outcome may be and is further unable to determine any estimate of loss or range of loss. Because the matters below are at a preliminary stage and other factors, there are not sufficient facts available to make these assessments.

Implantable Cardioverter Defibrillators (“ICDs”). The Company was first made aware of this investigation in September 2010, when the Company received a letter from the Civil Division of the United States Department of Justice. The letter advised the Company that an investigation was being conducted to determine whether certain hospitals have improperly submitted claims for payment for ICDs. The period of time covered by the investigation was 2003 to 2010. The Company continues to fully cooperate with the government in this investigation and has provided requested records and documents. On August 30, 2012, the Department of Justice issued a document entitled, “Medical Review Guidelines/Resolution Model,” which sets out, for the purposes of this investigation, the patient conditions and criteria for the medical necessity of the implantation of ICDs in

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Medicare beneficiaries and how the Department of Justice will enforce the repayment obligations of hospitals. The Company is in the process of reviewing its medical records in light of the guidance contained in this document.

Class Action Shareholder Federal Securities Cases. Three purported class action cases have been filed in the United States District Court for the Middle District of Tennessee; namely, Norfolk County Retirement System v. Community Health Systems, Inc., et al., filed May 9, 2011; De Zheng v. Community Health Systems, Inc., et al., filed May 12, 2011; and Minneapolis Firefighters Relief Association v. Community Health Systems, Inc., et al., filed June 21, 2011. All three seek class certification on behalf of purchasers of the Company's common stock between July 27, 2006 and April 11, 2011 and allege that misleading statements resulted in artificially inflated prices for the Company's common stock. In December 2011, the cases were consolidated for pretrial purposes and NYC Funds and its counsel were selected as lead plaintiffs/lead plaintiffs' counsel. The Company's motion to dismiss this case has been fully briefed and remains pending before the court. An initial case management order was entered January 30, 2015, but no trial date has been set. The Company believes this consolidated matter is without merit and will vigorously defend this case.

Shareholder Derivative Actions. Three purported shareholder derivative actions have also been filed in the United States District Court for the Middle District of Tennessee; Plumbers and Pipefitters Local Union No. 630 Pension Annuity Trust Fund v. Wayne T. Smith, et al., filed May 24, 2011; Roofers Local No. 149 Pension Fund v. Wayne T. Smith, et al., filed June 21, 2011; and Lambert Sweat v. Wayne T. Smith, et al., filed October 5, 2011. These three cases allege breach of fiduciary duty arising out of allegedly improper inpatient admission practices, mismanagement, waste and unjust enrichment. These cases have been consolidated into a single, consolidated action. The plaintiffs filed an operative amended derivative complaint in these three consolidated actions on March 15, 2012. The Company's motion to dismiss was argued on June 13, 2013. On September 27, 2013, the court issued an order granting in part and denying in part the Company's motion to dismiss. On October 14, 2013, the Company filed for a Motion for Reconsideration of the Order Granting in Part and Denying in Part the Motion to Dismiss, a Motion to Stay Discovery, and an unopposed Motion for Extension of Time to File an Answer. The Company's motion to stay was denied and the Company's motion for reconsideration was denied on December 12, 2014. An initial case management order was entered on November 11, 2014, but no trial date has been set. The Company believes all of the plaintiffs' claims are without merit and will vigorously defend them.

**17. SUBSEQUENT EVENTS**

The Company evaluated all material events occurring subsequent to the balance sheet date for events requiring disclosure or recognition in the consolidated financial statements.

Effective January 1, 2015, one or more subsidiaries of the Company sold Carolina Pines Regional Medical Center (116 licensed beds) in Hartsville, South Carolina and related outpatient services to Capella Healthcare for approximately \$74 million in cash, which was received at the closing on December 31, 2014. This hospital was required to be divested by the Federal Trade Commission as a condition of its approval of the HMA merger.

On January 23, 2015, one or more of the Company's subsidiaries executed a definitive agreement for the purchase of an 80 percent equity interest in Metro Health in Grand Rapids, Michigan, which is expected to close in the middle of 2015. The agreement includes Metro Health Hospital (208 licensed beds), outpatient centers and related assets and businesses.

Effective February 1, 2015, one or more subsidiaries of the Company sold Harris Hospital (133 licensed beds) in Newport, Arkansas and related healthcare services to White County Medical Center in Searcy, Arkansas for approximately \$5 million in cash.

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**18. QUARTERLY FINANCIAL DATA (UNAUDITED)**

	Quarter				Total
	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	
(in millions, except share and per share data)					
<b>Year ended December 31, 2014:</b>					
Net operating revenues	\$ 4,176	\$ 4,765	\$ 4,780	\$ 4,918	\$ 18,639
Income from continuing operations before income taxes	(131)	109	134	230	342
Income from continuing operations	(75)	76	94	165	260
Loss from discontinued operations	(22)	(6)	—	(29)	(57)
Net income attributable to Community Health Systems, Inc.	\$ (112)	\$ 42	\$ 62	\$ 100	\$ 92
<i>Basic earnings (loss) per share attributable to Community Health Systems, Inc. common stockholders(1):</i>					
Continuing operations	\$ (0.84)	\$ 0.43	\$ 0.55	\$ 1.13	\$ 1.33
Discontinued operations	(0.21)	(0.06)	—	(0.26)	(0.51)
Net income	<u>\$ (1.05)</u>	<u>\$ 0.37</u>	<u>\$ 0.55</u>	<u>\$ 0.88</u>	<u>\$ 0.82</u>
<i>Diluted earnings (loss) per share attributable to Community Health Systems, Inc. common stockholders(1):</i>					
Continuing operations	\$ (0.84)	\$ 0.42	\$ 0.54	\$ 1.12	\$ 1.32
Discontinued operations	(0.21)	(0.06)	—	(0.25)	(0.51)
Net income	<u>\$ (1.05)</u>	<u>\$ 0.37</u>	<u>\$ 0.54</u>	<u>\$ 0.87</u>	<u>\$ 0.82</u>
Weighted-average number of shares outstanding:					
Basic	106,601,997	112,598,899	113,138,663	113,606,631	111,579,088
Diluted	106,601,997	113,474,169	114,343,778	114,828,587	112,549,320
<b>Year ended December 31, 2013:</b>					
Net operating revenues	\$ 3,262	\$ 3,191	\$ 3,174	\$ 3,192	\$ 12,819
Income from continuing operations before income taxes	149	74	35	88	346
Income from continuing operations	99	53	28	62	242
Loss from discontinued operations	(3)	(6)	(6)	(10)	(25)
Net income attributable to Community Health Systems, Inc.	\$ 79	\$ 30	\$ 4	\$ 28	\$ 141
<i>Basic earnings (loss) per share attributable to Community Health Systems, Inc. common stockholders(1):</i>					
Continuing operations	\$ 0.90	\$ 0.39	\$ 0.11	\$ 0.41	\$ 1.80
Discontinued operations	(0.03)	(0.07)	(0.07)	(0.10)	(0.27)
Net income	<u>\$ 0.87</u>	<u>\$ 0.32</u>	<u>\$ 0.04</u>	<u>\$ 0.30</u>	<u>\$ 1.52</u>
<i>Diluted earnings (loss) per share attributable to Community Health Systems, Inc. common stockholders(1):</i>					
Continuing operations	\$ 0.89	\$ 0.38	\$ 0.11	\$ 0.40	\$ 1.77
Discontinued operations	(0.03)	(0.07)	(0.07)	(0.10)	(0.27)
Net income	<u>\$ 0.86</u>	<u>\$ 0.32</u>	<u>\$ 0.04</u>	<u>\$ 0.30</u>	<u>\$ 1.51</u>
Weighted-average number of shares outstanding:					
Basic	91,002,615	92,866,370	93,259,027	93,372,398	92,633,332
Diluted	91,998,993	94,109,368	94,483,596	94,703,458	93,815,013

(1) Total per share amounts may not add due to rounding.

**COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

**19. SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION**

The Senior Notes due 2019, 2020 and 2022, which are senior unsecured obligations of CHS, and the 5 1/8% Senior Secured Notes due 2018 and 2021 (collectively, “the Notes”) are guaranteed on a senior basis by the Company and by certain of its existing and subsequently acquired or organized 100% owned domestic subsidiaries. The Notes are fully and unconditionally guaranteed on a joint and several basis, with exceptions considered customary for such guarantees, limited to the release of the guarantee when a subsidiary guarantor’s capital stock is sold, or a sale of all of the subsidiary guarantor’s assets used in operations. The following condensed consolidating financial statements present Community Health Systems, Inc. (as parent guarantor), CHS (as the issuer), the subsidiary guarantors, the subsidiary non-guarantors and eliminations. These condensed consolidating financial statements have been prepared and presented in accordance with SEC Regulation S-X Rule 3-10 “Financial Statements of Guarantors and Issuers of Guaranteed Securities Registered or Being Registered.”

The accounting policies used in the preparation of this financial information are consistent with those elsewhere in the condensed consolidated financial statements of the Company, except as noted below:

- Intercompany receivables and payables are presented gross in the supplemental condensed consolidating balance sheets.
- Cash flows from intercompany transactions are presented in cash flows from financing activities, as changes in intercompany balances with affiliates, net.
- Income tax expense is allocated from the parent guarantor to the income producing operations (other guarantors and non-guarantors) and the issuer through stockholders’ equity. As this approach represents an allocation, the income tax expense allocation is considered non-cash for statement of cash flow purposes.
- Interest expense, net has been presented to reflect net interest expense and interest income from outstanding long-term debt and intercompany balances.

The Company’s intercompany activity consists primarily of daily cash transfers for purposes of cash management, the allocation of certain expenses and expenditures paid for by the Parent on behalf of its subsidiaries, and the push down of investment in its subsidiaries. This activity also includes the intercompany transactions between consolidated entities as part of the Receivables Facility that is further discussed in Note 6. The Company’s subsidiaries generally do not purchase services from one another; thus, the intercompany transactions do not represent revenue generating transactions. All intercompany transactions eliminate in consolidation.

From time to time, subsidiaries of the Company sell and/or repurchase noncontrolling interests in consolidated subsidiaries, which may change subsidiaries between guarantors and non-guarantors. Amounts for prior periods are revised to reflect the status of guarantors or non-guarantors as of December 31, 2014.

**COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

**Condensed Consolidating Statement of Income**  
**Year Ended December 31, 2014**

	Parent Guarantor	Issuer	Other Guarantors	Non - Guarantors	Eliminations	Consolidated
	(In millions)					
Operating revenues (net of contractual allowances and discounts)	\$ —	\$ (18)	\$ 13,320	\$ 8,259	\$ —	\$ 21,561
Provision for bad debts	—	—	1,824	1,098	—	2,922
Net operating revenues	—	(18)	11,496	7,161	—	18,639
Operating costs and expenses:						
Salaries and benefits	—	—	4,823	3,795	—	8,618
Supplies	—	—	1,849	1,013	—	2,862
Other operating expenses	—	—	2,702	1,620	—	4,322
Government settlement and related costs	—	—	101	—	—	101
Electronic health records incentive reimbursement	—	—	(173)	(86)	—	(259)
Rent	—	—	230	204	—	434
Depreciation and amortization	—	—	764	342	—	1,106
Amortization of software to be abandoned	—	—	45	30	—	75
Total operating costs and expenses	—	—	10,341	6,918	—	17,259
Income from operations	—	(18)	1,155	243	—	1,380
Interest expense, net	—	(10)	551	431	—	972
Loss from early extinguishment of debt	—	73	—	—	—	73
Equity in earnings of unconsolidated affiliates	(92)	(217)	165	—	96	(48)
Impairment of long-lived assets	—	—	41	—	—	41
Income from continuing operations before income taxes	92	136	398	(188)	(96)	342
Provision for (benefit from) income taxes	—	44	152	(114)	—	82
Income from continuing operations	92	92	246	(74)	(96)	260
Discontinued operations, net of taxes:						
Loss from operations of entities sold or held for sale	—	—	(29)	22	—	(7)
Impairment of hospitals sold or held for sale	—	—	—	(50)	—	(50)
Loss from discontinued operations, net of taxes	—	—	(29)	(28)	—	(57)
Net income	92	92	217	(102)	(96)	203
Less: Net income attributable to noncontrolling interests	—	—	—	111	—	111
Net income attributable to Community Health Systems, Inc. stockholders	\$ 92	\$ 92	\$ 217	\$ (213)	\$ (96)	\$ 92

**COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

**Condensed Consolidating Statement of Income**  
**Year Ended December 31, 2013**

	Parent Guarantor	Issuer	Other Guarantors	Non - Guarantors	Eliminations	Consolidated
	(In millions)					
Operating revenues (net of contractual allowances and discounts)	\$ —	\$ (15)	\$ 9,488	\$ 5,380	\$ —	\$ 14,853
Provision for bad debts	—	—	1,394	640	—	2,034
Net operating revenues	—	(15)	8,094	4,740	—	12,819
Operating costs and expenses:						
Salaries and benefits	—	—	3,591	2,516	—	6,107
Supplies	—	—	1,285	690	—	1,975
Other operating expenses	—	—	1,825	993	—	2,818
Government settlement and related costs	—	—	102	—	—	102
Electronic health records incentive reimbursement	—	—	(105)	(57)	—	(162)
Rent	—	—	159	120	—	279
Depreciation and amortization	—	—	522	249	—	771
Total operating costs and expenses	—	—	7,379	4,511	—	11,890
Income from operations	—	(15)	715	229	—	929
Interest expense, net	—	(5)	555	63	—	613
Loss from early extinguishment of debt	—	1	—	—	—	1
Equity in earnings of unconsolidated affiliates	(141)	(138)	(87)	—	323	(43)
Impairment of long-lived assets	—	—	12	—	—	12
Income from continuing operations before income taxes	141	127	235	166	(323)	346
Provision for (benefit from) income taxes	—	(14)	86	32	—	104
Income from continuing operations	141	141	149	134	(323)	242
Discontinued operations, net of taxes:						
Loss from operations of entities sold or held for sale	—	—	(13)	(8)	—	(21)
Impairment of hospitals sold or held for sale	—	—	(4)	—	—	(4)
Loss from discontinued operations, net of taxes	—	—	(17)	(8)	—	(25)
Net income	141	141	132	126	(323)	217
Less: Net income attributable to noncontrolling interests	—	—	—	76	—	76
Net income attributable to Community Health Systems, Inc. stockholders	<u>\$ 141</u>	<u>\$ 141</u>	<u>\$ 132</u>	<u>\$ 50</u>	<u>\$ (323)</u>	<u>\$ 141</u>

**COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

**Condensed Consolidating Statement of Income**  
**Year Ended December 31, 2012**

	Parent Guarantor	Issuer	Other Guarantors	Non - Guarantors	Eliminations	Consolidated
	(In millions)					
Operating revenues (net of contractual allowances and discounts)	\$ —	\$ (10)	\$ 9,415	\$ 5,342	\$ —	\$ 14,747
Provision for bad debts	—	—	1,293	621	—	1,914
Net operating revenues	—	(10)	8,122	4,721	—	12,833
Operating costs and expenses:						
Salaries and benefits	—	—	3,552	2,440	—	5,992
Supplies	—	—	1,281	672	—	1,953
Other operating expenses	—	1	1,830	976	—	2,807
Government settlement and related costs	—	—	—	—	—	—
Electronic health records incentive reimbursement	—	—	(79)	(44)	—	(123)
Rent	—	—	149	115	—	264
Depreciation and amortization	—	—	473	241	—	714
Total operating costs and expenses	—	1	7,206	4,400	—	11,607
Income from operations	—	(11)	916	321	—	1,226
Interest expense, net	—	59	503	59	—	621
Loss from early extinguishment of debt	—	115	—	—	—	115
Equity in earnings of unconsolidated affiliates	(266)	(350)	(150)	—	724	(42)
Impairment of long-lived assets	—	—	10	—	—	10
Income from continuing operations before income taxes	266	165	553	262	(724)	522
Provision for (benefit from) income taxes	—	(101)	200	65	—	164
Income from continuing operations	266	266	353	197	(724)	358
Discontinued operations, net of taxes:						
Loss from operations of entities sold or held for sale	—	—	(5)	(7)	—	(12)
Impairment of hospitals sold or held for sale	—	—	—	—	—	—
Loss from discontinued operations, net of taxes	—	—	(5)	(7)	—	(12)
Net income	266	266	348	190	(724)	346
Less: Net income attributable to noncontrolling interests	—	—	—	80	—	80
Net income attributable to Community Health Systems, Inc. stockholders	<u>\$ 266</u>	<u>\$ 266</u>	<u>\$ 348</u>	<u>\$ 110</u>	<u>\$ (724)</u>	<u>\$ 266</u>



**COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

**Condensed Consolidating Statement of Comprehensive Income**  
**Year Ended December 31, 2014**

	<u>Parent</u>		<u>Other</u>	<u>Non -</u>		<u>Consolidated</u>
	<u>Guarantor</u>	<u>Issuer</u>	<u>Guarantors</u>	<u>Guarantors</u>	<u>Eliminations</u>	
	(In millions)					
Net income	\$ 92	\$ 92	\$ 217	\$ (102)	\$ (96)	\$ 203
Other comprehensive income (loss), net of income taxes:						
Net change in fair value of interest rate swaps, net of tax	13	13	—	—	(13)	13
Net change in fair value of available-for-sale securities, net of tax	—	—	—	—	—	—
Amortization and recognition of unrecognized pension cost components, net of tax	(9)	(9)	(9)	—	18	(9)
Other comprehensive income (loss)	4	4	(9)	—	5	4
Comprehensive income	96	96	208	(102)	(91)	207
Less: Comprehensive income attributable to noncontrolling interests	—	—	—	111	—	111
Comprehensive income attributable to Community Health Systems, Inc. stockholders	<u>\$ 96</u>	<u>\$ 96</u>	<u>\$ 208</u>	<u>\$ (213)</u>	<u>\$ (91)</u>	<u>\$ 96</u>

**COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

**Condensed Consolidating Statement of Comprehensive Income**  
**Year Ended December 31, 2013**

	<u>Parent</u> <u>Guarantor</u>	<u>Issuer</u>	<u>Other</u> <u>Guarantors</u>	<u>Non -</u> <u>Guarantors</u>	<u>Eliminations</u>	<u>Consolidated</u>
	(In millions)					
Net income	\$ 141	\$141	\$ 132	\$ 126	\$ (323)	\$ 217
Other comprehensive income (loss), net of income taxes:						
Net change in fair value of interest rate swaps, net of tax	60	60	—	—	(60)	60
Net change in fair value of available-for-sale securities, net of tax	2	2	2	—	(4)	2
Amortization and recognition of unrecognized pension cost components, net of tax	16	16	16	—	(32)	16
Other comprehensive income (loss)	78	78	18	—	(96)	78
Comprehensive income	219	219	150	126	(419)	295
Less: Comprehensive income attributable to noncontrolling interests	—	—	—	76	—	76
Comprehensive income attributable to Community Health Systems, Inc. stockholders	<u>\$ 219</u>	<u>\$219</u>	<u>\$ 150</u>	<u>\$ 50</u>	<u>\$ (419)</u>	<u>\$ 219</u>

**COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

**Condensed Consolidating Statement of Comprehensive Income**  
**Year Ended December 31, 2012**

	Parent		Other	Non -				
	Guarantor	Issuer	Guarantors	Guarantors	Eliminations	Consolidated		
	(In millions)							
Net income	\$ 266	\$266	\$ 348	\$ 190	\$ (724)	\$ 346		
Other comprehensive income (loss), net of income taxes:								
Net change in fair value of interest rate swaps, net of tax	46	46	—	—	(46)	46		
Net change in fair value of available-for-sale securities, net of tax	3	3	3	—	(6)	3		
Amortization and recognition of unrecognized pension cost components, net of tax	(10)	(10)	(10)	—	20	(10)		
Other comprehensive income (loss)	39	39	(7)	—	(32)	39		
Comprehensive income	305	305	341	190	(756)	385		
Less: Comprehensive income attributable to noncontrolling interests	—	—	—	80	—	80		
Comprehensive income attributable to Community Health Systems, Inc. stockholders	<u>\$ 305</u>	<u>\$305</u>	<u>\$ 341</u>	<u>\$ 110</u>	<u>\$ (756)</u>	<u>\$ 305</u>		

**COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

**Condensed Consolidating Balance Sheet**  
**December 31, 2014**

	Parent Guarantor	Issuer	Other Guarantors	Non - Guarantors	Eliminations	Consolidated
(In millions)						
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ —	\$ —	\$ 364	\$ 145	\$ —	\$ 509
Patient accounts receivable, net of allowance for doubtful accounts	—	—	1,284	2,125	—	3,409
Supplies	—	—	374	183	—	557
Prepaid income taxes	30	—	—	—	—	30
Deferred income taxes	341	—	—	—	—	341
Prepaid expenses and taxes	—	—	138	54	—	192
Other current assets	—	—	359	169	—	528
Total current assets	371	—	2,519	2,676	—	5,566
Intercompany receivable	1,199	16,560	2,142	7,786	(27,687)	—
Property and equipment, net	—	—	6,557	3,612	—	10,169
Goodwill	—	—	5,480	3,471	—	8,951
Other assets, net	15	302	1,874	1,182	(638)	2,735
Net investment in subsidiaries	3,290	18,434	7,399	—	(29,123)	—
Total assets	<u>\$ 4,875</u>	<u>\$35,296</u>	<u>\$ 25,971</u>	<u>\$ 18,727</u>	<u>\$ (57,448)</u>	<u>\$ 27,421</u>
<b>LIABILITIES AND EQUITY</b>						
Current liabilities:						
Current maturities of long-term debt	\$ —	\$ 163	\$ 61	\$ 11	\$ —	\$ 235
Accounts payable	—	—	909	384	—	1,293
Deferred income taxes	23	—	—	—	—	23
Accrued interest	—	225	1	1	—	227
Accrued liabilities	4	—	1,252	555	—	1,811
Total current liabilities	27	388	2,223	951	—	3,589
Long-term debt	—	15,820	139	722	—	16,681
Intercompany payable	—	14,957	18,744	15,455	(49,156)	—
Deferred income taxes	845	—	—	—	—	845
Other long-term liabilities	—	841	1,137	352	(638)	1,692
Total liabilities	872	32,006	22,243	17,480	(49,794)	22,807
Redeemable noncontrolling interests in equity of consolidated subsidiaries	—	—	—	531	—	531
Equity:						
Community Health Systems, Inc. stockholders' equity:						
Preferred stock	—	—	—	—	—	—
Common stock	1	—	—	—	—	1
Additional paid-in capital	2,095	1,208	1,352	610	(3,170)	2,095
Treasury stock, at cost	(7)	—	—	—	—	(7)
Accumulated other comprehensive (loss) income	(63)	(63)	(25)	5	83	(63)
Retained earnings	1,977	2,145	2,401	21	(4,567)	1,977
Total Community Health Systems, Inc. stockholders' equity	4,003	3,290	3,728	636	(7,654)	4,003
Noncontrolling interests in equity of consolidated subsidiaries	—	—	—	80	—	80
Total equity	4,003	3,290	3,728	716	(7,654)	4,083
Total liabilities and equity	<u>\$ 4,875</u>	<u>\$35,296</u>	<u>\$ 25,971</u>	<u>\$ 18,727</u>	<u>\$ (57,448)</u>	<u>\$ 27,421</u>

**COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

**Condensed Consolidating Balance Sheet**  
**December 31, 2013**

	Parent Guarantor	Issuer	Other Guarantors	Non - Guarantors	Eliminations	Consolidated
(In millions)						
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ —	\$ —	\$ 238	\$ 135	\$ —	\$ 373
Patient accounts receivable, net of allowance for doubtful accounts	—	—	866	1,457	—	2,323
Supplies	—	—	256	115	—	371
Prepaid income taxes	107	—	—	—	—	107
Deferred income taxes	101	—	—	—	—	101
Prepaid expenses and taxes	—	—	98	29	—	127
Other current assets	—	—	262	83	—	345
Total current assets	208	—	1,720	1,819	—	3,747
Intercompany receivable	579	9,541	4,534	3,810	(18,464)	—
Property and equipment, net	—	—	4,657	2,394	—	7,051
Goodwill	—	—	2,530	1,894	—	4,424
Other assets, net	—	144	1,454	828	(531)	1,895
Net investment in subsidiaries	3,194	9,335	4,030	—	(16,559)	—
Total assets	<u>\$ 3,981</u>	<u>\$19,020</u>	<u>\$ 18,925</u>	<u>\$ 10,745</u>	<u>\$ (35,554)</u>	<u>\$ 17,117</u>
<b>LIABILITIES AND EQUITY</b>						
Current liabilities:						
Current maturities of long-term debt	\$ —	\$ 152	\$ 13	\$ 2	\$ —	\$ 167
Accounts payable	—	—	734	215	—	949
Deferred income taxes	3	—	—	—	—	3
Accrued interest	—	111	—	1	—	112
Accrued liabilities	4	—	871	352	—	1,227
Total current liabilities	7	263	1,618	570	—	2,458
Long-term debt	—	8,718	51	517	—	9,286
Intercompany payable	—	6,226	13,060	8,266	(27,552)	—
Deferred income taxes	906	—	—	—	—	906
Other long-term liabilities	—	619	671	218	(531)	977
Total liabilities	913	15,826	15,400	9,571	(28,083)	13,627
Redeemable noncontrolling interests in equity of consolidated subsidiaries	—	—	—	358	—	358
Equity:						
Community Health Systems, Inc. stockholders' equity:						
Preferred stock	—	—	—	—	—	—
Common stock	1	—	—	—	—	1
Additional paid-in capital	1,256	1,175	1,274	595	(3,044)	1,256
Treasury stock, at cost	(7)	—	—	—	—	(7)
Accumulated other comprehensive (loss) income	(67)	(67)	(11)	—	78	(67)
Retained earnings	1,885	2,086	2,262	157	(4,505)	1,885
Total Community Health Systems, Inc. stockholders' equity	3,068	3,194	3,525	752	(7,471)	3,068
Noncontrolling interests in equity of consolidated subsidiaries	—	—	—	64	—	64
Total equity	3,068	3,194	3,525	816	(7,471)	3,132
Total liabilities and equity	<u>\$ 3,981</u>	<u>\$19,020</u>	<u>\$ 18,925</u>	<u>\$ 10,745</u>	<u>\$ (35,554)</u>	<u>\$ 17,117</u>

**COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

**Condensed Consolidating Statement of Cash Flows**  
**Year Ended December 31, 2014**

	Parent Guarantor	Issuer	Other Guarantors	Non - Guarantors	Eliminations	Consolidated
	(In millions)					
Net cash (used in) provided by operating activities	\$ 176	\$ 319	\$ 918	\$ 202	\$ —	\$ 1,615
Cash flows from investing activities:						
Acquisitions of facilities and other related equipment	—	—	(2,872)	(219)	—	(3,091)
Purchases of property and equipment	—	—	(598)	(255)	—	(853)
Proceeds from disposition of hospitals and other ancillary operations	—	—	3	85	—	88
Proceeds from sale of property and equipment	—	—	40	10	—	50
Purchases of available-for-sale securities	—	—	(23)	(240)	—	(263)
Proceeds from sales of available-for-sale securities	—	—	24	205	—	229
Increase in other investments	—	—	(389)	(122)	—	(511)
Net cash used in investing activities	—	—	(3,815)	(536)	—	(4,351)
Cash flows from financing activities:						
Proceeds from exercise of stock options	65	—	—	—	—	65
Repurchase of restricted stock shares for payroll tax withholding requirements	(11)	—	—	—	—	(11)
Payment of special dividend to stockholders	—	—	—	—	—	—
Stock buy-back	(9)	—	—	—	—	(9)
Deferred financing costs and other debt-related costs	—	(276)	—	—	—	(276)
Excess tax benefit relating to stock-based compensation	—	—	—	—	—	—
Proceeds from noncontrolling investors in joint ventures	—	—	—	10	—	10
Redemption of noncontrolling investments in joint ventures	—	—	—	(158)	—	(158)
Distributions to noncontrolling investors in joint ventures	—	—	—	(104)	—	(104)
Changes in intercompany balances with affiliates, net	(221)	(3,334)	3,060	495	—	—
Borrowings under credit agreements	—	9,081	50	—	—	9,131
Issuance of long-term debt	—	4,000	—	—	—	4,000
Proceeds from receivables facility	—	—	—	204	—	204
Repayments of long-term indebtedness	—	(9,790)	(87)	(103)	—	(9,980)
Net cash provided by (used in) financing activities	(176)	(319)	3,023	344	—	2,872
Net change in cash and cash equivalents	—	—	126	10	—	136
Cash and cash equivalents at beginning of period	—	—	238	135	—	373
Cash and cash equivalents at end of period	\$ —	\$ —	\$ 364	\$ 145	\$ —	\$ 509

**COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

**Condensed Consolidating Statement of Cash Flows**  
**Year Ended December 31, 2013**

	Parent Guarantor	Issuer	Other Guarantors	Non - Guarantors	Eliminations	Consolidated
	(In millions)					
Net cash (used in) provided by operating activities	\$ (81)	\$ 21	\$ 876	\$ 273	\$ —	\$ 1,089
Cash flows from investing activities:						
Acquisitions of facilities and other related equipment	—	—	(12)	(32)	—	(44)
Purchases of property and equipment	—	—	(492)	(122)	—	(614)
Proceeds from disposition of hospitals and other ancillary operations	—	—	—	—	—	—
Proceeds from sale of property and equipment	—	—	4	3	—	7
Purchases of available-for-sale securities	—	—	—	—	—	—
Proceeds from sales of available-for-sale securities	—	—	—	—	—	—
Increase in other investments	—	—	(275)	(65)	—	(340)
Net cash used in investing activities	—	—	(775)	(216)	—	(991)
Cash flows from financing activities:						
Proceeds from exercise of stock options	110	—	—	—	—	110
Repurchase of restricted stock shares for payroll tax withholding requirements	(15)	—	—	—	—	(15)
Payment of special dividend to stockholders	—	—	—	—	—	—
Stock buy-back	(27)	—	—	—	—	(27)
Deferred financing costs and other debt-related costs	—	(13)	—	—	—	(13)
Excess tax benefit relating to stock-based compensation	7	—	—	—	—	7
Proceeds from noncontrolling investors in joint ventures	—	—	—	—	—	—
Redemption of noncontrolling investments in joint ventures	—	—	—	(9)	—	(9)
Distributions to noncontrolling investors in joint ventures	—	—	—	(76)	—	(76)
Changes in intercompany balances with affiliates, net	6	274	(129)	(151)	—	—
Borrowings under credit agreements	—	1,170	23	1	—	1,194
Issuance of long-term debt	—	—	—	—	—	—
Proceeds from receivables facility	—	—	—	338	—	338
Repayments of long-term indebtedness	—	(1,452)	(29)	(141)	—	(1,622)
Net cash provided by (used in) financing activities	81	(21)	(135)	(38)	—	(113)
Net change in cash and cash equivalents	—	—	(34)	19	—	(15)
Cash and cash equivalents at beginning of period	—	—	272	116	—	388
Cash and cash equivalents at end of period	\$ —	\$ —	\$ 238	\$ 135	\$ —	\$ 373

**COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

**Condensed Consolidating Statement of Cash Flows**  
**Year Ended December 31, 2012**

	Parent Guarantor	Issuer	Other Guarantors	Non - Guarantors	Eliminations	Consolidated
	(In millions)					
Net cash (used in) provided by operating activities	\$ (54)	\$ (71)	\$ 1,155	\$ 250	\$ —	\$ 1,280
Cash flows from investing activities:						
Acquisitions of facilities and other related equipment	—	—	(310)	(12)	—	(322)
Purchases of property and equipment	—	—	(541)	(228)	—	(769)
Proceeds from disposition of hospitals and other ancillary operations	—	—	—	—	—	—
Proceeds from sale of property and equipment	—	—	3	3	—	6
Purchases of available-for-sale securities	—	—	—	—	—	—
Proceeds from sales of available-for-sale securities	—	—	—	—	—	—
Increase in other investments	—	10	(231)	(77)	—	(298)
Net cash used in investing activities	—	10	(1,079)	(314)	—	(1,383)
Cash flows from financing activities:						
Proceeds from exercise of stock options	20	—	—	—	—	20
Repurchase of restricted stock shares for payroll tax withholding requirements	(9)	—	—	—	—	(9)
Payment of special dividend to stockholders	(23)	—	—	—	—	(23)
Stock buy-back	—	—	—	—	—	—
Deferred financing costs and other debt-related costs	—	(141)	—	—	—	(141)
Excess tax benefit relating to stock-based compensation	4	—	—	—	—	4
Proceeds from noncontrolling investors in joint ventures	—	—	—	1	—	1
Redemption of noncontrolling investments in joint ventures	—	—	—	(44)	—	(44)
Distributions to noncontrolling investors in joint ventures	—	—	—	(68)	—	(68)
Changes in intercompany balances with affiliates, net	62	(125)	191	(128)	—	—
Borrowings under credit agreements	—	3,955	21	—	—	3,976
Issuance of long-term debt	—	3,825	—	—	—	3,825
Proceeds from receivables facility	—	—	—	350	—	350
Repayments of long-term indebtedness	—	(7,453)	(25)	(52)	—	(7,530)
Net cash provided by (used in) financing activities	54	61	187	59	—	361
Net change in cash and cash equivalents	—	—	263	(5)	—	258
Cash and cash equivalents at beginning of period	—	—	9	121	—	130
Cash and cash equivalents at end of period	\$ —	\$ —	\$ 272	\$ 116	\$ —	\$ 388



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**Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None

**Item 9A. *Controls and Procedures***

Our Chief Executive Officer and Chief Financial Officer, with the participation of other members of management, have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a- 15(e) and 15d-15(e)) under the Securities and Exchange Act of 1934, as amended, as of the end of the period covered by this report. Based on such evaluations, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective (at the reasonable assurance level) to ensure that the information required to be included in this report has been recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and to ensure that the information required to be included in this report was accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

We completed the HMA merger on January 27, 2014. We are continuing the process of analyzing the systems of disclosure controls and procedures and internal control over financial reporting of the former HMA hospitals and other operations acquired in the merger and integrating them within our broader framework of controls. Since the SEC's rules allow us to exclude these acquired hospitals and operations from our internal controls assessment and evaluation of disclosure controls that are subsumed by such internal controls in respect of periods ending on or prior to the first anniversary of the HMA merger, we have excluded HMA's operations from our evaluation of such disclosure controls, and changes in our internal controls, for the period covered by this report. We plan to complete this evaluation and integration within the required SEC time frame and report any changes in internal controls in our first annual report on Form 10-K in which our assessment of internal controls with respect to the acquired operations of HMA is included.

There have been no changes in internal control over financial reporting that occurred during the period that have materially affected or are reasonably likely to materially affect our internal controls over financial reporting.

Management's report on internal control over financial reporting is included herein at page 162.

The attestation report from Deloitte & Touche LLP, our independent registered public accounting firm, on our internal control over financial reporting is included herein at page 163.

**Item 9B. *Other Information***

None.

## Management's Report on Internal Control over Financial Reporting

We are responsible for the preparation and integrity of the consolidated financial statements appearing in our Annual Report. The consolidated financial statements were prepared in conformity with accounting principles generally accepted in the United States of America and include amounts based on management's estimates and judgments. All other financial information in this report has been presented on a basis consistent with the information included in the consolidated financial statements.

We are also responsible for establishing and maintaining adequate internal controls over financial reporting (as defined in Rule 13a-15(f) under the Securities and Exchange Act of 1934, as amended). We maintain a system of internal controls that is designed to provide reasonable assurance as to the fair and reliable preparation and presentation of the consolidated financial statements, as well as to safeguard assets from unauthorized use or disposition.

Our control environment is the foundation for our system of internal control over financial reporting and is embodied in our Code of Conduct. It sets the tone of our organization and includes factors such as integrity and ethical values. Our internal control over financial reporting is supported by formal policies and procedures which are reviewed, modified and improved as changes occur in business conditions and operations.

The Audit and Compliance Committee of the Board of Directors, which is composed solely of outside directors, meets periodically with members of management, the internal auditors and the independent registered public accounting firm to review and discuss internal control over financial reporting and accounting and financial reporting matters. The independent registered public accounting firm and internal auditors report to the Audit and Compliance Committee and have full and free access to the Audit and Compliance Committee at any time.

We completed the HMA merger on January 27, 2014. We are continuing the process of analyzing the systems of internal control over financial reporting of the former HMA hospitals and other operations acquired in the HMA acquisition and integrating them within our broader framework of controls. In accordance with the SEC's rules which allow us to exclude these acquired hospitals and operations from our internal controls assessment in respect of periods ending on or prior to the first anniversary of the HMA merger, we have excluded the former HMA hospitals and other operations acquired in the HMA merger from management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2014. The former HMA hospitals and other operations acquired in the HMA merger represented approximately 33% of our total assets as of December 31, 2014, and the results of operations of the former HMA hospitals and other operations acquired in the HMA merger represented approximately 29% of our net operating revenues for the year ended December 31, 2014. We plan to complete the integration of the former HMA hospitals and other operations acquired in the HMA merger within our broader framework of internal controls during 2015 and include these HMA hospitals and other operations acquired in the HMA merger within management's assessment of our internal control over financial reporting in our next annual report on Form 10-K.

We conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation. We have concluded that our internal control over financial reporting was effective as of December 31, 2014, based on these criteria.

Deloitte & Touche LLP, an independent registered public accounting firm, has issued an attestation report on our internal control over financial reporting, which is included herein.

We do not expect that our disclosure controls and procedures or our internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders of  
Community Health Systems, Inc.  
Franklin, Tennessee

We have audited the internal control over financial reporting of Community Health Systems, Inc. and subsidiaries (the “Company”) as of December 31, 2014, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in Management’s Report on Internal Control over Financial Reporting, management excluded from its assessment the internal control over financial reporting at Health Management Associates, Inc. (“HMA”), which was acquired on January 27, 2014 and whose financial statements constitute approximately 33% of total assets and 29% of net operating revenues of the consolidated financial statement amounts as of and for the year ended December 31, 2014. Accordingly, our audit did not include the internal control over financial reporting at HMA. The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed by, or under the supervision of, the company’s principal executive and principal financial officers, or persons performing similar functions, and effected by the company’s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2014 of the Company and our report dated February 25, 2015 expressed an unqualified opinion on those financial statements.

/s/ Deloitte & Touche LLP

Nashville, Tennessee  
February 25, 2015

**PART III**

**Item 10. Directors, Executive Officers and Corporate Governance**

The Company has adopted a Code of Conduct that is applicable to all members of the Board of Directors and our officers, as well as employees of our subsidiaries. A copy of the current version of our Code of Conduct is available in the Company-Overview — Corporate Governance section of our internet website at [www.chs.net/company-overview/corporate-governance](http://www.chs.net/company-overview/corporate-governance). A copy of the Code of Conduct is also available in print, free of charge, to any stockholder who requests it by writing to Community Health Systems, Inc., Investor Relations, at 4000 Meridian Boulevard, Franklin, TN 37067. The Company intends to post amendments to or waivers, if any, from its Code of Conduct at this location on its website, in each case to the extent such amendment or waiver would otherwise require the filing of a Current Report on Form 8-K pursuant to Item 5.05 thereof.

The committee report of the Audit and Compliance Committee of the Board of Directors is presented below. The other information required by this Item is incorporated herein by reference to the Company's definitive proxy statement to be filed under Regulation 14A in connection with the Annual Meeting of the Stockholders of the Company scheduled to be held on May 19, 2015, under "General Information," "Members of the Board of Directors," "Information About our Executive Officers," and "Section 16(a) Beneficial Ownership Reporting Compliance."

**AUDIT AND COMPLIANCE COMMITTEE REPORT**

The Audit and Compliance Committee of the Board of Directors of the Company is composed of three directors, each of whom is "independent" as defined by the listing standards of the NYSE and Section 10A-3 of the Exchange Act. All of our Audit and Compliance Committee members meet the Securities and Exchange Commission definition of "audit committee financial expert." The Audit and Compliance Committee operates under a written charter adopted by the Board of Directors, which is posted on our corporate website ([www.chs.net](http://www.chs.net)) and which is reviewed by the Committee annually, in conjunction with the Committee's annual self-evaluation. The Company's management is responsible for its internal controls and the financial reporting process. Our independent registered public accounting firm, Deloitte & Touche LLP, is responsible for performing an independent audit of our consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States) and to issue its reports thereon. The Audit and Compliance Committee is responsible for, among other things, monitoring and overseeing these processes, and recommending to the Board of Directors: (i) that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K; and (ii) the selection of the independent registered public accounting firm to audit the consolidated financial statements of the Company.

In keeping with that responsibility, the Audit and Compliance Committee has reviewed and discussed the Company's audited consolidated financial statements with management and with the independent registered public accounting firm, reviewed internal controls and accounting procedures and provided oversight review of the Company's corporate compliance program. In addition, the Audit and Compliance Committee has discussed with the Company's independent registered public accounting firm the matters required to be discussed by the applicable requirements of the Public Company Accounting Oversight Board.

The Audit and Compliance Committee discussed with the Company's internal auditors and independent registered public accounting firm the overall scope and plans for their respective audits. The Audit and Compliance Committee met with the internal auditors and the independent registered public accounting firm with and without management present to discuss the results of their examinations, their evaluations of the Company's internal controls and the overall quality of the Company's financial reporting.

The Audit and Compliance Committee has received the written disclosures and the letter from the independent registered public accounting firm required by applicable requirements of the Public Company

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Accounting Oversight Board regarding the independent accountant's communications with the audit committee concerning independence. The Audit and Compliance Committee has discussed with the independent registered public accounting firm its independence and also has reviewed the amount of fees paid to the independent registered accounting firm for audit and non-audit services.

Based on the Audit and Compliance Committee's discussions with management and the independent registered public accounting firm and the Audit and Compliance Committee's review of the representations of management and the materials it received from the independent registered public accounting firm as described above, the Audit and Compliance Committee recommended to the Board of Directors that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014 for filing with the SEC.

This report is respectfully submitted by the Audit and Compliance Committee of the Board of Directors.

THE AUDIT AND COMPLIANCE COMMITTEE

John A. Clerico, Chair  
James S. Ely III  
John A. Fry

**Item 11. *Executive Compensation***

The information required by this Item is incorporated herein by reference to the Company's definitive proxy statement to be filed under Regulation 14A in connection with the Annual Meeting of the Stockholders of the Company scheduled to be held on May 19, 2015 under "Executive Compensation," "Compensation Committee Interlocks and Insider Participation," "Director Compensation," and "Compensation Committee Report."

**Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

The information required by this Item is incorporated herein by reference to the Company's definitive proxy statement to be filed under Regulation 14A in connection with the Annual Meeting of the Stockholders of the Company scheduled to be held on May 19, 2015 under "Security Ownership of Certain Beneficial Owners and Management" and "Equity Compensation Plan Information."

**Item 13. *Certain Relationships and Related Transactions, and Director Independence***

The information required by this Item is incorporated herein by reference to the Company's definitive proxy statement to be filed under Regulation 14A in connection with the Annual Meeting of the Stockholders of the Company scheduled to be held on May 19, 2015 under "General Information" and "Relationships and Certain Transactions Between the Company and Its Officers, Directors and 5% Beneficial Owners and Their Family Members."

**Item 14. *Principal Accountant Fees and Services***

The information required by this Item is incorporated herein by reference to the Company's definitive proxy statement to be filed under Regulation 14A in connection with the Annual Meeting of the Stockholders of the Company scheduled to be held on May 19, 2015 under "Fees Paid to Auditors" and "Pre-Approval of Audit and Non-Audit Services."

**PART IV**

**Item 15. Exhibits and Financial Statement Schedules**

Item 15(a) 1. *Financial Statements*

Reference is made to the index of financial statements and supplementary data under Item 8 in Part II.

Item 15(a) 2. *Financial Statement Schedules*

The following financial statement schedule is filed as part of this Form 10-K at page 179 hereof:

Schedule II— *Valuation and Qualifying Accounts*

All other schedules are omitted since the required information is not present or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements and notes thereto.

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### Item 15(a)(3):

The following exhibits are either filed with this Report or incorporated herein by reference.

<u>No.</u>	<u>Description</u>
2.1	Agreement and Plan of Merger, dated as of July 29, 2013, by and among Health Management Associates, Inc., Community Health Systems, Inc. and FWCT-2 Acquisition Corporation (incorporated by reference to Exhibit 2.1 to Community Health Systems, Inc.'s Current Report on Form 8-K filed July 30, 2013 (No. 001-15925))
2.2	Amendment and Consent to Agreement and Plan of Merger, dated as of September 24, 2013, by and among Health Management Associates, Inc., Community Health Systems, Inc. and FWCT-2 Acquisition Corporation (incorporated by reference to Exhibit 2.1 to Community Health Systems, Inc.'s Current Report on Form 8-K filed September 25, 2013 (No. 001-15925))
3.1	Form of Restated Certificate of Incorporation of Community Health Systems, Inc. (incorporated by reference to Exhibit 3.1 to Amendment No. 4 to Community Health Systems, Inc.'s Registration Statement on Form S-1/A filed June 8, 2000 (No. 333-31790))
3.2	Certificate of Amendment to the Restated Certificate of Incorporation of Community Health Systems, Inc., dated May 18, 2010 (incorporated by reference to Exhibit 3.2 to Community Health Systems, Inc.'s Current Report on Form 8-K filed May 20, 2010 (No. 001-15925))
3.3	Amended and Restated By-laws of Community Health Systems, Inc. (as of May 20, 2014) (incorporated by reference to Exhibit 3.1 to Community Health Systems, Inc.'s Current Report on Form 8-K filed May 22, 2014 (No. 001-15925))
4.1	Form of Common Stock Certificate (incorporated by reference to Exhibit 4.1 to Community Health Systems, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2014 filed May 7, 2014 (No. 001-15925))
4.2	Senior Notes Indenture relating to CHS/Community Health Systems, Inc.'s 8.000% Senior Notes due 2019, dated as of November 22, 2011, by and among CHS/Community Health Systems, Inc., the Guarantors party thereto and Regions Bank, as successor Trustee (incorporated by reference to Exhibit 4.6 to Community Health Systems, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2011 filed February 23, 2012 (No. 001-15925))
4.3	Form of 8.000% Senior Note due 2019 (included in Exhibit 4.2)
4.4	Registration Rights Agreement relating to CHS/Community Health Systems, Inc.'s 8.000% Senior Notes due 2019, dated as of November 22, 2011, by and among CHS/Community Health Systems, Inc., the Guarantors party thereto and the Initial Purchasers (incorporated by reference to Exhibit 4.8 to Community Health Systems, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2011 filed February 23, 2012 (No. 001-15925))
4.5	First Supplemental Indenture relating to CHS/Community Health Systems, Inc.'s 8.000% Senior Notes due 2019, dated as of January 31, 2012, by and among CHS/Community Health Systems, Inc., the guarantors party thereto and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.35 to Community Health Systems, Inc.'s Registration Statement on Form S-4/A filed April 2, 2012 (No. 333-180265))
4.6	Second Supplemental Indenture relating to CHS/Community Health Systems, Inc.'s 8.000% Senior Notes due 2019, dated as of March 31, 2012, by and among CHS/Community Health Systems, Inc., the guarantors party thereto and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.36 to Community Health Systems, Inc.'s Registration Statement on Form S-4/A filed April 2, 2012 (No. 333-180265))

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<u>No.</u>	<u>Description</u>
4.7	Third Supplemental Indenture relating to CHS/Community Health Systems, Inc.'s 8.000% Senior Notes due 2019, dated as of May 15, 2012, by and among CHS/Community Health Systems, Inc., the guarantors party thereto and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.2 to Community Health Systems, Inc.'s Current Report on Form 8-K filed July 18, 2012 (No. 001-15925))
4.8	Fourth Supplemental Indenture relating to CHS/Community Health Systems, Inc.'s 8.000% Senior Notes due 2019, dated as of September 30, 2012, by and among CHS/Community Health Systems, Inc., the guarantors party thereto and Regions Bank, as successor Trustee (incorporated by reference to Exhibit 4.5 to Community Health Systems, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 filed November 1, 2012 (No. 001-15925))
4.9	Fifth Supplemental Indenture relating to CHS/Community Health Systems, Inc.'s 8.000% Senior Notes due 2019, dated as of March 31, 2013, by and among CHS/Community Health Systems, Inc., the guarantors party thereto and Regions Bank, as successor Trustee (incorporated by reference to Exhibit 4.1 to Community Health Systems, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 filed April 30, 2013 (No. 001-15925))
4.10	Release of Certain Guarantor relating to CHS/Community Health Systems, Inc.'s 8.000% Senior Notes due 2019, dated as of March 31, 2013, by and among CHS/Community Health Systems, Inc., the guarantors party thereto and Regions Bank, as successor Trustee (incorporated by reference to Exhibit 4.4 to Community Health Systems, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 filed April 30, 2013 (No. 001-15925))
4.11	Sixth Supplemental Indenture relating to CHS/Community Health Systems, Inc.'s 8.000% Senior Notes due 2019, dated as of September 30, 2013, by and among CHS/Community Health Systems, Inc., the guarantors party thereto and Regions Bank, as successor Trustee (incorporated by reference to Exhibit 4.1 to Community Health Systems, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2013 filed October 31, 2013 (No. 001-15925))
4.12	Seventh Supplemental Indenture relating to CHS/Community Health Systems, Inc.'s 8.000% Senior Notes due 2019, dated as of February 12, 2014, by and among CHS/Community Health Systems, Inc., the guarantors party thereto and Regions Bank, as successor Trustee (incorporated by reference to Exhibit 4.12 to Community Health Systems, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2013 filed February 26, 2014 (No. 001-15925))
4.13	Eighth Supplemental Indenture relating to CHS/Community Health Systems, Inc.'s 8.000% Senior Notes due 2019, dated as of June 30, 2014, by and among CHS/Community Health Systems, Inc., the guarantors party thereto and Regions Bank, as successor Trustee (incorporated by reference to Exhibit 4.1 to Community Health Systems, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2014 filed August 1, 2014 (No. 001-15925))
4.14*	Ninth Supplemental Indenture relating to CHS/Community Health Systems, Inc.'s 8.000% Senior Notes due 2019, dated as of December 1, 2014, by and among CHS/Community Health Systems, Inc., the guarantors party thereto and Regions Bank, as successor Trustee
4.15	Senior Notes Indenture relating to CHS/Community Health Systems, Inc.'s 7.125% Senior Notes due 2020, dated as of July 18, 2012, by and among CHS/Community Health Systems, Inc., the Guarantors party thereto and Regions Bank, as Trustee (incorporated by reference to Exhibit 4.1 to Community Health Systems, Inc.'s Current Report on Form 8-K filed July 18, 2012 (No. 001-15925))
4.16	Form of 7.125% Senior Note due 2020 (included in Exhibit 4.15)



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<u>No.</u>	<u>Description</u>
4.17	First Supplemental Indenture relating to CHS/Community Health Systems, Inc.'s 7.125% Senior Notes due 2020, dated as of September 30, 2012, by and among CHS/Community Health Systems, Inc., the guarantors party thereto and Regions Bank, as Trustee (incorporated by reference to Exhibit 4.6 to Community Health Systems, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 filed November 1, 2012 (No. 001-15925))
4.18	Second Supplemental Indenture relating to CHS/Community Health Systems, Inc.'s 7.125% Senior Notes due 2020, dated as of March 31, 2013, by and among CHS/Community Health Systems, Inc., the guarantors party thereto and Regions Bank, as Trustee (incorporated by reference to Exhibit 4.2 to Community Health Systems, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 filed April 30, 2013 (No. 001-15925))
4.19	Release of Certain Guarantor relating to CHS/Community Health Systems, Inc.'s 7.125% Senior Notes due 2020, dated as of March 31, 2013, by and among CHS/Community Health Systems, Inc., the guarantors party thereto and Regions Bank, as Trustee (incorporated by reference to Exhibit 4.5 to Community Health Systems, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 filed April 30, 2013 (No. 001-15925))
4.20	Third Supplemental Indenture relating to CHS/Community Health Systems, Inc.'s 7.125% Senior Notes due 2020, dated as of September 30, 2013, by and among CHS/Community Health Systems, Inc., the guarantors party thereto and Regions Bank, as Trustee (incorporated by reference to Exhibit 4.2 to Community Health Systems, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2013 filed October 31, 2013 (No. 001-15925))
4.21	Fourth Supplemental Indenture relating to CHS/Community Health Systems, Inc.'s 7.125% Senior Notes due 2020, dated as of February 12, 2014, by and among CHS/Community Health Systems, Inc., the guarantors party thereto and Regions Bank, as Trustee (incorporated by reference to Exhibit 4.19 to Community Health Systems, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2013 filed February 26, 2014 (No. 001-15925))
4.22	Fifth Supplemental Indenture relating to CHS/Community Health Systems, Inc.'s 7.125% Senior Notes due 2020, dated as of June 30, 2014, by and among CHS/Community Health Systems, Inc., the guarantors party thereto and Regions Bank, as Trustee (incorporated by reference to Exhibit 4.2 to Community Health Systems, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2013 filed August 1, 2014 (No. 001-15925))
4.23*	Sixth Supplemental Indenture relating to CHS/Community Health Systems, Inc.'s 7.125% Senior Notes due 2020, dated as of December 1, 2014, by and among CHS/Community Health Systems, Inc., the guarantors party thereto and Regions Bank, as Trustee
4.24	Senior Secured Notes Indenture relating to CHS/Community Health Systems, Inc.'s 5.125% Senior Secured Notes due 2018, dated as of August 17, 2012, by and among CHS/Community Health Systems, Inc., the Guarantors party thereto, Regions Bank, as Trustee and Credit Suisse AG, as Collateral Agent (incorporated by reference to Exhibit 4.1 to Community Health Systems, Inc.'s Current Report on Form 8-K filed August 20, 2012 (No. 001-15925))
4.25	Form of 5.125% Senior Secured Note due 2018 (included in Exhibit 4.24)
4.26	First Supplemental Indenture relating to CHS/Community Health Systems, Inc.'s 5.125% Senior Secured Notes due 2018, dated as of September 30, 2012, by and among CHS/Community Health Systems, Inc., the guarantors party thereto and Regions Bank, as Trustee (incorporated by reference to Exhibit 4.7 to Community Health Systems, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 filed November 1, 2012 (No. 001-15925))
4.27	Second Supplemental Indenture relating to CHS/Community Health Systems, Inc.'s 5.125% Senior Secured Notes due 2018, dated as of March 31, 2013, by and among CHS/Community Health Systems, Inc., the guarantors party thereto and Regions Bank, as Trustee (incorporated by reference to Exhibit 4.3 to Community Health Systems, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 filed April 30, 2013 (No. 001-15925))

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<u>No.</u>	<u>Description</u>
4.28	Release of Certain Guarantor relating to CHS/Community Health Systems, Inc.'s 5.125% Senior Secured Notes due 2018, dated as of March 31, 2013, by and among CHS/Community Health Systems, Inc., the guarantors party thereto and Regions Bank, as Trustee (incorporated by reference to Exhibit 4.6 to Community Health Systems, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 filed April 30, 2013 (No. 001-15925))
4.29	Third Supplemental Indenture relating to CHS/Community Health Systems, Inc.'s 5.125% Senior Secured Notes due 2018, dated as of September 30, 2013, by and among CHS/Community Health Systems, Inc., the guarantors party thereto and Regions Bank, as Trustee (incorporated by reference to Exhibit 4.3 to Community Health Systems, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2013 filed October 31, 2013 (No. 001-15925))
4.30	Fourth Supplemental Indenture relating to CHS/Community Health Systems, Inc.'s 5.125% Senior Secured Notes due 2018, dated as of February 12, 2014, by and among CHS/Community Health Systems, Inc., the guarantors party thereto, Regions Bank, as Trustee and Credit Suisse AG, as Collateral Agent (incorporated by reference to Exhibit 4.26 to Community Health Systems, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2013 filed February 26, 2014 (No. 001-15925))
4.31	Fifth Supplemental Indenture relating to CHS/Community Health Systems, Inc.'s 5.125% Senior Secured Notes due 2018, dated as of June 30, 2014, by and among CHS/Community Health Systems, Inc., the guarantors party thereto, Regions Bank, as Trustee and Credit Suisse AG, as Collateral Agent (incorporated by reference to Exhibit 4.3 to Community Health Systems, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2014 filed August 1, 2014 (No. 001-15925))
4.32*	Sixth Supplemental Indenture relating to CHS/Community Health Systems, Inc.'s 5.125% Senior Secured Notes due 2018, dated as of December 1, 2014, by and among CHS/Community Health Systems, Inc., the guarantors party thereto, Regions Bank, as Trustee and Credit Suisse AG, as Collateral Agent
4.33	Amendment No. 1 and Reaffirmation Agreement, dated as of August 17, 2012, relating to the Amended and Restated Guarantee and Collateral Agreement, dated as of July 25, 2007, as amended and restated as of November 5, 2010, among CHS/Community Health Systems, Inc., Community Health Systems, Inc., the guarantors party thereto, and Credit Suisse AG, as Collateral Trustee (incorporated by reference to Exhibit 4.1 to Community Health Systems, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 filed November 1, 2012 (No. 001-15925))
4.34	First Lien Intercreditor Agreement, dated as of August 17, 2012, among Credit Suisse AG, as Collateral Agent, Credit Suisse AG, as authorized representative, Regions Bank, as Trustee and authorized representative, and the additional authorized representatives party thereto (incorporated by reference to Exhibit 4.2 to Community Health Systems, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 filed November 1, 2012 (No. 001-15925))
4.35	Copyright Security Agreement, dated as of August 17, 2012, among Community Health Systems, Inc., CHS Washington Holdings, LLC, Northwest Hospital, LLC, Quorum Health Resources, LLC, and Credit Suisse AG, as Collateral Agent (incorporated by reference to Exhibit 4.3 to Community Health Systems, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 filed November 1, 2012 (No. 001-15925))
4.36	Trademark Security Agreement, dated as of August 17, 2012, among CHS/Community Health Systems, Inc., Blue Island Hospital Company, LLC, CHS Washington Holdings, LLC, Quorum Health Resources, LLC, Triad Healthcare Corporation, Youngstown Ohio Hospital Company, LLC, and Credit Suisse AG, as Collateral Agent (incorporated by reference to Exhibit 4.4 to Community Health Systems, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 filed November 1, 2012 (No. 001-15925))

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<u>No.</u>	<u>Description</u>
4.37	Senior Secured Notes Indenture relating to CHS/Community Health Systems, Inc.'s 5.125% Senior Secured Notes due 2021, dated as of January 27, 2014, by and among FWCT-2 Escrow Corporation, Regions Bank, as Trustee, and Credit Suisse AG, as Collateral Agent (incorporated by reference to Exhibit 4.1 to Community Health Systems, Inc.'s Current Report on Form 8-K filed January 28, 2014 (No. 001-15925))
4.38	Form of 5.125% Senior Secured Note due 2021 (included in Exhibit 4.37)
4.39	First Supplemental Indenture relating to CHS/Community Health Systems, Inc.'s 5.125% Senior Secured Notes due 2021, dated as of January 27, 2014, by and among CHS/Community Health Systems, Inc., the guarantors party thereto, Regions Bank, as Trustee, and Credit Suisse AG, as Collateral Agent (incorporated by reference to Exhibit 4.2 to Community Health Systems, Inc.'s Current Report on Form 8-K filed January 28, 2014 (No. 001-15925))
4.40	Second Supplemental Indenture relating to CHS/Community Health Systems, Inc.'s 5.125% Senior Secured Notes due 2021, dated as of June 30, 2014, by and among CHS/Community Health Systems, Inc., the guarantors party thereto, Regions Bank, as Trustee and Credit Suisse AG, as Collateral Agent (incorporated by reference to Exhibit 4.4 to Community Health Systems, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2014 filed August 1, 2014 (No. 001-15925))
4.41*	Third Supplemental Indenture relating to CHS/Community Health Systems, Inc.'s 5.125% Senior Secured Notes due 2021, dated as of December 1, 2014, by and among CHS/Community Health Systems, Inc., the guarantors party thereto, Regions Bank, as Trustee and Credit Suisse AG, as Collateral Agent
4.42	Senior Notes Indenture relating to CHS/Community Health Systems, Inc.'s 6.875% Senior Notes due 2022, dated as of January 27, 2014, by and among FWCT-2 Escrow Corporation and Regions Bank, as Trustee (incorporated by reference to Exhibit 4.3 to Community Health Systems, Inc.'s Current Report on Form 8-K filed January 28, 2014 (No. 001-15925))
4.43	Form of 6.875% Senior Note due 2022 (included in Exhibit 4.42)
4.44	First Supplemental Indenture relating to CHS/Community Health Systems, Inc.'s 6.875% Senior Notes due 2022, dated as of January 27, 2014, by and among CHS/Community Health Systems, Inc., the guarantors party thereto and Regions Bank, as Trustee (incorporated by reference to Exhibit 4.4 to Community Health Systems, Inc.'s Current Report on Form 8-K filed January 28, 2014 (No. 001-15925))
4.45	Second Supplemental Indenture relating to CHS/Community Health Systems, Inc.'s 6.875% Senior Notes due 2022, dated as of June 30, 2014, by and among CHS/Community Health Systems, Inc., the guarantors party thereto and Regions Bank, as Trustee (incorporated by reference to Exhibit 4.5 to Community Health Systems, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2014 filed August 1, 2014 (No. 001-15925))
4.46*	Third Supplemental Indenture relating to CHS/Community Health Systems, Inc.'s 6.875% Senior Notes due 2022, dated as of December 1, 2014, by and among CHS/Community Health Systems, Inc., the guarantors party thereto and Regions Bank, as Trustee
4.47	Secured Notes Registration Rights Agreement, dated as of January 27, 2014, by and among FWCT-2 Escrow Corporation, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Credit Suisse Securities (USA) LLC, each as a representative of the initial purchasers (incorporated by reference to Exhibit 4.5 to Community Health Systems, Inc.'s Current Report on Form 8-K filed January 28, 2014 (No. 001-15925))

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<u>No.</u>	<u>Description</u>
4.48	Unsecured Notes Registration Rights Agreement, dated as of January 27, 2014, by and among FWCT-2 Escrow Corporation, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Credit Suisse Securities (USA) LLC, each as a representative of the initial purchasers (incorporated by reference to Exhibit 4.6 to Community Health Systems, Inc.'s Current Report on Form 8-K filed January 28, 2014 (No. 001-15925))
4.49	Secured Notes Registration Rights Agreement Joinder, dated as of January 27, 2014, by and among CHS/Community Health Systems, Inc., the subsidiaries party thereto, and Merrill Lynch, Pierce, Fenner & Smith Incorporated and Credit Suisse Securities (USA) LLC, each as a representative of the initial purchasers thereto (incorporated by reference to Exhibit 4.7 to Community Health Systems, Inc.'s Current Report on Form 8-K filed January 28, 2014 (No. 001-15925))
4.50	Unsecured Notes Registration Rights Agreement Joinder, dated as of January 27, 2014, by and among CHS/Community Health Systems, Inc., the subsidiaries party thereto, and Merrill Lynch, Pierce, Fenner & Smith Incorporated and Credit Suisse Securities (USA) LLC, each as a representative of the initial purchasers (incorporated by reference to Exhibit 4.8 to Community Health Systems, Inc.'s Current Report on Form 8-K filed January 28, 2014 (No. 001-15925))
10.1	Amended and Restated Guarantee and Collateral Agreement, dated as of July 25, 2007, as amended and restated as of November 5, 2010, among CHS/Community Health Systems, Inc., Community Health Systems, Inc., the subsidiaries of CHS/Community Health Systems, Inc. from time to time party thereto and Credit Suisse AG, as Collateral Agent (incorporated by reference to Exhibit 10.3 to Community Health Systems, Inc.'s Current Report on Form 8-K filed November 9, 2010 (No. 001-15925))
10.2	Third Amendment and Restatement Agreement, dated as of January 27, 2014, to the Credit Agreement dated as of July 25, 2007, as amended and restated as of November 5, 2010 and as of February 2, 2012, among CHS/Community Health Systems, Inc., Community Health Systems, Inc., the subsidiaries of CHS/Community Health Systems, Inc. party thereto, the lenders party thereto and Credit Suisse AG, as Administrative Agent and Collateral Agent (incorporated by reference to Exhibit 10.1 to Community Health Systems, Inc.'s Current Report on Form 8-K filed January 28, 2014 (No. 001-15925))
10.3	Third Amended and Restated Credit Agreement, dated as of January 27, 2014, to the Credit Agreement dated as of July 25, 2007, as amended and restated as of November 5, 2010 and as of February 2, 2012, among CHS/Community Health Systems, Inc., Community Health Systems, Inc., the subsidiaries of CHS/Community Health Systems, Inc. party thereto, the lenders party thereto and Credit Suisse AG, as Administrative Agent and Collateral Agent (incorporated by reference to Exhibit 10.2 to Community Health Systems, Inc.'s Current Report on Form 8-K filed January 28, 2014 (No. 001-15925))
10.4	Contingent Value Rights Agreement, dated as of January 27, 2014, by and between Community Health Systems, Inc. and American Stock Transfer & Trust Company, LLC, as Trustee (incorporated by reference to Exhibit 10.3 to Community Health Systems, Inc.'s Current Report on Form 8-K filed January 28, 2014 (No. 001-15925))
10.5	Receivables Sale Agreement, dated as of March 21, 2012, among CHS/Community Health Systems, Inc., the originators party thereto and CHSPSC, LLC (formerly Community Health Systems Professional Services Corporation), as Collection Agent (incorporated by reference to Exhibit 10.1 to Community Health Systems, Inc.'s Current Report on Form 8-K filed March 23, 2012 (No. 001-15925))
10.6	Receivables Purchase and Contribution Agreement, dated as of March 21, 2012, among CHS/Community Health Systems, Inc., CHS Receivables Funding, LLC and CHSPSC, LLC (formerly Community Health Systems Professional Services Corporation), as Collection Agent (incorporated by reference to Exhibit 10.2 to Community Health Systems, Inc.'s Current Report on Form 8-K filed March 23, 2012 (No. 001-15925))

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<u>No.</u>	<u>Description</u>
10.7	Receivables Loan Agreement, dated as of March 21, 2012, among CHS Receivables Funding, LLC, the lenders party thereto, the managing agents party thereto, Crédit Agricole Corporate and Investment Bank, as Administrative Agent, and CHSPSC, LLC (formerly Community Health Systems Professional Services Corporation), as Collection Agent (incorporated by reference to Exhibit 10.3 to Community Health Systems, Inc.'s Current Report on Form 8-K filed March 23, 2012 (No. 001-15925))
10.8	First Omnibus Amendment, dated July 30, 2012, to the Receivables Sale Agreement among CHS/Community Health Systems, Inc., the originators party thereto and CHSPSC, LLC, as Collection Agent, to the Receivables Purchase and Contribution Agreement among CHS/Community Health Systems, Inc., CHS Receivables Funding, LLC and CHSPSC, LLC, as Collection Agent, and to the Receivables Loan Agreement among CHS Receivables Funding, LLC, the lenders party thereto, the managing agents party thereto, Crédit Agricole Corporate and Investment Bank, as Administrative Agent, and CHSPSC, LLC, as Collection Agent, all dated as of March 21, 2012 (incorporated by reference to Exhibit 10.1 to Community Health Systems, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 filed November 1, 2012 (No. 001-15925))
10.9	Second Omnibus Amendment, dated March 7, 2013, to the Receivables Sale Agreement among CHS/Community Health Systems, Inc., the originators party thereto and CHSPSC, LLC, as Collection Agent, to the Receivables Purchase and Contribution Agreement among CHS/Community Health Systems, Inc., CHS Receivables Funding, LLC and CHSPSC, LLC, as Collection Agent, and to the Receivables Loan Agreement among CHS Receivables Funding, LLC, the lenders party thereto, the managing agents party thereto, Crédit Agricole Corporate and Investment Bank, as Administrative Agent, and CHSPSC, LLC, as Collection Agent, all dated as of March 21, 2012 (incorporated by reference to Exhibit 10.1 to Community Health Systems, Inc.'s Current Report on Form 8-K filed March 8, 2013 (No. 001-15925))
10.10	Third Omnibus Amendment, dated March 31, 2014, to the Receivables Sale Agreement among CHS/Community Health Systems, Inc., the originators party thereto and CHSPSC, LLC, as Collection Agent, to the Receivables Purchase and Contribution Agreement among CHS/Community Health Systems, Inc., CHS Receivables Funding, LLC and CHSPSC, LLC, as Collection Agent, and to the Receivables Loan Agreement among CHS Receivables Funding, LLC, the lenders party thereto, the managing agents party thereto, Crédit Agricole Corporate and Investment Bank, as Administrative Agent, and CHSPSC, LLC, as Collection Agent, all dated as of March 21, 2012 (incorporated by reference to Exhibit 10.1 to Community Health Systems, Inc.'s Current Report on Form 8-K filed April 1, 2014 (No. 001-15925))
10.11	Fourth Amendment, dated August 29, 2014, to the Receivables Loan Agreement among CHS Receivables Funding, LLC, the lenders party thereto, the managing agents party thereto, Crédit Agricole Corporate and Investment Bank, as Administrative Agent, and CHSPSC, LLC, as Collection Agent, all dated as of March 21, 2012 (incorporated by reference to Exhibit 10.1 to Community Health Systems, Inc.'s Quarterly Report on Form 10-Q filed November 4, 2014 (No. 001-15925))
10.12†	Form of Indemnification Agreement between Community Health Systems, Inc. and its directors and executive officers (incorporated by reference to Exhibit 10.8 to Amendment No. 2 to Community Health Systems, Inc.'s Registration Statement on Form S-1/A filed May 2, 2000 (No. 333-31790))
10.13†	CHS/Community Health Systems, Inc. Amended and Restated Supplemental Executive Retirement Plan, as amended and restated as of January 1, 2009 (incorporated by reference to Exhibit 10.13 to Community Health Systems, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2008 filed February 27, 2009 (No. 001-15925))

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<u>No.</u>	<u>Description</u>
10.14†	Amendment No. 1, dated as of September 13, 2011, to the CHS/Community Health Systems, Inc. Amended and Restated Supplemental Executive Retirement Plan, as amended and restated as of January 1, 2009 (incorporated by reference to Exhibit 10.1 to Community Health Systems, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2011 filed October 28, 2011 (No. 001-15925))
10.15	Amendment No. 2, dated as of January 1, 2014, to the CHS/Community Health Systems, Inc. Amended and Restated Supplemental Executive Retirement Plan, as amended and restated as of January 1, 2009 (incorporated by reference to Exhibit 10.1 to Community Health Systems, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2014 filed May 7, 2014 (No. 001-15925))
10.16†	Community Health Systems Supplemental Executive Benefits (incorporated by reference to Exhibit 10.14 to Community Health Systems, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2008 filed February 27, 2009 (No. 001-15925))
10.17†	Supplemental Executive Retirement Plan Trust, dated June 1, 2005, by and between CHS/Community Health Systems, Inc., as grantor, and Wachovia Bank, N.A., as Trustee (incorporated by reference to Exhibit 10.3 to Community Health Systems, Inc.'s Current Report on Form 8-K filed June 1, 2005 (No. 001-15925))
10.18†	CHS/Community Health Systems, Inc. Deferred Compensation Plan, amended and restated effective January 1, 2014 (incorporated by reference to Exhibit 10.25 to Community Health Systems, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2013 filed February 26, 2014 (No. 001-15925))
10.19†	Community Health Systems Deferred Compensation Plan Trust, amended and restated effective February 26, 1999 (incorporated by reference to Exhibit 10.18 to Community Health Systems, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2002 filed March 27, 2003 (No. 001-15925))
10.20†	CHS NQDCP, effective as of September 1, 2009 (incorporated by reference to Exhibit 4.2 to Community Health Systems, Inc.'s Registration Statement on Form S-8 filed December 11, 2009 (No. 333-163691))
10.21†	CHS NQDCP Adoption Agreement, executed as of August 11, 2009 (incorporated by reference to Exhibit 4.3 to Community Health Systems, Inc.'s Registration Statement on Form S-8 filed December 11, 2009 (No. 333-163691))
10.22†	Guarantee, dated December 9, 2009, made by Community Health Systems, Inc. in favor of CHS/Community Health Systems, Inc. with respect to CHS/Community Health Systems, Inc.'s payment obligations under the CHS/Community Health Systems, Inc. Deferred Compensation Plan and the NQDCP (incorporated by reference to Exhibit 4.4 to Community Health Systems, Inc.'s Registration Statement on Form S-8 filed December 11, 2009 (No. 333-163691))
10.23†	Community Health Systems, Inc. 2004 Employee Performance Incentive Plan, as amended and restated as of February 26, 2014 (incorporated by reference to Exhibit 10.1 to Community Health Systems, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2014 filed August 1, 2014 (No. 001-15925))
10.24†	Community Health Systems, Inc. Directors' Fees Deferral Plan, as amended and restated as of December 10, 2008 (incorporated by reference to Exhibit 10.15 to Community Health Systems, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2008 filed February 27, 2009 (No. 001-15925))
10.25†	Community Health Systems, Inc. 2000 Stock Option and Award Plan, as amended and restated as of March 20, 2013 (incorporated by reference to Exhibit 10.1 to Community Health Systems, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2013 filed July 31, 2013 (No. 001-15925))

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<u>No.</u>	<u>Description</u>
10.26†	Form of Nonqualified Stock Option Agreement (Employee) for Community Health Systems, Inc. 2000 Stock Option and Award Plan (incorporated by reference to Exhibit 10.15 to Community Health Systems, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2009 filed February 26, 2010 (No. 001-15925))
10.27†	Community Health Systems, Inc. 2009 Stock Option and Award Plan, as amended and restated as of March 19, 2014 (incorporated by reference to Exhibit 10.2 to Community Health Systems, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2014 filed August 1, 2014 (No. 001-15925))
10.28†	Form of Nonqualified Stock Option Agreement (Employee) for Community Health Systems, Inc. 2009 Stock Option and Award Plan (incorporated by reference to Exhibit 10.39 to Community Health Systems, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2013 filed February 26, 2014 (No. 001-15925))
10.29†	Form of Restricted Stock Award Agreement for Community Health Systems, Inc. 2009 Stock Option and Award Plan (incorporated by reference to Exhibit 10.3 to Community Health Systems, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2013 filed July 31, 2013 (No. 001-15925))
10.30†	Form of Performance Based Restricted Stock Award Agreement (Most Highly Compensated Executive Officers) for Community Health Systems, Inc. 2009 Stock Option and Award Plan (incorporated by reference to Exhibit 10.4 to Community Health Systems, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2013 filed July 31, 2013 (No. 001-15925))
10.31†	Form of Performance Based Restricted Stock Award Agreement (Special Purpose) for Community Health Systems, Inc. 2009 Stock Option and Award Plan (incorporated by reference to Exhibit 10.2 to Community Health Systems, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2014 filed May 7, 2014 (No. 001-15925))
10.32†	Form of Director Restricted Stock Unit Award Agreement for Community Health Systems, Inc. 2009 Stock Option and Award Plan \ (incorporated by reference to Exhibit 10.5 to Community Health Systems, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2013 filed July 31, 2013 (No. 001-15925))
10.33†	Form of Amended and Restated Change in Control Severance Agreement effective December 31, 2008 (incorporated by reference to Exhibit 10.22 to Community Health Systems, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2008 filed February 27, 2009 (No. 001-15925))
10.34†	Form of Change in Control Severance Agreement (for executive officers appointed since January 1, 2009) (incorporated by reference to Exhibit 10.3 to Community Health Systems, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2014 filed May 7, 2014 (No. 001-15925))
10.35	Participation Agreement entered into as of January 1, 2005, by and between Community Health Systems Professional Services Corporation and HealthTrust Purchasing Group, L.P. (incorporated by reference to Exhibit 10.1 to Community Health Systems, Inc.'s Current Report on Form 8-K filed January 7, 2005 (No. 001-15925))
10.36*	Amendment effective as of January 1, 2015, by and between CHSPSC, LLC and HealthTrust Purchasing Group, L.P., to Participation Agreement entered into as of January 1, 2005, by and between Community Health Systems Professional Services Corporation and HealthTrust Purchasing Group, L.P.

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<u>No.</u>	<u>Description</u>
12.1*	Computation of Ratio of Earnings to Fixed Charges
21*	List of Subsidiaries
23.1*	Consent of Deloitte & Touche LLP
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.1	Corporate Integrity Agreement, dated July 28, 2014, between Community Health Systems, Inc. and the Office of Inspector General of the United States Department of Health and Human Services (incorporated by reference to Exhibit 99.1 to Community Health Systems, Inc.'s Quarterly Report on Form 10-Q filed November 4, 2014 (No. 001-15925))
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase
*	Filed herewith.
†	Indicates a management contract or compensatory plan or arrangement.



### SIGNATURES

Pursuant to the requirements of section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COMMUNITY HEALTH SYSTEMS, INC.

By:                                 /s/ Wayne T. Smith                                  
                                Wayne T. Smith  
                                Chairman of the Board  
                                and Chief Executive Officer

Date: February 25, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Name</u>	<u>Title</u>	<u>Date</u>
<u>                                /s/ WAYNE T. SMITH                                </u> Wayne T. Smith	Chief Executive Officer and Director (principal executive officer)	2/25/2015
<u>                                /s/ W. LARRY CASH                                </u> W. Larry Cash	President of Financial Services, Chief Financial Officer and Director (principal financial officer)	2/25/2015
<u>                                /s/ KEVIN J. HAMMONS                                </u> Kevin J. Hammons	Senior Vice President and Chief Accounting Officer (principal accounting officer)	2/25/2015
<u>                                /s/ JOHN A. CLERICO                                </u> John A. Clerico	Director	2/25/2015
<u>                                /s/ JAMES S. ELY III                                </u> James S. Ely III	Director	2/25/2015
<u>                                /s/ JOHN A. FRY                                </u> John A. Fry	Director	2/25/2015
<u>                                /s/ WILLIAM NORRIS JENNINGS, M.D.                                </u> William Norris Jennings, M.D.	Director	2/25/2015
<u>                                /s/ JULIA B. NORTH                                </u> Julia B. North	Director	2/25/2015
<u>                                /s/ H. MITCHELL WATSON, JR.                                </u> H. Mitchell Watson, Jr.	Director	2/25/2015

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders of  
Community Health Systems, Inc.  
Franklin, Tennessee

We have audited the consolidated financial statements of Community Health Systems, Inc. and subsidiaries (the "Company") as of December 31, 2014 and 2013, and for each of the three years in the period ended December 31, 2014, and the Company's internal control over financial reporting as of December 31, 2014, and have issued our reports thereon dated February 25, 2015; such reports are included elsewhere in this Form 10-K. Our audits also included the consolidated financial statement schedule of the Company listed in Item 15. This consolidated financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ Deloitte & Touche LLP  
Nashville, Tennessee  
February 25, 2015

**Community Health Systems, Inc. and Subsidiaries**  
**Schedule II — Valuation and Qualifying Accounts**

<u>Description</u>	<u>Balance at Beginning of Year</u>	<u>Acquisitions and Dispositions</u>	<u>Charged to Costs and Expenses</u>	<u>Write-offs</u>	<u>Balance at End of Year</u>
			(In millions)		
Year ended December 31, 2014 allowance for doubtful accounts	\$ 2,438	\$ 960	\$ 3,022	\$(2,916)	\$3,504
Year ended December 31, 2013 allowance for doubtful accounts	\$ 2,191	\$ —	\$ 2,034	\$(1,787)	\$2,438
Year ended December 31, 2012 allowance for doubtful accounts	\$ 1,876	\$ —	\$ 1,915	\$(1,600)	\$2,191